

## Governance Risk Register

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. Potential Reputational Risk. <b>Latest Review:</b> 05/05/2023 Cashflow work to take place in Spring/Summer 2023.	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.	<i>Cllr David Thomas</i> 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	
GOVERN0016	Pension Fund Personnel and/or key suppliers are unable to work due to extreme weather, fire, epidemics <b>Latest Review:</b> 03/07/2023 Business Continuity Plans regularly reviewed and updated as required	Inability to deliver administration services or investment of the Fund. Impact of welfare of Pensions Section Staff.	<i>Cllr David Thomas</i> 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	
GOVERN0008	Failure to comply with LGPS and other statutory regulations. Potential Reputational Risk. <b>Latest Review:</b> 03/07/2023 Processes regularly reviewed and updated as required	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.	<i>Cllr David Thomas</i> Chris Hurst	8	6	<ul style="list-style-type: none"> <li><b>igorous 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 well established Pensions Board.</li> </ul>	Action Completed	
GOVERN0009	Lack of expertise of Pension Fund Officers and expertise of members of the Pensions & Investment Committee <b>Latest Review:</b> 03/07/2023 Training needs assessments conducted and plans put in place accordingly	Poor decision making in relation to principal functions of the Pension Fund, particularly in relation to investments.	<i>Cllr David Thomas</i> Chris Hurst	8	6	<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> </ul>	Control In Place	

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						<ul style="list-style-type: none"> <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> <li>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	
GOVERN0011	<p>Failure to provide the pensions service in accordance with principles of equality.</p> <p><b>Latest Review:</b> 03/07/2023 Welsh website recently updated and relaunched (June 2023)</p>	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.	<i>Cllr David Thomas</i> Chris Hurst	9	4	<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	
GOVERN0015	<p>Appointment of new Pension Board Chair and membership of the Local Pension Board</p> <p><b>Latest Review:</b> 01/03/2023 Chair Continuing in position.</p>	Non compliance with Public Services Pension Act. Challenge and scrutiny from the Pensions Regulator. Reduced quality of governance.	<i>Cllr David Thomas</i> Chris Hurst	12	4	<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	
GOVERN0001	<p>Failure to collect and account for pension contributions being paid over to the Fund on time by Fund employers. Potential Reputational Risk.</p> <p><b>Latest Review:</b> 17/07/2023 This is currently being reviewed and performance monitored and fed back to Board and Committee as required.</p>	Adverse audit opinion, potential delays to Fund employer financial reporting; and potential delay to production of annual report and accounts.	<i>Cllr David Thomas</i> 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. regular Communications to Employers to remind them of their responsibilities. production of the Employer Policy to help Employers.</li> </ul>	Control In Place	

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GOVERN0003	Inability to deliver service as a result of the loss or over reliance of key personnel. <u>Latest Review:</u> 05/05/2023 Consideration given towards succession planning and knowledge sharing. The recent restructure was designed with that in mind, so need to ensure implementation	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> <hr/> <p>05/05/2023 Cyber Security assurance received from Pensions Administration System provider in May 2023.</p> <ul style="list-style-type: none"> <li><b>Keep Business Continuity Plan under review</b></li> <li><b>Knowledge Gaps</b> In the short term, knowledge gaps can be filled by using our external colleagues from other Welsh Funds and buying in assistance. In the longer term, ensure succession plans are in place and appropriate.</li> </ul>	Action In Progress	05/12/2023
GOVERN0012	Failure to collect payments due from ceasing employers with no active members. <u>Latest Review:</u> 13/07/2023 Monitoring continuing	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. <u>Latest Review:</u> 13/07/2023 Monitoring continues	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> <hr/> <p>05/05/2023 Work to begin on latest review in 2023</p> <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>	Action In Progress	05/12/2023
GOVERN0006	Significant rises in employer contribution rates for Fund employers with weak covenants as a consequence of increases in liabilities. <u>Latest Review:</u> 11/10/2023 Work to progress in 2023 using valuation data.	Employer contribution rates rise to unsustainable levels that cause employers to become insolvent	Cllr David Thomas Chris Hurst	8	4			

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						<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> </ul> <p>Consider risk sharing arrangements to enable employers with weak covenants to attain a degree of certainty over the level of employer contribution rates. control.</p> <p>13/07/2023 Ongoing and regularly reviewed.</p>	Action In Progress	13/01/2024
GOVERN0004	Loss of funds through fraud or misappropriation <b>Latest Review:</b> 03/07/2023 No change to process and continues	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	
GOVERN0005	Significant rise in employer contribution rates for Fund employers with strong covenants, as consequence of increases in liabilities. <b>Latest Review:</b> 03/07/2023 Valuation was positive and contribution rates reviewed and revised accordingly	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>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> <p>05/05/2023 2022 Valuation Completed and deficit recovery period reduced</p> <ul style="list-style-type: none"> <li><b>Employers have Discretionary Powers Policies that help to control liability</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> <p>05/05/2023 Policies awaiting review in 2023</p>	Action In Progress	05/05/2024
GOVERN0007	Significant rises in employer contribution rates for employers with strong covenants as a result of poor/negative investment returns. <b>Latest Review:</b> 03/07/2023 Work with actuary to commence on covenant assessments in summer 2023	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> <p>16/10/2023 Deeper dive into performance monitoring to take place in next few months</p>	Action In Progress	16/04/2024

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						<ul style="list-style-type: none"> <li>• Use expert specialist consultants to help set and monitor investment strategy and investment manager performance and selection. 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	