

Item: 7

**Pension Fund Sub-committee, together with Pension Board:
15 February 2023.**

1. Recommendations

It is recommended:

1.1.

That the Committee approves the attached minute as a true record.

2. Appendix

Draft Minute of the Meeting of the Pension Fund Sub-committee, together with the Pension Board, held on 15 February 2023.

Minute

Pension Fund Sub-committee, together with Pension Board

Wednesday, 15 February 2023, 14:00.

Council Chamber, Council Offices, School Place, Kirkwall.



Present

Pension Fund Sub-committee:

Councillors Heather N Woodbridge, P Lindsay Hall, Steven B Heddle, Rachael A King, Kristopher D Leask, James W Stockan and Mellissa-Louise Thomson.

Pension Board:

Employer Representatives:

Councillors Graham A Bevan, James R Moar and Owen Tierney, Orkney Islands Council.

Trade Union Representative:

Eoin Millar (Unite).

Present via remote link (Microsoft Teams)

Trade Union Representative:

Karen Kent (Unison).

Clerk

- Sandra Craigie, Committees Officer.

In Attendance

- Gareth Waterson, Corporate Director for Enterprise and Sustainable Regeneration (for Items 1 to 3).
- Robert Adamson, Service Manager (Payroll and Pensions).
- Shonagh Merriman, Service Manager (Corporate Finance).
- Paul Maxton, Solicitor.

Not Present

Pension Board:

Trade Union Representatives:

- Mark Vincent (GMB).
- Eileen Swanney (Unison).

Declarations of Interest

- No declarations of interest were intimated.

Chair

- Councillor Heather N Woodbridge.

1. Disclosure of Exempt Information

The Sub-committee noted the proposal that the public be excluded from the meeting for consideration of Item 6 as the business to be discussed involved the potential disclosure of exempt information of the classes described in the relevant paragraphs of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973 as amended.

2. Revenue Expenditure Monitoring

After consideration of a report by the Head of Finance, copies of which had been circulated, and after hearing a report from the Corporate Director for Enterprise and Sustainable Regeneration, the Sub-committee:

Noted:

2.1. The revenue financial summary statement, in respect of service areas for which the Pension Fund Sub-committee was responsible, for the period 1 April to 31 December 2022, attached as Annex 1 to the report by the Head of Finance, indicating a budget deficit position of £47,734,100.

2.2. The revenue financial detail by service area statement, in respect of service areas for which the Pension Fund Sub-committee was responsible, for the period 1 April to 31 December 2022, attached as Annex 2 to the report by the Head of Finance.

The Sub-committee scrutinised:

2.3. The explanations given and actions proposed, in respect of significant budget variances, as outlined in the Budget Action Plan, attached as Annex 3 to the report by the Head of Finance, and obtained assurance that action was being taken with regard to significant budget variances.

3. Pension Fund – Draft Budget

After consideration of a report by the Head of Finance, copies of which had been circulated, and after hearing a report from the Corporate Director for Enterprise and Sustainable Regeneration, the Sub-committee:

Resolved that the draft revenue budget for the Orkney Islands Council Pension Fund for financial year 2023/24, attached as Annex 1 to the report by the Head of Finance, be submitted to the Policy and Resources Committee for consideration through the budget setting process.

4. Pension Fund Training

After consideration of a report by the Head of Finance, copies of which had been circulated, and after hearing a report from the Service Manager (Corporate Finance), the Sub-committee:

Noted:

4.1. Progress made over the 12-month period to 31 December 2022 in relation to meeting the training needs of members of the Pension Fund Sub-committee and the Pension Board, against core areas of the Public Sector Pensions Finance Knowledge and Skills Framework, attached as Appendix 1 to the report by the Head of Finance.

4.2. That, over the 12-month period to 31 December 2022, a total of 20 hours of training was offered to members of the Pension Fund Sub-committee and the Pension Board.

4.3. That all members of the Pension Fund Sub-committee, together with 9 of the 10 members of the Pension Board, had, over the 12-month period to 31 December 2022, achieved the minimum requirement of participation in at least one training event, or equivalent to five hours training.

4.4. That the member of the Pension Board who had not achieved the minimum requirement for training was a union representative and had cited work pressure as making it difficult to attend training events.

The Sub-committee resolved, in terms of delegated powers:

4.5. That the Annual Training Plan for 2023 for members of the Pension Fund Sub-committee and the Pension Board, attached as Appendix 1 to this Minute, be approved.

5. Pension Fund Risk Register – Review

After consideration of a report by the Head of Finance, copies of which had been circulated, and after hearing a report from the Service Manager (Corporate Finance), the Sub-committee:

Resolved, in terms of delegated powers, that the updated Risk Register relating to the Orkney Islands Council Pension Fund, attached as Appendix 2 to this report, be approved.

6. Statement of Managed Pension Funds

On the motion of Councillor Heather N Woodbridge, seconded by Councillor Rachael A King, the Sub-committee resolved that the public be excluded from the meeting for this item on the grounds that it involved the disclosure of exempt information as defined in paragraph 6 of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973 as amended.

After consideration of a report by the Head of Finance, copies of which had been circulated, and after hearing a report from the Service Manager (Corporate Finance), the Sub-committee:

Noted:

6.1. The investment monitoring report for the Pension Fund produced by Hymans Robertson, the Council's appointed investment advisor, attached as Appendix 1 to the report by the Head of Finance, relating to the performance of managed funds for the quarter to 31 December 2022.

6.2. That the Pension Fund investments returned a gain of £9,300,000, or 2.0% over the quarter to 31 December, which was 0.4% ahead of benchmark and was considered good.

6.3. That the value of the Pension Fund had decreased by 17.9% over the 12-month period to 31 December 2022, which was 12.3% behind benchmark over that period and was considered very poor.

6.4. That an average return of 4.2% per annum for the Pension Fund remained positive but was marginally behind the benchmark over the five-year period and therefore behind target, which was to outperform the aggregate benchmark.

6.5. The Governance Summary extracted from Baillie Gifford's investment report for the quarter ending 31 December 2022, attached as Appendix 2 to the report by the Head of Finance.

6.6. The extract from IFM Global Infrastructure's quarterly investor report, showing the responsible investment update for the quarter ending 31 December 2022, attached as Appendix 3 to the report by the Head of Finance.

6.7. The Corporate Governance Summary extracted from Legal and General's investment report for the quarter ending 31 December 2022, attached as Appendix 4 to the report by the Head of Finance.

Councillor Mellissa-Louise Thomson left the meeting during discussion of this item.

7. Conclusion of Meeting

At 15:01 the Chair declared the meeting concluded.

Signed: (Chair).



ORKNEY ISLANDS COUNCIL

Pension Fund Training Plan

2023

1. Introduction

The Orkney Islands Council Pension Fund is committed to providing training to those involved in the governance of the Fund to ensure that they have the skills and understanding required to carry out their stewardship role. This includes regular events to cover the latest developments in the Local Government Pension Scheme, investment strategy and performance monitoring. In April 2015, the Pension Fund Sub-committee adopted the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills.

It is important that members of both the Pension Fund Sub-committee and the Pension Board receive appropriate training to allow them to carry out their roles effectively

This training plan sets out how levels of understanding will be assessed, and how the knowledge and skills requirement and other regulatory requirements will be supported through training events over the next financial year.

2. Knowledge and Skills Framework

There are six areas of knowledge and skills that have been identified as the core requirements for those with decision making responsibility for Local Government Pension Scheme funds. They are:

- Pensions legislative and governance context.
- Pensions accounting and auditing standards.
- Financial services procurement and relationship management.
- Investment performance and risk management.
- Financial markets and products knowledge.
- Actuarial methods, standards and practices.

Members of the Pension Fund Sub-committee and the Pension Board are expected to have a collective understanding and Officers are expected to have detailed understanding of these areas of knowledge and skills.

3. Pension Board Specific Requirements

Members of the Pension Board are required to have the capacity to take on the role of assisting the Scheme Manager in relation to compliance with scheme regulations and the requirements of the Pensions Regulator.

In addition, in accordance with Section 248A of the Pensions Act 2004 which was introduced to make provision relating to pensions and financial planning for retirement, it is expected that every individual who is a member of a Local Pension Board will receive training, and as a result:

- Be conversant with the regulations governing the Local Government Pension Scheme, such as the Transitional Regulations and the Investment Regulations.
- Be conversant with any policy document relating to administration of the Fund.
- Have knowledge and understanding of the law relating to pensions.
- Have knowledge and understanding of such other matters as may be prescribed.

4. Committee and Pension Board Training

Training for the Pension Fund Sub-committee and the Pension Board during 2023 will continue to focus on the following areas:

Knowledge and Skills Framework

All training will focus on maintaining the six areas of knowledge and skills, with any gaps in knowledge identified throughout the past year and including the periodic use of member's self-assessment returns where appropriate.

Training Events

An annual pension's group training event will be provided for all members to attend. In addition, to that, expressions of interest will also be sought from members to attend relevant industry events, including conferences and seminars throughout the year. In the event that there is more interest to attend an event than places available, a decision to determine who should get approval to attend will be made by the Head of Finance, in consultation with the Chair of the Pension Fund Sub-committee, will determine appropriate representation and approve attendance.

Informative Review Presentations

Members will receive regular reports on the performance of the administration and investment functions throughout the year. In addition to this Members will be invited to attend informative review presentations by external advisors including the Pension Fund's appointed actuaries, investment advisors and fund managers.

Electronic Resources

Members are invited to access training information available on the Pension Regulator's website setting out the governance requirements of the local government pension scheme, including the respective roles of the Pension Fund Sub-committee and Pension Board at the following link:

<https://trusteetoolkit.thepensionsregulator.gov.uk/login/index.php>

Additionally, resources from previous training events have been made available to Councillors on their Council electronic device under "Training". Training materials will be added to this folder going forward as and when events occur.

5. Other Training

Where gaps in individual members' knowledge have been identified that will not be met by the core training described above, then Members should approach Officers in the first instance with a view to addressing those needs.

Specific training can also be provided for the Chair of the Pension Fund Sub-committee and Pension Board to support them in their role, if required.

6. Officer Training

It is important that Officers have the required training to carry out the tasks of managing the Fund's investments and administering the payment of benefits. The knowledge and skills required of staff are set out in their job descriptions, including any formal qualifications required. Officers should be familiar with the requirements of the CIPFA Code of Practice on Knowledge and Skills and should have knowledge of the six areas of the framework.

Officers will attend relevant professional training events, conferences and seminars during the year to ensure that they remain up-to-date with the latest requirements. In addition, they will be expected to keep up-to-date through use of the internet, and conduct research on relevant issues where required. Individual training plans will be put in place and these will be recorded and reviewed as part of the annual staff appraisal process.

For Officers, there will be a particular focus on the following areas:

Governance – Understanding the guidance and regulations in relation to local pension boards and keeping up-to-date with how other Funds are working with their boards, in order that the Pension Board can be supported effectively and add value to the governance of the Fund.

New Investment Arrangements – Understanding the implications of how the Financial Conduct Authority will implement the Markets in Financial Instruments Directive (MiFIDII) and what the Fund will need to do to comply.

New Investment Products – Keeping up-to-date with what the market is offering, in order to assess the validity of new products for investment by the Fund.

Accounting Issues – Keeping up-to-date with the latest CIPFA guidance on the format of the Pension Fund Statement of Accounts and the content of the Annual Report.

Pensions Admin Regulations – Understanding the latest guidance and interpretation of changes to LGPS Regulations and their impact on procedures.

Pensions Admin Systems - Keeping up-to-date with updates/new releases to the software system Altair, passing training onto all staff.

Wider Pensions Issues – Understanding the impact of wider Government reforms to pensions, such as “freedom and choice” on the LGPS.

7. Reporting and Compliance

In line with the CIPFA Code of Practice, a disclosure will be made in the Fund’s Annual Report and Accounts that covers:

- How the Skills and Knowledge framework has been applied.
- What assessment of training needs has been undertaken.
- What training has been delivered against the identified training needs.

Orkney Islands Council Pensions Fund Risk Register

1. Objectives

The objectives of the Risk Register are to:-

- identify key risks that could prevent the achievement of the Fund's objectives
- evaluate the significance of the risks;
- identify any mitigating controls;
- identify the owner of each risk; and
- act as a basis by which the risks can be monitored and reported upon.

2. Risk Assessment

Identified risks are assessed separately and for each the following is determined:-

- the likelihood of the risk materialising; and
- the impact/potential consequences if it does occur.

3. Risk Evaluation

Risks are evaluated on a sliding scale of 1-10 with 10 the highest value i.e. highest likelihood / most severe impact / consequences. The risk evaluation tables overleaf have been used in order to assess specific risks and to introduce a measure of consistency into the risk assessment process. The overall rating for each risk is calculated by multiplying the likelihood value against the impact value to give the total score. The risk rating scores are then used to prioritise the risk rating which is shown in the register itself.

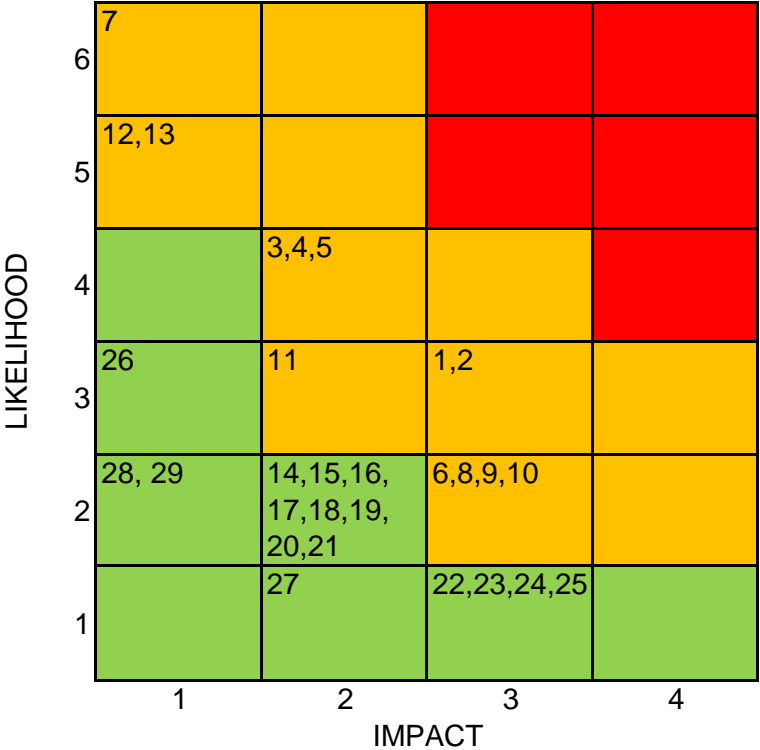


Risk Evaluation Criteria

The Risk Evaluation Tables: Likelihood	
1	Negligible never happened to the Fund but is theoretically possible
2	Extremely unlikely within the next 3 years, but possible within a 10 year cycle
3	Extremely unlikely within the next 12 months, but possible within a 5 year cycle
4	Feasible within the next 12 months
5	Probable within the next 12 months
6	Confidently expected within the next 12 months

The Risk Evaluation Tables: Impact	
1	Negligible
2	Significant – potential to cause significant damage in the short and medium term without threatening the survival of the Fund
3	Could seriously threaten Fund reputation or weaken its capacity to survive
4	Catastrophic

Risk Matrix



Summary and Prioritisation of Pension Fund Risks

Risk Ranking	Risk Theme	Risk	Risk Rating
1	Investment	Active investment manager under-performance relative to benchmark at aggregate level and/or failure of investment market(s) from economic and political instability etc resulting in possible liquidity/cash flow risk	9
2	Investment	Changes in legislation and other regulatory frameworks, such as pooling and merging of LGPS schemes in Scotland, and the outcome of the consultation into the creation of a National Care Service, may impact adversely on the Fund in terms of funding levels and governance structures.	9
3	Investment	The ongoing COVID-19 pandemic could have both short-term and long-term impacts on the investment returns of the Fund.	8
4	Investment	Significant disruption of global stock markets	8
5	Governance	Committee and Board members have inadequate knowledge and understanding.	8
6	Operational	Business Continuity (Service delivery threats, Insufficient daily backup etc)	6
7	Operational	New pension access reforms, "Freedom and choice", and increase in awareness, may lead to Fund members electing to transfer all or part of their pension entitlement much earlier than projected.	6
8	Operational	Breach of Data Protection Legislation - theft or loss of data.	6
9	Investment	Inefficiencies with the portfolio could result in unintended risks.	6
10	Operational	Failure to produce compliant annual report and accounts within deadline.	6
11	Operational	Recruitment and retention of key staff.	6
12	Investment	Outcome of the McCloud judgement and how it will impact on future liabilities of the Fund.	5
13	Investment	Outcome of the Cost Cap and how it will impact on future contributions.	5
14	Investment	Brexit risks potentially impacting the Funds assets and liabilities	4
15	Operational	Increased risk or fraud and scams due to the COVID-19 pandemic.	4
16	Operational	Scale of Pension Team could create an over reliance on Key Pension Officers and staff absence being problematic.	4
17	Governance	Funding Strategy is only updated following the tri-ennial actuarial valuation and does not reflect any subsequent regulatory changes, longevity, early retirement patterns, or any pay and price inflation.	4
18	Governance	Lack of communication and budgetary controls between Administering Authority and members of the Pension Fund Sub Committee.	4
19	Investment	Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation	4
20	Operational	Incomplete member records and failure to collect and account for contributions in a timely manner.	4
21	Governance	Decisions influenced by possible conflicts of interest or not in the best interests of stakeholders.	4
22	Operational	Fraud/Theft of Fund assets by internal staff members.	3
23	Governance	Failure to adhere to relevant statutory regulations including updates from LGPS	3
24	Investment	Negligence, default, fraud by investment manager.	3
25	Investment	Failure of Global Custodian.	3
26	Investment	As long-term investors, the Fund believes climate risk has the potential to significantly alter the value of the Fund's investments.	3
27	Operational	Failure to process accurate pension benefit payments, including lump sum payments, in a timely manner.	2
28	Operational	The administration performance measure and targets may no longer be the most appropriate for the fund.	2
29	Operational	Pandemic resulting in closure of facilities'.	2

Pension Fund - Risk Ranking

Ranking	Risk	Impact	L	I	Current Risk Rating	Previous Risk Rating	Risk Control Measures	Assigned to	Target Date (priority items)
1	Active investment manager under-performance relative to benchmark at aggregate level and/or failure of investment market(s) from economic and political instability etc.	Illiquidity or loss of investments. Negative publicity and adverse reporting. Potential loss of interest from any excessive holding of funds.	3	3	9	9	<ul style="list-style-type: none"> Regular review of Funding Strategy. Regular review of Investment Strategy in line with the actuarial valuation. External investment consultants and actuaries are appointed to advise the PFSC. Diversified long-term investment strategy focused on developed markets and managed by experienced Investment Managers. Market regulation. Robust governance and investment monitoring framework. Quarterly monitoring of investment managers performance by external independent advisers and PFSC. 	Head of Finance/PFSC	Ongoing
2	Changes in legislation and other regulatory frameworks, such as pooling or merging of LGPS schemes in Scotland, and the outcome of the consultation into the creation of a National Care Service, may impact adversely on the Fund in terms of funding levels and governance structures	Loss of investments or control of investments.	3	3	9	9	<ul style="list-style-type: none"> Participation in active CIPFA and Scottish Pension network allow changes and impacts to be identified quickly. Involvement with COSLA discussions on Pensions. Participation in consultation on pooling/merger by the Scheme Advisory Board. Monitoring and highlighting actions and decisions from scheme advisory board. 	Head of Finance/PFSC	Ongoing
3	The ongoing COVID-19 pandemic could have both short-term and long-term impacts on the investment returns of the Fund.	Loss of value to the Fund.	4	2	8	10	<ul style="list-style-type: none"> External investment consultants and actuaries are appointed to advise the PFSC. Diversified long-term investment strategy focused on developed markets and managed by experienced Investment Managers. Robust governance and investment monitoring framework. Annual review of mandates. Periodic review of investment structure. 	Head of Finance/PFSC	Ongoing
4	Significant disruption of global stock markets.	Loss of value to the Fund.	4	2	8	N/A	<ul style="list-style-type: none"> Diversification of scheme assets, global approach, multiple fund managers. Investment strategy review following outcome of triennial valuation. 	Head of Finance/PFSC	Ongoing
5	Committee and Board members have inadequate knowledge and understanding.	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.	4	2	8	4	<ul style="list-style-type: none"> Training policy statement in line with the Code of Practice on Public Sector Pensions Finance Knowledge and Skills. A training register maintains a record of all training provided and attended. A training plan is agreed annually. 	Head of Finance	Ongoing
6	Business Continuity (Service delivery threats, Insufficient daily backup etc)	Temporary loss of ability to provide service to stake holders. Staff downtime, loss of service delivery. Monthly pension payroll to pensioners delayed resulting in possible hardship.	2	3	6	6	<ul style="list-style-type: none"> Business continuity and disaster recovery plans in place. Procedures to back-up IT System are fully developed and stored securely. Contingency arrangements are in place including staff ability to work from home. Pensions Administration system is now fully operational with established procedures in place. 	IT / Pensions Manager	Ongoing
7	New pension access reforms, "Freedom and choice", and increase in awareness, may lead to Fund members electing to transfer all or part of their pension entitlement much earlier than projected resulting in the potential change in liability profile for the Fund.	Requirement to release large amounts of cash to members. Disinvest current assets in a much more unplanned manner with the potential to disadvantage the Funding position.	6	1	6	6	<ul style="list-style-type: none"> Management will continue to monitor the amounts being transferred. Management will notify Hymans Robertson, Actuaries to the Fund, if they feel the level of transfers could impact on the funding position. Requirement of scheme is for any transfers over £30K to provide evidence that they have sought financial advice from an adviser registered with the FCA. 	Pensions Manager	Ongoing
8	Breach of Data Protection Legislation - theft or loss of data.	Audit criticism, legal challenge, reputational damage, financial penalties.	2	3	6	6	<ul style="list-style-type: none"> Data securely sent/received to/from the fund actuary using a secure internet portal. Pension Fund adopted internal controls of Administering Authority. Staff complete the online i-Learn module on Data Protection. 	Pensions Manager /IT/Legal	Ongoing

Pension Fund - Risk Ranking

Ranking	Risk	Impact	L	I	Current Risk Rating	Previous Risk Rating	Risk Control Measures	Assigned to	Target Date (priority items)
9	Inefficiencies with the portfolio could result in unintended risks.	Underperformance of investments.	2	3	6	6	<ul style="list-style-type: none"> Diversified strategic asset allocation policy which is regularly reviewed by the PFSC. Investment Management Agreement that incentivises the Fund Manager to outperform the benchmark and drive out any inefficiencies. External independent consultants review the investment performance quarterly. 	Head of Finance/ PFSC	Ongoing
10	Failure to produce compliant annual report and accounts within deadline.	Audit criticism, reputational damage.	2	3	6	6	<ul style="list-style-type: none"> Agree audit program timeously Plan timetable annually Use of qualified staff 	Accounting / Pensions	Ongoing
11	Recruitment and retention of key staff.	Loss or failure of service delivery	3	2	6	6	<ul style="list-style-type: none"> OIC's policy includes actively encouraging skilled and educated workers to remain in Orkney. Existing staff are given the opportunity to gain an appropriate pension qualification. 	Head of Finance Pensions Manager/ HR	Ongoing
12	The outcome of the recent court judgements, including Mcloud and Goodwin, will impact future liabilities of the Fund and increase pressure on contributions depending on the remedy decided by the UK Government to compensate individuals for the difference in treatment since public service pension reforms in 2015 on the grounds of age and gender discrimination.	Increase in employer contribution rates.	5	1	5	5	<ul style="list-style-type: none"> Hymans Robertson provided an updated actuarial present valuation at the end of financial year 2018-2019 following the Court of Appeal judgement to estimate the impact of the McCloud judgement. A provision was made to recognise this in the Annual Accounts 2018-19. Once the full implications of the ruling are established officers with assistance from Hymans Robertson will further quantify the impact on the Fund. The cost cap introduced in 2015 will limit the impact. 	Head of Finance/ PFSC	Ongoing
13	The Cost Cap or Cost Management as it is also known as, is being introduced to the LGPS as a mechanism for sharing funding risk between the employers and members. It will not be fully implemented until the outcome of the Mcloud judgement is known but could lead to scheme benefits changing and either employers or employees paying higher contributions.	Increase in employer contribution rates.	5	1	5	5	<ul style="list-style-type: none"> Once the full implications of the cost cap are established officers, with assistance from Hymans Robertson, will further quantify the impact on the Fund. Good investment returns protect the Fund in the short term and the impact will be further reviewed in the interim valuations each year and at the next triennial valuation in 2023. 	Head of Finance/ PFSC	Ongoing
14	Brexit risks include the following which could impact the Funds Assets and Liabilities - <ul style="list-style-type: none"> Risk of rising inflation increasing the amount of future pensions paid. Actuarial basis risk of falling gilt yields, which could accelerate rate at which contributions are required to be paid following the next actuarial valuation. 	Loss of value to the Fund.	4	1	4	8	<ul style="list-style-type: none"> Triennial valuation for 2023 will be completed and necessary adjustments made to the investment strategy as required. Performance of the Pension Fund will continue to be monitored quarterly by Hymans Robertson and any recommendations they make on the assets held will be considered by the Pension Board and Sub-Committee. 	Head of Finance/ PFSC	Ongoing
15	Increased risk of fraud and scams due to the COVID-19 pandemic.	Changes in working practices at outside bodies has made it harder to contact people by phone, with many offices now closed to staff. Dependence on emails as a form of communication could be exploited by potential fraudsters. Home working by staff can result in less discussion about transactions that are taking place.	2	2	4	4	<ul style="list-style-type: none"> New Pension Regulator provisions in place from November 2021 to strengthen the checks that take place prior to any transfers being made. Management will continue to monitor closely the checks that have taken place prior to any transfers out being made. Management will work closely with staff to ensure they are getting the correct level of support to deliver their role in the team. Staff will be made aware of any potential scams that could take place. This is being further enhanced by the development of a new on-line training course which will be mandatory for all Finance staff. 	Pensions Manager	Ongoing
16	Scale of Pension Team could create an over reliance on Key Pension Officers and staff absence being problematic.	Failure to process payments on time or correctly leading to possible delays or overpayments. Loss or failure of service delivery.	2	2	4	4	<ul style="list-style-type: none"> Checklists Pensions Manager focused on mentoring and knowledge sharing Front line management course Staff complement in the Pensions section has been increased 	Head of Finance Pensions Manager/ HR	Ongoing
17	Funding Strategy is only updated following the tri-ennial actuarial valuation and does not reflect any subsequent regulatory changes, longevity, early retirement patterns, or any pay and price inflation.	Increase in employers contribution rates. Increase in liabilities leading to increase in employer contribution rates. Pressure on cash flow and funding equation. Pressure on cash flow and funding and equation.	2	2	4	4	<ul style="list-style-type: none"> The focus of the actuarial valuation process on real returns, net of prices and pay increases. Valuation monitoring by annual Navigator reports are intended to act as an early warning system. Expert Actuaries appointed to monitor and forecast accordingly. 	PFSC	Ongoing

Pension Fund - Risk Ranking

Ranking	Risk	Impact	L	I	Current Risk Rating	Previous Risk Rating	Risk Control Measures	Assigned to	Target Date (priority items)
18	Lack of communication and budgetary controls between Administering Authority and members of the Pension Fund Sub Committee.	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.	2	2	4	4	<ul style="list-style-type: none"> Annual service budget agreed in advance of financial year. Monthly budget monitoring reports (BMR). Quarterly budget reports to the PFSC. 	Pensions Manager PFSC Head Of Finance	Ongoing
19	Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation	Financial loss borne by the Pension Fund	2	2	4	4	<ul style="list-style-type: none"> The Council's Annual Treasury Management Strategy sets out the Fund's approach to credit risk for internally managed funds. Deposits are only made with banks and financial institutions if they are independently rated and meet the OIC's credit criteria. The strategy also sets limits as to the maximum percentage of deposit with any one class of financial assets. 	Head of Finance	Ongoing
20	Incomplete member records and failure to carry out statutory functions including submission of member data and contributions to the Pension Fund in a timely manner.	Adverse impact on cash flow position; delays in closure of year end accounts; employers forced to leave the scheme. Possible adverse audit opinions, possible unacceptable delays in settlements or overpayments. Missing, incomplete records on pensions administration system undermines service delivery and causes difficulties in establishing correct benefits at individual level and liabilities at whole Fund level.	2	2	4	4	<ul style="list-style-type: none"> Monitor membership on triennial actuarial valuation. Admitted bodies to notify of significant structural changes. Vetting on any new or prospective employers before entering into an admission agreement. Senior Officers liaise closely with employers Contribution monitoring procedures Monthly monitoring of receipts and escalation procedures in place. Annual contribution return certificates. 	Pensions Manager/ Internal Audit	Ongoing
21	Decisions influenced by possible conflicts of interest or not in the best interests of stakeholders.	Limited discretion for interested parties or stakeholders to influence decisions. The pension fund is regulated by the statutory provisions of the LGPS.	2	2	4	4	<ul style="list-style-type: none"> Training provided. Potential conflicts of interest are declared at the beginning of each committee meeting. Register of Interests for members to the PFSC and PB is in place and reviewed annually. 	Head of Finance	Ongoing
22	Fraud/Theft of Fund assets by internal staff members.	Overpayment, unauthorised payment, system corruption, audit criticism, reputational damage	1	3	3	4	<ul style="list-style-type: none"> Established systems of internal controls and security are in place Segregation of duties Supervisory checking of all calculations Internal audit and monitoring arrangements Fraud ilearn course compulsory for all Finance staff 	Head of Finance Pensions Manager/ Internal Audit	Ongoing
23	Failure to adhere to relevant statutory regulations including updates from LGPS	Potential overpayment of pensions. Audit criticism, legal challenge, reputational damage and cost.	1	3	3	3	<ul style="list-style-type: none"> Regular systems checks take place to ensure compliance with current LGPS (Scotland) Regulations. Continual review of discretionary pension policies. Participation in the Scottish Pension Investments Governance Group. Provision of staff training. 	PFSC/PB Head of Finance Pensions Manager	Ongoing
24	Negligence, default, fraud by investment manager.	Loss of value to the Fund; reputational damage.	1	3	3	3	<ul style="list-style-type: none"> Indemnities in Investment Management Agreements and Financial Conduct Authority (FCA) Regulations. Separation of assets from management via global custody arrangement. Document review process on internal control reports from Fund custodians takes place. Process in place for reporting any significant issues to members of the Pension Board and Sub-Committee. 	PFSC	Ongoing
25	Failure of Global Custodian.	Loss of investments or control of investments.	1	3	3	3	<ul style="list-style-type: none"> Regular review and periodic re-tendering. Banking and FCA regulation. Fund's assets not on custodian's balance sheet. 	PFSC	Ongoing
26	As long-term investors, the Fund believes climate risk has the potential to significantly alter the value of the Fund's investments.	Loss of value to the Fund.	3	1	3	3	<ul style="list-style-type: none"> The Statement of Investment Principles are regularly reviewed. Investment managers are required to take account of both financial and non-financial factors in their investment decisions. Managers are required to be signatories of the UNPRI. Managers are challenged on their engagement activities in connection with environmental, social and governance (ESG) issues including climate risk. Managers are required to report regularly on their compliance with our ESG policy. 	Head of Finance/ PFSC	Ongoing

Pension Fund - Risk Ranking

Ranking	Risk	Impact	L	I	Current Risk Rating	Previous Risk Rating	Risk Control Measures	Assigned to	Target Date (priority items)
27	Failure to process accurate pension benefit payments, including lump sum payments, in a timely manner.	Possible unacceptable delays in making full payments to pensioners, possible overpayment of monies.	1	2	2	2	<ul style="list-style-type: none"> Segregation of duties Regular checks by Internal Audit Subscription to tracing service for deceased pensioners 	Pensions Manager/Internal Audit	Ongoing
28	The administration performance measures and targets may no longer be the most appropriate for the fund.	Poor performance of the administration of the Pension Fund.	2	1	2	2	<ul style="list-style-type: none"> Performance is measured and reported to the Pension Board twice yearly. Increased staffing within the Pensions Section has resulted in more targets being met. Regular reviews of performance measures will take place 	Pensions Manager	Ongoing
29	Closure of facilities due to a pandemic.	Loss of income for employer resulting in inability to pay contributions. Adverse impact on cashflow.	2	1	2	2	<ul style="list-style-type: none"> Low number of admitted and scheduled bodies and any new admitted bodies are carefully considered before admission. The Pensions Section are in regular contact with the admitted bodies and would be aware very quickly of any potential non-payment of contributions. The main employer in the scheme is OIC and funding of the Council is not at risk. 	Head of Finance and Pensions Manager	Ongoing