

## 9 RISK REGISTER

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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	Low	Work continues to ensure that the Fund complies fully with all governance and administration requirements.	Nick Greenwood Kevin Taylor Philip Boyton	Ongoing	2	Low	Dec 2015
PEN 002	Late issue of Scheme regulation amendments.	Operational	DCLG 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.	Nick Greenwood	Required actions to be considered in view of draft regulations. Senior managers to consider appropriate requirements and prioritise communications accordingly.	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	Low	Dec 2015
PEN 003	The appropriate knowledge and understanding is not maintained by the Administering Authority.	Operational	Lack of technical expertise, training, 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.	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	Low	Continual review of training needs and staff levels with succession plans developed.	Kevin Taylor Philip Boyton	Ongoing	4	Low	Dec 2015
PEN 004	Failure to maintain a high quality member database.	Operational	Poor or non-existent notification of member data by Scheme employers.	Incorrect records, 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	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	Low	Dec 2015

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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 shredded and disposed of in line with RBWM policy.	4 1 4	Annual audit undertaken. Staff undertake annual data protection training in line with RBWM policy.	Nick Greenwood	Ongoing	4 1 4	Dec 2015
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 within team to ensure payments can be made on time.	4 1 4	Continual review of training needs and staff levels with succession plans developed.	Philip Boyton	Ongoing	4 1 4	Dec 2015
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 the death of a member.	Payments continue to be made incorrectly at a potential cost to the Pension Fund. Can cause distress for deceased member's dependants.	Nick Greenwood	The Fund undertakes a monthly mortality screening exercise and participates in the biennial National Fraud Initiative (NFI).	2 2 4	The 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	Dec 2015
PEN 008	Unable to access pension administration 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 are in place to contact software provider's helpdesk and action plan implemented. Outage times will be recorded and reported.	4 1 4	As part of contract consideration needs to be given to means of compensation for loss of service.	Philip Boyton	Ongoing	4 1 4	Dec 2015

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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 IPR with action and fines being imposed if considered to be of material significance.	Nick Greenwood	Receipt of contributions is monitored very closely and employers chased and reminded of their statutory duties. All occurrences recorded in stewardship report. Templates and guides 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 2015
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	Dec 2015
PEN 011	Loss of key staff.	Operational	The specialist nature of the work means that certain 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	Dec 2015
PEN 012	Failure to communicate properly with stakeholders	Operational	Lack of clear communications policy and action particularly with Scheme members and employers.	Scheme members are not aware of the rights and privileges of being in the Scheme and might make bad decisions as a result. Employers are not aware of the regulation and their responsibilities and so data flow is poor. Temporary loss of service.	Nick Greenwood	The Fund has a Communication Manager and a Communications Policy. The website is maintained to high standard and all guides, fact sheets and training notes are published.	4 1 4	Low	The Communication Policy continues to evolve.	Kevin Taylor	Ongoing	4 1 4	Low	Dec 2015
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	Dec 2015

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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	Dec 2015
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	Dec 2015
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 Authority's Schedule of Delegations as contained in the Council's Constitution.	3 2 6	Medium	Schedules of delegation to be reviewed for all aspects of the Pension Fund's duties.	Nick Greenwood	March 2016	4 1 4	Low	Dec 2015
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 the triennial valuation 2010. 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	Dec 2015

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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	Dec 2015
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	Dec 2015
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	Dec 2015
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 and reviews the cost of insuring longevity risk of pensioners retired since July 2009.	Nick Greenwood	Ongoing	3 1 3	Low	Dec 2015
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	Dec 2015

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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	Under review by Pension Fund Manager.	Nick Greenwood	March 2016	3 1 3	Low	Dec 2015
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	Inflation rates currently low but risk to be reviewed should inflation rates increase.	Nick Greenwood	Ongoing	4 1 4	Low	Dec 2015
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	Pension Fund Manager is undertaking a feasibility study of entering into an insurance policy designed to protect the Fund with sufficient cover should exit payments be required from ceasing employers.	Nick Greenwood	March 2016	3 1 3	Low	Dec 2015
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 the Government may impose a pooling arrangement over which the Fund has no control. If implemented incorrectly could be cost 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	The Fund is closely monitoring the Government's consultation and will respond appropriately.	Nick Greenwood	Feb 2016	1 4 4	Low	Dec 2015

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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	Awaiting issue of regulations in order to formulate action plan.	Kevin Taylor Philip Boyton	July 2016	1 4 4	Low	Dec 2015
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	To review resources against scope of project and agree approach or correcting errors.	Philip Boyton	March 2018	1 3 3	Low	Dec 2015
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 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	Annual review of Terms of Reference and regular review of training needs.	Kevin Taylor	Ongoing	4 1 4	Low	Jan 2016

