

Royal County of Berkshire Pension Fund – Risk Assessment Register

| Ref | Risk | Risk Category | Cause | Impact | Risk owner | Controls in place to manage the risk | Current risk rating | | | | Further actions necessary to manage the risk | Risk action owner | Date Complete | Target risk rating | | | | Next Review Date |
|---------|---|---------------|---|---|----------------|---|---------------------|------------|-------|---------------|---|---|--------------------------|--------------------|------------|-------|---------------|------------------|
| | | | | | | | Imp | Likelihood | Score | Level of risk | | | | Imp | Likelihood | Score | Level of risk | |
| PEN 001 | Failure to comply with Scheme regulations and associated pension law. | Operational | Lack of technical expertise / staff resources to research regulations, IT systems not kept up to date with regulations. | Incorrect pension payments made or estimates given. Unhappy customers, employers, risks of fines, adverse audit reports, breaches of the law. | Nick Greenwood | Sufficient staffing. Training and regulatory updates for all individuals associated with the Fund. Competent software provider and external consultants. | 2 | 2 | 4 | Low | Work continues to ensure that the Fund complies fully with all governance and administration requirements. | Nick Greenwood Kevin Taylor Philip Boyton | Ongoing | 2 | 2 | 4 | Low | March 2018 |
| PEN 002 | Late issue of Scheme regulation amendments. | Operational | DCLG do not issue regulations well in advance of effective date. | Resource issues for Fund. Administering Authority has a duty to ensure that all stakeholders receive and have access to most up to date information. | Nick Greenwood | Required actions to be considered in view of draft regulations. Senior managers to consider appropriate requirements and prioritise communications accordingly. | 4 | 1 | 4 | Low | Details to be included on welcome page of website and information to be distributed to Scheme employers for dissemination to scheme members via intranet and email. | Kevin Taylor Philip Boyton | N/A | 4 | 1 | 4 | Low | March 2018 |
| PEN 003 | The appropriate knowledge and understanding is not maintained by the Administering Authority. | Operational | Lack of technical expertise, training, professional development and continuous self-assessment to identify gaps in knowledge. | Failure to secure compliance with statutory obligations and tPR requirements leading to poor governance and administration of the Scheme. Dissatisfied customers, adverse audit reports, risk of fine. | Nick Greenwood | Training plans in place for officers and Members of the Pension Fund Panel, Pension Fund Advisory Panel and Pension Board. Members of Pension Board to assist Administering Authority in ensuring compliance. | 4 | 1 | 4 | Low | Continual review of training needs and staff levels with succession plans developed. | Kevin Taylor Philip Boyton | Ongoing | 4 | 1 | 4 | Low | March 2018 |
| PEN 004 | Failure to maintain a high quality member database. | Operational | Poor or non-existent notification of member data by Scheme employers. | Incorrect records, incorrect benefit estimates, potentially incorrect pension benefits being paid. Scheme members access wrong information via self-service. Loss of reputation, more complaints, poor performance. | Nick Greenwood | Fund continues to work with employers to improve data quality. Pro-active checks when benefits are calculated. Membership information is checked as part of year-end processing | 4 | 3 | 12 | High | Key aim of the Pension Administration Strategy is to engage employers in the use of i-Connect | Philip Boyton | March 2017 to March 2019 | 4 | 1 | 4 | Low | March 2018 |

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| PEN 005 | Failure to hold personal data securely. | Operational | Poor procedures for data transfer to and from partner organisations, poor security of systems, poor data retention and disposal, poor backup and recovery of data. | Poor data, lost or compromised. Risk of fines, adverse audit reports, breaches of the law. | Nick Greenwood | Database hosted off-site and backed up in 2 separate locations. Access to systems is available to a limited number of users via dual password and user identification. Data transferred is encrypted. Compliant with RBWM data protection and IT policies. No paper files all managed via image and system document generation. Confidential waste disposed of in line with RBWM policy. | 4 | 1 | 4 | Low | Annual audit undertaken. Staff undertake annual data protection training in line with RBWM policy. | Nick Greenwood | Ongoing | 4 | 1 | 4 | Low | March 2018 |
| PEN 006 | Failure to make pension payments on time. | Operational | Systems not in place to ensure payments made on time. | Payments paid late and in some cases after statutory deadline. Fund open to criticism and possible fine. | Nick Greenwood | Schedule of payment dates is maintained and written procedures adopted. Sufficient cover is provided to ensure payments can be made on time. | 4 | 1 | 4 | Low | Continual review of training needs and staff levels with succession plans developed. | Philip Boyton | Ongoing | 4 | 1 | 4 | Low | March 2018 |
| PEN 007 | Continue making payments to deceased members. | Operational | Systems not in place to ensure that payments stop at appropriate time. Fund not advised of member's death. | Payments continue to be made incorrectly at a potential cost to the Pension Fund. Distress caused to dependants. | Nick Greenwood | The Fund undertakes a monthly mortality screening exercise and participates in the biennial National Fraud Initiative (NFI). | 2 | 2 | 4 | Low | Fund has signed up to the Information Sharing Agreement hosted by WYPF and the DWP 'Tell Us Once' service. | Philip Boyton | Ongoing | 2 | 2 | 4 | Low | March 2018 |
| PEN 008 | Unable to access pension software during normal office hours or extended hours where required. | Operational | Links to system not working, internet access denied. | Unable to carry out administrative duties for duration of outage. | Nick Greenwood | Procedures in place to contact software provider's helpdesk and action plan implemented. Outage times recorded / reported. | 4 | 1 | 4 | Low | As part of contract consideration needs to be given to means of compensation for loss of service. | Philip Boyton | Ongoing | 4 | 1 | 4 | Low | March 2018 |

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| PEN 009 | Late or non-receipt of pension contributions from Scheme employer. | Operational | Scheme employers fail to make payment of employee and employer contributions to Pension Fund within statutory deadlines. | Loss of pension investment. Employer at risk of being reported to tPR with action and fines being imposed if considered to be of material significance. | Nick Greenwood | Receipt of contributions is monitored very closely. Employers chased and reminded of their statutory duties. All occurrences recorded in stewardship report. Guidance issued to scheme employers. | 2 | 1 | 3 | Low | Scheme employers engaging with i-Connect will automatically upload contributions to member records monthly improving reconciliation processes. | Kevin Taylor | Ongoing | 2 | 2 | 4 | Low | March 2018 |
| PEN 010 | Increased liabilities as a result of large number of early retirement cases. | Operational | Scheme employer early retirement policies. | Potential for unfunded liabilities through strain costs. Financial loss to the Fund. | Nick Greenwood | The Fund monitors the incidences of early retirements closely and procedures are in place to ensure that Scheme employers are invoiced for any strain costs that arise. | 1 | 1 | 2 | Low | Settlement of invoices required within 21 days of issue with failures resulting in the issue of a notice of unsatisfactory performance to employer. | Kevin Taylor | Ongoing | 2 | 2 | 4 | Low | March 2018 |
| PEN 011 | Loss of key staff. | Operational | The specialist nature of the work means some staff have become experts in the LGPS regulations and investment policies. | If someone leaves or becomes ill a big knowledge gap is left behind. | Nick Greenwood | In the event of a knowledge gap external consultants and independent advisors can help in the short-term. | 2 | 2 | 4 | Low | N/A | Nick Greenwood | Ongoing | 2 | 2 | 4 | Low | March 2018 |
| PEN 012 | Failure to communicate properly with stakeholders | Operational | Lack of clear communications policy and action particularly with Scheme members and employers. | Scheme members unaware of the rights and privileges the Scheme provides so make bad decisions. Employers are not aware of the regulations and their responsibilities and so data flow is poor. | Nick Greenwood | The Fund has a Communication Manager and a Communications Policy. The website is maintained to high standard and all guides, factsheets and training notes are published. | 4 | 1 | 4 | Low | The Communication Policy continues to evolve. | Kevin Taylor | Ongoing | 4 | 1 | 4 | Low | March 2018 |
| PEN 013 | Loss of office premises | Operational | Fire, bomb, flood etc. | Temporary loss of service. | Nick Greenwood | A business continuity plan is in place. Systems hosted, staff can work at home. | 4 | 1 | 4 | Low | N/A | Nick Greenwood | Ongoing | 4 | 1 | 4 | Low | March 2018 |

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| PEN 014 | Loss of funds through fraud. | Operational | Fraud or misappropriation of funds by an employer, agent or contractor. | Financial loss to the Fund. | Nick Greenwood | The Fund is internally and externally audited to test that controls are adequate. Regulatory control reports from investment managers, custodian. Due diligence is carried out when new investment managers appointed. Fund participates in biennial National Fraud Initiative (NFI). | 4 | 1 | 4 | Low | Monthly spot checks are undertaken as requested by internal audit to ensure that no 'ghost' members have been added to payroll and that all payment runs have been processed appropriately. | Nick Greenwood | Ongoing | 4 | 1 | 4 | Low | March 2018 |
| PEN 015 | Poor management of cashflows. | Operational | Day to day cashflows not monitored effectively. | Funds not available to make pension payments. | Nick Greenwood | Officers of the Pension Fund monitor cashflows on a daily basis and are aware of the payment schedules produced by payroll. | 4 | 1 | 4 | Low | N/A | Nick Greenwood | Ongoing | 4 | 1 | 4 | Low | March 2018 |
| PEN 016 | Failure to delegate duties appropriately. | Operational | Delegation of duties not understood. | Officers fail to fulfil their delegated duties resulting in poor performance and potential loss of reputation. | Nick Greenwood | Officers carry out their duties in accordance with the Administering Authority's Schedule of Delegations as contained in the Council's Constitution. | 3 | 2 | 6 | Low | Schedules of delegation to be reviewed for all aspects of the Pension Fund's duties. | Nick Greenwood | March 2016 | 4 | 1 | 4 | Low | March 2018 |
| PEN 017 | Funding Level below 100%. | Strategic | Lack of proper strategy to achieve 100% funding level. Actual investment returns fail to meet expected returns. | Fund remains underfunded and employer contribution rates increase. | Nick Greenwood | Fund has published Funding Strategy Statement. Deficit recovery plan implemented following 2010 valuation. Fund regularly monitors investment returns and the Actuary provides a funding update each month. | 4 | 2 | 8 | Medium | N/A | Nick Greenwood | Ongoing | 4 | 1 | 4 | Low | March 2018 |

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| PEN 018 | Unstable employer contribution rates. | Strategic | Actual investment returns fail to meet expected returns. | Volatile employer contribution rates leading to Scheme employers having difficulties in setting budgets. | Nick Greenwood | The Fund aims to keep employer contribution rates stable by agreeing with employers and the Actuary and appropriate deficit recovery plan. | 4 | 1 | 4 | Low | N/A | Nick Greenwood | To be reviewed as part of the 2016 triennial valuation | 4 | 1 | 4 | Low | March 2018 |
| PEN 019 | Inappropriate funding targets. | Strategic | Failure of investment strategy to deliver adequate returns. | Immediate cash injections required from employers. Increase in employer contributions. | Nick Greenwood | The Fund has issued a Funding Strategy statement and Statement of Investment Principles. The Fund has a broadly diversified portfolio with no one asset class dominating. | 3 | 1 | 3 | Low | Ongoing | Nick Greenwood | Ongoing | 4 | 1 | 4 | Low | March 2018 |
| PEN 020 | Unsatisfactory investment performance | Strategic | Poor economic conditions, wrong investment strategy, poor selection of investment managers. | Poor / negative investment return, employer contribution rates increase, funding level falls, pressure on Council tax and employer costs. | Nick Greenwood | Use of expert consultants in the selection of investment strategy and managers. Regular review via Investment Working Group. | 2 | 2 | 4 | Low | N/A | Nick Greenwood | Ongoing | 4 | 1 | 4 | Low | March 2018 |
| PEN 021 | Life Expectancy risk. | Strategic | As life expectancy rises liabilities increase disproportionately. | Employer contributions rise causing upward pressure on Council Tax and employer costs. | Nick Greenwood | In December 2009 the Fund entered into a longevity insurance SWAP covering its liabilities for pensioners as at 31 July 2009. | 3 | 1 | 3 | Low | The Pension Fund Panel continues to investigate how to protect the Fund against increasing longevity. Reviews the cost of insuring longevity risk of pensioners retired since July 2009. | Nick Greenwood | Ongoing | 3 | 1 | 3 | Low | March 2018 |
| PEN 022 | Currency risk. | Strategic | Values of investments overseas are affected by unrelated changes in foreign exchange rates. | Investment returns become volatile in the medium to long-term. | Nick Greenwood | In April 2012 the Fund's currency hedging policy was amended so currency exposures are managed against a strategic currency benchmark. | 3 | 1 | 3 | Low | Pension Fund Panel continues to monitor currency hedging policy. | Nick Greenwood | Ongoing | 3 | 1 | 3 | Low | March 2018 |

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| PEN 023 | Interest rate risk. | Strategic | Changes in long-term interest rates affect the net present value of the Fund's liabilities. | Investment returns become volatile in the medium to long-term. | Nick Greenwood | The Pension Fund Panel has considered how long-term interest rate risk can be hedged and authorised officers to investigate how this can be achieved within the constraints of the LGPS regulations. | 3 | 1 | 3 | Low | Under review by Pension Fund Manager. | Nick Greenwood | March 2016 | 3 | 1 | 3 | Low | March 2018 |
| PEN 024 | Inflation risk. | Strategic | Benefits paid to Scheme members are linked (upwards only) to Consumer Price Index (CPI). | Liabilities increase disproportionately at times of high inflation. | Nick Greenwood | The Pension Fund Panel has considered how long-term inflation risk can be hedged and authorised officers to investigate how this can be achieved within the constraints of the LGPS regulations. | 2 | 1 | 2 | Low | Inflation rates currently low but risk to be reviewed should inflation rates increase. | Nick Greenwood | Ongoing | 4 | 1 | 4 | Low | March 2018 |
| PEN 025 | Inability of Scheme employers to meet their obligations. | Strategic | When a Scheme employer no longer has any active members a cessation valuation is triggered and an exit payment required if a funding deficit exists to meet future liabilities. | Failure to collect cessation payments means the cost of funding future liabilities will fall to the Fund and therefore all Scheme employers that remain in it meaning a potential increase in employer contributions. | Nick Greenwood | The Pension Fund Panel has authorised officers to take appropriate steps to review employer covenants and take the necessary action to mitigate the impact that the failure of one Scheme employer can have on all other Scheme employers. | 3 | 2 | 6 | Medium | Pension Fund Manager is undertaking a feasibility study of having an insurance policy designed to protect the Fund against exit payments arising from exiting employers. | Nick Greenwood | March 2016 | 3 | 1 | 3 | Low | March 2018 |
| PEN 026 | Pooling of LGPS assets | Strategic | The Fund needs to respond to Government's consultation for pooling of LGPS assets. | If not involved in forming proposals Government may impose a pooling arrangement upon the Fund with no controls. Incorrect implementation could be costly e.g. fees and poor returns. | Nick Greenwood | The Fund is actively trying to find other Funds to work with. Progress and update reports will be reported to Panel. | 2 | 4 | 8 | Medium | The Fund has currently entered into negotiation with LPP as the preferred partner should pooling be compulsory. | Nick Greenwood | Feb 2016 | 1 | 4 | 4 | Low | March 2018 |

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| PEN 027 | Ability to implement the Public Sector exit cap. | Operational | Introduction of exit cap will place an additional burden of the administration team. | Changes need to be communicated to individuals and Scheme employers. Systems will need to be adapted once revised regulations have been issued. | Nick Greenwood | Currently monitoring the progress and briefings being communicated. | 1 | 4 | 4 | Low | Awaiting issue of regulations in order to formulate action plan. | Kevin Taylor Philip Boyton | July 2016 | 1 | 4 | 4 | Low | March 2018 |
| PEN 028 | Reconciliation of GMP records | Operational | From 6 April 2016 changes to the State Pension Scheme remove the contracting-out nature of the LGPS. | GMPs no longer provided by HMRC. GMP information held by Fund could be wrong resulting in potential for liabilities being paid by Fund. | Nick Greenwood | Data analysis being undertaken with a proposal to employ an external resource to assist in the reconciliation process. | 2 | 4 | 8 | Medium | To review resources against scope of project and agree approach or correcting errors. | Philip Boyton | March 2018 | 1 | 3 | 3 | Low | March 2018 |
| PEN 029 | Failure by Pension Board members to fulfil their Terms of Reference and associated protocols | Operational | Members of the Pension Board so not fulfil their statutory obligations set out in their Terms of Reference. | Failure by Pension Board members to assist the Administering Authority in securing compliance with pension legislation and requirements set out by the Pensions Regulator leading to poor governance and administration of the scheme. Dissatisfied customers, loss of reputation, risk of fine. | Nick Greenwood | Training plans in place for Pension Board members. | 4 | 1 | 4 | Low | Annual review of Terms of Reference and regular review of training needs. | Kevin Taylor | Ongoing | 4 | 1 | 4 | Low | March 2018 |