

## Risk Register Governance 2022

Governance Risk			Portfolio	Inherent	Residual	Controls and Actions		
Risk Ref	Risk Identified	Potential Consequence	Owner			Control or Action	Status	Review Date
GOVERN0002	Insufficient Fund cashflow to meet liabilities as they fall due. <b>Latest Review:</b> 04/05/2022 Cashflow review included in valuation work 2022/23	Immediate injections of cash from Fund employers would be required where Fund assets cannot be liquidated quickly. For now the Fund is cashflow positive but will not remain so for much longer, therefore requiring the use of investment income to subsidise the payment of pension benefits rather than being reinvested as now.	Cllr David Thomas Chris Hurst	9	6	<ul style="list-style-type: none"> <li><b>cashflow forecast in place</b> Funding strategy statement in place</li> <li><b>review strategic asset allocation to keep positive cashflow</b> Strategic asset allocation review completed to ensure that cashflow remains positive (on a targeted and monitored basis) whilst at the same time ensuring that the Fund is not forced to liquidate assets on an unplanned basis.</li> </ul>	Control In Place	
GOVERN0013	Lack of expertise of members of Pensions & Investment Committee <b>Latest Review:</b> 11/04/2022 Training needs analysis to be circulated following elections in May, once new Committee established	Poor decision making in relation to all aspects of the Fund, particularly those in relation to investment.	Cllr David Thomas Chris Hurst	9	6	<ul style="list-style-type: none"> <li><b>Knowledge &amp; Skills Framework in place</b> Knowledge &amp; Skills Framework in place and published. Annual Training Needs Analysis carried out and training made available to Committee and Board regularly (provided by Fund, WPP and 3rd parties)</li> </ul>	Control In Place	
GOVERN0016	Pension Fund Personnel and/or key suppliers are unable to work due to extreme weather, fire, epidemics <b>Latest Review:</b> 04/05/2022 Reviewed and Business Continuity Plans in place	Inability to deliver administration services or investment of the Fund. Impact of welfare of Pensions Section Staff.	Cllr David Thomas Chris Hurst	9	6	<ul style="list-style-type: none"> <li><b>Business Continuity Plan</b> Business Continuity Plan, assessment of Pensioner Payroll services. Electronic implementation of paperwork.</li> </ul>	Control In Place	
GOVERN0010	Over-reliance on key Officers <b>Latest Review:</b> 04/05/2022 Reflected and recorded in BCP. Plan in place to share knowledge within Pensions Section	When senior Officers leave or are absent due to long term sickness, large knowledge gaps remain.	Cllr David Thomas Chris Hurst	12	6	<ul style="list-style-type: none"> <li><b>In the short term, knowledge gaps can be filled by using our external colleagues from other Welsh Funds and buying in assistance</b> In the short term, knowledge gaps can be filled by using our external colleagues from other Welsh Funds and buying in assistance from consultants.</li> </ul> <div>10/01/2022 Training needs identified and training will commence now additional resource available within the Section</div> <ul style="list-style-type: none"> <li><b>Formalise succession planning by including in Officer individual training plans for less senior Officers.</b></li> </ul> <div>10/01/2022 Training needs identified and training will commence now additional resource available within the Section</div>	Action In Progress	10/07/2022
GOVERN0015	Appointment of new Pension Board Chair and membership of the Local Pension Board <b>Latest Review:</b> 08/07/2022 Chair continuing for a further 12 months	Non compliance with Public Services Pension Act. Challenge and scrutiny from the Pensions Regulator. Reduced quality of governance.	Cllr David Thomas Chris Hurst	12	6	<ul style="list-style-type: none"> <li><b>Pension Board Terms of Reference stipulate membership periods</b> Pension Board Terms of Reference stipulate membership periods and work with Pension Board members and administering authority to ensure appropriate recruitment processes are in place.</li> </ul>	Control In Place	

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GOVERN0008	Failure to comply with LGPS and other statutory regulations. <b><u>Latest Review:</u></b> 10/01/2022 Review process continues as normal	Payment of incorrect pension benefits; provision of incorrect benefit estimates; failure to comply with governance standards; failure to meet HMRC tax requirements. Resulting in: loss of customer satisfaction / confidence; IDRPs and Ombudsman appeals; TPR fines for non-compliance.	Cllr David Thomas Chris Hurst	8	6	<ul style="list-style-type: none"> <li><b>rigorous checking/authorisation procedures for pension benefit calculations and payments, review governance policy;</b> Rand, regular review of governance compliance policy. Staff training and development.</li> <li><b>Closer partnership working with employer payrolls to facilitate accurate data receipts;</b> Closer partnership working with employer payrolls to facilitate accurate data receipts; increased compliance oversight provided by newly established Pensions Board.</li> </ul>	Action Completed	
GOVERN0001	Failure to collect and account for pension contributions being paid over to the Fund on time by Fund employers. <b><u>Latest Review:</u></b> 10/01/2022 Monitoring continuing. Intention is to review the process in 2022 and take advantage of technology where possible	Adverse audit opinion, potential delays to Fund employer financial reporting; and potential delay to production of annual report and accounts.	Cllr David Thomas Chris Hurst	6	4	<ul style="list-style-type: none"> <li><b>Contributions received monitored on a monthly basis by Fund accounting staff.</b> Contributions received monitored on a monthly basis by Fund accounting staff.</li> <li><b>Requirement that each end of scheme year, Fund employers certify they have paid over contributions at the correct rates and time</b> Requirement that each end of scheme year, Fund employers certify that they have paid over contributions at the correct rates and on time.</li> </ul>	Control In Place	
GOVERN0003	Inability to deliver service as a result of the loss of key personnel <b><u>Latest Review:</u></b> 08/04/2022 Risk considered. No update	Failure to provide service at all, or at an acceptable level	Cllr David Thomas Chris Hurst	6	4	<ul style="list-style-type: none"> <li><b>Business Continuity Plan in place for the pensions administration service</b> Assurances received from all systems providers in relation to their current resilience to the threat of a failure in cyber security.</li> </ul> <p>08/04/2022 Risk considered and no further update since last review.</p> <ul style="list-style-type: none"> <li><b>Keep Business Continuity Plan under review</b></li> </ul>	Action In Progress	01/04/2023
GOVERN0012	Failure to collect payments due from ceasing employers with no active members. <b><u>Latest Review:</u></b> 08/04/2022 Decision taken to include as part of 2022 valuation work	Failure to collect cessation payments from ceasing employers results in relevant liabilities being funded by the Powys Pension Fund and the active employers.	Cllr David Thomas Chris Hurst	6	4	<ul style="list-style-type: none"> <li><b>employer covenants, guarantor bonds, risk sharing agreements</b> The Fund undertakes periodic reviews of the strength of employer covenants. For existing employers, the Fund requires that a guarantor, bond or 'risk sharing agreement' is in place. For all new employers, the Fund insists on either a guarantor or a bond being in place.</li> </ul>	Control In Place	
GOVERN0014	An admitted body ceasing to exist with insufficient funding or level of a bond available to meet all its Fund liabilities. <b><u>Latest Review:</u></b> 08/04/2022 Part of 2022 valuation work commencing from 1st April 2022	Unfunded pension liabilities being orphaned without sufficient funding/guarantees in place, resulting on increased liabilities falling on other Fund employers.	Cllr David Thomas Chris Hurst	6	4	<ul style="list-style-type: none"> <li><b>Regular review of admitted body covenants and financial health.</b> Regular review of admitted body covenants and financial health.</li> </ul> <p>08/04/2022 To form part of 2022 valuation work</p>	Action In Progress	08/10/2022

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						<ul style="list-style-type: none"> <li><b>To seek funding guarantees wherever possible, from other Scheme employers or outside bodies</b> To seek funding guarantees wherever possible, from other Scheme employers or outside bodies. To require, in all cases, a bond or other form of security to protect the Fund in the case of unexpected cessation and insolvency. Ensuring that admitted bodies are fully aware of their obligations and responsibilities to the Pension Fund and the benefits of their employees.</li> </ul>	Control In Place	
GOVERN0006	Significant rises in employer contribution rates for Fund employers with weak covenants as a consequence of increases in liabilities. <b>Latest Review:</b> 08/04/2022 Part of 2022 valuation work	Employer contribution rates rise to unsustainable levels that cause employers to become insolvent	Cllr David Thomas Chris Hurst	8	4	<ul style="list-style-type: none"> <li><b>In process of developing risk sharing arrangements to enable employers with weak covenants to attain a degree of certainty</b> Employers have Discretionary Powers Policies that help to control liabilities. In reality, little can actually be done in mitigation due to the fact that liabilities are largely determined by bond yields that are outside of the Fund's</li> <li>In process of developing risk sharing arrangements to enable employers with weak covenants to attain a degree of certainty over the level of employer contribution rates. control.</li> </ul> <p>08/04/2022 Consideration towards risk sharing can form part of 2022 valuation work, so we will look at it as part of that process.</p>	Action In Progress	08/10/2022
GOVERN0009	Lack of expertise of Pension Fund Officers and Senior Officers <b>Latest Review:</b> 04/05/2022 Annual Training Needs Analysis undertaken. Training provided and logged.	Poor decision making in relation to principal functions of the Pension Fund, particularly in relation to investments.	Cllr David Thomas Chris Hurst	8	4	<ul style="list-style-type: none"> <li><b>training and performance reviews, conferences, seminars to upskill and develop knowledge</b> Officers ensure that they receive appropriate training and are required to keep up to date with developments in pensions matters, as part of their periodic Individual Performance Reviews and by attending relevant conferences and seminars, by reading and through discussions with consultants and peers.</li> <li><b>Training plans based on the CIPFA 'Knowledge and Skills' framework, as is the the procedure for members of both PIC &amp; PB</b> Formalised Officer training via individual training plans based on the CIPFA 'Knowledge and Skills' framework, as is the the procedure for members of both Pensions &amp; Investment Committee and the Pensions Board.</li> </ul>	Control In Place	
GOVERN0004	Loss of funds through fraud or misappropriation <b>Latest Review:</b> 04/05/2022 Nothing to add - processes in place to check.	Financial loss to the Fund	Cllr David Thomas Chris Hurst	6	2	<ul style="list-style-type: none"> <li><b>audit and control tests, due diligence done when new manager appointed</b> Internal and External Audit regularly test that appropriate controls are in place and are working effectively. Due diligence is carried out whenever a new investment manager is appointed.</li> </ul>	Control In Place	

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GOVERN0005	Significant rise in employer contribution rates for Fund employers with strong covenants, as consequence of increases in liabilities. <u>Latest Review:</u> 04/05/2022 Employer Risk review included as part of valuation work in the 2022/23 year	Employer contribution rates rise to unacceptable levels, putting upward pressure on Council Tax rates and the ability of Powys County Council to continue to deliver services to its communities.	Cllr David Thomas Chris Hurst	6	2	<ul style="list-style-type: none"> <li><b>Employers have Discretionary Powers Policies that help to control liabilities</b> Employers have Discretionary Powers Policies that help to control liabilities. In reality, little can actually be done in mitigation due to the fact that liabilities are largely determined by bond yields that are outside of the Fund's control.</li> </ul>	Action In Progress	04/11/2022
						04/05/2022 Existing process in place		
						<ul style="list-style-type: none"> <li><b>insurance options investigated</b> Investigate further liability mitigations such as ill health strain insurance; developing guidance to assist employers to manage liability increases derived from their actions or inactions; and, work closely with the Fund actuary to determine appropriate valuation assumptions and deficit recovery strategies.</li> </ul>	Action In Progress	04/08/2022
						04/05/2022 Employer Risk work included in valuation work in 2022/23 year		
GOVERN0007	Significant rises in employer contribution rates for employers with strong covenants as a result of poor/negative investment returns. <u>Latest Review:</u> 04/05/2022 Review being included in Valuation work in 2022/23	Employer contribution rates rise to unacceptable levels that result in Powys County Council being unable to provide appropriate services for its communities.	Cllr David Thomas Chris Hurst	6	2	<ul style="list-style-type: none"> <li><b>Continual monitoring of performance; review of asset allocation strategy, including consideration of alternative asset classes</b> Continual monitoring of performance; review of asset allocation strategy, including consideration of alternative asset classes and non-market led assets.</li> </ul>	Action In Progress	04/11/2022
						04/05/2022 Continuing and reviewed at each Committee meeting. Interim review conducted and no plans to change strategy		
						<ul style="list-style-type: none"> <li><b>Use expert specialist consultants to help set and monitor investment strategy and investment manager performance and selection.</b> Use expert specialist consultants to help set and monitor investment strategy and investment manager performance and selection. Quarterly investment performance reports presented to Pension Fund.</li> </ul>	Control In Place	
GOVERN0011	Failure to provide the pensions service in accordance with principles of equality. <u>Latest Review:</u> 04/05/2022 No Change. Operate LGPS in accordance with the Regulations	Some stakeholders may be unable to access the service fully or at all. In the worst case scenario, this could result in court action against the Fund.	Cllr David Thomas Chris Hurst	9	0	<ul style="list-style-type: none"> <li><b>The Fund maintains a Welsh Language register in respect of scheme members and employers.</b> The Fund maintains a Welsh Language register in respect of scheme members and employers.</li> <li><b>To utilise technology to enable access to service and information for stakeholders with disabilities, other language needs etc.</b> To utilise technology to enable access to service and information for stakeholders with disabilities, other language needs etc.</li> </ul>	Control In Place	