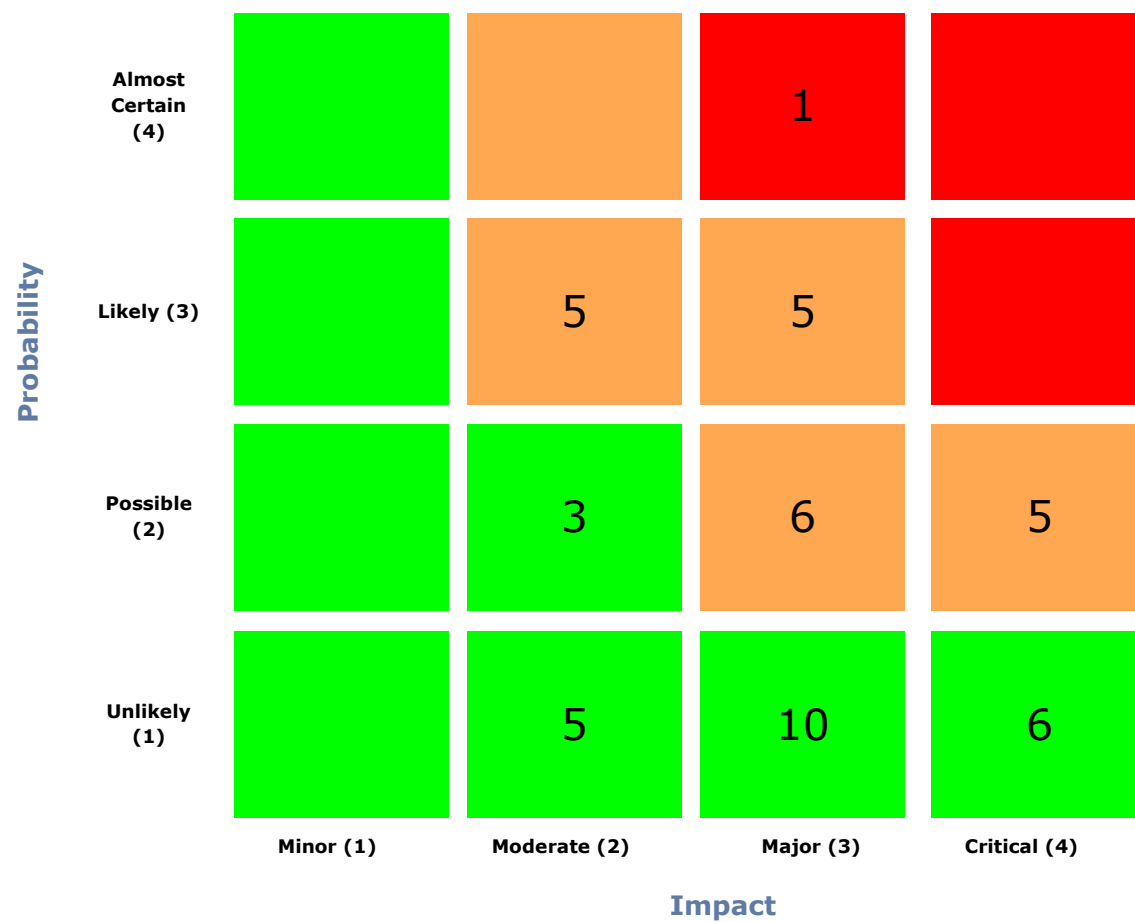


Heatmap (Current Rating)

Essex Pension Fund



Detailed Risk Information

| Current Rating | Risk Ref | Risk Details | Risk Owner | Controls/Mitigations |
|----------------|----------|---|-----------------|--|
| 12 | G14 | <p>Regulatory risks impacting on Investments, Funding and Administration:</p> <ul style="list-style-type: none"> - Academisation of Schools, the possibility of MAT breakups and cross fund movements with potential for further schools to convert to academy status and MATs to breakdown leading to additional governance and administration risk; - Current cost management review where a flawed process will result in better benefits for scheme members that will mean employers having to pay more than they otherwise would have; - SCAPE rate changes that will significantly increase transfer values paid out (increase of liabilities) and impact on the Funding Strategy via s13 which could mean unforeseen increases to employer contributions; - Increased centralisation of the LGPS and HMT taking all the assets / structural change; - GMP equalisation resulting in potentially additional costs and/or administration; - National Pensions Dashboard resulting in major changes to data provision; - Separation of the Fund from the Administering Authority; - Government intervention in Fund asset allocation decisions. | Sara Maxey | <ol style="list-style-type: none"> 1. Regular communications with schools to understand their intentions. 2. EPF and their Advisors are actively involved in the development of the LGPS. 3. EPF monitor the current and new regulations and correspondence from MHCLG and LGA. 4. EPF keeps abreast of developments, participating in consultations and collaborating with other Funds. 5. EPF utilise the expertise of their Independent Administration and Governance Advisor (IGAA). |
| 9 | G3 | A lack of expertise, insufficient knowledge and maintenance of the PSB, ISC and PAB arising out of high turnover and/or changes within the LGPS benefit structure, regulations and associated directives/deliverables | Amanda Crawford | <ol style="list-style-type: none"> 1. Training Plan is in place. 2. PSB/ISC/PAB Members have to complete CIPFA modules 1-8 on a two-year cycle. 3. Immediate induction training for new members. 4. Training plan is reviewed/adapted to reflect changes within LGPS. 5. EPF use advisors i.e. IGAA to provide relevant information and recommendations. 6. Progress made against training plan is recorded and monitored. 7. Mechanisms are in place to recruit vacancies as they arise. |
| 9 | F2 | 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 | Sara Maxey | <ol style="list-style-type: none"> 1. Longevity analysis is conducted by the Actuary at each valuation. |

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| 9 | F6 | <p>"Failure to:</p> <ul style="list-style-type: none"> - recognise a weakening (strengthening) in an employer's covenant; - lack of, or inaccurate, information about an employer; <p>leads to an inappropriate funding approach in respect of that employer"</p> | Sara Maxey | <ol style="list-style-type: none"> 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. |
| 9 | F9 | An employer ceasing to exist with insufficient funding, adequacy of bond or guarantee leads to unrecoverable debt and residual liability falls on remaining employers. | Sara Maxey | <ol style="list-style-type: none"> 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. |
| 9 | I1 | The total Fund Investment return does not meet expectations which could lead to underfunding. | Samantha Andrews | <ol style="list-style-type: none"> 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. |
| 8 | G8 | Failure to effectively manage contracts for the supply of services to the Pension Fund leads to reputational damage and financial loss. | Amanda Crawford | <ol style="list-style-type: none"> 1. EPF monitor all contracts via performance measures and contract fulfilment checks. |
| 8 | G10 | New risks are not identified or risk register is not kept up to date | Amanda Crawford | <ol style="list-style-type: none"> 1. Risk is part of BAU and is discussed at monthly EPF MT meetings. 2. Director for EPF and Head of EPF formally review risks each quarter. 3. Changed risks and key risks are reported to the PSB at each meeting. 4. Key risks are reported to ECC via JCAD on a quarterly basis. 5. This is recorded and monitored. |
| 8 | G11 | Inadequate, inaccurate or misrepresented management information leads to financial loss or reputational damage | Amanda Crawford | <ol style="list-style-type: none"> 1. A risk register is in place. 2. A Scorecard is developed from KPI's and Business Plan objectives. 3. Progress in their achievement is reported to the PSB at each meeting. 4. This is recorded and monitored. |

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| 8 | A6 | Failure to comply with GDPR and keep data secure, leading to reputational issues or legal/financial penalties | Jody Evans | <ol style="list-style-type: none"> 1. EPF conduct a System back-up to protect against data loss. 2. EPF ensure data encryption and password protection. 3. Continuous staff training on data protection/GDPR. 4. All information security breaches are reported and any systematic issues identified and corrected. 5. EPF ensure use of file transfer protocol. |
| 8 | A7 | Unable to meet statutory requirements due to poor employer data | Sara Maxey | <ol style="list-style-type: none"> 1. Administration Strategy is in place which confirms responsibilities, details points of contact with reference to the website for further information, timescales etc. 2. Administration Strategy is reviewed on a regular basis in consultation with Employers where changes are made. 3. EPF communicates to Employers regularly on all aspects of provision which includes training sessions and guidance notes. 4. FPF conducts Annual Return data cleansing. |
| 6 | G6 | Insufficient time and focus taken to look for opportunities | Jody Evans | <ol style="list-style-type: none"> 1. Management Team regularly attend appropriate conferences/events/forums. 2. Advisors keep EPF team up-to-date on opportunities. |
| 6 | G9 | Failure to undertake business as usual service due to events outside of EPF control resulting in loss of service provision | Amanda Crawford | <ol style="list-style-type: none"> 1. EPF Business Continuity Plan (BCP) in place. 2. EPF BCP regularly tested including call cascades and desk-top exercises. 3. Testing is recorded and monitored. 4. ECC also exercise their BCP which includes EPF. |
| 6 | F1 | Failure to set and collect contributions sufficient to achieve a fully funded ongoing position in the timescales determined by the Funding Strategy Statement | Sara Maxey | <ol style="list-style-type: none"> 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. 5. Year-end reconciliation of Member data. |
| 6 | F4 | Failure to apply and demonstrate fairness in the differentiated treatment of different fund employers by reference to their own circumstances and covenant | Sara Maxey | <ol style="list-style-type: none"> 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. |

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| 6 | F5 | Pay and price inflation significantly different from actuarial assumptions resulting in increases required in employers' contributions | Sara Maxey | <ol style="list-style-type: none"> 1. EPF carries out an analysis at each triennial actuarial valuation to ensure that the assumptions adopted are appropriate and monitor actual experience. 2. Discussions with employers over affordability and pay policy are held. 3. Discretions Policy to control discretionary costs. |
| 6 | F7 | Funding strategy is not aligned with Investment Strategy leading to adverse funding outcomes (over/under funding) | Sara Maxey | <ol style="list-style-type: none"> 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. |
| 6 | F10 | 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. | Sara Maxey | <ol style="list-style-type: none"> 1. In consultation with the Actuary, EPF determine an appropriate funding strategy that meets s13 requirements. |
| 6 | I2 | Investment Managers and/or ACCESS Operator underperform or do not have appropriate benchmarks leading to lower investment returns | Samantha Andrews | <ol style="list-style-type: none"> 1. The performance of Investment Managers and/or ACCESS Operator is subject to regular review. |
| 6 | I4 | <p>"Delays in:</p> <ul style="list-style-type: none"> - implementation of decisions; - availability of suitable solutions within the Pool; <p>which reduces the effectiveness of the decision which could lead to loss of potential return"</p> | Samantha Andrews | <ol style="list-style-type: none"> 1. EPF works proactively with Investment Advisors, ACCESS Pool and Investment Managers to scope, propose and implement viable revisions to the Investment Strategy. |
| 6 | I5 | 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. | Samantha Andrews | <ol style="list-style-type: none"> 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. |

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| 6 | A1 | <p>" Failure to administer scheme correctly in line with all relevant Regulations and policies owing to circumstances such as, but not limited to:</p> <ul style="list-style-type: none">- lack of regulatory clarity;- system issues;- insufficient resources." | Jody Evans | <p>1. EPF ensure the System complies with the latest regulatory requirements through:</p> <ul style="list-style-type: none">- Technical Hub help to translate regulations and ensure new systems meet regulatory requirements;- Robust testing for system changes- Linking to knowledge and information from software supplier and other LGPS clients using the same administration software. <p>2. EPF management monitor workload through reporting and align with business plan to ensure sufficient resources.</p> <p>3. EPF have clear business continuity plans including disaster recovery and management succession planning in place.</p> |