

GWYNEDD PENSION FUND

RISK REGISTER: MARCH 2023

Risk Assessment Matrix					
Likelihood	5	10	15	20	25
	4	8	12	16	20
	3	6	9	12	15
	2	4	6	8	10
	1	2	3	4	5
	Impact				

Assessment of Impact				
		Financial	Reputation	Stakeholder/Customer
1	Negligible	< £35k	Minimal and transient loss of public trust.	Minimal impact on stakeholders or customers.
2	Minor	£35k - £300m	Slight loss of trust with no lasting impact. Little adverse publicity.	Minor impact on stakeholders or customers and customer dissatisfaction. Limited service disruption.
3	Moderate	£300m - £3m	Moderate loss of trust that receives significant adverse publicity locally with no lasting impact.	No lasting impact. Moderate disruption to stakeholders, moderate impact on customers and customer dissatisfaction. Moderate service disruption.
4	Major	£3m - £30m	Significant loss of trust and receives local media attention with potential for lasting impact.	Significant service disruption and opposition from stakeholders and/or customers. Threat of legal action.
5	Catastrophic	> £30m	Significant loss of trust and receives national media attention with potential for persisting impact.	Major service disruption and significant opposition from stakeholders and/or customers. Legal action. Long term public memory.

Assessment of Likelihood			
		Probability Descriptors	Numerical Probability
1	Rare	This will probably never happen/recur.	Under 1%
2	Unlikely	Do not expect it to happen/recur, but it is possible it may do so.	1% - under 5%
3	Possible	Might happen or recur occasionally.	5% - under 20%
4	Likely	Will probably happen/recur, but it is not a persistent issue or circumstances	20% - under 50%
5	Almost Certain	Will undoubtedly happen/recur, possibly frequently. A project more likely to fail than succeed.	Over 50%

Risk no	Description of Risk and Potential Impact	Inherent Risk			Mitigating Controls	Current Risk			Risk Owner	Additional Plan	Timetable
		Impact	Likelihood	Combined Score		Impact	Likelihood	Combined Score			
1. Governance											
1.1	<p>The Administering Authority does not have appropriate governance arrangements including the requirement for a Pension Board resulting in:</p> <ul style="list-style-type: none"> Non-compliance with legislation or best practice Inability to determine policy, make effective decisions and deliver services. Risk to reputation 	4	3	12	<p>Gwynedd Pension Fund (GPF) has a Governance Policy Statement and a Governance Compliance Statement as required by the LGPS Regulations 2008.</p> <p>Both statements are reviewed and updated when required. Scheme employers are consulted when changes are proposed to ensure the policy is still appropriate.</p> <p>The Statement is available on the Gwynedd Pensions website: www.gwyneddpensionfund.wales</p>	3	1	3	<p>Head of Finance</p> <p>Investment Manager</p> <p>Pensions Manager</p>		

					<p>GPF has a Pensions Committee to discharge the Council's duties as Administering Authority/ trustee of the Pension Fund.</p> <p>Gwynedd Pension Board has been established as required by the Public Service Pension Act 2013 and perform their role effectively.</p> <p>Support and training are being provided to ensure that the members of the board have the knowledge and skills to undertake their role.</p> <p>Suitable management arrangements mean that there is no significantly high turnover in the membership of the Committee or the Board.</p>					
1.2	Failure to act with integrity and be accountable to a stakeholder due to conflicts of interest etc.	2	2	4	<p>Committee and Board members are aware of the legal responsibilities.</p> <p>All members of the Committee and Board declare any conflicts and potential conflicts at the beginning of each meeting.</p>	1	2	2	<p>Pension Committee</p> <p>Pensions Board</p> <p>Head of Finance</p>	
1.3	<p>The Pensions Committee and the Pension Board are unable to fulfil their responsibilities effectively resulting in:</p> <ul style="list-style-type: none"> • Non-compliance with legislation or best practice • Inability to determine policy, make decisions and / or deliver service. • Reputation risk. 	4	3	12	<p>The Committee has adopted the CIPFA Code of Practice on Knowledge and Skills.</p> <p>A training and induction programme is available for new Committee and Board members.</p> <p>New Board and Committee members complete the LGPS Fundamental Course.</p> <p>The Fund has a Knowledge and Skills policy, and an annual training plan is adopted with relevant training offered to</p>	3	2	6	<p>Investment Manager</p> <p>Pensions Manager</p>	

					<p>Committee members and Board members on an ongoing basis.</p> <p>The Fund subscribes to relevant bodies (eg LAPFF) and sends representatives to relevant conferences.</p> <p>Committee and Board members are made aware of and adhere to the Governance Compliance Statement and are encouraged to identify training requirements.</p>					
2. Funding and Investments										
2.1	<p>The Committee Members and Investment Officers make inappropriate decisions as a result of insufficient knowledge of financial markets and inadequate investment and actuarial advice received resulting in:</p> <ul style="list-style-type: none"> • Poor Fund performance • Financial loss • Increased employer contributions 	5	3	15	<p>GPF Investment Strategy is set in accordance with LGPS investment regulations.</p> <p>The Investment Strategy takes the Fund's liabilities into account.</p> <p>The Investment Strategy is approved and reviewed by the Pensions Committee.</p> <p>GPF uses an external investment advisor who provides specialist guidance to the Investment Panel and Pensions Committee regarding the Investment Strategy</p> <p>Members and Officers are encouraged to challenge advice and guidance received.</p>	3	1	3	<p>Head of Finance</p> <p>Investment Manager</p>	
2.2	<p>The Pension Fund has insufficient assets to meet its long term liabilities.</p> <p>The Pension Fund's investment strategy fails to produce the required returns.</p>	5	3	15	<p>Triennial actuarial valuations provide periodic indications of the growth in assets against liabilities. Employer contribution rates are set in response to this.</p> <p>The 2022 valuation showed that there is a funding provision of 120% in the Gwynedd</p>	4	1	4	Investment Manager	

					<p>Fund. However, the Fund continues to use prudent assumptions for the valuation.</p> <p>GPF investments are diversified across a range of different types of assets to minimise the impact of losses in individual markets and individual fund managers.</p> <p>As a result of the 2022 Valuation, the Committee has re-allocated assets to lower risk asset types.</p> <p>Fund-specific benchmarks and targets are set.</p> <p>Fund assets are kept under regular review as part of the Fund's performance management process.</p> <p>Fund managers are thoroughly vetted prior to appointment and performance is reviewed regularly against the benchmark and performance objectives by the Investment Panel.</p> <p>The Fund/ WPP replaces underperforming investment managers.</p>					
2.3	<p>The fund is exposed to unnecessary risks and avoidable costs due to poorly structured investment arrangements resulting in:</p> <p>Financial loss</p>	5	3	15	<p>The Fund aims to ensure best value and to minimise exposure to risk as follows:</p> <p>The Fund's investments are diversified across a range of different types of assets to minimise the impact of losses in individual markets.</p> <p>Investment managers provide invoices for fees and disclosure of fees within funds.</p>	2	1	2	Investment Manager	ARCHIVE- De minimis risk due to pooling and having expanded the type of investments we hold.

					<p>Specialist services such as transitions or currency transfers are considered where appropriate in order to reduce costs.</p> <p>Banking and custodian arrangements are reviewed and retendered as appropriate.</p>					
2.4	<p>Collapse of a fund manager or negligence, fraud or wilful default committed by a fund manager resulting in financial loss.</p>	4	3	12	<p>Due diligence is performed whenever a new manager or fund is appointed, and the situation is constantly reviewed through quarterly monitoring by WPP the Investment Panel and investment consultants.</p> <p>Legal requirements for fund managers are set out in their management agreements, and they are expected to fully comply with the Financial Conduct Authority (FCA), the Pensions Regulator (TPR) and other regulatory requirements.</p> <p>The Fund uses a global custodian service to ensure that investment assets are separated from custody of assets.</p> <p>The Fund custodian can arrange to provide a transition service if a fund manager is wound up.</p>	2	3	6	Investment Manager	<p>Link Fund Solutions (PPC Operator) have been in an uncertain position due to their management role with the failure of the Woodford equity fund, but the Fund and PPC are continuously monitoring the situation and discussing the appropriate steps as necessary with the other partners.</p>
2.5	<p>Market risk - Market crash leading to failure to reduce the deficit resulting in:</p> <ul style="list-style-type: none"> Financial loss Increased employer contribution costs. 	5	4	15	<p>The Fund is diversified across a range of asset classes to mitigate the impact of poor performance in an individual market segment.</p> <p>As a result of the 2022 Valuation, additional categories of lower risk assets will be used.</p> <p>Investment performance and monitoring arrangements exist which provide the investment officers with the flexibility to rebalance the portfolio in a timely manner.</p>	4	2	8	Investment Manager	

					The long term nature of the liabilities significantly reduces the impact.						
2.6	Liquidity risk - insufficient funds to meet liabilities as they fall due.	4	3	12	<p>Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows.</p> <p>The 2023 Cash Flow Modelling report has identified that the Fund will have a positive cash flow until at least 2029.</p>	3	1	3	Investment Manager		
2.7	Interest rate risk- Arises from the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.	4	3	12	The Fund's interest rate risk is routinely monitored in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.	4	2	8	Investment Manager		
2.8	Currency risk- the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.	4	3	12	<p>Establish & review strategic asset allocation (within global regions).</p> <p>Hedging arrangement has been approved by the Pensions Committee in 2022 which will manage risk.</p>	4	2	8	Investment Manager		
2.9	The Fund fails to adequately account for climate change, climate risk and environmental, social and governance (ESG) factors.	5	3	15	<p>The Fund has an active Responsible Investment policy and a net zero target of 2050 has been set.</p> <p>Polisi Buddsoddi Cyfrifol 2022 (gwyneddpensionfund.wales)</p> <p>As part of the Wales Pension Partnership a number of active steps take place including: responsible investment executive group,</p>	4	2	8	Investment Manager	<p>Invest in the WPP Sustainable Equity fund.</p> <p>Produce a TCFD report</p>	2023

					<p>engagement and voting provider, PPC a signatory to the UK Stewardship Code.</p> <p>The Investment Panel will also constantly engage and challenge managers on how they consider the risk of climate change and ESG factors.</p>						
2.10	<p>Pay and price inflation are significantly more than anticipated leading to an increase in liabilities which is higher than the previous actuarial valuation estimate.</p>	3	3	9	<p>The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases.</p> <p>The breadth of the Fund's investments helps to mitigate this risk.</p>	2	3	6	Investment Manager		
2.11	<p>Increase in number of early retirements due to public service cuts and/or ill health leading to pension liabilities increasing.</p>	3	4	12	<p>The Fund has coped with the impact of several years of austerity and arrangements are in place to deal with the cost-of-living cuts.</p> <p>Employers pay an additional capital cost for early retirements following each individual decision.</p> <p>The Employers' ill-health retirements are monitored, and small employers are required to take the ill- health retirement insurance provided by the Fund.</p>	2	3	6	Investment Manager		
2.12	<p>The average life expectancy of pensioners is greater than assumed in actuarial assumptions.</p> <p>An increase in liabilities which exceeds the previous valuation estimate.</p>	3	3	9	<p>Life expectancy assumptions are reviewed in all valuations. Life expectancy has been leveled out in the 2022 Valuation data.</p> <p>The Fund uses bespoke assumptions based on the life expectancy across Gwynedd Pension Fund's area.</p> <p>Mortality assumptions include some allowance for future increases in life expectancy.</p>	3	2	6	Investment Manager		

2.13	<p>Scheme employers' contributions to the Fund are not received or are processed or recorded completely and accurately.</p> <p>This could result in a negative cash flow situation, delays in producing IAS19/ FRS102 reports and closing the accounts.</p>	4	3	12	<p>Formal timescales for receipt of contributions.</p> <p>The team communicates regularly with scheme employers to ensure that contributions are made in a timely manner and are recorded correctly.</p> <p>Details of any unpaid or late contributions are recorded and appropriate action is taken to recover payments.</p>	2	2	4	Investment Manager		
2.14	<p>An employer ceases to exist with insufficient funding available to settle any outstanding debts, or refuses to pay the cessation value.</p> <p>Departing employer does not fully meet its liabilities which leads to increased costs across the remaining scheme employers.</p>	3	3	9	<p>The risk is mitigated by:</p> <p>Vetting prospective employers before admission and ensuring that they fully understand their obligations.</p> <p>Applications for admission to the Fund are considered carefully and a bond or guarantee is put into place if required.</p> <p>Outstanding liabilities will be assessed and recovered from any successor bodies or spread amongst remaining employers.</p> <p>The actuarial valuation attempts to balance recovery period with risk of withdrawal.</p> <p>If necessary, appropriate legal action will be taken.</p>	2	3	6	Head of Finance Pensions Manager		
2.15	<p>A significant number of LGPS members transfer their pension pots to other pensions providers in order to obtain a capital sum under the Government's "Freedom and Choice" legislation resulting in:</p>	4	3	12	<p>The risk is mitigated by:</p> <p>Effective communication of the benefits of remaining in the LGPS.</p> <p>Actuarial calculation of transfer value should ensure transfer value does not exceed reduction in liability.</p>	1	1	1	Pensions Manager	ARCHIVE- The probability of this happening is now very low.	

	<ul style="list-style-type: none"> Significant cashflow out of the Fund. Reduction in assets greater than reduction in the Fund's liabilities. 				Requirement to seek financial Advice if transfer exceeds £30,000				Investment Manager		
3. Custodian Role											
3.1	<p>Failure of custodian leading to losses which results in:</p> <ul style="list-style-type: none"> Failure to reduce the deficit Financial loss 	5	3	15	<p>A highly reliable Custodian with high accreditation was appointed.</p> <p>Fund assets are protected in the event of insolvency of the custodian.</p> <p>Mae'n rhaid i'r ceidwad gadw at reoliadau ariannol FCA a TPR.</p>	2	2	4	Investment Manager		
4. Wales Pension Partnership											
4.1	The Gwynedd Pension Fund does not have sufficient resources available to work with and provide the necessary information to the partnership.	4	3	12	Staff levels are monitored to ensure that the requirements of the partnership are met.	±	±	±	Head of Finance	ARCHIVE - The Partnership has now been established and the Fund's staff are able to meet the Partnership's requirements in a timely manner.	
5. COMMUNICATION											
5.1	<p>Insufficient communication and engagement with the Pension Fund Stakeholders.</p> <p>Inability to determine policy, make effective decisions and/or deliver service.</p> <p>Reputation risk.</p>	3	3	9	<p>A Communications Policy is in place.</p> <p>The Gwynedd Pension Fund website is kept up to date.</p> <p>Fund Performance is reported to the Investment & Pension Fund Committee on a regular basis.</p> <p>Meetings are held periodically with the Fund's employers.</p> <p>Annual Benefit Statements and newsletters are sent annually to active and deferred Fund members.</p>	3	2	6	Pensions Manager	<p>The Gwynedd Pension Fund website needs to be reviewed.</p> <p>The Member Self Service system 'My Pension Online' will be upgraded in 2023/24 to improve engagement with members.</p>	<p>2023</p> <p>2023/24</p>

					<p>The contact list for employers is updated regularly.</p> <p>An AGM is held for employers and Trade Unions.</p> <p>The annual report and accounts are published on the Gwynedd Pensions website.</p> <p>A Member Self Service website is available to members to calculate their own benefits.</p>					
6. Data Protection										
6.1	<p>The Pension Fund systems and data may not be secure and appropriately maintained.</p> <ul style="list-style-type: none"> Loss of sensitive data Reputation risk <p>Financial loss arising from legal action.</p>	3	2	6	<p>It is a mandatory requirement for all employees to undertake Data Protection training and to adhere to Gwynedd's data protection policy.</p> <p>Members' contribution and salary data are sent through the secure i-Connect portal directly to members' records.</p> <p>Egress (A secure email system) email system is used where possible to send emails to employers not listed on the Secure Email Organisation list.</p> <p>A secure document retention system is also operated by our actuary and consultants.</p>	3	1	3	Pensions Manager	
7. Pension Administration										
7.1	<p>Pension benefits are not paid:</p> <ul style="list-style-type: none"> Risk of financial loss arising from compensation claims Damage to reputation 	4	2	8	<p>The payroll system is set up to pay pensioners monthly.</p> <p>Disaster recovery plan in place with Heywood which will restore data within 7 days in the event of system failure.</p>	4	1	4	Pensions Manager	

7.2	<p>Failure of scheme membership data and pension benefit calculation processes leading to fraud, corruption or error.</p> <ul style="list-style-type: none"> • Unauthorised payments under the Finance Act 2004 • Risk of financial loss and damage to reputation. 	3	2	6	<p>Information and instructions are only accepted from authorised sources.</p> <p>Employers are required to review and confirm membership records annually.</p> <p>Benefit calculations are checked by senior colleagues.</p> <p>All transactions comply with DCC financial regulations and are subject to independent authorisation.</p> <p>Members approaching 75 are separately identified monthly.</p>	3	1	3	Pensions Manager		
7.3	<p>Non-compliance with legislation and failure to correctly implement new legislation and regulations, resulting in:</p> <ul style="list-style-type: none"> • Incorrect payments being made. • Risk of financial loss and damage to reputation 	3	3	9	<p>LGA/External training.</p> <p>Project work approach to implementation of legislative changes.</p> <p>In house training for all staff.</p> <p>Additional resources in place to implement the McCloud remedy.</p>	2	2	4	Pensions Manager		
7.4	<p>Pension benefits continue to be paid to deceased pensioners.</p> <ul style="list-style-type: none"> • Risk of financial loss and damage to reputation. 	2	4	8	<p>All pensioners are contacted annually.</p> <p>Pensioners are incorporated into National Fraud Initiative.</p> <p>Further targeted checks are conducted with credit reference agencies as appropriate.</p> <p>Monthly mortality screening is undertaken and any positive matches are ceased immediately.</p> <p>Tell Us Once service is in operation.</p>	2	3	6	Pensions Manager		

7.5	<p>System failure</p> <ul style="list-style-type: none"> Loss of sensitive data. Reputation risk. <p>Financial loss arising from legal action.</p>	5	2	10	<p>The system is backed-up daily.</p> <p>A full disaster recovery plan is in place and tested annually (In line with Gwynedd Council's policy).</p>	5	1	5	Pensions Manager		
7.6	<p>Member Self Service failure</p> <ul style="list-style-type: none"> Reputation risk. 	4	2	8	<p>Hosted by software provider Heywood.</p>	4	1	4	Pensions Manager		
7.7	<p>Cyber Attack</p> <ul style="list-style-type: none"> Loss of sensitive data. Systems damaged or destroyed. Reputation risk. <p>Financial loss arising from legal action.</p>	5	3	15	<p>Firewall in operation.</p> <p>Software regularly updated with latest security features.</p> <p>The system is backed up daily.</p> <p>Password access is required.</p>	5	2	10	Pensions Manager		
7.8	<p>Employing authorities not fulfilling their responsibilities e.g. not supplying us with correct employee data or not supplying it in a timely manner</p> <ul style="list-style-type: none"> Incorrect benefit calculations <p>Delays while we request missing information</p>	3	2	6	<p>The Administration Strategy sets out responsibilities and timetables that the employers must follow.</p> <p>The iConnect system in place to collect the data monthly.</p> <p>The employers are contacted for information if the Pensions department suspects that information is missing or contains errors.</p> <p>Advice and information is provided to the employers.</p> <p>Annual checks of data to highlight any gaps.</p> <p>Meetings for the employers are held from time to time.</p>	3	1	3	Pensions Manager		

					Guidance available on the website.						
7.9	Failure to comply with disclosure regulations e.g. the requirement to issue information within a certain timescale after a request/event • Complaints / Fines	3	2	6	Robust workflow management system in place.	3	1	3	Pensions Manager		
7.10	Failure to issue Annual Benefit statements to active and deferred members by 31st August: • Reputational risk and complaints • Fines	2	4	8	Project management approach - Regular contact with employers to get data. Statements are presented online at the self-service web site. Monthly interfacing to reduce workload at year end with the main employers (iConnect)	2	1	2	Pensions Manager		
8. Internal Processes											
8.1	Concentration of knowledge in a small number of officers and risk of departure of key staff. 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	3	12	Key officers convey specialist knowledge to colleagues on a function or subject basis through mentoring. Training needs have been identified in a job description and reviewed each year with team members through the appraisal process. Specific relevant qualifications for administrative and investment staff. Internal 'How to..' guidelines are developed on all internal processes.	4	2	8	Pensions Manager Investment Manager		

					External consultants and independent advisor available for short term support.					
9. Uncontrollable External Factors										
9.1	<p>Normal operations disrupted by uncontrollable external factors</p> <p>Service delivery threats from fire, bomb, extreme weather, electrical faults, sickness, epidemic, pandemic etc.</p> <p>Insufficient daily back up, disaster recovery, and IT cover to support systems.</p> <p>Temporary loss of ability to provide service to stakeholders</p>	5	5	25	<p>Working from home is happening with many of the staff now working hybrid.</p> <p>Disaster Recovery Plan for pension system.</p> <p>Business Continuity / Disaster.</p> <p>Recovery Plan for the Authority with IT firewalls.</p>	3	3	9	Pensions Manager	Continue to develop new methods of working

10. NEW RISKS

Asset Pooling										
10.1	<p>Pooling arrangements can lead to</p> <ul style="list-style-type: none"> • increase in costs • lower performance • conflict within the bout • lack of alignment to the Gwynedd Fund's investment strategy 	4	3	12	<p>The Fund's officers meet regularly with the Partnership to discuss issues and investment options.</p> <p>The Fund has representation on all sub-groups and working groups of the Partnership.</p>	4	2	8	<p>Investment Manager</p> <p>Head of Finance</p> <p>Pensions Committee Chair</p>	

					<p>The Chairman of the Gwynedd Pension Committee is a member of the Partnership's Joint Governance Committee.</p> <p>The Partnership has robust and transparent governance policies and procedures.</p> <p>The progress of the Partnership and the performance of the funds that the Gwynedd Fund has invested in are regularly reported to the Investment Panel and Pension Board.</p>					
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Final Accounts and Annual Report											
10.2	<p>The Pension Fund's Final Accounts and Annual Report are not produced in accordance with statutory requirements, accounting standards or audit timetable.</p> <ul style="list-style-type: none"> Risk to the reputation of the Pension Fund 	4	3	12	<p>The Fund's officers are Chartered Accountants and attend regular CIPFA training courses.</p> <p>A timetable is set to ensure that key dates are met when preparing the accounts.</p> <p>Clear and consistent communication with Audit Wales so that the final audited accounts can be published before the statutory date of 1st December.</p> <p>The Fund has robust systems (efinancials, iConnect, Altair) which accurately record the Fund's transactions.</p> <p>The Fund has access to statements from our Investment Managers to confirm transactions and the value of the Fund's assets.</p>	4	1	4	Investment Manager		

Evolution and new opportunities											
10.3	Failing to evolve and look for new opportunities.	4	3	12	Officers are kept up to date by attending WPP meetings and LGPS conferences. The consultants update the Investment Panel and officers about any opportunities.	4	1	4	Investment Manager		

Resources											
10.4	Not enough resources to deal with new pressures and changes such as McCloud, Dashboards etc.	4	3	12	The Fund's resources are reviewed annually as necessary by a Committee. A recruitment package offering flexibility.	4	2	8	Pensions Manager		