

City of Westminster Pension Fund Risk Register

Risk Number	Key risks <i>There is a risk that/of...</i>	Consequence	TYPE		Inherent risk			Residual risk			Risk Monitoring	Responsible Officer	Existing controls
			STRATEGIC/CHANGE (Portfolio, Programme, Project) or OPERATIONAL Risk (Business as Usual)	PESTLEcc	Likelihood	Impact	Total	Likelihood	Impact	Total			
1	The combination of assets in the investment portfolio fails to fund the liabilities in the long term due to market movements.	There are insufficient assets to meet the liabilities.	STRATEGIC (Investments)	Economic	4	5	20	2	3	6	Fund investment performance and funding level monitored quarterly by the Pension Fund Committee.	Tri-borough Director of Treasury & Pensions	Investment Strategy in place and reviewed periodically. Liability measure monitored on a quarterly basis.
2	Fund managers fail to achieve the returns agreed in their management agreements.	The Fund returns are less than anticipated and the funding level deteriorates.	STRATEGIC (Investments)	Economic	4	5	20	3	3	9	Fund manager performance monitored quarterly by the Pension Fund Committee.	Tri-borough Director of Treasury & Pensions	Independent monitoring of fund manager performance by custodian against targets. Investment adviser retained to keep watching brief. At time of appointment ensure assets are separately registered and segregated by owner.
3	Failure of custodian or counterparty.	Fund assets at risk.	STRATEGIC (Investments)	Economic	3	5	15	2	5	10	Review of internal control reports on annual basis.	Tri-borough Director of Treasury & Pensions	Growth assets in the portfolio should rise in value as inflation rises.
4	The level of inflation and interest rates assumed in the valuation may be inaccurate.	Liabilities are higher than expected and more employer contributions are required to maintain funding.	STRATEGIC (Funding)	Economic	4	5	20	4	3	12	Review at each triennial valuation and challenge actuary as required.	Tri-borough Director of Treasury & Pensions	Cashflow forecast maintained. Cashflow requirements form part of current investment strategy review.
5	There is insufficient cash available in the Fund to meet pension payments.	Investment assets have to be sold at sub-optimal prices to meet pension payments.	STRATEGIC (Funding)	Economic	4	3	12	2	1	2	Cashflow position monitored quarterly by Pension Fund Committee.	Tri-borough Director of Treasury & Pensions	

6	Scheme members live longer than expected.	Liabilities are higher than expected and more employer contributions are required to maintain funding.	STRATEGIC (Funding)	Economic	4	5	20	4	2	8	Review at each triennial valuation and challenge actuary as required.	Tri-borough Director of Treasury & Pensions	None applicable.
7	Scheme matures more quickly than expected due to public sector spending cuts.	Contributions reduce and pension payments increase leading to negative cashflow.	STRATEGIC (Funding)	Economic	4	4	16	2	3	6	Cashflow position monitored quarterly by Pension Fund Committee.	Tri-borough Director of Treasury & Pensions	Cashflow forecast maintained. Deficit contributions collected as lump sums instead of as % of payroll to maintain monetary value. Respond to all consultations which are published and lobby as appropriate to ensure consequences are understood.
8	Pension legislation or regulations change.	Risk that the cost of scheme rises or increased administration is required.	STRATEGIC (Regulation)	Legislative	4	3	12	3	4	12	Maintain links with central government and national bodies to keep abreast of potential issues.	Tri-borough Director of Treasury & Pensions and Acting Director of HR	Officers maintain knowledge of legal framework for routine decisions. Eversheds retained for consultation on non routine matters.
9	Failure to comply with legislation.	Ultra vires actions lead to financial loss and reputational damage.	OPERATIONAL (Governance)	Legislative	4	3	12	2	2	4	It is within the terms of reference of the Pension Board to ensure compliance with legislation.	Tri-borough Director of Treasury & Pensions and Bi-borough Director of HR	External professional advice sought where required.
10	That Committee members do not have appropriate skills or knowledge to discharge their responsibility.	Inappropriate decisions are made leading to a financial impact or a breach of legislation.	OPERATIONAL (Governance)	Professional	3	5	15	4	3	12		Tri-borough Director of Treasury & Pensions	
11	Officers do not have the appropriate skills and knowledge to perform their roles.	Service not provided in line with best practice and legal requirements.	OPERATIONAL (Governance)	Professional	3	3	9	2	2	4	Training plans in place for all staff as part of the performance appraisal arrangements, which are reviewed every six months.	Tri-borough Director of Treasury & Pensions and Bi-borough Director of HR	Person specs used at recruitment to identify skills and experience. Tri-borough pensions finance team and Pensions HR team provides resilience and sharing of knowledge within the teams. Membership of CIPFA Pension Network and NAPF provides access to training opportunities.

12	Inadequate, inappropriate or incomplete investment or actuarial advice is actioned.	Financial loss or a breach of legislation.	OPERATIONAL (Governance)	Professional	4	5	20	2	2	4	Pension Fund Committee and officers scrutinise and challenge advice provided.	Tri-borough Director of Treasury & Pensions	Appoint advisers with appropriate professional qualifications and quality assurance procedures in place.
13	Failure of an admitted or scheduled body leads to a deficit in the Fund.	Unpaid liabilities are left in the Fund to be met by others.	OPERATIONAL (Funding)	Partnership	3	4	12	3	2	6	Regular monitoring of employers and follow up of expiring bonds.	Tri-borough Director of Treasury & Pensions and Acting Director of HR	Bonds in place for all transferee admitted bodies.
14	Ill-health costs may exceed "budget" allocations made by the actuary.	Liabilities are higher than expected and more employer contributions are required to maintain funding.	OPERATIONAL (Funding)	Financial / People management	4	5	20	3	2	6	Review at each triennial valuation and challenge actuary as required.	Tri-borough Director of Treasury & Pensions and Acting Director of HR	Admitted bodies charged capital cost at time of retirement. Occupational Health services provided at council to address early potential ill health issues. Third parties regulated by the FCA and separation of duties and independent reconciliation procedures in place. Periodic internal audits.
15	Loss of funds through fraud or misappropriation.	Financial loss and negative impact on reputation of the Pension Fund.	OPERATIONAL (Administration)	Economic	4	4	16	3	3	9	Review of third party internal control reports and regular reconciliations of pension payments undertaken.	Tri-borough Director of Treasury & Pensions and Acting Director of HR	Regular ongoing monitoring by Officers and advisers keeps counterparties under close review
16	Failure of fund manager or other service provider without notice.	There is a period of time without the service being provided or an alternative needs to be quickly identified and put in place.	OPERATIONAL (Administration)	Third Party Suppliers	3	3	9	3	1	3	Contract monitoring in place with providers.	Tri-borough Director of Treasury & Pensions and Acting Director of HR	Regular ongoing monitoring by Officers and advisers keeps counterparties under close review
17	Failure of pension payroll system.	Pensioners are not paid in a timely manner.	OPERATIONAL (Administration)	Information / Third Party Suppliers	2	5	10	1	5	5	Contract monitoring in place with provider.	Acting Director of HR	
18	Failure to pay pensions accurately	Under or over payments of pensions.	OPERATIONAL (Administration)	Information / Third Party Suppliers	2	5	10	2	3	6	Contract monitoring in place with provider.	Acting Director of HR	
19	Failure of Pension administration system resulting in loss of records.	Incorrect payments of lump sums or delays in payment.	OPERATIONAL (Administration)	Information / Third Party Suppliers	1	5	5	1	5	5	Contract monitoring in place with provider.	Acting Director of HR	
20	That administrators do not have sufficient staff or skills to manage the service.	Performance levels are not maintained leading to reduced perception and complaints.	OPERATIONAL (Administration)	Third Party Suppliers	1	5	5	2	3	6	Contract monitoring in place with provider.	Acting Director of HR	