

Risk Ref No	Risk Title/Risk Description	Related Objective	Primary Risk Category	Inherent Rank	Risk Treatment Approach	Control and Mitigating Actions	RESIDUAL ASSESSMENT				Movement in Period
							Residual Probability	Residual Impact	Residual Risk	Residual Rank	
SPFO5	RISK: Pay and price inflation significantly more or less than anticipated. CAUSE: Macro economic. EFFECT: Increase in liabilities; increase in asset price volatility; potential underfunding; potential increase in employer contribution rates	Funding / Liabilities	Financial	Very High	Tolerate	Actuarial valuation; inter-valuation monitoring; asset liability modeling; some inflation protection in assets.	3	4	12	High	Static
SPFO31	RISK: Employer failure to carry out statutory functions including submission of member data and contributions to SPFO. CAUSE: Under-resourcing/Scheme Complexity. EFFECT: Missing, incomplete and incorrect records on pensions administration system; undermines service delivery and causes difficulties in establishing correct benefits at individual member level, and liabilities at employer and whole of Fund level. Potential issues with the Pensions Regulator.	Operational / Regulatory	Operational	Very High	Treat	Regular communication with employers and their staff including Pensions in Partnership, Technical Bulletins, Employers Forum, Pension Board, scheme guide, liaison officers, dedicated employer area on SPFO website. Employers' HR and payroll controls. SPFO check individual records at points of significant transaction. Periodic bulk data checking by actuary. Member Records team within SPFO. Administration Strategy. Data improvement plan. I Connect. Employer Self Service.	3	4	12	High	Static
SPFO1	RISK: Fund's investments fail to deliver returns in line with the anticipated returns underpinning valuation of liabilities over the long-term. CAUSE: Macro Economic. EFFECT: Long-term underfunding; significant increase in employer contribution rates.	Funding / Investment	Financial	Very High	Treat	Performance of both assets and liabilities is monitored quarterly. Strategy development is discussed every quarter by the Investment Advisory Panel and reviewed fully every 3 years in line with the actuarial valuation which anticipates long-term returns on a relatively prudent basis. Current strategy targets: - a greater than 2/3 probability of being 100% funded over the target period and - a less than 10% probability of falling below 70% funded over the next three years. - a less than 10% probability of falling below 70% funded over the next three years.	2	5	10	High	Static
SPFO23	RISK: Issues with pensions administration system and other related systems. CAUSE: Outages, hardware and software failure, cyber attack. EFFECT: Staff downtime, loss of service delivery, data loss, and potential failure to pay pensions.	Operational / Business Continuity	Technological	Very High	Treat	Access controls, firewalls and other system security measures. Robust system maintenance routines. Internal and external systems support. Back-up procedures. Disaster Recovery Plan. Business continuity plan.	3	3	9	Medium	Static
SPFO7	RISK: Pensioners living longer than anticipated in actuarial valuation. CAUSE: Socio economic EFFECT: Increase in liabilities; underfunding; potential increase in employer contribution rates.	Funding / Liabilities	Financial	Very High	Tolerate	Set mortality assumptions with some allowance for future increases in life expectancy. Fund participates in Club Vita to monitor mortality experience. Cost cap introduced in LGPS 2015 should limit impact.	3	3	9	Medium	Static
SPFO9	RISK: Changes to scheme regulations and other pensions legislation. CAUSE: Political or legislative complexity, EFFECT: Increasing administrative complexity, communications challenges. Potential issues with the Pensions Regulator. Increase in liabilities	Funding / Liabilities	Operational	Very High	Treat	The Administering Authority is alert to scheme developments. Officers participate in various scheme and industry groups (SPLG, IGG, SAB, CIPFA, PLSA, etc. ) SPFO is a test site for software upgrades to refelec regulation changes.	3	3	9	Medium	Static

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SPFO30	RISK: Failure to recruit, retain and develop appropriate staff. CAUSE: Employment Market changes. EFFECT: Loss or failure of service delivery.	Operational / People	HR / people	Very High	Treat	Robust but flexible staffing structure; conditions and staff development in line with Council policies and practice; additional internal training and development.	3	3	9	Medium	Static
SPFO57	RISK: Failure to complete GMP reconciliation exercise. CAUSE: DWP withdrawal of service. EFFECT: Over/underpayment of pensions. Liability for any net cost. Reputational damage. Action by the Pensions Regulator	Operational / Regulatory	Legislative / regulatory	Very High	Treat	DWP engagement via PLSA, LGA and others. Integrated solution agreed by Committee and implementation underway.	3	3	9	Medium	Static
SPFO50	RISK: Issues with banking or BACS system. CAUSE: Outages, hardware and software failure and cyber attack. EFFECT: Payment delays potentially including monthly pension payroll to 90,000 pensioners.	Operational/ Business continuity	Technological	Very High	Tolerate	BACS business continuity, disaster recovery and contingency arrangements; SPFO business continuity, disaster recovery and contingency arrangements.	2	4	8	Medium	Static
SPFO17	RISK: Significant failure of individual investment(s). CAUSE: Default, fraud, operational or trading issues. EFFECT: Illiquidity or loss of asset value.	Funding / Investment	Financial	Very High	Treat	Diversified investment strategy and structure. Robust governance and monitoring framework.	4	2	8	Medium	Static
SPFO3	RISK: Fall in risk-free returns on Government bonds. CAUSE: Macro-economic. EFFECT: Rise in value of liabilities; long-term underfunding; potential increase in employer contribution rates.	Funding / Liabilities	Financial	Very High	Tolerate	Performance of both assets and liabilities is monitored quarterly. Full actuarial valuation is carried out every three years. Funding Strategy includes smoothing measures to provide stability of contributions.	2	4	8	Medium	Static
SPFO15	RISK: Failure of investment market(s). CAUSE: Systemic. EFFECT: Illiquidity or loss of investments.	Financial / Investment	Financial	Very High	Treat	Diversified long-term investment strategy focused on developed markets and managed by experienced market participants. Market regulation. Robust governance and investment monitoring framework.	2	4	8	Medium	Static
SPFO13	RISK: Employer default. CAUSE: Employers ceasing to exist with insufficient funding or adequacy of a bond, or with liabilities for unfunded discretionary payments, or administering authority failure to enforce the debt. EFFECT: Residual liability falls on remaining employers, potential termination of unfunded payments.	Financial / Funding	Financial	Very High	Treat	Regulations, Funding Strategy, admissions policy and process, guarantees from existing Scheme employers, covenant review, pre-payment wherever possible, monitoring of contributions, in-depth membership analysis via actuarial valuation, employers required to advise of any structural changes.	4	2	8	Medium	Static
SPFO19	RISK: Significant issues with Global Custodian. CAUSE: Corporate. EFFECT: Loss of investments or control of investments.	Financial / Investment	Financial	Very High	Treat	Annual diligence review and periodic re-tendering. Banking and FCA regulation. Fund's assets not on custodian's balance sheet.	2	4	8	Medium	Static
SPFO27	RISK: Breach of Pensions Act and other disclosure requirements. CAUSE: Failure to implement Communication Strategy and Administration Strategy. EFFECT: Member challenge, legal challenge, audit criticism, reputational damage, potential overpayment of pensions, action by the Pensions Regulator	Operational / Regulatory	Legislative / regulatory	Very High	Treat	Well developed communications and administration strategy. Pensions Administration system; standardised operational procedures; participation in Class User Group and Scottish Pensions Liaison Group; staff training. Legal support. Internal Systems & Compliance team.	2	4	8	Medium	Static
SPFO34	RISK: Theft or loss of personal data. CAUSE: Cyber attack, human error, process failure. EFFECT: Breach of data protection legislation including GDPR, financial loss, audit criticism, legal challenge, reputational damage, financial penalties.	Operational/ Data Protection	Technological	Very High	Treat	Compliance with Council data and GDPR procedures; system security; use of secure means of data transfer; data sharing protocol; staff awareness.	2	4	8	Medium	Static

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SPFO47	RISK: Issues with collective investment vehicle(s). CAUSE: Lack of transparency. EFFECT: Loss of value or liquidity or ability to access or control investment.	Financial/ Investment	Financial	Very High	Tolerate	Well developed selection and due diligence process. Robust monitoring framework. Banking and FCA regulation. Insurance and liability provisions in investment agreements.	2	3	6	Medium	Decreased
SPFO24	RISK: Unable to access workplace. CAUSE: Fire, flood, major incident. EFFECT: Staff downtime, loss of service delivery, potential failure to pay pensions.	Operational / Business Continuity	Operational	Very High	Tolerate	Professional property management and maintenance. Property Services contingency plan. Business Continuity Plan and Disaster Recovery Plan.	2	3	6	Medium	Static
SPFO36	RISK: Breach of LGPS governance regulations. CAUSE: Failure of governance framework. EFFECT: Audit criticism, legal challenge, reputational damage, intervention by the Pension Regulator and/or Scheme Advisory Board.	Governance	Legislative / regulatory	Very High	Tolerate	Council standing orders and scheme of delegation; audit and control functions; high degree of transparency; new governance structures and procedures established to comply with governance regulations.	2	3	6	Medium	Static
SPFO48	RISK: Breach of tax regulations (scheme administration). CAUSE: Mis-application of tax requirements. EFFECT: Incorrect payment to pensioners or to HMRC; HMRC penalties.	Operational/ Regulatory	Legislative / regulatory	High	Treat	Pensions administration system; standardised operational procedures; reconciliations; participation in Class User Group and Scottish Pensions Liaison Group; staff training.	2	3	6	Medium	Static
SPFO58	RISK: Breach of tax regulations (investments). CAUSE: Mis-application of tax requirements. EFFECT: Failure to reclaim withholding tax; failure to comply with filing requirements; inefficient tax structures.	Operational/ Regulatory	Legislative / regulatory	High	Treat	Global custodian responsible for tax reclaims; some use of external tax consultants; manager responsibility for pooled funds; review by legal advisors.	2	3	6	Medium	New
SPFO56	RISK: Poor stewardship of Fund's assets. CAUSE: Failure to implement Responsible Investment Strategy. EFFECT: Potential erosion of investment returns; reputational damage.	Investment	Financial	Very High	Treat	Responsible investment strategy; IMA provisions; engagement overlay; participation in LAPFF and other groups; transparent reporting; Direct Investment Portfolio.	2	3	6	Medium	Static
SPFO33	RISK: Staff absence rises to problematic levels. CAUSE: Epidemic. EFFECT: Loss or failure of service delivery.	Operational / People	HR / people	High	Treat	Council attendance management policies; HR and manager support; Health and wellbeing champion; flexible workforce; Business Continuity Plan.	2	3	6	Medium	Static
SPFO4	RISK: Failure to achieve investment performance benchmark. CAUSE: Active Investment under performance. EFFECT: Undermines investment strategy; poor value for money.	Funding / Investment	Financial	High	Treat	Diversified investment manager structure. Quarterly investment monitoring analyses market performance and active managers relative to their index benchmark. Regular review of mandates. Triennial review of investment structure. Investment Advisory Panel review.	2	3	6	Medium	Static
SPFO8	RISK: Actuarial loss. CAUSE: Changing pattern of demographic experience including early retiral, ill health retiral, withdrawal, 50:50 uptake, commutation, marriage/partnership. EFFECT: Pressure on cash flow and funding equation.	Funding / Investment	Financial	High	Tolerate	Monitored in actuarial valuation. Strain on the fund charges. Ill health retirement experience is monitored and insurance is available. Cash flow monitoring.	2	3	6	Medium	Static
SPFO22	RISK: Breach of the VAT partial exemption limit. CAUSE: Failure of reporting procedures. EFFECT: Would expose the Council to a financial loss of around £10m of which approximately £1.5m would be borne by the Pension Fund.	Financial / VAT	Financial	High	Treat	The Fund "opts to tax" properties wherever appropriate; monitoring of new transactions; advice from Council's VAT officer; control on purchase of residential properties.	2	3	6	Medium	Static
SPFO40	RISK: Public Liability. CAUSE: Property portfolio - exposure through direct ownership of properties within portfolio. EFFECT: Potential personal injury or environmental liability and reputational damage.	Funding / Investment	Reputational	Medium	Treat	Property management and insurance arrangements.	2	3	6	Medium	Static

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SPFO41	RISK: Breach of statutory reporting guidelines. CAUSE: Failure to produce compliant accounts by deadline. EFFECT: Audit criticism, reputational damage.	Financial / Governance	Legislative / regulatory	Medium	Treat	Rigorous planning and project management; support from Corporate Finance.	2	3	6	Medium	Static
SPFO49	RISK: Cash flow issues. CAUSE: Failure of cashflow monitoring systems. EFFECT: Insufficient cash available to pay pensions or meet investment commitments.	Financial/ Cash Flow	Operational	Very High	Treat	Cash flow projections and regular monitoring of bank account, financial ledger, pensions administration system. Global custody arrangements.	3	2	6	Medium	Static
SPFO46	RISK: Breach of Auto Enrolment legislation. CAUSE: Employers insufficiently prepared for staging dates or SPFO procedures inadequate. EFFECT: Breakdown of service, audit criticism, regulatory challenge and reputational damage.	Operational	Operational	Very High	Treat	SPFO auto enrolment strategy in place; employers have already passed staging dates without incident; ongoing dialogue with employers; Altair and i-connect systems.	2	2	4	Low	Static
SPFO57	RISK: MiFID compliance. SPF re-classified as retail investor. CAUSE: Failure to evidence investment capability. EFFECT: Inability to make new investments. Potential	Funding / Investment	Legislative / regulatory	Very High	Treat	Governance structure; engagement with investment managers, consultants, and legal advisers; existing status as professional investor firmly established.	2	2	4	Low	Static
SPFO10	RISK : Administering Authority unaware of structural changes in an employer's membership. CAUSE: Large fall in employee members, large number of retirements, closure to new entrants. EFFECT: Potential underfunding at employer level.	Funding / Liabilities	Financial	Medium	Treat	Ongoing monitoring of contributions; in-depth membership analysis via triennial actuarial valuation. Employers are required to advise the Administering Authority of any significant structural changes during the intervaluation period.	2	2	4	Low	Static
SPFO29	RISK: Fraud/Theft/Negligence/Bribery. CAUSE: Dishonesty by SPFO staff or external investment manager. EFFECT: Overpayment, unauthorised payment, system corruption, audit criticism, reputational damage, loss of value to the Fund, loss of control over investments.	Operational / People	Operational	Very High	Treat	System controls and security, peer and supervisor checking, audit and monitoring arrangements. Manager selection and monitoring processes; indemnities in Investment Management Agreements; FCA and other Regulation; separation of assets from management via global custody arrangement.	2	2	4	Low	Static
SPFO20	RISK: Loss in securities lending programme. CAUSE: Counterparty default. EFFECT: Investment losses.	Funding / Investment	Financial	High	Treat	Programme managed by experienced third party, Northern Trust; Fund is indemnified within programme; all loans are fully collateralised.	2	2	4	Low	Static
SPFO21	RISK: Non-compliance with LGPS investment regulations and broader regulatory regime. CAUSE: Failure of disclosure or monitoring. EFFECT: Audit criticism, legal challenge, reputational	Funding / Investment	Legislative / regulatory	Very High	Treat	Mandates structured to ensure compliance. Robust monitoring framework. Legal advice.	2	2	4	Low	Static
SPFO35	RISK: Breach of FoI or GDPR legislation CAUSE: Freedom of Information responses outwith 20 day limit. SAR requests outwith 28 calendar days. EFFECT: Audit criticism, legal challenge, reputational damage, financial penalties.	Governance / Regulatory	Legislative / regulatory	Medium	Treat	GDPR/Council protocol includes correct allocation of request, regular review of FOI/SAR log and monitoring of requests.	2	2	4	Low	Static