

Investment

- Mismatching assets and liabilities
i.e. fund volatility or variation > employer risk or contribution correction level.
- Weakening of the employer covenant
- Poor investment manager performance
- Poor investment timing or strategy
- Currency (overseas investment)
- Poor AVC information, choice or performance
- Non-compliance with SIP and Myners Code
- Fraud, custody and internal cash management problems
- Lack of, or poor, advice

Funding or Actuarial

- Employer covenant deterioration and mismatching assets and liabilities
- Inadequate financial assumptions – investment returns, inflation, salaries
- Inadequate statistical assumptions – longevity, withdrawal, early retirement.
- Legislative or legal developments – tax, sex equality, age discrimination
- Transfers in or out (bulk or large individual)
- Member options or scheme factors
- Concentration of liabilities
- Data error
- Poor advice

Legal

- Deficiency in trust deed and rules
- Failure to follow trust deed and rules
- Failure to minute decisions, reasons and information received
- Adverse ruling by pensions Ombudsman or Court
- Breach of disclosure requirements or other communication requirement
- Failure to respond to legislative change or case law
- Poor advice

Governance

- Failure to recognise or manage conflicts of interest
- Lack of trustee training or understanding, particularly with MNTs
- Inadequate internal controls
- Mismanagement of employer covenant assessment
- Lack of representative trustees or attendance thereof
- Failure to follow TPR Guidance or Codes
- Inadequate trustee indemnity cover
- Ineffective decision-making and meeting management
- Reputation risk for the sponsoring employer, officials or the trustees

HR/Communication

- Inadequate liaison with sponsoring employer
- Benefits not understood by members, spouse's or IFAs
- Members not joining or leaving for the wrong reasons
- Communications not being read or understood

Administration and Accounting**General**

- Benefit payment error (right amount to right person at right time)
- Inadequate life assurance provision
- Failure of employer to pay contributions
- Inadequate supervision by Trustees
- Complaints, error or litigation
- Poor advice

Hazard risks

- Insolvency of employer
- Administration records corrupted or destroyed
- Financial fraud
- Systematic error
- Sale of in-house resource
- Fire/flood/terrorism etc.

Operational risks

The main operational risk is the failure to pay correct benefit to the correct member at the correct time (courtesy of the PPF). There are a number of other risks that contribute to this overall risk.

People

- Lack of succession planning
- Poor decision-making
- People acting outside own area of competence without adequate supervision
- Staffing level and structure failing to support service delivery

Systems

- Failure to correctly establish calculation routines and interfaces
- Availability of systems
- Inadequacy of hardware / software
- Method for system updates
- Lack of technical documentation
- Competence or otherwise of user support
- Adequacy of user training

- Lack of security
- Poor system back-up
- Access to premises

Procedures

- Inadequacy of procedures to support high standards of service
- Lack of monitoring of procedure
- Lack of risk controls
- Lack of documentation
- Lack of review and improvement of procedures
- Lack of ownership of procedures
- HR and payroll delays

Work Management

Lack of or inadequacy of:-

- Service Level Agreement
- Clear roles of responsibilities
- Service standards
- Customer satisfaction monitoring
- Quality control and monitoring
- Work monitoring and allocation
- Calendar of events through the year

Disaster recovery

- Existence of plan
- Scope of plan
- Verification of plan
- Testing of plan