



2020/21 Risk Management Update

01 April 2020 – 31 August 2020

Current Status

Essex Pension Fund

Probability	Almost Certain (4)		1 (0)	1 (1)	
	Likely (3)		4 (5)	4 (5)	0 (1)
	Possible (2)		4 (3)	7 (5)	2 (3)
	Unlikely (1)		5 (5)	10 (10)	8 (8)
		Minor (1)	Moderate (2)	Major (3)	Critical (4)
		Impact			

(No. in brackets represents the previous scores reported to the 4 March PSB)

Risk	Reported at 4 March PSB	During Lockdown	As at 31 August 2020
G9. Failure to undertake BAU	6 (Yellow)	12 (Red)	8 (Amber)
F1. Failure to set and collect contributions	6 (Yellow)	9 (Amber)	6 (Yellow)
F2. Mortality rates continue to improve	9 (Amber)	6 (Yellow)	6 (Yellow)
A1. Failure to administer scheme correctly	6 (Yellow)	9 (Amber)	9 (Amber)

Assessments

Covid-19

Assessments

Covid-19

Risk	Reported at 4 March PSB	During Lockdown	As at 31 August 2020
I1. Total Fund investment return does not meet expectations	9 (Amber)	9 (Amber)	9 (Amber)
I2. Investment Managers and/or ACCESS Operator under perform	6 (Yellow)	6 (Yellow)	6 (Yellow)
F8. Fund has insufficient cash to pay pensions	3 (Green)	3 (Green)	3 (Green)
F9. An employer ceased to exist with insufficient funding leading to unrecoverable debt	9 (Amber)	9 (Amber)	9 (Amber)
A3. Failure to maintain records leading to inaccurate data and inaccurate payments	6 (Yellow)	6 (Yellow)	6 (Yellow)
A4. Failure to collect pension contributions	2 (Green)	2 (Green)	2 (Green)
A8. Unable to deliver / maintain good working relationships with employers	2 (Green)	2 (Green)	2 (Green)

Assessments

BAU

Risk	Reported at 4 March PSB	As at 31 August 2020
G3. Lack of expertise, insufficient knowledge and maintenance of PSB/ISC/PAB	9 (Amber) Due to uncertainty around elections going forward and vacancies on the PSB	4 (Yellow) Risk has been partially mitigated due to the appointment of the Employer Representative on the PSB. Election timetable is unknown at this stage.
G14. Regulatory Risks impacting on Investments, Funding and Administration	12 (Red) Due to the uncertainties around the McCloud judgement	12 (Red) Remains: <ul style="list-style-type: none">- £95k Cap- McCloud- Goodwin- Unpausing of Cost Cap
A3. Failure to pay people at right time in right amount	12 (Red) Due to the expiry of the BACS contract and not being able to pay our pensioners	6 (Yellow) Imminent risk has now been mitigated effectively however a lower risk still remains due to further BACs Cloud procurement



1. Exceptions - Governance

Risk Details	4 March Rating	Current Rating	Controls / Mitigations	Target Score
<p>G14. Regulatory risks impacting on Investments, Funding and Administration:</p> <ul style="list-style-type: none"> - Academisation of Schools, the possibility of Multi-academy Trust (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; - Superannuation Contributions Adjusted for Past Experience (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 Local Government Pension Scheme (LGPS) and HM Treasury taking all the assets / structural change; - Guaranteed Minimum Pension (GMP) equalisation resulting in potentially additional costs and/or administration; - National Pensions Dashboard resulting in major changes to data provision; 	12	12	<ol style="list-style-type: none"> 1. Regular communications with schools to understand their intentions. 2. Essex Pension Fund (EPF) and their Advisers are actively involved in the development of the LGPS. 3. EPF monitor the current and new regulations and correspondence from Ministry of Housing, Communities and Local Government (MHCLG) and Local Government Association (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 Adviser (IGAA). 	4



1. Exceptions - Governance

Risk Details	4 March Rating	Current Rating	Controls / Mitigations	Target Score
G14 continued. - Separation of the Fund from the Administering Authority; - Government intervention in Fund asset allocation decisions.				
G9. Failure to undertake business as usual service due to events outside of Essex Pension Fund (EPF) control resulting in loss of service provision	6	8	<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. Essex County Council (ECC) also exercise their BCP which includes EPF.	6
G16. Failure to comply with General Data Protection Regulation (GDPR) and keep data secure, leading to reputational issues or legal/financial penalties	8	8	<ol style="list-style-type: none">1. Essex Pension Fund (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



2. Exceptions - Funding

Risk Details	4 March Rating	Current Rating	Controls / Mitigations	Target Score
<p>F6. 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>	9	9	<ol style="list-style-type: none"> 1. Essex Pension Fund (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
<p>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.</p>	9	9	<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



3. Exceptions - Investments

Risk Details	4 March Rating	Current Rating	Controls / Mitigations	Target Score
I1. The total Fund Investment return does not meet expectations which could lead to underfunding.	9	9	<div>1. Essex Pension Fund (EPF) Investment Strategy is reviewed and monitored on a regular basis.</div> <div>2. Monitoring of: investment manager performance; market conditions. Performance of both assets and liabilities is monitored periodically.</div>	9



4. Exceptions - Administration

Risk Details	4 March Rating	Current Rating	Controls / Mitigations	Target Score
<p>A1. 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.	6	9	<ol style="list-style-type: none">1. Essex Pension Fund (EPF) ensure the System complies with the latest regulatory requirements through:<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 Local Government Pension Scheme (LGPS) clients using the same administration software.2. EPF management monitor workload through reporting and align with business plan to ensure sufficient resources.3. EPF have clear business continuity plans including disaster recovery and management succession planning in place.	6



4. Exceptions - Administration

Risk Details	4 March Rating	Current Rating	Controls / Mitigations	Target Score
A3. Failure to maintain proper records leading to inadequate data resulting in failure to pay the correct pensions to the right people at the right time.	12	6	<ol style="list-style-type: none">1. Data cleansing exercises take place at least annually or as and when required. Common and Scheme Specific data checks are carried out.2. Essex Pension Fund (EPF) ensure the System is tested regularly to ensure compliance with regulations.3. Robust checking and validation of data takes place in calculations and receipt of information from employers.4. EPF ensures staff are adequately trained by developing and implementing training plans along with encouraging staff to undertake professional qualifications.5. Payroll is conducted earlier than required to allow issues to be rectified prior to payment.	3

4. Exceptions - Administration



Risk Details	4 March Rating	Current Rating	Controls / Mitigations	Target Score
A3 Continued.			6. Liaise with Essex County Council (ECC) Supplier and Service team to ensure ECC BACS system is secure, reliable and up-to-date with required software on an ongoing basis. There is reliance on ECC BACS software solution to ensure payroll is completed at the right time.	
A6. Unable to meet statutory requirements due to poor employer data	8	8	<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. Essex Pension Fund (EPF) communicates to Employers regularly on all aspects of provision which includes training sessions and guidance notes. 4. EPF conducts year-end data cleansing. 	8