

# Funding and Investment

Impact	Funding & Investment Risks (includes accounting and audit)					Likelihood
	5	4	3	2	1	
1					8 12	
2		11		13 15 17 10 4 6 9	14	
3						
4		16	7	1 3		
5				5	2	
	5	4	3	2	1	Likelihood

**Key**

1 Insignificant	5	4	3	2	1
2 Minor	10	8	6	4	2
3 Moderate	15	12	9	6	3
4 Major	20	16	12	8	4
5 Catastrophic	25	20	15	10	5
	5 Almost Certain	4 Likely	3 Possible	2 Unlikely	1 Rare

**Likelihood of risk occurring**

**New risk:**       **Risk moved since last update:** ----->


In accordance with the Northamptonshire Pension Fund Risk Policy, information relating to the ongoing monitoring and management of risks will be provided on a quarterly basis to the Northamptonshire Pension Fund Committee and the Pension Board . The information relating to the key risks, new risks , movement of risks and changes to agreed actions is included in each Update report.

**Funding & Investment (Including Accounting & Audit) Risks Summary**

Risk no:	Risk	Strategic objective at risk (see key)	Risk category	Impact (see key)	Likelihood (see key)	Risk Status	Internal controls in place	Further Action?	Owner	Last Updated	Previous Impact	Previous Likelihood	Previous Risk Status	Risk removed (date)	
<b>Key Risks (ranked 8 or above):</b>															
1	Contributions to the Fund are not received on the correct date and for the correct amount.	1,8,9,&16	Asset/Investment	4	2		Employer contributions are set as stable as possible and the Fund works with employers closely to ensure pragmatic solutions if an employer is unable to pay monthly contributions .Cash Management Strategy is in place. A procedure is in place to identify non-payment and late payment of contributions as defined in the Late Payment Policy. Internal Audit reviews take place on a regular basis and external audit review the accounts annually.		Funding/Investments	30/01/2017					
3	Investment decisions and portfolio management may not maximise returns or be performed in accordance with instructions provided.	1,2,3&19	Asset/Investment	4	2		The ISC receives quarterly performance reports provided by recognised industry professional, this considers both strategic and operational aspects of investment. In addition officers in partnership with Fund advisers manage an asset allocation review plan, reported to ISC in quarterly meetings.		Funding/Investments	30/01/2017					
5	Fund assets are not sufficient to meet obligations and liabilities as they become payable.	2,16,17&19	Asset/Investment	5	2		Investments are regularly valued by Investment Managers and provided to the Fund. Quarterly updates are provided to the Investment Sub Committee. The ISC receives quarterly performance reports provided by recognised industry professional, this considers both strategic and operational aspects of investment. In addition officers in partnership with Fund advisers manage an asset allocation review plan, reported to ISC in quarterly meetings. Funding Strategy Statement reviewed every 3 years to ensure it remains relevant.		Funding/Investments	30/01/2017					
7	Failure to respond to changes in economic conditions	15&16	Asset/Investment	4	3		To consider economic conditions impacting on Investments by regular engagement with Investment industry professionals, highlighting issues arising in the Funds quarterly investment monitoring reports, provided by recognised industry professionals, which considers both strategic and operational aspects of investment. Officers in partnership with Fund advisers, undertake asset allocation strategy reviews, on a triennial basis or more frequently should the need arise, which considers economic conditions and the various key risks of investing in a long term strategy, mindful of relevant investment regulations.		Funding/Investments	30/01/2017					
11	Mismatch in asset returns and liability movements result in increased employer contributions	18	Asset/Investment	2	4		The Fund undertakes a comprehensive asset allocation review following the completion of a valuation process to ensure matching of assets and liabilities is reviewed.		Funding/Investments	30/01/2017					
16	Market yields move at variance with actuarial assumptions resulting in increases in liability, reduced solvency levels and increased employer contribution rates	18	Asset/Investment	4	4		The ISC receives quarterly performance reports provided by recognised industry professional, this considers both strategic and operational aspects of investment. In addition officers in partnership with Fund advisers manage an asset allocation review plan, reported to ISC in quarterly meetings. Quarterly performance reports are provided to the Pensions Investment Sub Committee.		Funding/Investments	30/01/2017					
<b>New Risks:</b>															
1	Contributions to the Fund are not received on the correct date and for the correct amount.	1,8,9,&16	Asset/Investment	4	2		Employer contributions are set as stable as possible and the Fund works with employers closely to ensure pragmatic solutions if an employer is unable to pay monthly contributions .Cash Management Strategy is in place. A procedure is in place to identify non-payment and late payment of contributions as defined in the Late Payment Policy. Internal Audit reviews take place on a regular basis and external audit review the accounts annually.		Funding/Investments	30/01/2017					

2	Custody arrangements may not be sufficient to safeguard Pension Fund assets	1,2,&3	Asset/Investment	5	1	Complete and authorised agreements are in place with external custodian. External custodian's compliance with ICAEW's Audit and Assurance Faculty's guidance on internal controls of service organisations. Officers of the Fund engage in quarterly monitoring of custodian performance with an annual report presented to the July Pensions Committee by an external monitoring professional. Monitoring of the custodian.	Funding/Investments	30/01/2017					
3	Investment decisions and portfolio management may not maximise returns or be performed in accordance with instructions provided.	1,2,3&19	Asset/Investment	4	2	The ISC receives quarterly performance reports provided by recognised industry professional, this considers both strategic and operational aspects of investment. In addition officers in partnership with Fund advisers manage an asset allocation review plan, reported to ISC in quarterly meetings.	Funding/Investments	30/01/2017					
4	Failure to invest surplus contributions	16,17&19	Asset/Investment	2	2	Cash flow monitoring and rebalancing is undertaken with tolerances set on material variances on allocation, circa 5% with an annual perspective preferred to avoid short term volatility and unnecessary cost. Review of the policy is pending the approval of the Funds Investment Strategy Statement, now planned for March 2017, following government slippage in issuing the revised investment regulations. Cash Management Policy in place.	Funding/Investments	30/01/2017					
5	Fund assets are not sufficient to meet obligations and liabilities as they become payable.	2,16,17&19	Asset/Investment	5	2	Investments are regularly valued by Investment Managers and provided to the Fund. Quarterly updates are provided to the Investment Sub Committee. The ISC receives quarterly performance reports provided by recognised industry professional, this considers both strategic and operational aspects of investment. In addition officers in partnership with Fund advisers manage an asset allocation review plan, reported to ISC in quarterly meetings. Funding Strategy Statement reviewed every 3 years to ensure it remains relevant.	Funding/Investments	30/01/2017					
6	Pension Fund Investments may not be accurately valued	2,10,17&18	Asset/Investment	2	2	Investment strategy in accordance with LGPS investment regulations. The strategy is documented, reviewed and approved by the Pensions Committee. An external advisor provides specialist guidance to Officers on the investment strategy. Officers of the Fund engage in quarterly monitoring of custodian performance with an annual report presented to the July Pensions Committee by an external monitoring professional. Monitoring of the custodian. Where variances between custodian and manager valuations arise officers engage with both parties to investigate and agree variances. This is particularly important in the year end process where external audit review processes and values, reporting material variances where necessary.	Funding/Investments	30/01/2017					
7	Failure to respond to changes in economic conditions	15&16	Asset/Investment	4	3	To consider economic conditions impacting on Investments by regular engagement with Investment industry professionals, highlighting issues arising in the Funds quarterly investment monitoring reports, provided by recognised industry professionals, which considers both strategic and operational aspects of investment. Officers in partnership with Fund advisers, undertake asset allocation strategy reviews, on a triennial basis or more frequently should the need arise, which considers economic conditions and the various key risks of investing in a long term strategy, mindful of relevant investment regulations.	Funding/Investments	30/01/2017					

8	Pension Fund accounts are not accurately maintained	2&10	Asset/Investment	1	1		The Fund has a service wide engagement on ensuring the individual employer accounts are accurately reflected. Contributions are reconciled against employer monthly reports and the bank account, which is subject to both internal and external audit review as part of the year end process. In addition the Systems and Employers team conduct membership year end reconciliation in the late summer / autumn and investigate variations from the accounting valuations. In terms of pensioner payroll the service is implementing a new process to stream line and provide additional assurance over pensioner payments made. Management and administration are maintained in accordance with the SORP and the Financial Regulations. Reconciliations are carried out on a regular basis. There is an internal and external review of the accounts annually.	Funding/Investments	30/01/2017					
9	If liquidity is not managed correctly, assets may need to be sold at unattractive times or investment opportunities missed as cash is unavailable		17 Asset/Investment	2	2		Limit on illiquid assets and diversification of assets and asset risk is under regular review, currently alternative investments are being considered in particular the role they play to support Fund fiduciary objectives. Projections of expected cash flows through business planning. The Fund considers cash flow over a three year profile, currently indicating a cash flow positive position; officers are monitoring the impact of structural changes with employers in the Fund and will report in due course. In addition the triennial valuation considers the longer term perspective, the 2016 valuation is ongoing.	Funding/Investments	30/01/2017					
10	Illiquidity of certain markets and asset classes and difficulty in realising investments and paying benefits as they fall due.	16,17&18	Asset/Investment	2	2		Limit on illiquid assets and diversification of assets and asset risk is under regular review, currently alternative investments are being considered in particular the role they play to support Fund fiduciary objectives. Projections of expected cash flows through business planning. The Fund considers cash flow over a three year profile, currently indicating a cash flow positive position; officers are monitoring the impact of structural changes with employers in the Fund and will report in due course. In addition the triennial valuation considers the longer term perspective, the 2016 valuation is ongoing.	Funding/Investments	30/01/2017					
11	Mismatch in asset returns and liability movements result in increased employer contributions		18 Asset/Investment	2	4		The Fund undertakes a comprehensive asset allocation review following the completion of a valuation process to ensure matching of assets and liabilities is reviewed.	Funding/Investments	30/01/2017					
12	Frequency of early retirement's increases to levels in excess of the actuarial assumptions adopted, resulting in increases required in employers' contributions.		18 Asset/Investment	1	1		Regular monitoring of early retirement experience being exhibited by the actuary based on evidential analysis with regular communications with employers, including awareness of potential strain costs associated with early retirement decisions. In addition a survey with employers to seek future staff resource feedback to inform a review of funding implications and actions that could be considered to mitigate. Money received upfront for employers and Ill Health Insurance in place.	Funding/Investments	30/01/2017					
13	Mortality rates continue to increase, in excess of the allowances built into the evidence based actuarial assumptions, resulting in increased liabilities, reduced solvency levels and increased employer contributions.		18 Asset/Investment	2	2		Monitoring of mortality experience factors being exhibited by the fund members by fund actuary and consequent variation of the actuarial assumptions based on evidential analysis. Club Vita looks at local level mortality rates to gain a more accurate picture.	Funding/Investments	30/01/2017					
14	Unanticipated onset of cash flow negative position, potentially requiring as hoc repositioning of assets		19 Asset/Investment	2	1		See responses above, in particular employer survey and cash flow monitoring processes, including annual business plan and medium term strategy report. Regular monitoring and the ability to change Fund Investment Strategy when appropriate.	Funding/Investments	30/01/2017					
15	Failure to act upon expert advice or risk of poor advice	17,18,19&20	Asset/Investment	2	2		Investment consultants and independent advisors appointed. Committee decisions and oversight by the Local Pension Board.	Funding/Investments	30/01/2017					
16	Market yields move at variance with actuarial assumptions resulting in increases in liability, reduced solvency levels and increased employer contribution rates		18 Asset/Investment	4	4		The ISC receives quarterly performance reports provided by recognised industry professional, this considers both strategic and operational aspects of investment. In addition officers in partnership with Fund advisers manage an asset allocation review plan, reported to ISC in quarterly meetings. Quarterly performance reports are provided to the Pensions Investment Sub Committee.	Funding/Investments	30/01/2017					

17	Pay and consumer price inflation significantly different from actuarial assumptions resulting in increases required in employer's contributions.	9&17	Asset/Investment	2	2	 Analyse assumptions and actual experience through triennial valuations, ensure assumptions are appropriate. Early engagement with employers.	Funding/Investments	30/01/2017			
<b>Removed Risks:</b>											
None											
<b>Key Changes (moved by 3 or more):</b>											
None											