



Share email with outline of changes

Reintroduce summary sheet

Column setting out whether progress has been made, or if risk level needs upgrading

Present more narrative around the red risks

Flag changes or new items quarterly - reporting by exception

Annual review

Comment further on RI engagement (in General Activity update)

Risk Category	Description	Risk Appetite	Risk Appetite Description
Liability profile	Risk that actual benefit costs are higher than expected leading to increased contributions or investment risk to make up the shortfall. This includes higher inflation, increased longevity and changes to the composition of membership i.e. maturing fund	Minimalist	Uncertainty is to be avoided unless essential; only prepared to accept the possibility of very limited financial loss
Governance	Actuarial, legal or investment advice is not sought, or is not heeded, or proves to be insufficient in some way. This includes Committee and officer skills, the decision-making structure and operational abilities.	Minimalist	Uncertainty is to be avoided unless essential; only prepared to accept the possibility of very limited financial loss
Climate risk	Climate change affects liabilities (increased mortality), operational processes (physical disruption), and investment returns (pricing into company returns and covenant).	Cautious	Tolerance for risk taking is limited to events where there is little chance of significant downside impact
Data	Administering Authority holds incorrect data so the Fund collects incorrect contributions and/or sets an inappropriate funding plan. This could impact the funding level.	Averse	Avoidance of risk and uncertainty is a key organisational objective
Financial - Matching Assets (strategic)	Requirement to manage operating cashflows and ensure assets meet liabilities over the lifetime of the Scheme.	Cautious	Tolerance for risk taking is limited to events where there is little chance of significant downside impact
Financial - Non-matching Assets (implementation)	Requirement to generate enough returns to meet future liabilities whilst minimising employer contributions.	Open	Tolerance for decisions with potential for significant risk, but with appropriate steps to minimise exposure
Regulatory	Changes by Government to LGPS rules e.g. employer participation, altered requirements. Also includes direct intervention. Could impact on funding and/or investment strategies	Averse	Avoidance of risk and uncertainty is a key organisational objective
Administration	Pensions Act/GDPR or other breaches as a result of process risks around holding data, in particular member data, but also asset administration and the Pension Fund's payroll.	Averse	Avoidance of risk and uncertainty is a key organisational objective

n.b. If more risk categories are required, please insert a row between row 6 and 7 to ensure the drop down options in tab 2 updates correctly

Risk Appetite	Risk Appetite Description
Averse	Avoidance of risk and uncertainty is a key organisational objective
Minimalist	Uncertainty is to be avoided unless essential; only prepared to accept the possibility of very limited financial loss
Cautious	Tolerance for risk taking is limited to events where there is little chance of significant downside impact
Open	Tolerance for decisions with potential for significant risk, but with appropriate steps to minimise exposure
Hungry	Eager to pursue options offering potentially higher rewards despite greater inherent risk

## WCC - Corporate

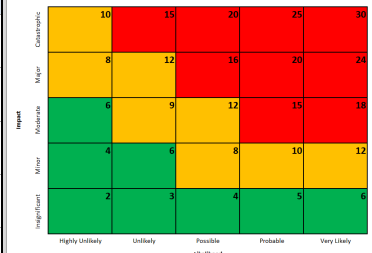
Risk Identification		Inherent Risk Scoring			Residual Risk Scoring		
Risk No.	Risk Description	Likelihood	Impact	Risk Score	Likelihood	Impact	Risk Score
1	Long term asset values do not meet expectations	Likelihood	Impact	#VALUE!	Likelihood	Impact	#VALUE!
12	Governance Failure	Inherent Risk Scoring	0.00	#VALUE!	Residual Risk Scoring	0.00	#VALUE!
2	Short term asset values do not meet expectations	5.00	5.00	30.00	5.00	5.00	30.00
3	Liabilities cannot be met	4.00	5.00	25.00	4.00	4.00	20.00
4	Employer contributions not paid	4.00	5.00	25.00	3.00	4.00	16.00
6	Inability to meet demand for activity	4.00	3.00	15.00	3.00	3.00	12.00
5	Pooling objectives not met	5.00	3.00	18.00	5.00	2.00	12.00
7	Business interruption	3.00	4.00	16.00	2.00	3.00	9.00
9	Climate Change	3.00	3.00	12.00	3.00	2.00	8.00
8	Cyber Security	2.00	5.00	15.00	1.00	4.00	8.00
10	Customer satisfaction	3.00	3.00	12.00	2.00	2.00	6.00
11	Fraud	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!





1. Risk Assessment Criteria

Score	Description	Probability of Occurrence	Likelihood of Occurrence
1	Highly Unlikely	The event may occur in only rare circumstances (remote chance)	1 in 8+ years
2	Unlikely	The event may occur in certain circumstances (unlikely chance)	1 in 4-7 years
3	Possible	The event may occur (realistic chance)	1 in 2-3 years
4	Probable	The event will probably occur (significant chance)	1 in 1-2 years
5	Very Likely	The event is expected to occur or occurs regularly	Up to 1 in every year



Score	Description	Members and Employers	Investments and Funding	Administration
1	Insignificant	Negligible impact - not noticeable by members or employers, no complaints or issues likely to be raised by members or employers. Example - Member or employer communication newsletter issued a few days later than planned.	Negligible impact - of a level that would not register for investment action. Example - Normal volatility levels being experienced in the investment portfolio.	Negligible impact - low level administrative issues resolved internally with no impact on key performance indicators Example - A manageable backlog of data to be uploaded to the administration system that has no impact on actual member payments.
2	Minor	Minor impact on members and/or employers which may cause correspondence about issues that can be resolved at source. Example - A member not being given the correct information first time when corresponding with the Fund and this having to be corrected, but having no impact on benefits paid	Minor impact on investment operations requiring monitoring and attention but not requiring anything other than business as usual actions. Example - minor adverse fund investment event, such as a credit default within a private credit portfolio which is of a business as usual nature.	Minor impact on administration performance requiring action within business as usual parameters. Example - an employer experiencing persist difficulty in providing correct data resulting in the need for extra training/support/correspondence to resolve
3	Moderate	Material adverse impact on members or employers that is of cause for concern to them and the Fund and requires escalation for non-business as usual resolutions More likely to be isolated issues but could have some scale. Example - Inability to finalise and sign off an admission agreement with a new employer resulting in escalation.	Material impact requiring bespoke corrective action, but manageable within the existing Investment Strategy Examples - Significant drift or step change in actual in asset allocation taking the Fund risk profile out of tolerances, or significant slippage in the implementation of a significant Fund transfer	Material impact on administration performance, but manageable within approved policies and procedures. Examples - Inability to agree a transfer of membership and liabilities from another fund, requiring arbitration by a third party, or disappointing data quality scores resulting in a need for an improvement plan.
4	Major	Significant adverse impact on members or employers that result in a direct impact on benefits paid or contributions due or member or employer satisfaction with Fund performance. Likely to result in complaints. More likely to be systemic issues. Examples - A significant delay in the issue of member annual benefit statements, or persistently charging an employer an incorrect contribution rate.	Major impact requiring significant corrective action and a change in Investment Strategy or Funding Strategy, or the significant sale of assets under distress. May result in noticeable changes to employer contributions. Examples - Major change in the world economic outlook, or in the present value of future liabilities requiring a change in strategy, or inability to implement a significant Fund launch.	Major failure of administration function, likely to be systematic in nature, of a high profile nature to members and employers. Example - Widespread and persistent failure to meet key performance indicators such as dealing with certain types of administration query or action within deadlines, and receipt of significant numbers of complaints from members.
5	Catastrophic	Serious and systematic errors in benefits payments or administration KPIs, or significant volatility or increase in employer contributions. Significant breaches of the law Serious complaints and reputational harm caused Example - Systematic failure to monitor employer contributions resulting in subsequent identification of a large number of contribution deficits that employers cannot then catch up with.	Resulting in significant volatility or increase in employer contributions, inability to pay member benefits, or a need to significantly increase investment risk exposure. Significant failure to meet legal or regulatory requirements. Serious reputational harm caused Example - Catastrophic deterioration in the ability or employers to pay contributions resulting in a need for emergency investment and cashflow measures in order to keep paying benefits.	Catastrophic failure of administration function leading to inability to pay benefits accurately or at all on a large scale. Significant breaches of the law Serious complaints and reputational harm caused Example - Wholesale failure of the pension payroll function resulting in no member payments being made.



1. Risk Assessment Criteria

Risk Likelihood

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3	Possible	The event may occur (realistic chance) 1 in 2-3 years
4	Probable	The event will probably occur (significant chance) 1 in 1-2 years
5	Very Likely	The event is expected to occur or occurs regularly Up to 1 in every year

Risk Impact

Impact Magnitude	Catastrophic	10	15	20	25	30
	Major	8	12	16	20	24
	Medium	6	9	12	15	18
	Minor	4	6	8	10	12
	Insignificant	2	3	4	5	6
		Highly Unlikely	Unlikely	Possible (Unlikely)	Probable	Very Likely

Score	Description	Members and Employers	Investments and Funding	Administration
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2	Minor	Minor impact on members and/or employers which may cause correspondence about issues that can be resolved at source. Example - A member not being given the correct information first time when corresponding with the Fund and this having to be corrected, but having no impact on benefits paid	Minor impact on investment operations requiring monitoring and attention but not requiring anything other than business as usual actions. Example - minor adverse fund investment event, such as a credit default within a private credit portfolio which is of a business as usual nature.	Minor impact on administration performance requiring action within business as usual parameters. Example - an employer experiencing persist difficulty in providing correct data resulting in the need for extra training/support/correspondence to resolve
3	Moderate	Material adverse impact on members or employers that is of cause for concern to them and the Fund and requires escalation for non-business as usual resolutions More likely to be isolated issues but could have some scale. Example - Inability to finalise and sign off an admission agreement with a new employer resulting in escalation.	Material impact requiring bespoke corrective action, but manageable within the existing Investmetn Strategy Examples - Significant drift or step change in actual in asset allocation taking the Fund risk profile out of tolerances, or significant slippage in the implementation of a significant Fund transfer	Material impact on administration performance, but manageable within approved policies and procedures. Examples - Inability to agree a transfer of membership and liabilities from another fund, requiring arbitration by a third party, or disappointing data quality scores resulting in a need for an improvement plan.
4	Major	Significant adverse impact on members or employers that result in a direct impact on benefits paid or contributions due or member or employer satisfaction with Fund performance. Likely to result in complaints. More likely to be systemic issues. Examples - A significant delay in the issue of member annual benefit statements, or persistently charging an employer an incorrect contribution rate.	Major impact requiring significant corrective action and a change in Investmet Strategy or Funding Strategy, or the significant sale of assets under distress. May result in noticeable changes to employer contributions. Examples - Major change in the world economic outlook, or in the present value of future liabilities requiring a change in strategy, or inability to implement a significant Fund launch.	Major failure of administration function, likely to be systematic in nature, of a high profile nature to members and employers. Example - Widespread and persistent failure to meet key performance indicators such as dealing with certain types of administration query or action within deadlines, and receipt of significant numbers of complaints from members.
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**Risk Identification**

Heading	Description	Additional Guidance	Example
<b>Risk No.</b>	A reference number for identifying the risk in the register and on the risk map	Numbers should be sequential	1, 2, 3 etc.
<b>Risk Description</b>	A brief outline of the risk scenario	This should be a specific and realistic scenario	Loss of key talent / skillsets within the organisation
<b>Risk Causes</b>	Events or situations that can cause the risk to crystallise or cause the controls to fail	Causes should be written as a list of processes, actions or events	1. Inability to replace vacancies in a timely manner 2. Lack of adequate succession planning
<b>Risk Consequences</b>	Events or situations that may arise following the occurrence of the risk identified	Give a list of credible outcomes that may impact the organisation or business unit if the risk occurred	1. Loss of key skillsets and / or knowledge 2. Inability to meet strategic objectives
<b>Risk Category</b>	Defines the specific category the risk relates to	See risk category options in tab 5	Strategic
<b>Risk Owner</b>	The individual who is accountable for the risk and has enough authority to implement action	The risk owner should be the 'go to' person if you needed further information on the risk	John Smith / Head of HR
<b>Aligned Strategic Objective</b>	Defines which strategic objective relates to the specified risk	-	Grow quickly, globally

**Inherent Risk Scoring**

Heading	Description	Guidance	Example
<b>Likelihood</b>	Likelihood of the risk occurring with no controls in place	Mean score must lie between 1 and 5 - see Risk Assessment Criteria in tab 2	3.2
<b>Impact</b>	Impact of the risk occurring with no controls in place	Mean score must lie between 1 and 5 - see Risk Assessment Criteria in tab 1	2.8
<b>Risk Score</b>	Risk score based on likelihood and impact with no controls in place	Risk score is automatically generated by multiplying risk likelihood by impact and adding the impact score	8.96

**Risk Controls**

Heading	Description	Guidance	Example
<b>Current Controls</b>	Details the controls currently in place used to mitigate the risk	Controls should be listed sequentially	1. Strong internal career progression opportunities
<b>Control Effectiveness Score</b>	State whether the current controls are effective, fair or poor	-	Fair
<b>Control Improvement Option</b>	Details controls that could be implemented to improve risk mitigation	Controls should be listed sequentially	1. Implement flexible working and better employee benefits structure

**Residual Risk Scoring**

Heading	Description	Guidance	Example
<b>Likelihood</b>	Likelihood of the risk occurring with current controls in place	Mean score must lie between 1 and 5 - see Risk Assessment Criteria in tab 2	3.2
<b>Impact</b>	Impact of the risk occurring with current controls in place	Mean score must lie between 1 and 5 - see Risk Assessment Criteria in tab 1	2.8
<b>Risk Score</b>	Risk score based on likelihood and impact with current controls in place	Risk score is automatically generated by multiplying risk likelihood by impact and adding the impact score	8.96

**Target Risk Scoring**

Heading	Description	Guidance	Example
<b>Likelihood</b>	Likelihood of the risk occurring with controls in place that the organisation would like to attain in the future	Mean score must lie between 1 and 5 - see Risk Assessment Criteria in tab 2	3.2
<b>Impact</b>	Impact of the risk occurring with controls in place that the organisation would like to attain in the future	Mean score must lie between 1 and 5 - see Risk Assessment Criteria in tab 1	2.8
<b>Target Risk Score</b>	The risk score the organisation would like to attain in the future	Risk score is automatically generated by multiplying risk likelihood by impact and adding the impact score	6.5

**Risk Review**

Heading	Description	Guidance	Example
<b>Risk Review Period</b>	Intended date when any action measures will be in place	-	30/06/19
<b>Additional Notes</b>	Any additional notes regarding the risk	-	Continue to monitor risk and reassess as necessary

Note: Corporate Risk Register has been created and developed by Marsh Advisory (part of Marsh Limited). Please refer to Marsh Advisory with any queries relating to functionality of the document.

Source: Funding Strategy Statement

Risk Category	Description	Risk Appetite
Administration - Member Services	Risk of failure to pay benefits or failure to maintain complete and correct data	Averse
Administration - Employer Services	Risk of failure to collect appropriate data or contributions from employers, or failure to have appropriate governance in place, for example having admission agreements in place and appropriate contribution rates calculated	Averse
Cashflow	Risk of inability to pay benefits due to members and other amounts due to third parties (e.g. capital calls), and risk of becoming a forced seller of assets	Minimalist
Investment - Income and Protection Assets	Risk of failure to manage operating cashflows, failure to provide suitable diversification and risk reduction, counterparty exposure risk.	Cautious
Investment - Growth Assets	Risk of failure to generate enough returns to meet future liabilities whilst minimising employer contributions	Open
Long term funding strategy	Risk of failure to adequately forecast and manage funding risk resulting in insufficient funds available to pay benefits, inappropriately high/low or volatile employer contribution requirements, etc	Cautious
Governance	Risk of governance failure or not meeting regulatory requirements	Averse
Climate Change	The risk of climate change impacting adversely on the ability of the Fund to meet its objectives	Cautious

Financial risks		
Matching	Long-term asset returns	Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation of liabilities and contribution rates over the longterm.
Matching	Inflation	Pay and price inflation significantly more than anticipated.
Non-matching	Investment strategy	Inappropriate long-term investment strategy.
Non-matching	Active management	Active investment manager under-performance relative to benchmark.
Non-matching	Climate Change	Effect of possible asset underperformance as a result of climate change
Contribution	Contribution rates	Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies
Contribution	Orphaned employers	Orphaned employers give rise to added costs for the Fund

Demographic risks		
Liability profile	Longevity	Pensioners living longer, thus increasing cost to Fund.
Liability profile	Maturing Fund	Maturing Fund – i.e. proportion of actively contributing employees declines relative to retired employees.
Liability profile	Early retirements	Deteriorating patterns of early retirements
Liability profile	Active members	Reductions in payroll causing insufficient deficit recovery payments

Regulatory risks		
Regulatory	Altered requirements	Changes to national pension requirements and/or HMRC rules e.g. changes arising from public sector pensions reform.
Regulatory	Intervention	Time, cost and/or reputational risks associated with any MHCLG intervention triggered by the Section 13 analysis
Regulatory	Employer participation	Changes by Government to particular employer participation in LGPS Funds, leading to impacts on funding and/or investment strategies

Governance		
Data	Membership structure	Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants.
Process	Advice	Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way
Contribution	Terminations	Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body.
Contribution	Cessation	An employer ceasing to exist with insufficient funding or adequacy of a bond.
Contribution	Exit	An employer ceasing to exist resulting in an exit credit being payable