

Report Title:	Risk Assessment Policy and Risk Assessment Register
Contains Confidential or Exempt Information?	NO - Part I
Member reporting:	Councillor Julian Sharpe, Chairman Berkshire Pension Committee Advisory Panel
Meeting and Date:	Berkshire Pension Fund Committee and Advisory Panel – 14 December 2020
Responsible Officer(s):	Kevin Taylor, Pension Services Manager
Wards affected:	None

REPORT SUMMARY

1. This report provides Members with the current version of the Pension Fund's Managing Risk Policy and Risk Assessment Register as last approved by Committee on 16 December 2019.
2. High and 5 medium risks are highlighted in the risk assessment document for consideration by Committee Members.

1 DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That Committee

- i) Consider and notes the Risk Management Policy and Risk Assessment Register and puts forward any suggested amendments as may be felt necessary; and
- ii) Authorises Officers to update the Risk Management Policy and Risk Assessment Register as agreed by Committee; and
- iii) Approves publication of the final version on the Pension Fund website.

2 REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

2.1 The Scheme Manager (The Royal Borough as the administering authority for the Fund) has a legal duty to establish and operate internal controls. Failure to implement an adequate and appropriate risk assessment and register could lead to breaches of law and where the effect and wider implications of not having in place adequate internal controls are likely to be materially significant the Pension Regulator must be notified in accordance with the Scheme Manager's policy on reporting breaches of the law.

2.2 Currently 1 high risk and 5 medium risks have been identified:

- 2.2.1. PEN 027: High risk – The full implications of the £95k exit cap cannot currently be implemented as the Exit Reform Regulations are in direct conflict with the LGPS Regulations. High risk of challenge from scheme members directly affected by the reforms.

- 2.2.2. PEN 004: Failure to maintain a high quality member database: Remains a medium risk whilst the Pension Team continues with its strategy to have all scheme employers using i-Connect by March 2021.
- 2.2.3. PEN 011: Loss of key staff: There is always a risk that key staff could leave but a potential risk has been identified in 2023. An appropriate succession plan will be developed and discussed between senior managers in the coming months.
- 2.2.4. PEN 017: Funding level below 100%: The Government Actuary's Section 13 report red flagged the Berkshire Pension Fund's funding level at the triennial valuation in 2016. Results from the 2019 valuation were reported to Committee at its meeting in December 2019 and the funding level, whilst improved, remains low and at risk of scrutiny by the Government Actuary.
- 2.2.5. PEN 025: Inability of Scheme employers to meet their obligations: The Committee agreed to enter into a risk management contract with LPP I at its meeting on 14 January 2019. The outcomes of that work was presented to Members by a representative of LPP I at its meeting on 16 December 2019. This item, whilst remaining a medium risk, is ongoing with further support to be provided by the Fund's actuary.
- 2.2.6. PEN 030: Cyber Attack: Committee has previously received a report evidencing that pension systems are secure from cyber-attack. Overall Cyber Strategy to be developed to include Borough systems in line with the Borough's cyber-security.

3 KEY IMPLICATIONS

- 3.1 This is a statutory policy requiring review by Committee. Failure to do so could lead to a loss in confidence.

4 FINANCIAL DETAILS / VALUE FOR MONEY

- 4.1 Failure to monitor identified risks and to implement appropriate strategies to counteract those risks could lead to an increased Fund deficit resulting in employers having to pay more.

5 LEGAL IMPLICATIONS

- 5.1 The Administering Authority is required to govern and administer the Pension Scheme in accordance with the Public Service Pensions Act 2013 and associated Local Government Pension Scheme Regulations. Failure to do so could lead to challenge.

6 RISK MANAGEMENT

Table 1: Risk Analysis

Risks	Uncontrolled Risk	Controls	Controlled Risk
Pension Scheme not governed in line with legislation	Medium	Internal and External Audits	Low

7 POTENTIAL IMPACTS

7.1 Failure to comply with Pension legislation could result in the Administering Authority being reported to the Pensions Regulator where failure is deemed to be of a material significance.

8 CONSULTATION

8.1 Not Applicable.

9 TIMETABLE FOR IMPLEMENTATION

9.1 Immediate.

10 APPENDICES

10.1 The appendices to the report are as follows:

- Appendix 1 – Risk Management Policy
- Appendix 2 – Risk Assessment Register

11 BACKGROUND DOCUMENTS

11.1 Local Government Pension Scheme Regulations 2013 (as amended)

11.2 Public Service Pensions Act 2013

11.3 The Pensions Regulator's Code of practice No. 14

12 CONSULTATION (MANDATORY)

Name of consultee	Post held	Date issued for comment	Date returned with comments
Cllr Julian Sharpe	Chairman – Berkshire Pension Fund Committee		
Adele Taylor	Director of Resources and Section 151 Officer		
Andrew Vallance	Head of Finance and Deputy Section 151 Officer		
Ian Coleman	Interim Pension Fund Manager		



MANAGING RISKS



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1 INTRODUCTION

A Scheme Manager (Administering Authority) of a public service pension scheme must establish and operate internal controls which must be adequate for the purpose of securing that the scheme is administered and managed in accordance with the scheme rules and with the requirements of the law. The Royal Borough of Windsor & Maidenhead, as the Administering Authority to the Royal County of Berkshire Pension Fund, has a risk management policy and strategy and the Fund's operational and strategic risks are integrated into, and have a direct correlation with, the Royal Borough's risk management framework. Great emphasis is placed on risk management and the reason why the Pension Fund differentiates between operational and strategic risks is to secure the effective governance and administration of the Local Government Pension Scheme.

Risk can be identified as "*the chance of something happening which may have an impact on the achievement of an organisation's objectives*". The difference between a risk and an issue is one of timing:

- A risk event has not happened yet;
- An issue is a result of an event that is happening right now or has already happened;
- As the risk event is a future event, the task is to assess its probability of occurring and estimate the impact that would be caused if it did occur;
- An issue event has already happened so there is no need to assess its probability but what must be taken into account is the impact and what reaction is required to deal with it;
- There is a possibility for a risk to turn into an issue when it is realised.



The main internal controls for the Pension Fund are:

- Arrangements and procedures to be followed in administration, governance and management of the scheme;
- Systems and arrangements for monitoring that administration, governance and management; and
- Arrangements and procedures to be followed for the safe custody and security of the assets of the scheme.

2 RISK MANAGEMENT POLICY

Risk management decisions and practices will be in accordance with appropriate codes of best practice, ethical standards and values applicable to the governance and administration of the LGPS and as applied to the officers of the Pension Fund.

To deliver this policy it is necessary for Pension Fund staff, Elected Members of the Pension Fund Committee, members of the Pension Fund Advisory Panel and members of the Pension Board to adopt a consistent and systematic approach to managing risks. The way in which risk is managed

can have a major impact on the Pension Fund's key objectives and service delivery to its stakeholders.

The foundations of this policy are based upon a common understanding and application of the following principles:

- The informed acceptance of risk is an essential element of good business strategy;
- Risk management is an effective means to enhance and protect the Pension Fund over time;
- Common definition and understanding of risks is necessary in order to better manage those risks and make more consistent and informed business decisions;
- All risks are to be identified, assessed, measured, monitored and reported on in accordance with the Administering Authority's risk management strategy;
- All business activities are to adhere to risk management practices which reflect effective and appropriate internal controls.

3 PENSION FUND OBJECTIVES

Operational objectives

- To manage the scheme in accordance with scheme regulations and associated pension law;
- To ensure that the appropriate knowledge and experience is maintained within the Pension Fund so that all duties are discharged properly;
- To maintain a high quality pension member database;
- To ensure that all pension payments are made on the correct pay date;
- To ensure that payments do not continue to be made to deceased members of the scheme;
- To have continuous access to the pension administration software during normal working hours and extended hours as required;
- To ensure that pension contributions are received from Scheme employers by the Pension Fund within required timescales;
- To maintain an appropriate level of staff to administer the scheme effectively and efficiently;
- To maintain a pension administration strategy and service level agreement and ensure that key performance indicators are achieved and reported to the Pension Fund Committee, Pension Fund Advisory Panel and Pension Board;
- To communicate effectively and efficiently with all scheme members;



- To ensure that third party operations are controlled and operate effectively and cost efficiently;
- To monitor and review the performance of the Local Pensions Partnership Investment Limited as the Investment Fund Manager to ensure maximum benefit for the Pension Fund.

Strategic objectives

- To achieve a funding level of 100%;
- To achieve stable employer contribution rates;
- To set the strategic asset allocation;
- To monitor and review investment performance in line with the strategic asset allocation;



- To ensure employer covenants are sufficient to meet employer obligations;
- To maintain a high level of governance of the Pension Fund in line with the Local Government Pension Scheme Regulations and associated pension legislation.

4 PENSION FUND RISKS

If risk is not properly managed it can have a significant impact on the Pension Fund. The effective management of risk is a critical part of the Pension Fund's approach to delivering sound governance and administration performance that provides better outcomes for all of its stakeholders. The Pension Fund identifies the operational and strategic risks associated with its operational and strategic objectives.

The objective of risk management is not to completely eliminate all possible risks but to recognise risks and deal with them appropriately. Everyone connected to the Pension Fund should understand the nature of risk and systematically identify, analyse, treat, monitor and review those risks.

Risk management requires:

- A consistent management framework for making decisions on how best to manage risk;
- Relevant legislative requirements to be taken into account in managing risks;
- Integration of risk management with existing planning and operational processes;

- Leadership to empower staff in the management of risk;
- Good quality information.

Operational risks

Key operational risk covers such areas as:

- Administration of member records;
- Payments of member benefits;
- Management of the Pension Fund's cash;
- Monitoring and reviewing investment performance;
- Receipt of employee and employer contributions;
- Business continuity and disaster recovery;
- Lack of knowledge and expertise; and
- Staff shortages.

Strategic risks

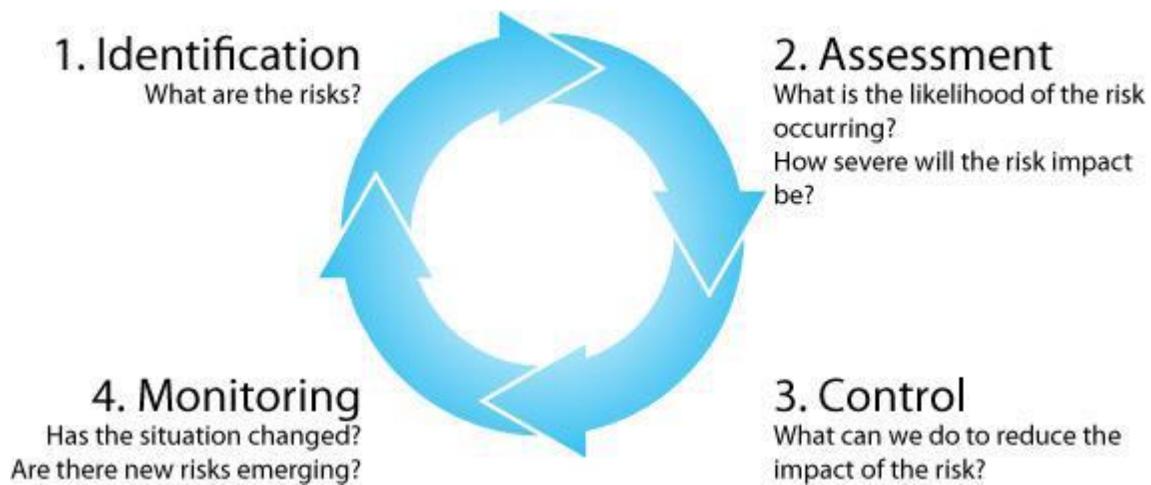
Key strategic risk, whilst not affecting day to day operations of the Fund, could in the medium or long-term, have significant impact and covers such areas as:

- The Pension Fund being less than 100% funded;
- Volatility of employer contribution rates;
- Investment performance;
- Failure to meet funding targets
- Longevity risk;
- Employer covenants.

The Pension Fund's risk assessment and register sets out all of the operational and strategic risks.

5 RISK MANAGEMENT PROCESS

The Pension Fund has adopted the Administering Authority's approach to risk management which follows a four-stage process that involves the Fund's objectives being risk profiled.



Stage 1 – Identification

This involves identifying the Pension Fund's objectives from its core business processes.

Stage 2 - Assessment

This stage identifies those circumstances (risks) that might prevent those objectives being reached and evaluates the likelihood, impact and significance of each risk.

Impacts are scored from 1 to 4 where 1 represents a minor risk and 4 represents a high risk. The likelihood of the risk occurring is also scored from 1 to 4 where 1 represents very unlikely and 4 very likely.

Multiplying these likelihood and impact scores together gives a result that is assessed as "high risk" (a value over 10), "high/medium risk" (a value above 8 and below 11), "medium risk" (a value above 4 and below 9) and "low risk" (a value below 5). Key risks are those identified as high risk and those where the implications of failure carry the most damaging consequences.

In terms of assessing each risk the assessment is detailed in three situations for all risks with a further dimension of risk appetite assessment to the key risks:

- Uncontrolled: the inherent risk without any controls whatsoever;
- Current: how the risk stands at the present time;
- Controlled: how the risk would look once all treatment measures are implemented.

An impact/likelihood matrix as follows shows how each risk once assessed against both criteria will identify the risk profile of each objective.

I M P A C T	High	4	8	12	16
	Medium/High	3	6	9	12
	Medium	2	4	6	8
	Low	1	2	3	4
		Low	Medium	Medium/High	High
LIKELIHOOD VALUES					

Stage 3 - Control

This stage treats the risks in order of priority. Treatment measures address whether the likelihood and/or impact can be reduced or the consequences changed. Contingencies can be devised to respond should the risk occur.

Stage 4 - Monitoring

This stage sets out a process for reviewing and monitoring actions previously taken. Each risk must clearly indicate all consequences, countermeasures and contingencies along with the risk owner.

This process adds scrutiny to ensure:

- Correct risks are being identified;
- Treatment measures identified are legitimate;
- Correct individuals are assigned as risk owners;
- There are challenges made to what is known to ensure that the most up to date knowledge is being utilised;
- There are early warning systems so that information can filter up quickly and easily.

6 RISK APPETITE

Risk appetite is the phrase used to describe where the Pension Fund considers itself to be on the spectrum ranging from willingness to take or accept risks through to an unwillingness or aversion to taking risks.

The Administering Authority provides a diverse range of services where its risk appetite may vary from one service to another. The Pension Fund has a set of core objectives and so its risk appetite can be set within appropriate limits.

A defined risk appetite reduces the likelihood of unpleasant surprises and considers:

- Risk capacity: the actual physical resources available and physical capability of the Pension Fund. The Fund's capacity will have limits and therefore its capacity is finite and breaching those limits may cause the Pension Fund problems that it cannot deal with;
- Risk tolerance: the factors that the Pension Fund can determine, can change and is prepared to bear. Risks falling within the Fund's tolerances for governance and administration services can be accepted.

7 RISK MANAGEMENT ROLES AND RESPONSIBILITIES

This section has been lifted directly from the Administering Authority's risk management policy and strategy and has been included for the purposes of providing guidance on how the Pension Fund, as managed by The Royal Borough of Windsor & Maidenhead, is held accountable to the management structure of the Borough.

Managing director

The MD takes overall responsibility for the council's risk management performance and in particular ensures that:

- decision-making is in line with council policy and procedures for management of risk;
- adequate resources are made available for the management of risk;
- there is an understanding of the risks facing the council.

Cabinet members

- Take reasonable steps to consider the risks involved in the decisions taken by them;
- Have an understanding of the key council risks falling within their portfolio.

Audit and Performance Review Panel

- Consider and approve the risk management strategy annually and communicate it to other elected members;
- Receive an annual report on risk management and monitor the effective development and operation and corporate governance in the council;
- Receive quarterly reports on the management of the key operational and strategic risks facing the council to allow their scrutiny and challenge;
- Oversee the governance process to ensure that strategic risks are being reviewed at CMT and across each directorate;
- Oversee a comprehensive, inclusive and risk management approach to the annual governance statement process;
- Review an annual report on corporate governance (annual governance statement).

Head of Finance

- Ensure that a risk management policy and strategy is developed and reviewed annually to reflect the changing nature of the council;
- Champion the process of risk management as good management practice and a valuable management tool.

Corporate Leadership Team (CLT)

- Ensure that the council manages risk effectively through the development of an all-encompassing strategy and monthly updates from the risk manager;
- Approve the corporate risk management strategy;
- Challenge the contents of the corporate risk register to ensure, in particular, that it reflects any significant new risks emerging and that monitoring systems are suitably robust;
- Support and promote risk management throughout the council;
- Ensure that, where appropriate, key decision reports include a section demonstrating that arrangements are in place to manage identified risks.
- Identify and manage the strategic and CLT risk registers on a quarterly basis.

Directorate Management Team (DMT)

- Ensure that risk is managed effectively in each service area within the agreed corporate strategy;
- Identify any service specific issues relating to risk management which have not been explicitly addressed in the corporate strategy;
- Identify and manage the directorate risk register on a quarterly basis;
- Disseminate the detail of the strategy and allocate responsibilities for implementation to service managers and staff;
- Establish the training requirements of managers and staff with regard to strategy implementation;
- Have an understanding of the risks facing the council.

Insurance and risk management team

- Develop the strategy and oversee its implementation across the council;
- Share experience and good practice on risk and risk management;
- Develop and recommend the strategy to the Audit and Performance Review Panel and CMT;
- Provide a clear and concise system for reporting risks to elected members.

Internal audit

- Take the content of the key risk registers into account when setting the internal audit programme;
- Undertake audits to assess the effectiveness of the risk mitigation measures;
- Feed back audit opinions into the risk register.

Heads of service/managers

- Take primary responsibility for identifying and managing significant strategic and operational risks arising from their service activities;
- Recommend the necessary training for employees on risk management;
- Maintain a risk management portfolio for their service area;
- Ensure that all employees are aware of the risk assessments appropriate to their activity;
- Be responsible for production, testing and maintenance of business continuity plans.

All staff

- Identify new or changing risks in their job and feed these back to their line manager;
- Support continuous service delivery and any emergency response.

8 CORPORATE RISK FINANCING STRATEGY

This section has also been lifted directly from the Administering Authority's risk management policy and strategy and has been included for the purposes of providing guidance on how the Pension Fund, as managed by The Royal Borough of Windsor & Maidenhead, is held accountable to the management structure of the Borough.

The council uses its risk financing arrangements to protect itself from the financial implications of unexpected accidental events affecting its staff and property, which helps in providing continuous services in the event of serious losses.

The level of cover bought and excesses applied will depend on the council's appetite for risk, based on its financial security i.e. ability to self fund claims and the strength of its risk management.

The council is exempt from the majority of requirements regarding compulsory insurance. The only insurable aspect of the council's operations it is obliged to make specific financial provision for is fidelity guarantee (fraud by staff).

Nevertheless, most public sector organisations including the council, choose to purchase external insurance for the majority of their risks. This is because without external insurance, the council will be obliged to fund all such exposures from its resources.

If the council were to insure against most of the risks that it faced then this would incur a significant amount of annual expenditure in premiums.

Having strong risk management arrangements across the council allows us to retain some risks either by deciding to self insure these risks in their entirety or by purchasing insurance cover for losses that arise over a certain value.

Objectives

- Provide financial protection to the council's assets, resources, services and employees;
- Maintain an appropriate balance between external insurance and internal risk retention;
- Reduce the cost of external insurance premium spend;
- Ensure the internal insurance fund is maintained at an appropriate level;
- Ensure resilient claims handling arrangements and insurance fraud detection;
- Comply with any statutory requirements to have in place particular policies of insurance and associated inspection systems.

Achieved by:

- Using claims modelling and other risk assessments to determine risk exposures;
- Continually monitoring changes in legislation, civil justice protocols and relevant case law;
- Comparing the council's insurance programme and claims experience through suitable benchmarking;
- Maintaining claims handling protocols in line with statutory requirements;
- Undertaking periodic actuarial fund reviews.

Procurement of insurance

All insurance procurement complies with the relevant EU procurement rules.

Hard copies of policies are retained indefinitely with more recent policy documentation stored electronically.

Approved by the Pension Committee: 16 December 2019

Next review date: December 2020

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
							I m p a c t	L i k e l i h o o d	S c o r e	Level of risk				I m p a c t	L i k e l i h o o d	S c o r e	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.	Adele Taylor	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.	Kevin Taylor Philip Boyton	Ongoing	2	2	4	Low	Dec 2020
PEN 002	Late issue of Scheme regulation amendments.	Operational	MHCLG do not issue changes to 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.	Adele Taylor	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	Dec 2020
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 IPR requirements leading to poor governance and administration of the Scheme. Dissatisfied customers, adverse audit reports, risk of fine.	Adele Taylor	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	Dec 2020
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.	Adele Taylor	Fund under takes an annual data quality exercise. Continues to work with employers to improve data. Pro-active checks when benefits are calculated. Membership information is checked as part of year-end processing	4	2	8	Medium	Key aim of the Pension Administration Strategy is to engage employers in the use of i-Connect	Kevin Taylor Philip Boyton	March 2021	4	1	4	Low	Dec 2020

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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.	Adele Taylor	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.	Kevin Taylor Philip Boyton	Ongoing	4	1	4	Low	Dec 2020
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.	Adele Taylor	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	Dec 2020
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.	Adele Taylor	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	Dec 2020
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.	Adele Taylor	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	Dec 2020

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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.	Adele Taylor	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	Dec 2020
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.	Adele Taylor	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	Dec 2020
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.	Adele Taylor	In the event of a knowledge gap external consultants and independent advisors can help in the short-term.	4	2	8	Medium	Loss of key staff in 2023 has been highlighted at an early stage in order to consider appropriate succession planning.	Adele Taylor	Ongoing	2	2	4	Low	Dec 2020
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.	Adele Taylor	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	Dec 2020
PEN 013	Loss of office premises	Operational	Fire, bomb, flood etc.	Temporary loss of service.	Adele Taylor	A business continuity plan is in place. Systems hosted, staff can work at home.	4	1	4	Low	N/A	Kevin Taylor	Ongoing	4	1	4	Low	Dec 2020

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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.	Adele Taylor	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.	Adele Taylor	Ongoing	4	1	4	Low	Dec 2020
PEN 015	Poor management of cashflows.	Operational	Day to day cashflows not monitored effectively.	Funds not available to make pension payments.	Adele Taylor	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	Kevin Taylor	Ongoing	4	1	4	Low	Dec 2020
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.	Adele Taylor	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.	Adele Taylor	Ongoing	4	1	4	Low	Dec 2020
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.	Adele Taylor	Fund has published Funding Strategy Statement. Deficit recovery plan implemented following 2019 valuation. Fund regularly monitors investment returns and the Actuary provides a funding update each month.	4	2	8	Medium	Regular performance updates received from LPP I Ltd.	Adele Taylor	Ongoing	4	1	4	Low	Dec 2020

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
							I m p a c t	L i k e l i h o o d	S c o r e	Level of risk				I m p a c t	L i k e l i h o o d	S c o r e	Level of risk	
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.	Adele Taylor	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	Funding level monitored closely.	Adele Taylor	Ongoing	4	1	4	Low	Dec 2020
PEN 019	Inappropriate funding targets.	Strategic	Failure of investment strategy to deliver adequate returns.	Immediate cash injections required from employers. Increase in employer contributions.	Adele Taylor	The Fund has issued a Funding Strategy statement and Investment Strategy Statement. .	3	1	3	Low	Regular performance updates received from LPP I Ltd.	Adele Taylor	Ongoing	4	1	4	Low	Dec 2020
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.	Adele Taylor	Use of expert consultants in the selection of investment strategy and managers. Regular review via Investment Working Group.	2	2	4	Low	Regular performance updates to be received from LPP I Ltd	Adele Taylor	Ongoing	4	1	4	Low	Dec 2020
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.	Adele Taylor	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 Committee continues to investigate how to protect the Fund against increasing longevity. Reviews the cost of insuring longevity risk of pensioners retired since July 2009.	Adele Taylor	Ongoing	3	1	3	Low	Dec 2020
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.	Adele Taylor	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	Regular performance updates to be received from LPP I Ltd	Adele Taylor	Ongoing	3	1	3	Low	Dec 2020

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							I m p a c t	L i k e l i h o o d	S c o r e				I m p a c t	L i k e l i h o o d	S c o r e			
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.	Adele Taylor	The Pension Fund Committee 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	Regular performance updates to be received from LPP I Ltd	Adele Taylor	Ongoing	3	1	3	Low	Dec 2020
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.	Adele Taylor	The Pension Fund Committee 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					4	1	4		
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.	Adele Taylor	The Pension Fund Committee 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	LPP I Ltd assessing risks.	Adele Taylor	Ongoing	3	1	3	Low	Dec 2020

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							I m p a c t	L i k e l i h o o d	S c o r e	Level of risk				I m p a c t	L i k e l i h o o d	S c o r e	Level of risk		
PEN 027	Ability to implement the Public Sector exit cap.	Operational	Introduction of exit cap places an additional burden of the administration team.	Current changes make it impossible to apply to rules under two conflicting sets of legislation. Need to be communicated to individuals and Scheme employers. Systems will need to be adapted once revised regulations have been issued.	Adele Taylor	Currently monitoring the progress and briefings being communicated.	3	4	1	2	High	Awaiting issue of amended LGPS regulations in order to meet requirements of Exit Reform legislation.	Kevin Taylor Philip Boyton	Ongoing	3	4	4	High	Dec 2020
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.	Adele Taylor	Data analysis carried out and action taken to reconcile and adjust pensions paid to retired members.	1	4	4		Low	To review GMP amounts allocated to active and deferred members.	Philip Boyton	Ongoing	1	3	3	Low	Dec 2020
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.	Adele Taylor	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	Dec 2020
PEN 030	Cyber attack	Strategic	Systems not protected from unauthorised access or being otherwise damaged or made inaccessible.	Complete breakdown of services with potential permanent loss of personal data.	Adele Taylor	Pension system provider has robust accredited solutions in place to ensure any cyber-attack can be identified and prevented.	4	2	8		Medium	Development of an overall cyber strategy to include the Fund's use of Borough systems..	Kevin Taylor Philip Boyton	Ongoing	4	1	4	Low	Dec 2020

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