

Objectives

1. The objectives of the Risk Register are to:
 - identify key risks to the achievement of the Fund's objectives
 - assess the significance of the risks
 - consider existing controls to mitigate the risks identified
 - Identify additional action required.

Risk Assessment

2. Identified risks are assessed separately and for each the following is determined:
 - the likelihood of the risk materialising
 - the severity of the impact/potential consequences if it does occur.
3. Each factor is evaluated on a sliding scale of 1 to 5 with 5 being the highest value i.e. highest likelihood/most severe impact/consequences. The risk evaluation tables below 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.

LIKELIHOOD:		
1	Rare	0 to 5% chance
2	Unlikely	6 to 20% chance
3	Possible	21 to 50% chance
4	Likely	51 to 80% chance
5	Almost certain	81%+ chance

IMPACT:		
1	Insignificant	0 to 5% effect
2	Minor	6 to 20% effect
3	Moderate	21 to 50% effect
4	Significant	51 to 80% effect
5	Catastrophic	81%+ effect

4. Having scored each risk for likelihood and impact, the risk ratings can be plotted onto the following matrix to enable risks to be categorised into Low, Medium, High and Very High Risk.

Risk Rating Matrix

Relative Impact	Catastrophic (5)	M	H	VH	VH	VH
	Significant (4)	M	H	VH	VH	VH
	Moderate (3)	M	M	H	H	H
	Minor (2)	L	L	M	M	M
	Insignificant (1)	L	L	L	L	L
		(1)	(2)	(3)	(4)	(5)
		Rare	Unlikely	Possible	Likely	Almost Certain
		Relative Likelihood				

5. This initial assessment gives the inherent risk level. Existing controls are then identified and each risk is re-assessed to determine if the controls are effective at reducing the risk rating. This gives the current (or residual) risk level. The current risk rating scores and categories are then used to prioritise the risks shown in the register in order to determine where additional action is required in accordance with the following order of priority:

Red = Very High Priority

Take urgent action to mitigate the risk.

Orange = High Priority

Take action to mitigate the risk.

Yellow = Medium Priority

Check current controls and consider if others are required.

Green = Low Priority

No immediate action other than to set a review date to re-consider your assessment.

NOTTINGHAMSHIRE PENSION FUND RISK REGISTER - SUMMARY

Key to risk rating change since previous version of Risk Register:

 Increase
  Decrease
  No Change
 ★ New

Risk	Inherent Risk			Current Risk		
	Rating	Change		Rating	Change	
Risk Inv3 Fund assets are assessed as insufficient to meet long term liabilities.	16	VERY HIGH	↔	9	HIGH	★
Risk Adm1 Standing data & permanent records are not accurate.	16	VERY HIGH	↑	9	HIGH	★
Risk Inv4 Significant variations from assumptions used in the actuarial valuation	12	HIGH	↓	9	HIGH	★
Risk Gov3 An effective performance management framework is not in place.	12	VERY HIGH	↓	6	MEDIUM	★
Risk Inv1 Inappropriate investment strategy is adopted.	12	VERY HIGH	↔	6	MEDIUM	★
Risk Inv5b Custody arrangements	12	VERY HIGH	↓	6	MEDIUM	★
Risk Adm2 Inadequate controls to safeguard pension fund records	12	VERY HIGH	↔	6	MEDIUM	★
Risk Gov1 Pension Fund governance arrangements are not effective	9	HIGH	↔	6	MEDIUM	★
Risk Gov2 Pension Fund objectives are not defined and agreed.	9	HIGH	↔	6	MEDIUM	★
Risk Gov4 Inadequate resources are available to manage the pension fund.	9	HIGH	↑	6	MEDIUM	★
Risk Inv2 Fund cash is insufficient to meet its current obligations.	9	HIGH	↔	6	MEDIUM	★
Risk Inv5a Fund manager mandates	9	HIGH	↔	6	MEDIUM	★
Risk Inv5d Financial Administration	9	HIGH	↔	6	MEDIUM	★

Appendix B

Risk Adm3 Failure to communicate adequately with all relevant stakeholders.	9	HIGH	↑	6	MEDIUM	★
Risk Gov5 Failure to adhere to relevant legislation and guidance.	9	HIGH	↑	4	LOW	★
Risk Inv5c Accounting arrangements	6	MEDIUM	↓	4	LOW	★
Risk Inv5e Stewardship	6	MEDIUM	↔	4	LOW	★

Governance					
Risk: Gov1 - Pension Fund governance arrangements are not effective					
	Likelihood:	Impact:	Risk Rating:		
Inherent Risk:	3	3	9	HIGH	↔
Current Risk:	2	3	6	MEDIUM	★
Current Controls:	<ul style="list-style-type: none"> The Council's constitution clearly delegates the functions of administering authority of the pension fund to the Nottinghamshire Pension Fund Committee (NPF Committee), supported by two Sub-Committees. 				
	<ul style="list-style-type: none"> The terms of reference of each Sub-Committee are agreed. 				
	<ul style="list-style-type: none"> The Fund publishes a Governance Compliance Statement which details the governance arrangements of the Fund and assesses compliance with best practice. This is kept regularly under review. 				
	<ul style="list-style-type: none"> A training policy is in place which requires Members to receive continuing training and all new Members to attend the Local Government Employers training course. 				
	<ul style="list-style-type: none"> Officers of the Council attend meetings of the NPF Committee and Sub-Committees. 				
	<ul style="list-style-type: none"> The Fund has a formal contract for an independent adviser to give advice on investment matters. They are contracted to attend each meeting of the pension fund Sub-Committees. 				
Action Required:	<ul style="list-style-type: none"> Continue to monitor via existing processes. 				
Responsibility:	Group Manager (Financial Management); Group Manager (BSC) Group Manager (Legal Services)		Timescale:	On-going	

Governance					
Risk: Gov2 - Pension Fund objectives are not defined and agreed.					
	Likelihood:	Impact:	Risk Rating:		
Inherent Risk:	3	3	9	HIGH	↔
Current Risk:	2	3	6	MEDIUM	★
Current Controls:	<ul style="list-style-type: none"> Purpose and objectives are outlined in the Funding Strategy Statement (FSS) and Statement of Investment Principles (SIP). Both documents are approved by the NPF Committee and reviewed on a regular basis. 				
Action Required:	<ul style="list-style-type: none"> Continue to monitor via existing processes. 				
Responsibility:	NPF Committee; Group Manager (Financial Management)		Timescale:	On-going	

Governance					
Risk: Gov3 - An effective performance management framework is not in place.					
	Likelihood:	Impact:	Risk Rating:		
Inherent Risk:	3	4	12	VERY HIGH	↓
Current Risk:	2	3	6	MEDIUM	★
Current Controls:	<ul style="list-style-type: none"> Investment performance is reported quarterly to the Pensions Investment Sub-Committee. The Fund's main managers attend each quarter and officers receive regular updates from the Fund's other managers. 				
	<ul style="list-style-type: none"> Poor investment performance is considered by the Sub-Committees and referred for decision if necessary to the NPF Committee. 				
	<ul style="list-style-type: none"> Fund strategic benchmark has been implemented to improve monitoring of decisions regarding asset allocation and investment management arrangements. 				
Action Required:	<ul style="list-style-type: none"> Consider performance monitoring framework for Fund Administration. 				
Responsibility:	NPF Committee and Sub-Committees; Group Manager (Financial Management); Group Manager (BSC)		Timescale:	March 2016	

Governance					
Risk: Gov4 - Inadequate resources are available to manage the pension fund.					
	Likelihood:	Impact:	Risk Rating:		
Inherent Risk:	3	3	9	HIGH	↑
Current Risk:	2	3	6	MEDIUM	★
Current Controls:	<ul style="list-style-type: none"> The pension fund is managed by the Pensions & Treasury Management and HR Pensions teams. 				
	<ul style="list-style-type: none"> Operating costs are recharged to the pension fund in accordance with regulations. 				
	<ul style="list-style-type: none"> Staffing levels and structures are kept under regular review. 				
Action Required:	<ul style="list-style-type: none"> Continue to monitor via existing processes. 				
Responsibility:	Group Manager (Financial Management); Group Manager (BSC)		Timescale:	On-going	

Governance					
Risk: Gov5 - Failure to adhere to relevant legislation and guidance.					
	Likelihood:	Impact:	Risk Rating:		
Inherent Risk:	3	3	9	HIGH	↑
Current Risk:	2	2	4	LOW	★
Current Controls:	<ul style="list-style-type: none"> • An established process exists to inform members and officers of statutory requirements and any changes to these. • Sufficient resources are in place to implement LGPS changes while continuing to administer the scheme. • Membership of relevant professional groups ensures changes in statutory and other requirements are registered before the implementation dates. 				
Action Required:	• Continue to monitor requirements via appropriate sources.				
Responsibility:	Group Manager (Financial Management); Group Manager (BSC); Senior Accountant - Pensions & TM		Timescale:	On-going	

Investments					
Risk: Inv1 - Inappropriate investment strategy is adopted.					
	Likelihood:	Impact:	Risk Rating:		
Inherent Risk:	3	4	12	VERY HIGH	↔
Current Risk:	2	3	6	MEDIUM	★
Current Controls:	<ul style="list-style-type: none"> • The Investment Strategy is in accordance with LGPS investment regulations and is documented, reviewed and approved by the NPF Committee. • The Strategy takes into account the expected returns assumed by the actuary at the triennial valuation. • Investment performance is monitored against the Fund's strategic benchmark. • A regular review takes place of the Fund's asset allocation strategy by the Pension Fund Working Party. • An external advisor provides specialist guidance to the Pensions Investment Sub-Committee on the investment strategy. 				
Action Required:	• Continue to monitor via existing processes.				
Responsibility:	Group Manager (Financial Management); Senior Accountant - Pensions & TM		Timescale:	Ongoing	

Investments					
Risk: Inv2 - Fund cash is insufficient to meet its current obligations.					
	Likelihood:	Impact:	Risk Rating:		
Inherent Risk:	3	3	9	HIGH	↔
Current Risk:	2	3	6	MEDIUM	★
Current Controls:	<ul style="list-style-type: none"> Fund cash flow is monitored daily and a summary fund account is reported to Pensions Investment Sub-Committee each quarter. 				
	<ul style="list-style-type: none"> Annual accounts are produced for the pension fund and these show the movements in net cash inflow 				
	<ul style="list-style-type: none"> Regular assessment of Fund assets and liabilities is carried out through actuarial valuations. 				
	<ul style="list-style-type: none"> The Fund's Investment and Funding Strategies are regularly reviewed 				
Action Required:	<ul style="list-style-type: none"> Continue to monitor via existing processes. 				
Responsibility:	Investments Sub-Committee; Group Manager (Financial Management); Senior Accountant (Pensions & TM)		Timescale:	On-going	

Investments					
Risk: Inv3 - Fund assets are assessed as insufficient to meet long term liabilities.					
	Likelihood:	Impact:	Risk Rating:		
Inherent Risk:	4	4	16	VERY HIGH	↔
Current Risk:	3	3	9	HIGH	★
Current Controls:	<ul style="list-style-type: none"> Fund assets are kept under review as part of the Fund's performance management framework. 				
	<ul style="list-style-type: none"> Regular assessment of Fund assets and liabilities is carried out through Actuarial valuations. 				
	<ul style="list-style-type: none"> The Fund's Investment and Funding Strategies are regularly reviewed. 				
	<ul style="list-style-type: none"> An external advisor provides specialist guidance to the Pensions Investment Sub-Committee on the investment strategy. 				
Action Required:	<ul style="list-style-type: none"> Continue to monitor via existing processes. Review cash flow projections prepared by actuaries on a regular basis. 				
Responsibility:	Investments Sub-Committee; Group Manager (Financial Management); Senior Accountant - Pensions & TM		Timescale:	Ongoing	

Investments					
Risk: Inv4 - Significant variations from assumptions used in the actuarial valuation					
	Likelihood:	Impact:	Risk Rating:		
Inherent Risk:	4	3	12	HIGH	↓
Current Risk:	3	3	9	HIGH	★
Current Controls:	<ul style="list-style-type: none"> Actuarial assumptions are reviewed by officers and discussed with the actuaries 				
	<ul style="list-style-type: none"> Sensitivity analysis undertaken on assumptions to measure impact 				
	<ul style="list-style-type: none"> Valuation undertaken every 3 years 				
	<ul style="list-style-type: none"> Monitoring of cash flow position and preparation of medium term business plan. 				
	<ul style="list-style-type: none"> Contributions made by employers vary according to their member profile. 				
Action Required:	<ul style="list-style-type: none"> Continue to monitor via existing processes. Review cash flow projections prepared by actuaries on a regular basis. 				
Responsibility:	Group Manager (Financial Management); Senior Accountant - Pensions & TM		Timescale:	On-going	

Investments					
Risk: Inv5 - Inadequate controls to safeguard pension fund assets.					
Inv5a - Fund manager mandates					
	Likelihood:	Impact:	Risk Rating:		
Inherent Risk:	3	3	9	HIGH	↔
Current Risk:	2	3	6	MEDIUM	★
Current Controls:	<ul style="list-style-type: none"> Complete and authorised client agreements are in place. This includes requirement for fund managers to report quarterly on their performance. 				
	<ul style="list-style-type: none"> Client portfolios are managed in accordance with investment objectives. 				
	<ul style="list-style-type: none"> AAF 01/06 (or equivalent) reports on internal controls of service organisations are reviewed for external managers. 				
	<ul style="list-style-type: none"> In-House Fund has a robust framework in place which is regularly tested by internal audit 				
	<ul style="list-style-type: none"> Fund Managers maintain an appropriate risk management framework to minimise the level of risk to Pension Fund assets. 				
Action Required:	<ul style="list-style-type: none"> Continue to monitor via existing processes. 				
Responsibility:	Group Manager (Financial Management); Senior Accountant - Pensions & TM		Timescale:	On-going	

Inv5b - Custody arrangements					
	Likelihood:	Impact:	Risk Rating:		
Inherent Risk:	3	4	12	VERY HIGH	↓
Current Risk:	2	3	6	MEDIUM	★
Current Controls:	• Complete and authorised agreements are in place with external custodian.				
	• AAF 01/06 (or equivalent) report on internal controls of service organisations is reviewed for external custodian.				
	• Regular reconciliations carried out to check external custodian records.				
	• Where assets are custodied in-house, physical stock certificates are held in a secure cabinet to which access is limited.				
Action Required:	• Continue to monitor via existing processes.				
Responsibility:	Group Manager (Financial Management); Senior Accountant - Pensions & TM		Timescale:	On-going	
Inv5c - Accounting arrangements					
	Likelihood:	Impact:	Risk Rating:		
Inherent Risk:	3	2	6	MEDIUM	↓
Current Risk:	2	2	4	LOW	★
Current Controls:	• Pension Fund accounting arrangements conform to the Local Authority Accounting Code, relevant IFRS/IAS and the Pensions' SORP.				
	• The Pension Fund subscribes to the CIPFA Pensions Network and Technical Information Service and officers attend courses as appropriate.				
	• Regular reconciliations are carried out between in-house records and those maintained by external custodian and investment managers.				
	• Internal Audits are carried out regularly.				
	• External Audit review the Pension Fund's accounts annually.				
Action Required:	• Continue to monitor via existing processes.				
Responsibility:	Group Manager (Financial Management); Senior Accountant - Pensions & TM		Timescale:	On-going	

Inv5d - Financial Administration					
	Likelihood:	Impact:	Risk Rating:		
Inherent Risk:	3	3	9	HIGH	↔
Current Risk:	2	3	6	MEDIUM	★
Current Controls:	• The pension fund adheres to the County Council's financial regulations with appropriate separation of duties and authorisation limits for transactions.				
	• Daily cash settlements are made with external custodian to maximise returns on cash.				
	• Investment transactions are properly authorised, executed and monitored.				
	• Contributions due to the fund are governed by Scheme rules which are implemented by the Pensions Manager				
	• The Pension fund maintains a bank account which is operated within regulatory guidelines.				
Action Required:	• Continue to monitor via existing processes.				
Responsibility:	Group Manager (Financial Management); Senior Accountant - Pensions & TM		Timescale:	On-going	
Inv5e - Stewardship					
	Likelihood:	Impact:	Risk Rating:		
Inherent Risk:	3	2	6	MEDIUM	↔
Current Risk:	2	2	4	LOW	★
Current Controls:	• The pension fund aims to be a long term responsible investor and has adopted the FRC's Stewardship code.				
	• The Fund is a member of Local Authority Pension Fund Forum (LAPFF) and National Association of Pension Funds (NAPF), and supports their work on shareholder engagement.				
	• The pension fund has a contract in place for a proxy voting services. Voting is reported to the Pensions Sub-Committee each quarter and published on the Fund website.				
Action Required:	• Continue to monitor via existing processes.				
Responsibility:	Group Manager (Financial Management); Senior Accountant - Pensions & TM		Timescale:	On-going	

Administration				
Risk: Adm1 - Standing data and permanent records are not accurate.				
	Likelihood:	Impact:	Risk Rating:	
Inherent Risk:	4	4	16	VERY HIGH ↑
Current Risk:	3	3	9	HIGH ★
Current Controls:	<ul style="list-style-type: none"> • Business processes are in place to identify changes to standing data. • Records are supported by appropriate documentation; input and output checks are undertaken; reconciliation occurs to source records once input. • Documentation is maintained in line with agreed policies. • Change of details form sent out to members alongside annual statement. • Data matching exercises (National Fraud Initiative) help to identify discrepancies. • Data cleansing has been undertaken as part of transfer to new Pensions Administration system 			
Action Required:	<ul style="list-style-type: none"> • Continue to monitor via existing processes. • Introduce quarterly monitoring of returns from major fund employers 			
Responsibility:	Group Manager (BSC)		Timescale:	On-going

Administration				
Risk: Adm2 - Inadequate controls to safeguard pension fund records.				
	Likelihood:	Impact:	Risk Rating:	
Inherent Risk:	3	4	12	VERY HIGH ↑
Current Risk:	2	3	6	MEDIUM ★
Current Controls:	<ul style="list-style-type: none"> • ICT Disaster Recovery Plan and Security Plan are agreed and in place • New Data Centre and back up arrangements in place • Software is regularly updated to meet LGPS requirements. • Audit trails and reconciliations are in place. • Documentation is maintained in line with agreed policies. • Physical records are held securely. 			
Action Required:	<ul style="list-style-type: none"> • Continue to monitor via existing processes. 			
Responsibility:	Group Manager (BSC)		Timescale:	On-going

Administration					
Risk: Adm3 - Failure to communicate adequately with all relevant stakeholders.					
	Likelihood:	Impact:	Risk Rating:		
Inherent Risk:	3	3	9	HIGH	↑
Current Risk:	2	3	6	MEDIUM	★
Current Controls:	<ul style="list-style-type: none"> • A communications strategy is in place. 				
	<ul style="list-style-type: none"> • The Fund website is periodically updated and Nest Egg newsletter is published regularly. 				
	<ul style="list-style-type: none"> • The Fund has an annual meeting aimed at all participating employers. 				
	<ul style="list-style-type: none"> • The Pensions Sub-Committee has representatives of the County Council, City Council, Nottinghamshire Local Authorities, Trade Unions, Scheduled and Admitted Bodies. 				
	<ul style="list-style-type: none"> • Regular Pension road shows and communication takes place. 				
	<ul style="list-style-type: none"> • Meetings are held regularly with employers within the Fund. 				
	<ul style="list-style-type: none"> • Benefit Illustrations are sent annually to contributing and deferred Fund members. 				
	<ul style="list-style-type: none"> • Annual report, prepared in accordance with statutory guidelines, is published on the website. 				
Action Required:	<ul style="list-style-type: none"> • Consider employer risk analysis to safeguard contributions to the Fund. • Carry out a review of the communications strategy 				
Responsibility:	Group Manager (BSC)		Timescale:	June 2015	