

Risk Assessment Form

Organisation/Department/Function/Project: **Dyfed Pension Fund**

Manager: **Pensions Manager and Treasury & Pensions Investments Manager**

Date: **, 31 October, 2017**

Risk (Threat to achievement of business objective)	Assessment of Uncontrolled Risk (Assume NO controls in place)			Risk Control Measures	Assigned To	Target Date (Priority)	Assessment of Current Risk (Assume CURRENT controls in place)			
	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating	
RE390001 - Failure to comply with LGPS regulations as well as other overriding regulations	Substantial	Unlikely	Medium	<ul style="list-style-type: none"> • Altair Development Officer undertakes Altair system checks to ensure compliance with LGPS regulations • Network Groups (Altair & LGPC) • Technical Officer ensures legislative accuracy of calculations • Communication & Training Officer Communication & Training Officer responsible for the maintenance of Online Procedure manuals, and the provision of training to all section staff and employing bodies via site visits. • Continue to act as an "Early Adopter" in conjunction with the system provider to ensure system meets regulatory requirements 	Pensions Manager		Substantial	Improbable	Low	
	4	2	8				4	1	4	

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RE390002 - Failure to respond to major change to the LGPS following Public Sector Pension Review	Substantial	Possible	High	• Participation in all high level Government discussions and consultations	Pensions Manager		Substantial	Improbable	Low
	4	3	12				4	1	4
				• Technical Officer ensures legislative accuracy of calculations	Pensions Manager				
				• Ensure best practice is implemented and DPF is seen as a centre of excellence for pension administration	Pensions Manager				
				• Continue to be recognised nationally by peers as one of the leaders in pension administration and facilitate site visits	Pensions Manager				
				• Society of Welsh Treasurers review the suitability of existing and any new pension fund arrangements	Pensions Manager and Treasury & Pension Investments Manager				
			• CIPFA Pensions Network membership	Treasury & Pension Investments Manager					

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RE390003 - Failure to process accurate pension benefits payments, including lump sum payments, in a timely manner	Significant	Unlikely	Medium	<ul style="list-style-type: none"> Segregation of duties and authorisation of benefits following calculation by Senior Pensions Officer and Pensions Officer 	Pensions Manager		Significant	Improbable	Very Low
	3	2	6	<ul style="list-style-type: none"> Altair Development Officer is responsible for regular system checks regarding calculations 	Pensions Manager				
				<ul style="list-style-type: none"> Communication & Training Officer liaises closely with all employing authorities to ensure timely submission of information to DPF 	Pensions Manager				
				<ul style="list-style-type: none"> Payroll deadline procedures in place 	Pensions Manager				
				<ul style="list-style-type: none"> Item in Business Continuity/Disaster Recovery Plan 	Pensions Manager				
				<ul style="list-style-type: none"> Participate in National Fraud Initiative (NFI) 	Pensions Manager				
				<ul style="list-style-type: none"> Life Certificates exercise carried out for all cheque payments 	Pensions Manager				
				<ul style="list-style-type: none"> Undertake reviews of monthly performance to ensure service standards are maintained IT Contingency/Resilience Plan in place 	Pensions Manager				

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<p>RE390004 - Failure to collect and account for full receipt of contributions from employers and employees on time</p> <p>Failure to collect full receipt of pension contributions from employees and employers in line with Regulation guidelines.</p> <p>Failure of employers' financial systems; absence of key staff; failure to communicate with employers effectively; failure of key systems such as on-line banking and/or financial ledger.</p> <p>Possible adverse audit opinion; negative cash flow position; delays in producing IAS19 accounting reports; delays in closure of year end accounts; employers forced to leave the scheme.</p>	Substantial	Possible	High	<ul style="list-style-type: none"> Contributions monitoring procedures Formal timescales for receipt of contributions Budget Set and monthly monitoring against the budget Escalation of non receipt of contributions Systems Audit undertaken by Internal Audit and External Auditors 	<p>Pensions Manager and Treasury & Pension Investments Manager</p> <p>Pensions Manager and Treasury & Pension Investments Manager</p> <p>Pensions Manager and Treasury & Pension Investments Manager</p> <p>Pensions Manager and Treasury & Pension Investments Manager</p> <p>Pensions Manager and Treasury & Pension Investments Manager</p>		Substantial	Unlikely	Medium
	4	3	12				4	2	8

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RE390005 - Failure to keep pension records up to date and accurate	Significant	Possible	Medium	<ul style="list-style-type: none"> Senior Officers liaise closely with employing authorities to ensure timely and accurate submission of data to DPF 	Pensions Manager		Significant	Improbable	Very Low
	3	3	9				3	1	3
				<ul style="list-style-type: none"> I-Connect ensures that data from employers is identified by a direct transfer from payroll on a monthly basis 	Pensions Manager				
				<ul style="list-style-type: none"> Data accuracy checks undertaken by the pension section prior to continual validation on workflow system 	Pensions Manager				
				<ul style="list-style-type: none"> Data integrity validation is performed monthly by Altair Development Officer 	Pensions Manager				
				<ul style="list-style-type: none"> Data validation checks also undertaken by the DPF's partners (e.g. the Actuary at Valuation) 	Pensions Manager				
			<ul style="list-style-type: none"> Additional validation carried out through NFI 	Pensions Manager					
			<ul style="list-style-type: none"> Opportunity to escalate non-compliance 	Pensions Manager					

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RE390006 - Failure to hold personal data securely	Substantial	Unlikely	Medium	<ul style="list-style-type: none"> • Business Continuity/Disaster Recovery Plan for the Authority with IT firewalls • Disaster Recovery Plan for pensions system • Authorised users have unique usernames, and passwords must be changed every 60 days • Documentation is scanned onto the pensions system and paper copies are held for a period of 3 months before shredding • Compliance with the Data Protection Act 1998 • Compliance with the Authority's in-house IT policies • Systems and Payroll audit undertaken annually 	Pensions Manager		Substantial	Improbable	Low
	4	2	8				4	1	4

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RE390007 - Loss of funds through fraud or misappropriation in administration related functions	Substantial	Unlikely	Medium	• Internal and external audit checks performed to ensure that appropriate and effective controls are in place	Pensions Manager		Substantial	Unlikely	Medium
	4	2	8				4	2	8
				• Segregation of duties and authorisation of benefits following calculation by Senior Pensions Officer and Pensions Officer	Pensions Manager				
				• Altair Development officer undertakes data integrity checks	Pensions Manager				
RE390008 - Normal operations disrupted by uncontrollable external factors Service delivery threats from fire, bomb, extreme weather, electrical faults, sickness epidemic,etc. Insufficient daily back up, disaster recovery, and IT cover to support systems. Temporary loss of ability to provide	Substantial	Possible	High	• Business Continuity/Disaster Recovery Plan for the Authority with IT firewalls	Pensions Manager and Treasury & Pension Investments Manager		Substantial	Unlikely	Medium
	4	3	12				4	2	8
				• Disaster Recovery Plan for pensions system with the software provider	Pensions Manager				
			• Data stored on one of Council's stand alone IT servers	Pensions Manager and Treasury & Pension Investments Manager					

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RE390009 - Inability to keep service going due to loss of main office, computer system, or staff	Moderate 2	Unlikely 2	Low 4	<ul style="list-style-type: none"> • Business Continuity/Disaster Recovery Plan for the Authority with IT firewalls • Disaster Recovery Plan for pensions system 	Pensions Manager Pensions Manager		Moderate 2	Improbable 1	Very Low 2
RE390010 - Lack of expertise among some Pension Administration officers	Significant 3	Unlikely 2	Medium 6	<ul style="list-style-type: none"> • Personal development plan in place to support the development of each officer in the Section • Specific courses / seminars attended by officers to further their knowledge and understanding 	Pensions Manager Pensions Manager		Significant 3	Improbable 1	Very Low 3
RE390011 - Over reliance on key Pensions Administration and Investment Officers Specialist nature of the work means there are relatively few experts in Investments and the Local Authority Pensions Regulations. Significant knowledge gap left if experts leave.	Significant 3	Possible 3	Medium 9	<ul style="list-style-type: none"> • Key officers convey specialist knowledge to colleagues on a function or topic basis by mentoring • Enhance training by bespoke sessions / courses / workshops • Specific relevant qualifications for admin and investment staff • External consultants and independent adviser available for short term assistance 	Pensions Manager and Treasury & Pension Investments Manager Pensions Manager and Treasury & Pension Investments Manager Pensions Manager and Treasury & Pension Investments Manager Pensions Manager and Treasury & Pension Investments Manager		Significant 3	Possible 3	Medium 9

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RE390012 - Failure to appropriately attract, manage, develop, and retain staff at all levels	Substantial	Unlikely	Medium	<ul style="list-style-type: none"> • Training and Development Plan established 	Pensions Manager		Substantial	Unlikely	Medium
	4	2	8				4	2	8
RE390013 - Failure to communicate properly with stakeholders Lack of clear communications.	Significant	Unlikely	Medium	<ul style="list-style-type: none"> • Dedicated Communication & Training Officer post established Dedicated Communication & Training Officer will continue to fulfil all the communication requirements of the DPF, in accordance with the Communications Policy Statement 	Pensions Manager and Treasury & Pension Investments Manager		Significant	Improbable	Very Low
Scheme members are not aware of their rights and entitlements, are distanced from the Fund, which could lead to a reduction in new members and an increase in leavers.	3	2	6				3	1	3
Communication with investment managers, custodian, independent adviser, fund employers, pensioners, scheme members, actuary and government organisations.				<ul style="list-style-type: none"> • Comprehensive website is continually updated and developed 	Pensions Manager and Treasury & Pension Investments Manager				
				<ul style="list-style-type: none"> • My Pension Online is used to enhance the service provided to scheme members 	Pensions Manager				
				<ul style="list-style-type: none"> • Quarterly meetings with independent adviser and investment managers 	Treasury & Pension Investments Manager				
				<ul style="list-style-type: none"> • Communications Policy in place 	Pensions Manager				
				<ul style="list-style-type: none"> • Annual Employer & Consultative Meeting 	Pensions Manager and Treasury & Pension Investments Manager				

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RE390014 - No appropriate procedures for Employer bodies transferring out of the pension fund or Employer bodies closing to new membership	Significant	Possible	Medium	• Inter valuation monitoring and rate reassessment if appropriate	Pensions Manager		Significant	Unlikely	Medium
	3	3	9				3	2	6
				• Identification of any issue and resolution via regular site visits by Communication & Training Officer	Pensions Manager				
				• Requirement for employing authorities to issue termination forms for each active member	Pensions Manager				
				• Validation of membership numbers	Pensions Manager				
RE390016 - Liquidity/cashflow risk - insufficient funds to meet liabilities as they fall due Failure of employers to pay contributions on time; low dividend income; significant number of liabilities paid out at the same time. Immediate cash contribution would be required via employers; delay in the payment of promised liabilities; negative publicity and an adverse audit report.	Substantial	Possible	High	• Monthly cash and dividend reconciliations	Treasury & Pension Investments Manager		Substantial	Unlikely	Medium
	4	3	12				4	2	8
				• Quarterly monitoring of investment managers by Pension Panel	Treasury & Pension Investments Manager				
			• Appointment of custodian	Treasury & Pension Investments Manager					

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<p>RE390019 - Significant rises in employer contributions due to increases in liabilities or fall in assets Scheme liabilities increase disproportionately as a result of increased longevity or falling bond yields. Poor economic conditions, incorrect investment strategy, poor selection of investment managers.</p> <p>Poor / negative returns leading to potential increase in employer's costs.</p>	Significant 3	Likely 4	High 12	<ul style="list-style-type: none"> Use qualified actuary who uses assumptions and recommends appropriate recovery period and strategy Quarterly monitoring of investment managers by Pension Panel Diversified Strategic Asset Allocation 	Treasury & Pension Investments Manager Treasury & Pension Investments Manager Treasury & Pension Investments Manager		Significant 3	Possible 3	Medium 9
<p>RE390020 - Lack of expertise on Pension Fund Panel and / or amongst Officers Lack of training, continuous professional development and 4 year election cycle.</p> <p>Flawed recommendations given to Pension Fund Panel which, unchallenged, could lead to incorrect decisions being made.</p>	Significant 3	Likely 4	High 12	<ul style="list-style-type: none"> Ensure Officers are trained and up to date in key areas through courses, seminars, reading, discussions with consultants, etc. Members given induction training on joining Panel with subsequent opportunities to attend other specialist training. Members' training plan and Governance Policy established Specialist assistance available from consultants and independent adviser 	Treasury & Pension Investments Manager Treasury & Pension Investments Manager Treasury & Pension Investments Manager Treasury & Pension Investments Manager		Significant 3	Possible 3	Medium 9

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<p>RE390023 - Failure of Investment Strategy to deliver investment objectives Inaccurate triennial valuation assumptions used. Incorrect recovery period used.</p> <p>Funding level decreases; employer contribution rates become unacceptable, causing potential increase in employer's costs.</p>	Significant 3	Possible 3	Medium 9	<ul style="list-style-type: none"> Qualified Actuary makes assumptions and recommends appropriate recovery period and strategy. Independent investment adviser employed to assist the panel in making informed decisions. 	Treasury & Pension Investments Manager		Significant 3	Improbable 1	Very Low 3
<p>RE390024 - Prolonged failure of investment managers to achieve the returns specified on their mandates Under-performance by the investment managers; lack of monitoring and challenging by the Panel.</p>	Substantial 4	Possible 3	High 12	<ul style="list-style-type: none"> Quarterly monitoring of investment managers and performance company reports by investment team and Pension Panel. 	Treasury & Pension Investments Manager		Substantial 4	Unlikely 2	Medium 8
<p>RE390026 - Concentration risk - single asset class having disproportionate impact on investment objectives Risk of the performance of a single asset class having a disproportionate impact on the ability to meeting investment objectives. Inappropriate investment strategy following the triennial valuation, including lack of diversification.</p> <p>Funding level decreases; employer contribution rates become unacceptable, causing potential increase in employers' costs</p>	Significant 3	Possible 3	Medium 9	<ul style="list-style-type: none"> Establish & review diversified strategic asset allocation Proactive in decision making 	Treasury & Pension Investments Manager		Significant 3	Unlikely 2	Medium 6

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<p>RE390027 - Counterparty risk - risk of other party in a transaction failing to meet its obligation to the fund</p> <p>This arises from deposits held with banks and other financial institutions, as well as credit exposures to the fund's members and employers.</p> <p>Loss of capital; decrease in asset values; cost of legal proceedings; adverse publicity.</p>	Moderate 2	Possible 3	Medium 6	<ul style="list-style-type: none"> Set appropriate parameters with fund managers and custodian to limit exposure to default risk 	Treasury & Pension Investments Manager		Moderate 2	Unlikely 2	Low 4
<p>RE390028 - Interest rate risk</p> <p>Arises from risk of exposure to significant interest rate movements on investments.</p> <p>Bond yields and cash decrease in value.</p>	Moderate 2	Unlikely 2	Low 4	<ul style="list-style-type: none"> Establish & review diversified strategic asset allocation 	Treasury & Pension Investments Manager		Moderate 2	Improbable 1	Very Low 2
<p>RE390029 - Discount rate risk</p> <p>Use of inappropriate discount rate to estimate future liabilities.</p> <p>Funding level decreases; employer contribution rates become unacceptable, causing potential increase in employers' costs.</p>	Significant 3	Possible 3	Medium 9	<ul style="list-style-type: none"> Engage qualified actuary to use assumptions Engage independent adviser to assist the panel in making informed decisions 	Treasury & Pension Investments Manager		Significant 3	Unlikely 2	Medium 6

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<p>RE390030 - Price risk The equity investments held exposes the fund to risk in relation to the market price of its investments.</p> <p>Funding level decreases; employer contribution rates become unacceptable, causing a potential increase in employers' costs.</p>	Substantial 4	Possible 3	High 12	<ul style="list-style-type: none"> Establish & review a diversified strategic asset allocation. Anticipate long term returns on a prudent basis. 	Treasury & Pension Investments Manager		Significant 3	Possible 3	Medium 9
<p>RE390031 - Foreign exchange risk The fund holds financial assets and liabilities denominated in foreign currencies. It is therefore exposed to an element of risk in relation to currency fluctuation.</p> <p>Funding level decreases; employer contribution rates become unacceptable, causing a potential increase in employers' costs.</p>	Moderate 2	Possible 3	Medium 6	<ul style="list-style-type: none"> Establish & review diversified (within regions) strategic asset allocation 	Treasury & Pension Investments Manager		Moderate 2	Unlikely 2	Low 4
<p>RE390032 - Failure to meet statutory deadlines leading to qualification of the accounts Lack of planning for closure of accounts; lack of training; loss of expert knowledge.</p> <p>Qualified audit report; potential bad publicity; members' loss of confidence on officers' abilities.</p>	Substantial 4	Unlikely 2	Medium 8	<ul style="list-style-type: none"> Timetabled Audit Committee cycles Liaise with external audit Establish closedown timetable Establish WAO working paper guidance & planning document Excellent time management skills 	Treasury & Pension Investments Manager		Substantial 4	Improbable 1	Low 4

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<p>RE390033 - Adequate skilled resources not available for accounts preparation Lack of training; loss of expert knowledge; annual or study leave.</p> <p>Qualified audit report; unsatisfactory internal audit report; failure to meet statutory closure deadlines; employee stress.</p>	Significant	Unlikely	Medium	<ul style="list-style-type: none"> • Appropriate Treasury & Pension Investments structure in place • Arrange training courses and seminars, and mentoring 	Treasury & Pension Investments Manager		Significant	Unlikely	Medium
	3	2	6				3	2	6
<p>RE390035 - Failure to recover all debts Lack of communication between fund officers and administering authority officers (debtors); lack of monitoring / recovery procedures.</p> <p>Loss of income to the Fund; loss of stakeholder confidence in the ability of the administering authority; potential increase in costs to Fund employers</p>	Substantial	Possible	High	<ul style="list-style-type: none"> • Use of specialist debt recovery section within the administering authority • Monthly monitoring of debts due 	Pensions Manager and Treasury & Pension Investments Manager		Substantial	Unlikely	Medium
	4	3	12				4	2	8
<p>RE390036 - Officers acting outside delegated authority Threat of officers making unauthorised decisions or payments.</p> <p>Loss of income to fund; loss of stakeholder confidence in the ability of the administering authority; potential increase in costs to fund employers</p>	Substantial	Unlikely	Medium	<ul style="list-style-type: none"> • Undertake regular review of Standing Orders & Constitution • Report to Executive Board • Monitoring officer role 	Pensions Manager and Treasury & Pension Investments Manager		Substantial	Improbable	Low
	4	2	8				4	1	4

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<p>RE390037 - Non-performance by Officers and Panel Members</p> <p>Lack of training for officers and members; turnover in officers and members; lack of appraisals; lack of PI monitoring; time constraints for members; conflicting deadlines for officers.</p> <p>Qualified audit report; potential bad publicity; members' loss of confidence in officers' abilities; excessive pressure on officers; loss of income to the fund; loss of stakeholder confidence in the ability of the administering authority; potential increase in costs to fund employers</p>	Substantial	Possible	High	<ul style="list-style-type: none"> Establish performance measurement system Pension Panel member assessments Officer appraisals in October and March annually Regular internal and external audits Establish & review training plan for officers and members 	<p>Pensions Manager and Treasury & Pension Investments Manager</p> <p>Treasury & Pension Investments Manager</p> <p>Pensions Manager and Treasury & Pension Investments Manager</p> <p>Pensions Manager and Treasury & Pension Investments Manager</p> <p>Pensions Manager and Treasury & Pension Investments Manager</p>		Substantial	Unlikely	Medium
	4	3	12				4	2	8

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<p>RE390038 - Failure to operate strict financial and budgetary controls Lack of regular budget monitoring and budget setting; lack of communication between admin and investment sections; lack of scrutiny of investment managers', consultants', and advisers' fees.</p> <p>Unexpected variances over budget headings; members' loss of confidence in officers' abilities; loss of income to the fund; loss of stakeholder confidence in the ability of the administering authority; potential increase in costs to fund employers.</p>	Substantial 4	Unlikely 2	Medium 8	<ul style="list-style-type: none"> Quarterly monitoring of budgets Quarterly forecasting and profiling of budgets Closure of accounts to Audit Committee Monthly meetings between Head of Service, Admin and Investment managers Monthly reconciliations of contributions, dividends, and pension payroll 	Treasury & Pension Investments Manager		Substantial 4	Improbable 1	Low 4
<p>Insufficient resources to provide meaningful input to the development of the All Wales pool without having a detrimental impact on the management of the fund</p>	Substantial 4	Possible 3	High # 12	<ul style="list-style-type: none"> Staffing resources to be kept under review to ensure the Fund's interests are properly met when developing investment pooling arrangements 	Treasury & Pension Investments Manager		Substantial 4	Unlikely 2	Medium 8