

<b>PENSIONS INVESTMENT COMMITTEE</b>			
<b>REPORT TITLE</b>	Pension Fund Investment Committee Business Plan 2014/15		
<b>KEY DECISION</b>	No	<b>Item No:</b>	9
<b>WARD</b>	N/A		
<b>CONTRIBUTORS</b>	Executive Director for Resources & Regeneration		
<b>CLASS</b>	Part 1	<b>Date:</b>	26 June 2014

## **1. PURPOSE OF THE REPORT**

- 1.1 This report sets out the Pension Fund Management Business plan for 2014-15. The Plan includes the key objectives for the Fund, major milestones and issues; training; and the risk register for the Fund.

## **2. RECOMMENDATION**

- 2.1 Members are recommended:

- (1) To approve the Business Plan 2014/15 as set out in Appendix 1
- (2) To agree to complete the skills and knowledge self assessment form (Appendix A) by 11<sup>th</sup> July 2014

## **3. BACKGROUND**

- 3.1 In the guidance document "Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom 2012", it is recommended that organisations have in place a business plan. The guidance recommends the plan set out formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of public sector pension scheme finance knowledge and skills for those in the organisation responsible for financial administration, scheme governance and decision-making.

## **4. SUMMARY**

- 4.1 The business plan comprises of the following:

1. Introduction
2. Key Documents To Be Considered By The Committee
3. Major Milestones
4. Knowledge, Development And Training
5. Monitoring the Performance of Fund Managers
6. Administrative Targets For The Committee Members
7. Pension Fund Committee Meetings Timetable

8. Appendices:

- A Skills And Knowledge Audit
- B Training And Conferences During 2014-15
- C PIC Detailed Workplan
- D Risk Register

**5. FINANCIAL IMPLICATIONS**

5.1 The financial implications are contained within the detail of the appended document.

**6. LEGAL IMPLICATIONS**

6.1 There are no legal implications directly arising from this report.

**7. ENVIRONMENTAL IMPLICATIONS**

7.1 There are no environmental implications directly arising from this report.

**8. HUMAN RESOURCES IMPLICATIONS**

8.1 There are no human resources implications directly arising from this report.

**9. CRIME AND DISORDER IMPLICATIONS**

9.1 There are no crime and disorder implications directly arising from this report.

**10. EQUALITIES IMPLICATIONS**

10.1 There are no equalities implications directly arising from this report.

**11. CONCLUSIONS**

11.1 This report must be updated on an annual basis

**APPENDICES**

Appendix One – Business Plan 2014-15

**FURTHER INFORMATION**

For any further information on this report, please contact David Austin 020 8314 9114

**LONDON BOROUGH OF LEWISHAM  
PENSION FUND**

**BUSINESS PLAN 2014-15**

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- 5. MONITORING THE PERFORMANCE OF FUND MANAGERS**
- 6. ADMINISTRATIVE TARGETS FOR THE COMMITTEE MEMBERS**
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  - A SKILLS AND KNOWLEDGE AUDIT**
  - B TRAINING AND CONFERENCES DURING 2014-15**
  - C PIC DETAILED WORKPLAN**
  - D RISK REGISTER**

## 1. INTRODUCTION

1.1 Under the Local Government Pension Scheme (LGPS) (Administration) Regulations 2008, the London Borough of Lewisham maintains a Pension Fund for approximately 13,000 individuals employed by 29 different organisations. Underpinning everything we do is a commitment to putting our members first, demonstrating adherence to good practices in all areas of our business and controlling costs to ensure we provide outstanding value for money.

1.2 This Business Plan (BP) provides an overview of the Fund's key objectives for 2014/15.

The key high level objectives of the fund are summarised as:

- Optimise Fund returns consistent with a prudent level of risk
- Ensure that there are sufficient resources available to meet the investment Fund's liabilities, and
- Ensure the suitability of assets in relation to the needs of the Fund.

1.3 A bespoke training and development program for this administration will be added to the BP after agreement by Members at the September Committee.

1.4 The governance of the Fund is the responsibility of the Executive Director of Resources and Regeneration for the London Borough of Lewisham and the London Borough of Lewisham Pension Fund Investment Committee. The day to day management of the Fund is delegated to Officers with specific responsibility delegated to the Head of Corporate Resources. He is supported in this role by the Principal Accountant for Pensions and Treasury Management, and the Group Manager for Payroll and Pensions.

1.5 The Pensions Investment Committee (PIC) aims to ensure the maximising of investment returns over the long term within an acceptable level of risk. Performance is monitored by asset performance being compared with their strategic benchmarks. This includes reviewing the Fund Managers' quarterly performance reports and discussing their strategy and performance with the Fund Managers.

## 2. KEY DOCUMENTS TO BE CONSIDERED BY THE PENSION INVESTMENT COMMITTEE

2.1 There are a number of key policy and strategy documents which the Local Government Pension Scheme (LGPS) Regulations require to be kept under regular review. These are listed below:

### 2.2 *Annual Report*

This report sets out the Pension Fund activities for the previous financial year. The Council is required to publish the report by December of each year to accompany an audited financial statement. Within the Annual Report are the following documents: Statement of Investment Principles, Funding Strategy Statement, Governance Compliance Statement, Communications Policy and Pension Fund accounts.

### 2.3 *Funding Strategy Statement*

This sets down the strategy for prudently meeting the Fund's future pension liabilities over the longer term, including the maintenance, as far as possible, of stable levels of employer contributions. It also identifies the key risks and controls facing the Fund and includes details of employer contribution rates following the Fund's triennial valuation.

#### 2.4 *Statement of Investment Principles*

This document identifies the investment responsibilities of the various parties involved. For example, Pension Committee, Officers, Investment Managers, Custodian, and Investment Advisors. It also details the Fund's investment policies and asset allocation approach as well as its compliance with the six Myners' investment principles. These six principles cover: Effective Decision Making; Clear Objectives; Risk and Liabilities; Performance Assessment; Responsible Ownership; and Transparency and Reporting.

#### 2.5 *Communications Policy*

This details how the Fund provides information and publicity about the Pension scheme to its existing members and their employers and methods of promoting the Pension scheme to prospective members and their employers. It also identifies the format, frequency and method of distributing such information or publicity.

#### 2.6 *Governance Compliance Statement*

This is a written statement setting out the administering authority's compliance with good practice governance principles. These principles are grouped within eight categories and are listed within the statement. The Fund's compliance against each of these principles is also detailed, including evidence of compliance and, if appropriate, reasons if there is not full compliance.

### 3. MAJOR MILESTONES FOR THE PENSION FUND IN 2014-15

- 3.1 The PIC will review and revise the BP annually at its June meeting and will evaluate performance against the action plan. The Committee will be provided with a BP update at its quarterly meetings.

<b>Milestone</b>	<b>Date</b>
Review and Evaluation of the Business Plan	Agreed by Committee 26 <sup>th</sup> June 2014
Re-balancing Review	Changes actioned following the review 26 <sup>th</sup> June 2014
Draft Pension Fund Accounts presented	26 <sup>th</sup> June 2014
Approval of the audited Pension Fund annual accounts and annual report	9 <sup>th</sup> September 2014
Knowledge and Skills audit completed	30 <sup>th</sup> July 2014
Review performance of fund managers	Considered by Committee at each meetings
Training sessions attended by members	As per training plan
Policy documents reviewed	Agreed as per schedule in Appendix C

#### 4. KNOWLEDGE, DEVELOPMENT AND TRAINING

4.1 Following completion and analysis of the Knowledge and Skills returns (Appendix A) by Committee Members a bespoke training programme will be developed for the Committee to agree at its September meeting.

4.2 A. General training and annual events will be provided and are outlined below:

<b>Induction</b>	On joining the Pension Fund Committee all new members will receive a briefing on the responsibilities of the Committee and an introduction to the major policy and other documents setting out the Fund's management arrangements and investment strategy.
<b>Pension Investment Committee papers</b>	This consists of key policy documents such as the statement of investment principles, the funding strategy statement, the communication strategy, risk management and also refers to the main regulations affecting the administration of the fund.
<b>Annual meetings with Fund Managers</b>	Each fund manager is scheduled to attend PIC. These meetings are specific to each fund manager and have a bespoke agenda to ensure additional information on the asset class managed is provided to Committee Members as well as covering areas of performance and governance.
<b>A range of seminars and conferences</b>	This will be available to Members, including specific training for new Committee Members provided by the Local Government Employers. An example of the sort of seminars/ conferences that are available during the year is attached as Appendix B.
<b>Quarterly economic updates</b>	This is arranged for Committee Members throughout the year through the Fund's Investment advisor Hymans Robertson.

4.3 B. Core Technical Requirements:

There are six areas of knowledge and skills relating to the LGPS, which CIPFA has identified as being the core technical requirements for those involved in decision-making. They are:

1. legislative and governance context;
2. accounting and auditing standards;
3. procurement of financial services and relationship management;
4. investment performance and risk management;
5. financial markets and knowledge of investment products; and
6. actuarial methods, standards and practices.

The major matters covered under each of the six areas are set out in Appendix A.

4.4 C. Training programme

Training is provided in separate meetings, and can take place before each Investment Committee meeting, with attendance restricted to Committee members, other Council members and Trades Union representatives. A log is maintained of members' attendance at training meetings. The proposed 2014/15 programme will be based on an assessment of training needs, and will be identified from the self assessment form in Appendix A.

The London Borough of Lewisham Pension Fund has a suggested three year rolling training and development plan that is to be approved by the PIC. This ensures that Trustees and

Officers responsible for the Fund continue to refresh and develop their knowledge and skills to allow them to discharge their responsibilities and meet the requirements of The Chartered Institute of Public Finance and Accountancy (CIPFA) knowledge and skills framework.

	<b>General</b>	<b>Intermediary</b>	<b>Advanced</b>
<b>Year 1</b>	Introductory courses: <ul style="list-style-type: none"> <li>• A review of Myners' Principles</li> <li>• An in-depth look at equity investment</li> <li>• An in-depth look at bond investment</li> <li>• LGPS</li> <li>• Legal Matters</li> </ul>	<ul style="list-style-type: none"> <li>• Good Governance</li> <li>• Legislation Pensions &amp; LGPS</li> <li>• Pension Regulators &amp; Advisors</li> </ul>	<ul style="list-style-type: none"> <li>• General pensions framework</li> </ul>
<b>Year 2</b>	<ul style="list-style-type: none"> <li>• Refresher Courses</li> <li>• Performance of the Fund committee</li> <li>• Performance of support services</li> </ul>	<ul style="list-style-type: none"> <li>• Procurement of financial Services</li> <li>• Accounts and Audit regulations</li> <li>• Role of internal and external audit</li> </ul>	<ul style="list-style-type: none"> <li>• Monitoring of investment performance</li> <li>• Performance of advisors</li> <li>• Financial markets</li> <li>• Investment strategy</li> </ul>
<b>Year 3</b>	<ul style="list-style-type: none"> <li>• Refresher Courses</li> <li>• Ill-health and early retirement</li> <li>• Admitted bodies</li> </ul>	<ul style="list-style-type: none"> <li>• Outsourcing and bulk transfers</li> <li>• Regulatory requirements regarding investment products</li> </ul>	<ul style="list-style-type: none"> <li>• Valuations, funding strategy and inter-valuation monitoring</li> <li>• Supplier risk management</li> </ul>

4.5 In addition to these formal sessions, those charged with the governance of the Fund also seeks to keep up to date with the latest developments LGPS and the wider Pensions industry through briefings and attendance at appropriate seminars and conferences. The Fund will only attend sessions that directly impact upon the London Borough of Lewisham Pension Fund in that they:

- Will provide information on the latest developments within the LGPS and particularly LGPS 2014;
- Provide the Fund with opportunities to develop knowledge of key developments and best practice within other LGPS Funds;
- Provide the Fund with an opportunity to research new asset classes within the investment universe; or
- Are specific client conferences run by the Funds existing Fund managers or external advisors.

## **5. MONITORING PERFORMANCE FOR THE FUND MANAGERS**

5.1 The monitoring of the returns on the Fund Investments are undertaken by Northern Trust who provide monthly, quarterly, annual, and three-yearly investment returns. A report on the latest quarterly investment performance of the Fund Managers against their agreed benchmarks is presented by our adviser Hymans Robertson at each PIC meeting.

5.2 The Committee, investment advisors and officers have the opportunity to discuss performance with the Fund Managers and any other related investment issues that may arise. In times where performance is poor the Committee will request that the Fund Manager sets out their strategy for improving performance and meeting agreed targets.



## 6. ADMINISTRATIVE TARGETS FOR THE COMMITTEE MEMBERS

### 6.1 Administrative targets:

- Members to attend at least 75% of Pension Committee meetings each year.
- Draft committee minutes to be issued within seven weeks of a meeting
- Committee papers to be sent out at least five working days before a meeting.
- To regularly review and agree changes to strategy/policy documents. All strategy/policy documents will be considered by Committee at least every two years, even if no changes are recommended.

## 7. PENSION FUND COMMITTEE MEETINGS TIMETABLE

### 7.1 Work programme

The committee's work programme for the coming year will be as follows:

<u>At each meeting</u>	To review the current economic background and recent investment market returns.
	To review the Fund's asset allocation, investment activity since the last meeting and the current investment portfolio.
	To approve investment strategy in the light of recommendations from the Executive Director of Resources and the Fund's independent advisers
	To review investment performance
	To receive the minutes of the Local Authorities Pension Fund Forum (LAPFF)
	To consider the Executive Director of Resource's report in respect of Corporate Governance issues
	To consider the Executive Director of Resource's report in respect of Risk
<u>Annually</u>	To approve a Business Plan for the forthcoming year
	To approve the Fund's Treasury Management Strategy for the forthcoming year
	To approve the Pension Fund's Annual Report.
	To review the Pension Fund's Statement of Investment Principles (SIP)
	To consider the Committee's training requirements
<u>As required</u>	To review any changes to investment regulations
	To consider matters relating to investments
	To review the appointment of advisers/managers

A detailed schedule can be found in Appendix C.

**SKILLS AND KNOWLEDGE AUDIT:**

Every public sector organisation should secure adequate resources and appropriate training, having assessed the professional competence of both those involved in pension scheme financial management and those with a policy, management and/or oversight role.

Are you financially Qualified?	Yes/No
If yes, please state the qualification	
Have you served on a Pensions Committee before?	Yes/No
If yes, please provide dates	From: To:

<b>M</b>	Minimal level of understanding
<b>I</b>	Intermediate level of understanding
<b>A</b>	Advanced level of understanding

Core technical areas	Areas of knowledge	Level of Understanding: M,I,A
<b>Legislative and governance framework</b>	General pensions framework	
	Scheme-specific legislation for LGPS	
	Pensions regulators and advisors	
	Constitutional framework for Fund committees within administering authorities	
	Pension scheme governance	
<b>Accounting and auditing standards</b>	Accounts and Audit regulations	
	Role of internal and external audit	
<b>Procurement of financial services and relationship management</b>	Procurement requirements of UK and EU legislation	
	Supplier risk management	
<b>Investment performance and risk management</b>	Monitoring of investment performance	
	Performance of advisors	
	Performance of the Fund committee	
	Performance of support services	
<b>Financial markets and investment products</b>	Investment strategy	
	Financial markets	
	Regulatory requirements regarding investment products	
<b>Actuarial methods, standards and practices</b>	Valuations, funding strategy and inter-valuation monitoring	
	Ill-health and early retirement	
	Admitted bodies	
	Outsourcing and bulk transfers	

<b>Please list any other relevant topics that are of interest to you</b>	
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## TRAINING AND CONFERENCES DURING 2014-15

Date	Conference /Event	Run By	Delegates/Cost
04.07.14	CIPFA Pensions Network – Implementing Governance and Efficiency, hosted by UBS	CIPFA	£325 + VAT
11.09.14	SPS Alternative Investment Strategy for Pension Funds	SPS Conferences	Free, up to 2 places available
12.09.14	Pensions Age Autumn Conference: Striving for success	Pensions Age	Free
17.09.14	Introductory Trustee Training	CAPITA	£495 + VAT per place
18.09.14	CIPFA Pensions Network – Introduction to LGPS	CIPFA	TBC
30.09.14	Trustee Master class	Professional Pensions	Free
30.09.14 or 04.12.14	Trustee Training – Trustee knowledge and understanding (intensive)	Punter Southall	£495 + VAT per place
09.10.14	SPS Property & Real Asset Investment Strategies for Pension Funds	SPS Conferences	Free, up to 2 places available
05.11.14	Professional Pensions Investment Conference 2014	Professional Pensions	Free
06.11.14 - 07.11.14	Focused Trustee Training for defined Benefit Schemes	CAPITA	£495 + VAT per place
06.11.14	First Steps: new trustees who are not familiar with financial markets	UBS	Free
19.11.14	Second Steps: examines in more detail the role that equities, bonds and alternatives can play in your investment strategy.	UBS	Free
03.12.14 - 05.12.14	Local Authority Pensions Fund Forum (LAPFF) - annual conference	LAPFF	*Up to 2 places available
03.12.14	National Association of Pension Funds (NAPF) – Trustee Conference	NAPF	TBC
04.12.14	Pensions in Action	Professional Pensions	Free
11.03.15 - 13.03.15	National Association of Pension Funds (NAPF) – Investment Conference 2015	NAPF	TBC
18.05.15 - 20.05.15	National Association of Pension Funds (NAPF) - Local Authority Conference	NAPF	TBC
TBA	Pension Fund Service: Risk Management Training	Pension Fund Service	Free

**APPENDIX B**

<b>TBA</b>	Pension Fund: Investment Performance Training	Pension Fund Service	Free
<b>TBA</b>	Local Government Chronicle (LGC) - LGPS Investment Summit	LGC	*Up to 2 places available

# Pension Investment Committee schedule 2014/15

Deadline / Task								
<b>Spend to end of:</b>		31-Mar-14		30-Jun-14		30-Sep-14		31-Dec-14
Performance data available from Northern Trust (NT)								
Actual Date NT performance data needed		28-May-14		30-Jul-14		08-Oct-14		21-Jan-15
Report written by Treasury and Pension Fund Acct		06-Jun-14		21-Aug-14		24-Oct-14		30-Jan-15
Reviewed by Senior Mngt and despatch to PIC		10-Jun-14		25-Aug-14		29-Oct-14		03-Feb-15
Send out Agenda		16-Jun-14		28-Aug-14		03-Nov-14		09-Feb-15
<b>PIC MEETING</b>		<b>26-Jun-14</b>		<b>09-Sep-14</b>		<b>13-Nov-14</b>		<b>19-Feb-15</b>

Interval after period end

87

71

44

50

## Key decisions to be made

Appointment of Chair and Vice Chair  
Rebalancing  
Terms of Reference  
Draft Pension Fund a/cs  
Business Plan

Statement of Investment Principles  
Governance Policy and Compliance Statement  
Funding Strategy Statement  
Rebalancing

Pension Fund Report & Accounts (statutory deadline 1st December)  
  
Annual budget

## Papers to be provided

- PIC Busines Plan
- Terms of Reference
- Draft Pension Fund a/cs
- Collective Investment Vehicle
- Quarterly Investment Performance Report
- Pension updates
- Rebalancing review

- Statement of Investment Principles
- Performance Stats (W M Perf)
- Governance Policy and Compliance Statement
- Funding Strategy Statement
- Quarterly Investment Performance Report
- Fund Manager report (s)
- Pension updates
- Training Plan review

- Pension Fund Report & Accounts
- Annual budget
- Quarterly Investment Performance Report
- Fund Manager report (s)
- Pension updates
- Training Plan review

- Quarterly Investment Performance Report
- Fund Manager report (s)
- Pension updates
- Forward planning
- Feedback on PIC
- Training Plan review

## Pension Fund Investments Risk Register 2014

Risk Owner Key	Likelihood Key	Impact Key	Risk movement since last Committee report
Principal Accountant Pensions & Treasury – PA	1 – Rare	1 – Insignificant	▲ increased risk
Executive Director of Resources – MT	2 – Unlikely	2 – Minor	▼ decreased risk
Head of Corporate Resources - HCR	3 – Possible	3 – Moderate	▶ no change
Pensions Investment Committee – PIC	4 – Likely	4 – Major	
	5 – Almost Certain	5 – Extreme	

Identification of Risk				Scoring			Risk Mitigation/ Controls / Procedures		Review		
Ref	Risk	Cause	Effect	Likelihood	Impact	Risk Rating	Current Controls	Additional Requirements	Previous Score	Direction of Travel	Risk Owner
<b>Governance Risks</b>											
G01	New Members lack of knowledge /understanding of their roles and responsibilities Members lack sufficient investment knowledge/ expertise to make decisions	Change of membership Lack of or non-attendance at training sessions	Inappropriate or bad decision making in relation to investments	3	3	9	CIPFA have issued a Code of Practice on the Knowledge and Skills Framework for the Pension Fund and the Section 151 Officer has responsibility for the implementation of its requirements. The Head of Corporate Resources will ensure that the Code is implemented and that a policy statement is included in the Annual Report & Accounts  Training programme for Committee Members to ensure that they have the requisite knowledge and skills to be in a position to question and understand the agenda and recommendations put before them to make high level strategic decisions.	Members given induction training when they join the committee as well as subsequent opportunities to attend courses and seminars  Review membership of Professional bodies		▲	PIC/ HCR

APPENDIX D

Identification of Risk				Scoring			Risk Mitigation/ Controls / Procedures		Review			
Ref	Risk	Cause	Effect	Likelihood	Impact	Risk Rating	Current Controls	Additional Requirements	Previous Score	Direction of Travel	Risk Owner	
G02	Inappropriate investment strategy is adopted		Fund returns are not sufficient to met obligations to members forcing emergency employers contributions and potentially more risk.									2
G03	Poor/lack of advice from advisors to Committee members	Appointment of inadequate advisors	PIC members not up to date with investment issues  Inappropriate decisions are taken leading to increased employers costs	2	4	8	Robust recruitment procedures in place  Professional qualified consultants. Use of consultants with experience across a number of LGPS funds.  Officers and Members review and challenge advice received.	Make use of the training material available to trustees to develop knowledge and understanding.  Trustee training programme is maintained.			▶	HCR
G04	Lack of effective performance management	No regular review of performance	Poor performance goes undetected resulting in fund governance failings.	1	4	4	A performance management framework involving quarterly performance reports to PIC is in place. Poor performance is highlighted and addressed directly by PIC on the advice of the Pension Fund advisors.	Existing arrangements are sufficient and will continue. The move in 2012/13 to a majority passive fund significantly simplifies performance monitoring.			▶	PIC/ HCR

APPENDIX D

Identification of Risk				Scoring			Risk Mitigation/ Controls / Procedures		Review		
Ref	Risk	Cause	Effect	Likelihood	Impact	Risk Rating	Current Controls	Additional Requirements	Previous Score	Direction of Travel	Risk Owner
<b>Operational Risks</b>											
001	Failure to comply with pension fund accounting requirements	Inadequate staffing resources /knowledge	accounts qualified by auditors	1	5	5	Officers receive adequate training and attend conferences and LPFF in order to receive up to date information.  Pension accounts are reviewed on a quarterly basis.  Audit recommendations are implemented			▶	PA
002	Poor/lack of advice from officers to Committee members	Inadequate staffing resources /knowledge	Decisions are sub-optimal in terms of their governance and performance of the fund.	2	4	8	Attendance at conferences. Training undertaken by officers, and linked to officer performance appraisals.			▶	PA
003	Failure to adhere to relevant statutory regulations including updates from LGPS and CLG	Lack of technical expertise/staff resources to research regulations, IT systems do not adhere to latest legislation	Investment in disallowed, investments vehicles or failure to comply with governance standards	2	5	10	Monitor statutory requirements via CLG website and attend LPFF meetings.  Monitor proposed changes and respond to consultations to influence outcome. Amend systems, processes to ensure compliance, use of specialist advisors to prepare for anticipated changes  Ensure processes and policies in place to meet regulatory compliance  Ensure adequate training and specialist knowledge and skills for both staff and Members charged with governance			▲	PA



APPENDIX D

Identification of Risk				Scoring			Risk Mitigation/ Controls / Procedures		Review		
Ref	Risk	Cause	Effect	Likelihood	Impact	Risk Rating	Current Controls	Additional Requirements	Previous Score	Direction of Travel	Risk Owner
004	Custody arrangements may not be sufficient to safeguard Pension Fund assets	Custody agents fail to comply with contract	Investment funds are lost.	1	5	5	<p>Complete and authorised agreements are in place with existing custodian Northern Trust</p> <p>Contact with custodian is made on a regular basis to keep informed of any issues arising</p> <p>Officers meet custodian once a year to discuss the arrangements and any issues arising</p>			▶	HCR
<b>Financial Risks</b>											
F01	Fund assets are not sufficient to meet its obligations and liabilities in the medium term/long term	<p>Assets and liabilities impacted by investment performance</p> <p>Assets could fail to increase at the same rate as liabilities</p>	The Fund is not able to meet its obligations to members in full.	3	4	12	<p>Controls in place to monitor assets and liabilities of the pension fund and to review asset allocation on a regular basis to ensure it remains appropriate.</p> <p>Use of external advisers– actuarial and investment, to advise the Fund on how to manage the asset/liability mismatch</p> <p>Set strategic goals to achieve full funding and set targets to make changes to the assets when appropriate to do so</p> <p>Triennial Valuation assesses the funding position, intervaluation monitoring ensures that movements in the Funding position can be assessed and strategies to manage any deterioration are put in place.</p>	Additional employer contributions will help make up valuation shortfall.		▶	PIC/ HCR

**APPENDIX D**

Identification of Risk				Scoring			Risk Mitigation/ Controls / Procedures		Review		
Ref	Risk	Cause	Effect	Likelihood	Impact	Risk Rating	Current Controls	Additional Requirements	Previous Score	Direction of Travel	Risk Owner
F02	Insufficient cashflow to meet the funds day to day cash requirements	The monthly contributions are less than benefits paid	Increased transaction costs, failure to meet obligations to members.	1	3	3	Proper cash flow forecast maintained and reviewed periodically.  Cash balance held by custodian reviewed periodically to ensure sufficiency.	Report to be presented to members for authorisation to withdraw income or liquidate assets to generate cash		▶	HCR
F03	Pension fund Underlying financial information is incorrect	Information contained in Report & Accounts is inaccurate due to poor financial controls and recording of financial information	possible qualification of accounts and inaccurate valuations with financial and reputational impact	1	4	4	Monthly, quarterly & annual reconciliations of all accounting data			▶	PA
F04	Poor performance of investments	Poor investment performance either as a result of the types of assets invested in or performance of individual fund managers.	Assets fail to achieve strategic benchmark and fund fails to grow	2	4	8	Regular monitoring of asset allocation, monitoring of investment performance of fund managers to ensure both are on target to achieve the targeted returns.  Use of external advisers to assist in making investment decisions and ensuring that decision takers understand the investments of the fund	Rebuilding Pensions reserve to buffer against future valuations variations		▶	HCR

Likelihood and impact:

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

RISK CATEGORY	HOW THE RISK SHOULD BE MANAGED	No. of risks
Red (16-25)	Immediate action required, Senior Management involved	0
Amber/ Red (10-15)	Senior Management attention needed and Management responsibility specified	3
Amber/ Green (5-9)	Manage by specific monitoring or response procedures	6
Green (1-4)	Manage by routine procedures, unlikely to need specific or significant application of resources	3