

**ANNEX B (i)**

| Category       | Objective  | Risk Ref: | Description of Risk of not Achieving the Objective   | Residual Impact | Residual Probability | Residual Risk | Previous Risk Score | Risk Owner                  | Comments, Actions and Recommendations  |
|----------------|--|-----------|--|-----------------|----------------------|---------------|---------------------|-----------------------------|--|
| Governance     | Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise                                 | G7        | Failure of succession planning for key roles on PFB  | 3               | 2                    | 6             | 6                   | Ian Myers                   | The Board's approach to training, where members are working toward compliance with the CIPFA Knowledge & Skills Framework, should help minimise any adverse impacts of failure in succession planning because there should be a greater number of candidates for any position with   |
| Governance     | Evolve and look for new opportunities that may be beneficial for our stakeholders, ensuring efficiency at all times                                      | G12       | Insufficient staff causes failure to free up time to look for other best practice areas then opportunities may be missed   | 2               | 3                    | 6             | 6                   | Kevin McDonald /Jody Evans  | A review of the staffing structure planned for 2015/16   |
| Investments    | To maximise the returns from investments within reasonable risk parameters   | I1        | If investment return is below that assumed by the Actuary in funding the plan this could lead to an increasing deficit and additional contribution requirements. The larger the level of mismatch between assets and liabilities the bigger this risk. | 3               | 3                    | 9             | 9                   | Kevin McDonald              | Diversified portfolio; Annual Strategy Review; Asset Liability Study, extended recovery periods to smooth contribution increases.  |
| Funding        | Within reasonable risk parameters, to achieve and then maintain assets equal to 100% of liabilities in the timescales determined by the Funding Strategy | F2        | Markets move at variance with actuarial assumptions resulting in increases in deficits, reduced solvency levels and increased employer contributions   | 3               | 3                    | 9             | 9                   | Kevin McDonald              | Annual interim reviews to enable consideration of the position and the continued appropriateness of the funding/investment strategies and to monitor the exposure to unrewarded risks.   |
| Funding        | To recognise when drawing up its funding strategy the desirability of employer contribution rates that are as stable as possible                         | F7        | Mismatch in asset returns and liability movements result in increased employer contributions   | 3               | 2                    | 6             | 6                   | Kevin McDonald              | Diversified investment structure and frequent monitoring against targets to adjust funding plans accordingly through the FSS. Employers are kept informed as appropriate.  |
| Funding        | Minimise unrecoverable debt on termination of employer participation   | F19       | An employer ceasing to exist with insufficient funding, adequacy of bond or guarantee. In the absence of all of these, the shortfall will be attributed to the Fund as a whole with increases being required in all other employers' contributions     | 3               | 2                    | 6             | 6                   | Kevin McDonald              | Assess the strength of individual employer's covenant and/or require a guarantee when setting terms of admission agreement (including bonds) and in setting term of deficit recovery. Annual monitoring of risk profiles and officer dialogue with employers concerned (including guarantors as appropriate) through employer analysis.                                |
| Funding        | Minimise unrecoverable debt on termination of employer participation   | F20       | Failure to monitor leading to inappropriate funding strategy and unrecovered debt on cessation of participation in the fund  | 3               | 2                    | 6             | 6                   | Kevin McDonald              | Assess the strength of individual employer's covenant in conjunction with the Actuary and/or require a guarantee when setting terms of admission agreement (including bonds) and in setting term of deficit recovery. Annual monitoring of risk profiles and officer dialogue with employers concerned (including guarantors as appropriate) through employer analysis |
| Funding        | Maintain liquidity in order to meet projected net cash-flow outgoings  | F21       | Employee participation in the Essex LGPS reduces (possibly in response to changes in contribution rate / benefit structure or changes in patterns of service delivery)   | 3               | 2                    | 6             | 6                   | Kevin McDonald / Jody Evans | Communications with both Employers and Employees over the benefits of the LGPS, both before and after any structural change. In July 2011, following discussion on liquidity and fund maturity, the ISC set a 27% limit on exposure to   |
| Administration | Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need                | A6        | Fund's resources not able to match the demands of providing the service.   | 3               | 3                    | 9             | 9                   | Kevin McDonald / Jody Evans | A review of the staffing structure planned for 2015/16   |
| Administration | Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need                | A17       | Failure to administer scheme in line with Regulations and policies - Brewster test case in Northern Ireland pave way for retrospective action re: surviving co-habiting partners with no nomination for surviving partners pension.                    | 3               | 2                    | 6             | 6                   | Jody Evans                  | In the event of revised LGPS Regulations on nomination arrangements for surviving co-habiting partners' pensions, a case by case review will be conducted.   |

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| Governance     | Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based                      | G1        | Failure of governance arrangements to match up to recommended best practice leads to loss of reputation and employer confidence and/or need to make major changes at short notice. This could occur if Regulations are not timely. | 3               | 1                    | 3             | 9                   | Barry Mack / Kevin McDonald | The Essex Local Pension Board (PAB) was established prior to April 2015 deadline. As at end of June, 6 of 9 PAB Members confirmed. Process to confirm 3 Scheme Member Representatives underway.   |
| Administration | Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need | A1        | Failure to administer scheme in line with Regulations and policies   | 3               | 2                    | 6             | 9                   | Jody Evans                  | Phase one of the new UPM Civica system was implemented in January 2015 and monitoring continues. Phase two is anticipated in early 2016.  |
| Administration | Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need | A18       | Unable to produce Annual Benefit Statements for active Scheme Members in line with Regulatory deadlines due to lack or late provision of data from employers   | 4               | 3                    | 12            | n/a                 | Jody Evans                  | A significant number of Fund employers have encountered difficulties providing a timely year end return after the first year of the Career Average benefit structure. This inhibits the Fund's ability to meet the Regulatory ABS deadline. |
| Communications | Communicate in a friendly, expert and direct way to our stakeholders, treating all our stakeholders equally                               | C1        | Increase in enquiries from Scheme Member resulting in increased workload for Fund officers   | 2               | 3                    | 6             | 1                   | Kevin McDonald /Jody Evans  | The Freedoms & Flexibilities (for DC schemes) introduced in April 2015 has resulted in a significant number of phone calls to the office.   |