

DRAFT - BUSINESS RISK ASSESSMENT

RISK ASSESSMENT COMPLETED BY:
FUNCTION / SERVICE / TEAM:
PROJECT / PROGRAMME (if applicable):
DATE:

Director of Essex Pension Fund
Essex Pension Fund
N/A
06-Feb-19

Risk No.	Previous Risk No.	Objective at Risk	Risk Event, to include: - the area of uncertainty in terms of the threat - cause / trigger - the event or situation that gives rise to the risk - impact – the effect or impact the risk would have if it occurs	Review period	Current Mitigating Actions / Controls	Current Control Owner	Current Assessment of Risk			Risk Owner	Mitigation Approach	Revised/Added Mitigating Actions / Controls	Review period	Revised/Added Control Owner	Controlled Assessment of Risk		
							Current								Target		
							Likelihood	Impact	Risk Rating						Likelihood	Impact	Risk Rating
I1	I1	To maximise the returns from investments within reasonable risk parameters	The total Fund Investment return does not meet expectations which could lead to underfunding.	Quarterly	1. EPF Investment Strategy is reviewed and monitored on a regular basis. 2. Monitoring of: investment manager performance; market conditions. Performance of both assets and liabilities is monitored periodically. 3. Institutional Investment Consultants undertake return analysis for each asset class within the portfolio, combined with the probability of reaching 100% funding	1. Samantha Andrews - Investment Manager 2. Samantha Andrews - Investment Manager 3. Kevin McDonald - Director for EPF	3	3	9	Samantha Andrews - Investment Manager	Treat		Quarterly			0	
I2	I6	To maximise the returns from investments within reasonable risk parameters	Investment Managers and/or ACCESS Operator's sub funds underperform or do not have appropriate benchmarks leading to lower investment returns	Quarterly	1. The performance of Investment Managers and/or ACCESS Operator's sub funds is subject to regular review. 2 3 4	1. Samantha Andrews - Investment Manager 2 3 4	3	2	6	Samantha Andrews - Investment Manager	Treat	1. To review benchmarks with Investment Managers and/or ACCESS Operator	Quarterly	1. Samantha Andrews - Investment Manager			0
I3	I7	To ensure the Fund's investments are properly managed before, during and after pooling is implemented	Failure by EPF or the ACCESS Operator to take advice in accordance with statutory requirements and best practice over appointing and the terms of appointment of investment managers	Quarterly	1. The Fund procures and utilises an Institutional Investment Consultant and an Independent Investment Advisor. 2. EPF ensure these arrangements are kept under review. 3. ACCESS Escalation Policy in place. 4. Appointed Contract Manager within the ASU.	1. Samantha Andrews - Investment Manager 2. Samantha Andrews - Investment Manager 3. Samantha Andrews - Investment Manager 4. Kevin McDonald - Director for EPF	1	3	3	Samantha Andrews - Investment Manager	Treat		Quarterly			0	
I4	I10	To ensure the Fund's investments are properly managed before, during and after pooling is implemented	Delays in: - implementation of decisions; and/or - availability of suitable solutions within the Pool; which could reduce the effectiveness of the decision which could lead to loss of potential return	Quarterly	1. EPF works proactively with Investment Advisors, ACCESS Pool and Investment Managers to scope, propose and implement viable revisions to the Investment Strategy. 2 3 4	1. Samantha Andrews - Investment Manager 2 3 4	3	2	6	Samantha Andrews - Investment Manager	Treat		Quarterly			0	
I5	I13	To ensure the Fund's investments are properly managed before, during and after pooling is implemented	Failure of 3rd party service providers to maintain obligations in respect of investments leading to potential loss of return or liquidity, or ability to access or control investment.	Quarterly	1. AAF0106 Annual Control Reviews are carried out. 2. Within the Pool environment the Depository has liability for safekeeping of Pool investments. 3. ASU Contract Manager ensures adherence to the Operator Agreement by the 11 ACCESS Funds and LINK. 4. Formal procurement procedures are being used for all 3rd party suppliers. 5. EPF ensure these arrangements are kept under review. 6. Fund's assets are not included on Custodian's Balance Sheet. Separate Designated Accounted for each mandate.	1. Samantha Andrews - Investment Manager 2. Samantha Andrews - Investment Manager 3. Samantha Andrews - Investment Manager 4. Amanda Crawford - Compliance Manager 5. Amanda Crawford - Compliance Manager 6. Samantha Andrews - Investment Manager	3	2	6	Samantha Andrews - Investment Manager	Treat		Quarterly			0	
I6	I15	Ensure investment issues are communicated appropriately to the Fund's stakeholders	Failure to communicate and consult on Investment Matters with stakeholders resulting in lack of understanding and potentially poor decisions being made	Quarterly	1. Investment Strategy Statement is subject to stakeholder consultation. 2. PSB/ISC Members are appropriately trained prior to key decisions being made. 3. Engagement with Employers at triennial valuation. 4	1. Samantha Andrews - Investment Manager 2. Samantha Andrews - Investment Manager 3. Sara Maxey - Employer Manager 4	1	2	2	Samantha Andrews - Investment Manager	Treat	1. To update Employers and Members of Investment Matters.	Quarterly	1. Samantha Andrews - Investment Manager			0
I7	I16	To ensure the Fund's investments are properly managed before, during and after pooling is implemented	The implementation of MFID II (January 2018) leads to the Fund being categorised by some / all of its service providers as a 'retail client' - the result of which could reduce the range of sub asset classes in which the Fund is able to invest, and may even require disinvestment from the current portfolio	Quarterly	1. The Fund has arrangements to ensure that relevant MFID II "opt ups" to Elective Professional status for all asset mandates is kept under review. 2 3 4	1. Samantha Andrews - Investment Manager 2 3 4	1	4	4	Samantha Andrews - Investment Manager	Treat		Quarterly			0	
I8	NE W	To maximise the returns from investments within reasonable risk parameters	Lack of consideration of all financial and non-financial risks relating to ESG/Responsible Investment (RI) issues leading to poor investment returns, increased employer contribution rates and reputational damage	Quarterly	1. Use of expert consultants in the selection of Investment Strategy and Investment Managers. 2. Regular monitoring of Investment Managers. 3. Regular reviews of Investment Strategy. 4. Compliance with Stewardship Code.	1. Samantha Andrews - Investment Manager 2. Samantha Andrews - Investment Manager 3. Samantha Andrews - Investment Manager 4. Samantha Andrews - Investment Manager	1	3	3	Samantha Andrews - Investment Manager	Treat	1. To develop an Responsible Investment (RI) Policy in consultation with Investment Advisors. 2. Consider membership of LAPFF. 3. Trigger report from Investment Advisors to include ESG.	Quarterly	1. Samantha Andrews - Investment Manager 2. Samantha Andrews - Investment Manager 3. Samantha Andrews - Investment Manager			0
F1	F1	To prudently set levels of employer contributions that aim to achieve a fully funded ongoing position in the timescales determined in the Funding Strategy Statement	Failure to set and collect contributions sufficient to achieve a fully funded ongoing position in the timescales determined by the Funding Strategy Statement	Quarterly	1. At each triennial valuation, assess funding position and progress made to full funding. 2. Full annual interim reviews to enable consideration of the position. 3. A specific Scorecard measure is in place on this matter. Current measure 4.3.2 - % of contributing employers submitting timely payments. 4. Work with Employers to ensure they understand their responsibilities.	1. Sara Maxey - Employer Manager 2. Sara Maxey - Employer Manager 3. Sara Maxey - Employer Manager 4. Sara Maxey - Employer Manager	2	3	6	Sara Maxey - Employer Manager	Treat	1. Introducing monthly data uploads when Employer and EPF capacity allows. 2. Development of data improvement plan.	Quarterly	1. Sara Maxey - Employer Manager 2. Sara Maxey - Employer Manager			0
F2	F4	To prudently set levels of employer contributions that aim to achieve a fully funded ongoing position in the timescales determined in the Funding Strategy Statement	Mortality rates continue to improve, in excess of the allowances built into the evidence based actuarial assumptions, resulting in increased liabilities, reduced solvency levels and increased employer contributions	Quarterly	1. Longevity analysis is conducted by the Actuary at each valuation. 2 3 4	1. Sara Maxey - Employer Manager 2 3 4	3	3	9	Sara Maxey - Employer Manager	Treat		Quarterly			0	
F3	F5	To prudently set levels of employer contributions that aim to achieve a fully funded ongoing position in the timescales determined in the Funding Strategy Statement	Demographic experience of Fund population is not in line with actuarial assumptions resulting in increases required in Employer contributions	Quarterly	1. EPF ensures the Employer pay the rates set at each valuation. 2. The Actuary provides a prudent assessment to allow for ill-health cases within the calculations. 3. Any change in demographics are reviewed at subsequent valuations and any underfunding will be addressed. 4	1. Sara Maxey - Employer Manager 2. Sara Maxey - Employer Manager 3. Sara Maxey - Employer Manager 4	1	3	3	Sara Maxey - Employer Manager	Treat		Quarterly			0	

F4	F6	To recognise in drawing up the funding strategy the desirability of employer contribution rates that are as stable as possible	Failure to apply and demonstrate fairness in the differentiated treatment of different fund employers by reference to their own circumstances and covenant	<div> <div>Quarterly</div> <div> 1. EPF carries out an analysis at each triennial actuarial valuation to assess covenant and affordability on a proportional basis. 2. A risk analysis is conducted at each triennial valuation by the Funds Actuary. 3. Ongoing monitoring of contributions to identify significant change and continuous dialogue with employers. 4. </div> </div>	<div> <div>Quarterly</div> <div> 1. Sara Maxey - Employer Manager 2. Sara Maxey - Employer Manager 3. Sara Maxey - Employer Manager 4. </div> </div>	2	3	6	Sara Maxey - Employer Manager	Treat	<div> <div>Quarterly</div> <div> 1. To review controls in light of Fair Deal. 2. To review controls in light of Fair Deal. 3. To review controls in light of Fair Deal. 4. </div> </div>	<div> <div>Quarterly</div> <div> 1. Sara Maxey - Employer Manager 2. Sara Maxey - Employer Manager 3. Sara Maxey - Employer Manager 4. </div> </div>			0
F5	F8	To recognise in drawing up the funding strategy the desirability of employer contribution rates that are as stable as possible	Pay and price inflation significantly different from actuarial assumptions resulting in increases required in employers' contributions	<div> <div>Quarterly</div> <div> 1. EPF carries out an analysis at each triennial actuarial valuation to ensure the assumptions adopted are appropriate and monitor actual experience. 2. Discussions with employers over affordability and pay policy are held. 3. Discretionary Policy to control discretionary costs. 4. </div> </div>	<div> <div>Quarterly</div> <div> 1. Sara Maxey - Employer Manager 2. Sara Maxey - Employer Manager 3. Sara Maxey - Employer Manager 4. </div> </div>	2	3	6	Sara Maxey - Employer Manager	Treat	<div> <div>Quarterly</div> <div> 1. To review controls in light of Fair Deal. 2. To review controls in light of Fair Deal. 3. To review controls in light of Fair Deal. 4. </div> </div>	<div> <div>Quarterly</div> <div> 1. Sara Maxey - Employer Manager 2. Sara Maxey - Employer Manager 3. Sara Maxey - Employer Manager 4. </div> </div>			0
F6	F13	To manage employers' liabilities effectively, having due consideration of each employer's strength of covenant, by the adoption, where necessary, of employer specific funding objectives	Failure to: - recognise a weakening (strengthening) in an employer's covenant; - lack of, or inaccurate, information about an employer; leads to an inappropriate funding approach in respect of that employer	<div> <div>Quarterly</div> <div> 1. EPF monitors and send reminders of employer's responsibilities. 2. EPF carries out an analysis at each triennial actuarial valuation to assess covenant and affordability on a proportional basis. 3. A risk analysis is conducted at each triennial valuation. 4. Use of bonds and guarantees. 5. Ongoing monitoring of contributions to identify significant change and continuous dialogue with employers. 6. </div> </div>	<div> <div>Quarterly</div> <div> 1. Sara Maxey - Employer Manager 2. Sara Maxey - Employer Manager 3. Sara Maxey - Employer Manager 4. Sara Maxey - Employer Manager 5. Sara Maxey - Employer Manager 6. </div> </div>	3	3	9	Sara Maxey - Employer Manager	Treat	<div> <div>Quarterly</div> <div> 1. To review controls in light of Fair Deal. 2. To review controls in light of Fair Deal. 3. To review controls in light of Fair Deal. 4. </div> </div>	<div> <div>Quarterly</div> <div> 1. Sara Maxey - Employer Manager 2. Sara Maxey - Employer Manager 3. Sara Maxey - Employer Manager 4. </div> </div>			0
F7	F16	To ensure consistency between the investment strategy and funding strategy	Funding strategy is not aligned with Investment Strategy leading to adverse funding outcomes (over/under funding)	<div> <div>Quarterly</div> <div> 1. The Asset Liability Study is undertaken on a triennial basis. 2. The Funding Strategy and Investment Strategy are reviewed and monitored on a regular basis. 3. The Funding Strategy is aligned with the Investment Strategy. 4. </div> </div>	<div> <div>Quarterly</div> <div> 1. Samantha Andrews - Investment Manager 2. Sara Maxey - Employer Manager 3. Sara Maxey - Employer Manager and Samantha Andrews - Investment Manager 4. </div> </div>	2	3	6	Sara Maxey - Employer Manager	Treat	<div> <div>Quarterly</div> <div> 1. To review controls in light of Fair Deal. 2. To review controls in light of Fair Deal. 3. To review controls in light of Fair Deal. 4. </div> </div>	<div> <div>Quarterly</div> <div> 1. Sara Maxey - Employer Manager 2. Sara Maxey - Employer Manager 3. Sara Maxey - Employer Manager 4. </div> </div>			0
F8	F17	Maintain liquidity in order to meet projected net cash-flow outgoings	The Fund has insufficient cash to pay pensions as they fall due.	<div> <div>Quarterly</div> <div> 1. EPF ensures sufficient investment income is available to supplement contribution income to meet benefit payments. 2. This is reported to the PSB. 3. A specific Scorecard measure is in place on this matter. To link to scorecard measure no. 4. Limit on illiquid assets and levels of diversification from equities and bonds. 5. Projection of expected cash flows and daily monitoring of cash. 6. </div> </div>	<div> <div>Quarterly</div> <div> 1. Sara Maxey - Employer Manager 2. Sara Maxey - Employer Manager 3. Sara Maxey - Employer Manager 4. Samantha Andrews - Investment Manager 5. Samantha Andrews - Investment Manager 6. </div> </div>	1	3	3	Sara Maxey - Employer Manager	Treat	<div> <div>Quarterly</div> <div> 1. To review controls in light of Fair Deal. 2. To review controls in light of Fair Deal. 3. To review controls in light of Fair Deal. 4. </div> </div>	<div> <div>Quarterly</div> <div> 1. Sara Maxey - Employer Manager 2. Sara Maxey - Employer Manager 3. Sara Maxey - Employer Manager 4. </div> </div>			0
F9	F19	To minimise unrecoverable debt on termination of employer participation	An employer ceasing to exist with insufficient funding, adequacy of bond or guarantee leads to unrecoverable debt and residual liability falls on remaining employers.	<div> <div>Quarterly</div> <div> 1. New employers joining the Fund are required to meet the Funds expectations, covenant, security and guarantee as set out in the Funding Strategy. 2. Existing employers are required to meet the Funding Strategy and Actuarial Valuation obligations. 3. Monitoring of bonds and ongoing monitoring of Employer covenant. 4. </div> </div>	<div> <div>Quarterly</div> <div> 1. Sara Maxey - Employer Manager 2. Sara Maxey - Employer Manager 3. Sara Maxey - Employer Manager 4. </div> </div>	3	3	9	Sara Maxey - Employer Manager	Treat	<div> <div>Quarterly</div> <div> 1. Ensure cost management funding implications are communicated clearly and in a timely manner to employers to ensure they can budget for the changes. 2. To review controls in light of Fair Deal. 3. To review controls in light of Fair Deal. 4. </div> </div>	<div> <div>Quarterly</div> <div> 1. Sara Maxey - Employer Manager 2. Sara Maxey - Employer Manager 3. Sara Maxey - Employer Manager 4. </div> </div>			0
F10	F22	To prudently set levels of employer contributions that aim to achieve a fully funded ongoing position in the timescales determined in the Funding Strategy Statement	The adoption of a funding strategy that causes the Fund to fail any of the GAD s13 tests or be named in the GAD s13 report that causes reputational damage.	<div> <div>Quarterly</div> <div> 1. In consultation with the Actuary, EPF determine an appropriate funding strategy that meets s13 requirements. 2. 3. 4. </div> </div>	<div> <div>Quarterly</div> <div> 1. Sara Maxey - Employer Manager 2. 3. 4. </div> </div>	2	3	6	Sara Maxey - Employer Manager	Treat	<div> <div>Quarterly</div> <div> 1. To review controls in light of Fair Deal. 2. To review controls in light of Fair Deal. 3. To review controls in light of Fair Deal. 4. </div> </div>	<div> <div>Quarterly</div> <div> 1. Sara Maxey - Employer Manager 2. Sara Maxey - Employer Manager 3. Sara Maxey - Employer Manager 4. </div> </div>			0