

# **WYPF Departmental Risk Management and Opportunities Report**

## **Introduction**

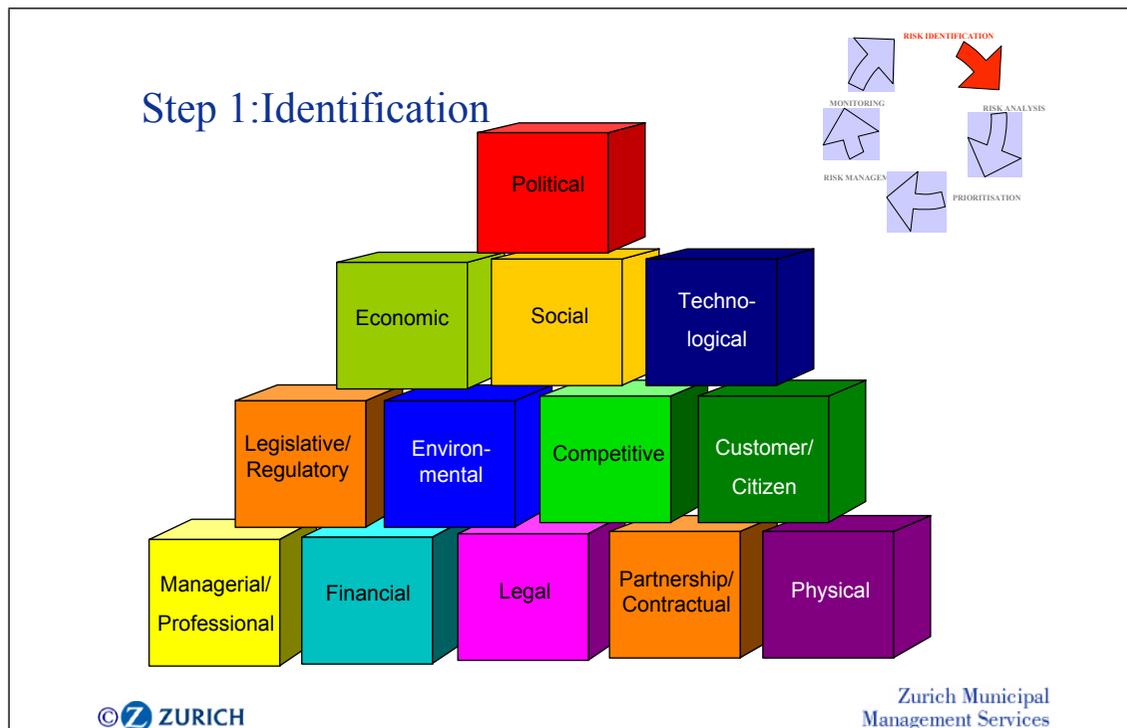
WYPF's Risk Management Plan establishes the process for implementing proactive risk management as part of the overall management of the pension fund. The purpose of risk management is to identify potential problems before they occur, so that risk handling activities may be planned and invoked as needed to mitigate adverse impacts on achieving objectives. Risk management is a continuous, forward looking process that addresses issues that could endanger the achievement of critical objectives and includes the early risk identification through the collaboration and involvement of relevant stakeholders.

WYPF have identified risks which have been rated and plotted on a matrix and a risk tolerance line agreed in order to prioritise the risks. The risk matrix measures each risk for its likelihood and impact in terms of its potential for affecting the ability of WYPF to achieve its objectives.

## The process

### Risk identification

The first of five stages of the risk management cycle requires risk identification. This has been achieved through discussion with senior Managers and covers 13 categories of risk as shown below.



## Identified risks

### Economic

Scenario	Short name
1	Demographic changes
2	Valuation continues to register a deficit in the pension fund
3	Governance (Strategic)
4	Reduction in proportion of active members
46	Admissions and Guarantors
51	Obtaining ISAE 3402 reports
61	Employers no longer able to meet its liabilities to the Fund

### Political

Scenario	Short name
3	Governance (Strategic)
5	Service has a good, well respected status among members – this could change
6	Council elections could bring about a change in change of Investment Panel, JAG and Pension Board members
7	Bradford initiatives
8	Central Government regionalisation agenda
9	Central Government Pensions policy
40	Governance (Operational)
45	Industrial Action
55	Impact of Central Government Budget cuts

### Technological

Scenario	Short name
10	Improved Pensions and Investments systems are not developed and adopted
12	Lack of information sharing with employers
13	Disaster Recovery
15	Current software providers pulls out of the market or are taken over.
16	Internal Fraud
17	Loss of ICT staff
44	Payroll failure
47	Loss of sensitive/personal data
50	Unauthorised access to personal/sensitive data
62	Cyber Crime

### Legislative/Regulatory

Scenario	Short name
19	Legislative/regulatory change with no resource given to implement
35	Administration of the LGPS
58	Investment Pooling
59	Northern Pool custodial contract
60	HSBC Global, security and Custodial (GSC) + Banking Contract
63	Compliance with requirements of GDPR

### Managerial/Professional

Scenario	Short name
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21	Greater level of support expected by district councils than other employers
22	Recruitment and retention of experienced staff
49	Key staff on long term absence

**Finance**

Scenario	Short name
24	Finance aren't always involved in other sections' decision making processes
31(a)	External fraud – Life Certificates
31(b)	External fraud – Returned payments/payslips
31(c)	External fraud – Children in full time education
36	Maximise Council surplus balances
40	Governance (Operational)
41	Pressure on General Fund
42	Admin costs
48	Prompt payment of pension

**Physical**

Scenario	Short name
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**Competitive**

Scenario	Short name
27	Lack of PI's and overall performance management framework

### Customer / Citizen

Scenario	Short name
43	Customer Satisfaction

### Social

Scenario	Short name
4	Reduction in proportion of active members

### Partnership / Contractual

Scenario	Short name
53	Shared Service with South Yorkshire Fire, Humberside Fire, West Yorkshire Fire, North Yorkshire Fire, Lincolnshire Fire, Royal Berkshire Fire, Buckinghamshire & Milton Keynes Fire, Northumberland Fire, Devon and Somerset Fire, Dorset and Wiltshire Fire and Tyne and Wear Fire Authorities.
57	Lincolnshire Pension Fund and LB of Hounslow Shared Service

### Risk analysis, profile and tolerance

The risks are assessed for impact and likelihood and plotted onto a matrix. The impact is measured as being negligible, marginal, critical or catastrophic. The likelihood is measured as being almost impossible, very low, low, significant, high or very high.

Appendix 1 shows all the risks that are rated on the profile.

The top risks facing WYPF are identified as:

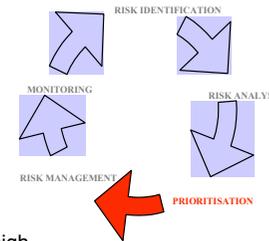
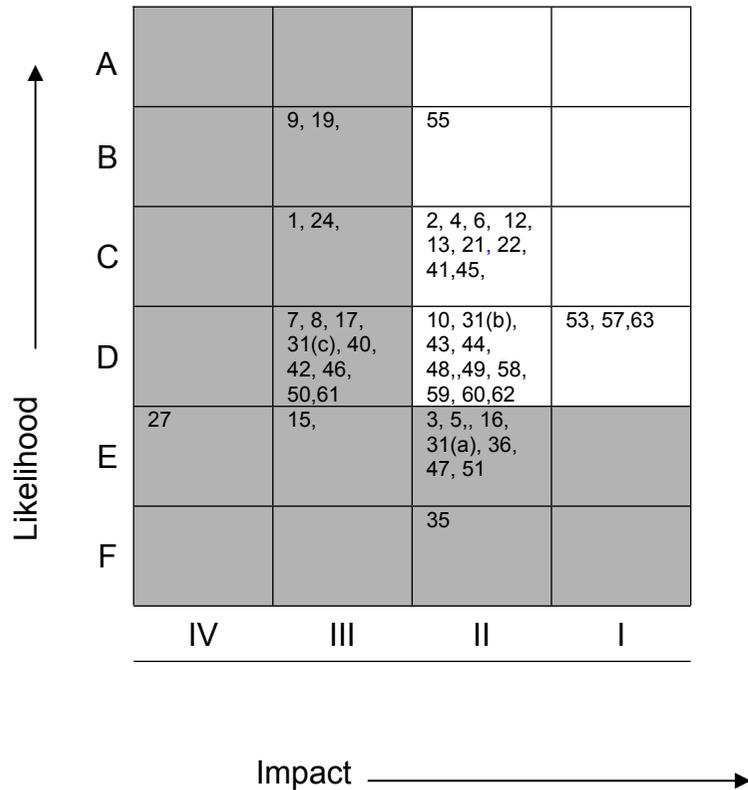
Scenario	Short name
2	Valuation continues to register a deficit in the pension fund
4	Reduction in proportion of active members
6	Council elections could lead to change in Investment Panel and JAG and Pension Board members
10	Improved Pensions and Investments systems are not developed
12	Lack of information sharing with employers
13	Disaster recovery
21	Greater level of support expected by District Councils than other Employers
22	Recruitment and retention of experienced staff
31(b)	External fraud – Returned payments/payslips
41	Pressure on General Fund
43	Customer Satisfaction
44	Payroll failure
45	Industrial Action
48	Prompt payment of pension
49	Key staff on long term absence
50	Access to sensitive/personal data
52	Relocation to new offices
54	Introduction of LGPS 2014
55	Impact of Central Government Budget cuts
57	Lincolnshire Pension Fund and LB of Hounslow Shared Service
58	Investment Pooling

59	Northern Pool custodial contract
60	HSBC Global, Security and custodial (GSC) + banking Contract
62	Cyber Crime
63	Compliance with requirements of GDPR

To determine the section's appetite to risk, each of the squares on the matrix are considered to decide if WYPF are prepared to live with a risk in that box or if it needs to be actively managed. This set a theoretical tolerance line. Those risks above the line requiring further scrutiny and those below the line having sufficient control in place. The tolerance line is agreed at risks with a low or greater likelihood and a critical impact.

As part of a regular review, 46 risks have been identified and framed into scenarios. The risks identified have been rated, 23 of these above their acceptable tolerance level, 23 below the tolerance line. The results are shown on the following risk profile.

WYPF Risk profile – May 2017



**Likelihood:**

- A Very high
- B High
- C Significant
- D Low
- E Very low
- F Almost impossible

**Impact:**

- I Catastrophic
- II Critical
- III Marginal
- IV Negligible

## **Risk management and monitoring**

Management Action Plans (MAPs) frame the risk management actions that are required. They map out the target for each risk i.e. to reduce the likelihood, impact or both. They also include targets and critical success factors to allow the risk management action to be monitored.

The risk assessment identified that significant levels of activity are required to manage the risks. Many of the key risks require immediate attention and it is important that having identified risks that could have critical impact, that the required action is undertaken.

MAP's were then agreed for those risks above the tolerance line and are specified below:

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
2	C2	<p>Fund is in deficit therefore employer contributions to rise / employers default on their liabilities.</p> <p>Triennial Valuation undertaken on the Fund using a range of Financial assumption as agreed with the Fund Actuary. If the financial assumptions are not borne out in practice, because of a range of reasons not least :</p> <ul style="list-style-type: none"> <li>• Falls in expected investment returns</li> <li>• Fall in markets values</li> <li>• Rising inflation</li> <li>• members living longer</li> </ul> <p>the funding position of the fund could deteriorate</p>	<p>Training for Joint Advisory, Panel and Board members provided by the Actuary at the beginning of the Triennial Valuation exercise to aid assumption decision making</p> <p>Due to potentially decreasing payroll deficit amounts are set as monetary amounts at the valuation</p> <p>Recovery period for deficit amounts assessed at each valuation to eliminate deficit within 22 years</p> <p>Monitoring of closed employers</p> <p>Quarterly funding updates provided by Funds Actuary</p>	<p>Deteriorating funding positions could results in Increased employers deficit contributions to eliminate deficit</p> <p>Growth is built into the medium financial plan, stepped increases for low to medium risk employers as per the FSS</p>	Director WYPF JAG	Funding position to remain within 90 to 110%	triennial	Every three years from 31 March 2016	

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
4	C2	Reduction in proportion of active members	Publicise the scheme and the benefits of membership in regular newsletters, website, ABS's, annual meetings. Introduction of Auto Enrolment will increase membership.	Fund becomes more mature due to ageing and reduction in active members by outsourcing. Client base nationwide – employers 400+ including 5 district councils.	Yunus Gajra	<ul style="list-style-type: none"> <li>• Fund stop showing net inflows of cash</li> <li>• Investment strategy no longer consistent with maturity profile</li> <li>• FSS and Iss become out of date</li> </ul> Less time to make up any deficits so more unstable contribution rates	Annually	Ongoing	Increase membership by publicising the scheme and the benefits of membership in regular newsletters, website, ABS's, annual meetings.
6	C2	Council elections could bring about a change to Investment Panel, JAG and Pension Board members	Training plans for new members to be drawn up. Seek views from District Councils to nominate members for 3 years to ensure consistency	Establish working relationships with the constituent Members as soon as possible. Be prepared to provide relevant training to political groups.	Rodney Barton	Member satisfaction Continuing support for officers	Panel and JAG meetings		Establish a standard training plan for new members

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
10	D2	Civica Pensions Admin System will not lead to improvements, efficiency and cost savings, or developments do not meet WYPF requirements.	Regular account meetings with Civica Senior Management.  Representation on various user groups: <ul style="list-style-type: none"> <li>• Civica user group</li> <li>• LGPS group</li> <li>• Payroll user group</li> </ul>	Ensure regular attendance and report back from the User Groups/Meetings as necessary.  Assessment of Current State sub project is intended to ensure benefits are realised.	Yunus Gajra David Robertson	Improved systems , costs savings, better reporting, employer internet, member internet facilities available.  Develop product that meets WYPF requirements	Quarterly	Ongoing	Regular market testing to see if better systems on the market
12	C2	Too much information is supplied by employers on paper medium.	Enhancements to UPM2 are continuing.	Develop employers web site  Introduction of Monthly returns.	Yunus Gajra/Ola Ajala	Increase in electronic medium of info sharing  Improvements in KPI's 1, 4a, 4b, 6 and 8	Annual	Ongoing	Develop Employers' website to use that as the main medium for communication.
13	C2	Disaster recovery	Disaster recovery plan in place with Bradford Council for pensions and investments systems.	Recent disaster recovery test highlighted problems concerning Bradford network. Further investigation required.  Resilience of internal hardware is being improved.	David Robertson	Full disaster recovery plan in place	Annual	Ongoing	

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
21	C2	Greater level of support required/expected by some employers	Employer Training courses available or charge for the additional work	Monitor number and type of requests for support	Yunus Gajra	Reduce the number of non standard requests	Monthly	Ongoing	Provide more online training.
22	C2	Recruitment and retention of experienced staff in Pensions Administration,	Career grades in place for majority of staff to encourage professional training. Training Plans in place for all staff. Regular review of structure.	Monitor salaries in both public and private sector. Increase flexible working to retain staff	Man Rev	Motivated and responsive staff Minimal staff turn over No breaches of time limits or maladministration issues	6 monthly	Ongoing	Carry out a periodical review of salaries and grades.
31(b)	D2	External Fraud  Participation in NFI. Life Certificates to high risk pensioners annually. Life certificates to low risk categories sent out every 7 years as a minimum. Returned payments or pay advices, records are immediately suspended. Close working relationship with Internal Audit.	Generally adequate but any future opportunities will be investigated	Increased communications with pensioners to ensure contact with members is maintained. Participation in NFI every 2 years, use of death screen facility to track deaths	Grace Kitchen	No cases of fraud or earlier discovery  Establish tighter controls in system for production of data for NFI exercise	Annual		Carry out regular data cleansing exercises – )recently engaged Accurate Data to find addresses for 12.000 lost contact DB cases).

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
41	C2	Pressure on General Fund due to fluctuations in funding levels	Dependent on markets and mortality rates	Discussion of volatility reduction in investment returns. Varying actuarial assumptions and recovery periods for deficits. Asset and liability study being done.	Investments Committee In house Investments team	Stable and affordable contribution rates	Ongoing		

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
43	D2	Customer satisfaction drops below acceptable levels	Newsletters issued regularly to members, Monthly info. update to employers ABS's to current and deferred members Member Annual meeting Employer Annual meeting Large employer group meeting Seminars for employers Leaver questionnaires Employer satisfaction questionnaires Complaints procedures Web site Published ISS Published FSS Contact Centre Member of Plain English Campaign 'Pensions Administration Strategy' document issued to each employing authority participating in the Fund. Governance policy statement and Communications policy published.	Revise ISS each year Produce a Pensions Administration Strategy, Governance reviewed, Compliance statement produced.	Yunus Gajra JAG	Reduction in complaints Reduction in IDRPs cases. Attract new bodies to the Fund More timely info from employers, Improved employer satisfaction KPI 8	Annual	March nn	Attract new business to the Fund
44	D2	Payroll failure	Payroll contingency plan in place Disaster Recovery plan in place	Review plans	David Robertson/Grace Kitchen	No effect on service provision	As required	Ongoing review	Able to run payrolls for other Funds

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
45	C2	Industrial Action	Contingency plans in place	Review plans if required	Management Review	Minimal impact on customers. No delays to developments	As required		Flexible working available to a number of staff.
48	D2	Prompt payment of pension	Timetable published in advance of pay dates	Ensure timetable is followed	Grace Kitchen	Pensions are paid on the due date	As required		Able to run payrolls for other Funds
49	D2	Key staff on long term absence	Document all procedures to ensure cover is available from other staff	Monitor absences and take action at key dates	Senior Managers	No effect on service provision	As required	As required	A register of casual staff is maintained to provide cover at short notice.
53	D1	Fire Authority Shared Service	Adequate	Regular meetings with the 11 Fire Authorities	Yunus Gajra	Business as usual with no impact on WYPF membership and service	Quarterly	Ongoing	Provide service for other FA's/
55	B2	Impact of Central Government Budget cuts	Impact on workloads and membership numbers	Monitor workloads and LGPS membership numbers	Management Review	Meet KPI targets and membership levels	Ongoing	Ongoing	Increase staffing numbers – benefit for local economy.
57	D1	Lincolnshire and LB of Hounslow Pension Fund Shared Service	Governance arrangements in place ( regular client meetings, Collaboration Board, attendance at Pensions Committee).	Regular senior management review meetings internally and Collaboration Board meetings with LPF and LB of Hounslow	Yunus Gajra	Business as usual with no impact on WYPF membership and service	Monthly	Ongoing	Provide service for other LA Funds

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
58	D2	Investment Pooling joint steering group of Officers and Members from the three Funds established	Governance arrangements in place	Regular review of progress against project plan	Rodney Barton	Pooling implemented 1 April 2018	Monthly	1 April 2018	
59	D2	Northern Pool custodial contract. WYPF is leading on this joint procurement. Risk on timing and meeting delivery deadline.	Adequate	Regular review of progress against project plan	Ola Ajala	Pooling – custodial contract implemented 1 April 2018	Monthly	1 April 2018	Enhance WYPF reputation
60	D2	HSBC Global, Security and Custodial (GSC) + Banking contract – New contract will be split between Banking and GSC contract. GSC contract will be let by Northern Pool, banking will be retendered.	Adequate	Review in July 2017	Ola Ajala	Current contract ends in July 2018	Monthly	July 2018	Enhance WYPF reputation
62	D2	Threat of cyber crime	Adequate	Regular review by Bradford ICT of Firewalls, anti-virus programs to identify latest threats. WYPF also carry out penetration testing on the Fund's website and secure portal.,	Yunus Gajra	Business as usual with no impact on data or services	Ongoing	Ongoing	Safeguard and protect WYPF data and systems.

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
63	D1	Compliance with GDPR requirements	Review letters/internal processes and procedures, Privacy statements, data share agreements, contracts with 3 <sup>rd</sup> parties, Security breach process, website. Use of Galaxkey for secure emails, Use of secure portals to share information with key stakeholders, mandatory data protection training for staff.	Monitor progress against deadline	Yunus Gajra	All requirements met by deadline	Ongoing	25 May 2018	

The risks identified but below their acceptable tolerance level require no further action at this time.

## **Future review and revision of risks**

It is important that this work is monitored and measured and that management action plans are reassessed regularly to ensure that progress is being made and the targets can be met. In addition each risk is owned where possible by one member of the management team to ensure that there is high level support, understanding and monitoring of the work that is required as part of the plans.

The management team have agreed that the timescale for re-visiting these risks in order to assess if they are still relevant and to identify new scenarios should be quarterly at Management Review.

## Appendix 1

### Risks register

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
1	C3	Economic	Demographic changes	Demographic changes are happening but are not always built into financial and resource planning. (Customer base nationwide – current members 98,400, deferred members 63,500, frozen refunds/undecided leavers 6,850, pensioners 79,778. Total 248,528 as at 15-07-11)	Demographics not built into future planning	<ul style="list-style-type: none"> <li>• Budget doesn't meet demand</li> <li>• Criticised for not providing a good service</li> <li>• Bad publicity</li> </ul>
2	C2	Economic	Valuation continues to register a deficit in the pension fund	Rise in contribution rates to eliminate deficit. Growth is built into the medium term financial plan, stepped increases for low to medium risk employers as per FSS	Investment returns < actuarial and FSS assumptions  Rise in longevity  (Funding level remains the main comparator)	<ul style="list-style-type: none"> <li>• Contribution rate rises</li> <li>• Budget cuts and/or council tax increases</li> <li>• Bad publicity for employers</li> <li>• Bad publicity for WYPF</li> <li>• Bad publicity for LGPS</li> <li>• Increased Central Government pressure for changes to LGPS</li> <li>• Admitted bodies review provision of LGPS to employees</li> <li>• Admitted bodies to WYPF seek reduced rates with other LGPS providers</li> <li>• Political impact</li> <li>• Customer complaints about 'pension pay-offs'</li> </ul>

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
3	E2	Political/Economic	Governance (Strategic)	<p>Understanding of issues at high officer and Member level.                      Clear risk, return and contribution objectives                      Consistent FSS and ISS documents in place</p> <p>The purpose of the FSS is :                      to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabs are best met and must be consistent with the published Investment Strategy Statement and the Fund's actuarial assumptions. It should support the aim of maintaining as nearly constant employer contribution rates as possible, taking into account risks in both the liability profile and volatility of asset returns.</p>	Un-coordinated operation caused by lack of understanding	<ul style="list-style-type: none"> <li>• The organisation does not exercise proper strategic control over the management of its pension fund at the highest strategic level</li> <li>• Lack of knowledge and understanding of Members leading to too much reliance on officers and external advisors and do not challenge advice</li> <li>• panel composition not representative of all bodied in the Fund</li> <li>• Overall investment objectives do not represent what members of panels consider necessary to meet the Fund's liabilities given their understanding of contributions likely to be received from employers and employees and do not take account of their attitude to risk</li> <li>• Unstable contribution rates</li> <li>• Too much reliance put on benchmarking with other funds, without considering the specific circumstances of WYPF</li> </ul>

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
4	C2	Social/Economic	Reduction in proportion of active members	Fund becomes more mature due to ageing and reduction in active members by outsourcing. Client base nationwide – employers 190 including 5 district councils.	Reducing take up of admitted body status Continuing outsourcing	<ul style="list-style-type: none"> <li>• Fund stop showing net inflows of cash</li> <li>• Investment strategy no longer consistent with maturity profile</li> <li>• FSS and ISS become out of date</li> <li>• Less time to make up any deficits so more unstable contribution rates</li> </ul>
5	E2	Political	Service has a good, well respected status among members – this could change	The service has a good professional status. It is well respected by members and therefore the budget isn't affected.	Service loses it's status/reputation	<ul style="list-style-type: none"> <li>• Budget cut</li> <li>• Actively look at outsourcing/partnership</li> <li>• Look at alternatives</li> <li>• Project process unmanageable</li> <li>• Lack of trust in information provided</li> <li>• Closer scrutiny of pension fund activities</li> </ul>
6	C2	Political	Council elections could bring about a change to Investment Panel ,JAG and Pension Board members	Panel members and Chair are very effective and knowledgeable and give good support to the service. There is a good relationship.	Major changes to composition of panels	<ul style="list-style-type: none"> <li>• Loss of effective support</li> <li>• Learning curve</li> </ul>

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
7	D3	Political	Bradford initiatives	The fund is not autonomous and decision taken at a high level in Bradford and for Bradford could risk the efficiency of our business. the imposition of what we perceive to be unsuitable regimes upon WYPF by CBMDC can undermine the performance of the section and forcibly distract WYPF management from their prime responsibilities for long periods. Partnerships entered into on WYPF's behalf by CBMDC may not be suitable for WYPF's needs. Initiatives divert management time from core activities	WYPF as a financial service provider and not a LG service provider not recognised or considered	<ul style="list-style-type: none"> <li>• Loss of control over budget spend</li> <li>• Imposition of "Bradford" systems inappropriate to WYPF</li> <li>• Politicises JAG and Investment Panel</li> <li>• Service delivery reduced</li> <li>• Diversion from core activity</li> </ul>
8	D3	Political	Central Government regionalisation agenda	<p>Possible regionalisation of pension funds</p> <p>Could be asked to compete against other LG Funds or the private sector</p>	Becomes Government policy	<ul style="list-style-type: none"> <li>• Admin costs rise to unacceptable levels</li> <li>• Culture change</li> <li>• Cost pressure</li> <li>• Fail to become provider for Yorkshire region</li> <li>• Staff relocation</li> <li>• Staff redundancies</li> <li>• Bad publicity for Bradford</li> <li>• Become provider for Yorkshire</li> <li>• Increased resource requirement</li> <li>• Good publicity</li> </ul>

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
9	B3	Political	Central Government Pensions policy	Independent Commission on Public Service Pensions set up to look at reforms to public sector pension schemes.	Increased complexity	<ul style="list-style-type: none"> <li>• Risk of non-compliance – bad publicity and fines</li> <li>• Dilutes development of systems</li> <li>• Increased admin costs</li> <li>• Increased communications costs</li> </ul>
10	C2	Technological	Improved Pensions and Investments systems are not developed and adopted	Increased WYPF and Civica resources required to develop and adopt system.	Major parts of the system do not work efficiently or accurately.	<ul style="list-style-type: none"> <li>• E-government cannot be supported</li> <li>• Increased time and support needed for number crunching</li> <li>• Less added value support</li> </ul>
12	C2	Technological	Lack of information sharing with employers	Most information from employers is still paper based no direct feeds from their payroll and HR to the UPM system. Requires Pensions to work closely with employers and the Bfd-I partnership to ensure contribution returns are both correct and received on time to enable details to be provided to the Actuary for the Valuation and for Annual Benefit Statements.	Don't progress direct input or do but on a piecemeal basis  Deadlines not met	<ul style="list-style-type: none"> <li>• People can't access vital information in a timely manner</li> <li>• Sustainability issues</li> <li>• Transcription errors</li> <li>• Delays</li> <li>• Invalid employer contribution rates set</li> <li>• Invalid ABS's sent to members</li> <li>• ABS's not sent to members</li> <li>• Non compliance</li> <li>• Bad publicity</li> <li>• Key objective not met</li> </ul>
13	C2	Technological	Disaster recovery	Pension and Investments systems are supported by a disaster recovery plan but some systems aren't including the e-mail system and the main council systems and	Minor incident occurs	<ul style="list-style-type: none"> <li>• Can't back up the data</li> </ul>

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
				communication links  ICT – risk of loss of service because of physical disaster, system failure or deliberate attack. An offsite backup regime is in place for Pensions. Onsite backups are kept in a fire proof safe. System failure – protected by service and maintenance contracts WYPF is dependent on CBMDC for virus protection and firewalls etc.  Link with 35	Major incident occurs	<ul style="list-style-type: none"> <li>• Loss of service</li> <li>• Permanent data loss</li> <li>• Loss of income</li> <li>• Inability to pay pensioners</li> </ul>
15	E3	Technological	Current software providers pull out of the market or are taken over	Current providers –Civica	Civica not that well established in LG pensions sector but are starting to win LG business.	<ul style="list-style-type: none"> <li>• other systems available but enforced change time consuming</li> <li>• pressure on staff</li> </ul>
16	E2	Technological	Internal Fraud	Risk of fraud by illicit alterations to our data security is in place using passwords, change logs etc. but there remains a residual risk. WYPF is dependant on CBMDC's firewall to prevent attacks on its servers from outside the council.	fraud	<ul style="list-style-type: none"> <li>• Loss of data</li> <li>• Corrupt data</li> <li>• Incorrect payments</li> <li>• Breach of DP Act</li> </ul>

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
17	D3	Technological	Loss of IT staff	More attractive salaries in the private sector may attract experienced IT staff	Impact of Bradford-i	<ul style="list-style-type: none"> <li>• Learning curve</li> <li>• Pressure on remaining staff</li> <li>• Reduction in service delivery</li> <li>• Delays in development work</li> </ul>
19	B3	Legislative/ Regulatory	Lots of legislative /regulatory change with no resource given to implement it	Lots of legislative/regulatory change resulting in additional work with no resource given to implement them. Changes to Regs must be made aware to members, employers and staff. The service endeavours to respond but is balancing resources. The unit has given a high commitment to professional training to its staff which may not be maintainable	Insufficient resources to respond to legislative/ regulatory changes adequately	<ul style="list-style-type: none"> <li>• Benchmarking costs rise</li> <li>• Increased pressure on staff</li> <li>• Don't adopt legislation</li> <li>• Service criticised</li> <li>• Duties and responsibilities not fully adopted</li> <li>• Ombudsman cases</li> <li>• Incorrect payment of benefits</li> <li>• Growing complexity of administration</li> <li>• Risk of non compliance</li> <li>• Key objective not met</li> <li>• studies not completed</li> <li>• general pensions knowledge declines</li> <li>• give ill advice</li> <li>• pressure on staff</li> <li>• staff don't have up to date, consistent knowledge and understanding</li> </ul>
21	C2	Managerial/ Professional	Greater level of support expected by district councils than other employers	Bradford council and to a lesser extent the other 4 councils, request information from Pensions which should be available from their own HR department.	Resources diverted from other employers	<ul style="list-style-type: none"> <li>• Staff frustrated</li> <li>• Reduced level of service to other employers</li> </ul>

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
22	C2	Managerial/ Professional	Recruitment and retention of experienced staff in Pensions Administration	Problems with recruitment and retention – the need to train people up, the need for continual process re-engineering. Managers of similar age Difficulties in attracting staff to Bradford	Recruitment and retention of staff does not improve	<ul style="list-style-type: none"> <li>• Pressures on existing staff</li> <li>• Activities are ineffectively carried out</li> <li>• Difficulties in succession planning</li> <li>• Pressure to offer more lucrative packages</li> <li>• Reliance on agency/temporary staff</li> <li>• Escalating staff costs</li> <li>• Gaps appear in structures</li> <li>• Adverse impact on service delivery</li> <li>• Loss of experienced staff</li> <li>• Stagnation</li> <li>• Carrying vacancies</li> </ul>
24	C3	Finance	Finance aren't always involved in other sections' decision making processes	Sections powers v financial responsibility. Sections act independently and don't always ask for advice, increase in delegated powers. Finance section isn't always involved in the decision making process.	Finance is unaware of structures/ approaches	<ul style="list-style-type: none"> <li>• Act 'ultra vires'</li> <li>• Promises made that can't be met</li> </ul>
27	E4	Competitive	Lack of PIs and overall performance management framework	Local Best Value PI's in Pensions. There are LGPC PI's but they are not adequate to monitor overall performance and a new system needs to be introduced with monitoring as part of service planning. There are competing priorities and every authority is struggling to define PIs. <a href="#">Link with 8</a>	Don't develop PI's within an overall performance framework	<ul style="list-style-type: none"> <li>• Can't manage performance effectively</li> <li>• Fail to meet explicit objective</li> </ul>

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
31(a)(b) (c)	D2 E2 D3	Finance	External Fraud	To introduce further measures which may reduce the number of overpaid pensions and potential fraud cases, particularly in the case of un-notified deaths	Further measures not introduced	<ul style="list-style-type: none"> <li>• overpaid pensions</li> <li>• court cases</li> <li>• time commitment</li> <li>• key objective not met</li> </ul>
35	F2	Legislative /Regulatory	Administration of the LGPS	Administer WYPF so as to provide occupational pensions for employees of the participating employers in accordance with statutory requirements <a href="#">Link with 13</a>	Unable to provide service	<ul style="list-style-type: none"> <li>• key objective not met</li> </ul>
36	E2	Finance	Maximise Council surplus balances	Maximise the returns from external investment of any surplus cash balances of the Council		<ul style="list-style-type: none"> <li>• loss of income</li> <li>• key objective not met</li> </ul>
40	D3	Political/Finance	Governance (Operational)	Expectation clearly set out for all advisors – Fund Managers, Advisors, Custodian, and Actuary	Accounts now have coordinated statements for panel, advisors, performance expectations of dept and the long term funding strategy statement , strategic asset allocation etc. Targets / statements all clear, consistent and in place. WM to measure performance quarterly. In house targets for Q analyses for individual fund managers (ongoing)	<ul style="list-style-type: none"> <li>• Panels, fund managers, advisors operate in an un-coordinated way or set their own parameters for performance</li> <li>• Individuals performance not gauged and remedied where necessary</li> <li>• Sub-optimal performance of investments</li> <li>• Poor long term investment performance</li> <li>• Missing assets</li> <li>• Disputes over title</li> <li>• Late reports</li> <li>• Changes to assumptions mid stream</li> </ul>

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
						<ul style="list-style-type: none"> <li>• Targets not set</li> <li>• Timescales not set</li> </ul>
41	C2	Finance	Pressure on General Fund	Funding level is a fundamental guide to the solvency of the Fund Maturity of the scheme influences the investment strategy adopted Employer contribution rate	Funding level falls to unacceptable level	<ul style="list-style-type: none"> <li>• Low funding level will raise ER's contribution rate</li> <li>• ER's contribution rate unsustainable pressure on LGPS from Central Govt.</li> <li>• Employers cease admitting new members</li> <li>• Employers stop joining the Fund</li> <li>• Then becomes risk 4</li> </ul>

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
42	D3	Finance	Admin costs	Costs / all Fund members SF3 and Cipfa	Poor benchmarking returns	<ul style="list-style-type: none"> <li>• Review in-house provision</li> <li>• Budget cuts</li> <li>• Service cuts</li> <li>• Partnership arrangements</li> <li>• Bad publicity</li> </ul>
43	D2	Customer/Citizen	Customer Satisfaction	Level of complaints received Consultation with all stakeholders: What WYPF provides How good is the provision	Unacceptable level of complaints Not seen to act on consultation	<ul style="list-style-type: none"> <li>• Fines</li> <li>• Bad publicity</li> <li>• Shrinking user base</li> </ul>
44	D2	Technological	Payroll failure	Contingency plans in place	BACS failure UPM system failure Hardware failure	Worst case scenario, around 70,000 53,287 pensions not paid on time
45	C2	Political	Industrial Action	Possible industrial action over reforms to LGPS	Ballot in favour of action and no Government intervention	<ul style="list-style-type: none"> <li>• Pensions not paid</li> <li>• Backlog of work on return</li> <li>• Delayed SAP implementation</li> <li>• Additional admin work to input strike breaks</li> </ul>
46	D3	Economic	Admissions and Guarantors	In the past WYPF has had a fairly relaxed policy on admissions which has resulted in bodies being admitted without guarantees if the body was believed to be financially sound	Admitted body with no guarantor or bond – admission agreement comes to its end or is prematurely terminated then the costs of unfunded liabilities met by the Fund itself (i.e. all employers)	<ul style="list-style-type: none"> <li>• Increase in employer contribution rate across the Fund</li> <li>• Increase in liabilities across the Fund</li> </ul> Possible bad publicity

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
47	E2	Technological	Loss of sensitive personal data	Data on laptops/USB devices and data sent by email is encrypted	Loss of data	<ul style="list-style-type: none"> <li>• Data falls in the wrong hands and used for criminal purposes</li> <li>• Bad publicity</li> <li>• Loss of trust and confidence in WYPF</li> </ul>
48	D2	Finance	Prompt payment of pensions on the due date.	An annual timetable is prepared showing key dates when stages of payroll have to be done by to ensure payment is made on pay date	BACS Failure Problems encountered at key stages delaying follow on stages	<ul style="list-style-type: none"> <li>• Pensioners not getting paid on time</li> <li>• Cause financial hardship</li> <li>• Damage to WYPF reputation</li> <li>• Increase in number of complaints. Callers/Visitors</li> </ul>
49	D2	Managerial/Professional	Key staff on long term absence	The absence of key staff who specialise in a particular role and there is no immediate deputy to cover in their absence	Absence Management	<ul style="list-style-type: none"> <li>• Impact on service provision (Staff, Employers, Scheme Members etc)</li> <li>• Crucial tasks are not performed</li> </ul>
50	D3	Managerial/Professional	Access to sensitive/personal data by staff	All new staff undergo a DBS check, Access to certain records is restricted	Where DBS checks reveal a relevant conviction	<ul style="list-style-type: none"> <li>• Information could be passed on</li> <li>• Records updated inappropriately</li> <li>• Contravene DP Act</li> </ul>
51	E2	Financial	Failure to obtain ISAE 3402 reports from Hedge Fund and Currency Fund Managers	Wouldn't know what risks are being taken and what controls they have in place	Failure to obtain reports	<ul style="list-style-type: none"> <li>• Funds might go bust resulting in losses for the Fund</li> </ul>
53	E3	Partnership/Contractual	Fire Pension Scheme Administration	WYPF administers the Fireman's Pensions Scheme on behalf of 11 Fire Authorities	Lose contracts	<ul style="list-style-type: none"> <li>• Will not be able to provide a pensions administration service to the FA's</li> <li>• Will not be able to pay pensions or process work</li> <li>• ICT systems not available</li> <li>• Damage to WYPF Reputation</li> <li>• Bad publicity</li> <li>• Loss of income</li> </ul>

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
55	B2	Political	Impact of Government Budget cuts	Cuts in Local Authority budgets will lead to a reduction in workforce.	Increase in member contribution rate	<ul style="list-style-type: none"> <li>• Increase in opt outs from the scheme</li> <li>• Reduction in public sector workforce leading to reduction in pension scheme membership</li> <li>• Possible strike action</li> </ul>
56	D2	Financial	Monthly Contribution Returns	This has replaced annual returns and will lead to greater efficiencies.	The LGPS 2014 and the move to a career average scheme	<ul style="list-style-type: none"> <li>• Salary details will not be posted to members records</li> <li>• Benefits will not be able to be calculated accurately</li> <li>• IT systems will not be action the returns from Employers</li> <li>• Timescales not met</li> </ul>
57	D1	Partnership/Contractual	Lincolnshire and LB of Hounslow Pension Fund Shared Service	To provide a pensions administration Shared Service from 1 April 15 (LPF) and 1 August 18 (LB of Hounslow)	Collaborative working with other Pension Funds	<ul style="list-style-type: none"> <li>• Will not be able to provide a pensions administration service to LPF or LB of Hounslow</li> <li>• Will not be able to pay pensions or process work</li> <li>• ICT systems not available</li> <li>• Damage to WYPF Reputation</li> <li>• Bad publicity</li> <li>• Loss of income</li> </ul>
58	D2	Legislative /Regulatory	Investment Pooling	Pooling of investments with GMPF and Merseyside Pension Fund.	Structure to be set up by 1 April 2018	<ul style="list-style-type: none"> <li>• Does not meet government target</li> <li>• Bad publicity</li> <li>• Key objectives not met</li> </ul>
59	D2	Legislative /Regulatory	Northern Pool custodial contract.	WYPF leading on custodial contract for Northern Pool	Custodial contract to be implemented by 1 April 2018	<ul style="list-style-type: none"> <li>• No custodian in place to hold assets</li> <li>• No record of how much assets are worth</li> <li>• Adverse impact on investment performance</li> </ul>
60	D2	Legislative /Regulatory	HSBC Global, Security and Custodial (GSC) + Banking contract –	Risk of managing a sub contract within the Northern Pool overriding contract	Not all existing services in use provided by Contractor	<ul style="list-style-type: none"> <li>• Adverse impact on investment performance</li> </ul>

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						<ul style="list-style-type: none"> <li>• Inefficient banking processes</li> </ul>
61	D3	Financial	Employers deficits	Managed through assumptions used at valuation. Employers monitored at regular intervals for membership changes.	Employer's deficits/ liabilities are an amount they are not able to meet upon exiting the Fund.	<ul style="list-style-type: none"> <li>• The liabilities at exit which are not meet by the employer will be passed on to all the other employers in the fund through the next triennial valuation.</li> </ul>
62	D2	Technological	Cyber Crime	A cyber attack will put data at risk and data may fall in the wrong hands.	A successful cyber attack	<ul style="list-style-type: none"> <li>• Vulnerable to extortion</li> <li>• Damage to WYPF reputation</li> <li>• Impact on service delivery</li> <li>• Bad publicity</li> <li>• Fines by tPR</li> </ul>
63	D1	Legislative /Regulatory	Compliance with GDPR requirements	Documents and processes are not updated with requirements.	A breach of GDPR	<ul style="list-style-type: none"> <li>• Massive fines by the ICO</li> <li>• Damage to WYPF reputation</li> <li>• Bad publicity</li> <li>• Loss of contracts</li> </ul>