

Report Title:	<b>Risk Reporting</b>
Contains Confidential or Exempt Information	No - Part I
Lead Member:	Councillor Julian Sharpe, Chairman Pension Fund Committee and Advisory Panel
Meeting and Date:	Pension Fund Committee and Advisory Panel – 19 September 2022
Responsible Officer(s):	Damien Pantling, Head of Pension Fund
Wards affected:	None

## **REPORT SUMMARY**

On 6 December 2021, the Pension Fund Committee adopted an updated risk management process based on the 2018 CIPFA framework “Managing risk in the Local Government Pension Scheme”. This updated process is detailed in the Fund’s revised risk management policy last approved by the Pension Fund Committee on 4 July 2022.

A risk register is now brought to the Pension Fund Committee quarterly for consideration of all known risks and their respective controls/mitigations, this report deals with the regular reporting of the revised risk register to the Pension Fund Committee.

### **1. DETAILS OF RECOMMENDATION(S)**

**RECOMMENDATION:** That the Pension Fund Committee notes the report;

- i) Approves the updated risk register including any changes since the last approval date, putting forward any suggested amendments as may be necessary; and,**
- ii) Approves publication of the updated risk register on the Pension Fund website;**

### **2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED**

- 2.1. The Scheme Manager (The Royal Borough of Windsor and Maidenhead 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 policy and risk register could lead to breaches of law. Where the effect and wider implications of not having in place adequate internal controls are likely to be materially significant, the Pension Regulator (tPR) must be notified in accordance with the Scheme Manager’s policy on reporting breaches of the law.
- 2.2. As a live document, this risk register (attached at Appendix 1) is kept under review and shall be presented to the Committee (appended to this report) quarterly, however, key changes from the last Committee meeting to this one

(additions, removals, significant changes to mitigations and/or risk scores) shall be brought to the Committee's attention and are summarised as follows (noting that minor re-wording has not been included in the summary below):

- 2.2.1. PEN001 – Moved from trending sideways to risk increasing as future expected returns particularly in the short run are becoming more uncertain amid increasing economic uncertainty.
  - 2.2.2. PEN003 – Moved from risk reducing to trending sideways as COVID-19 cases are increasing globally and various countries are dealing with this in different ways.
  - 2.2.3. PEN004 – Moved from trending sideways to risk increasing as recent issues have surfaced particularly around trade with Northern Ireland.
  - 2.2.4. PEN006 – Moved from trending sideways to risk increasing as there is expected to a change in government leadership and an increased risk of change in government at the next general election.
  - 2.2.5. PEN014 – Moved from trending sideways to risk increasing as inflation (therefore long term pay expectations) looks higher for longer than in prior reporting periods.
  - 2.2.6. PEN018 – Moved from trending sideways to risk reducing as better cash management processes have been implemented to offset the reduction in cash values.
  - 2.2.7. PEN025 – New risk added to reflect the risks associated with the failure to adequately plan for increased employer contributions.
  - 2.2.8. PEN036 – Moved from trending sideways to risk increasing as a result of an observable increase in cyber-attacks across the asset management industry generally.
- 2.3. The RCBPF's updated risk management policy was last approved by the Pension Fund Committee on 4 July 2022, and this risk register along with its contents are consistent with the updated risk management policy.

### **3. KEY IMPLICATIONS**

- 3.1. Failure to maintain and keep under review the Pension Fund's key risks could lead to a loss in confidence and sanctions being imposed by the Pensions Regulator where failings are deemed to be materially significant for the Pension Fund and its stakeholders.

### **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**

- 6.1. The risk register is attached at Appendix 1 to this report, it is reviewed quarterly by the Pension Board and the Pension Fund Committee and updated regularly by officers to ensure all risks are appropriately documented and mitigated where possible.

## **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.
- 7.2. Equalities: Equality Impact Assessments are published on the council's website: There are no EQIA impacts as a result of taking this decision. A completed EQIA has been attached at Appendix 2 to this report
- 7.3. Climate change/sustainability: N/A
- 7.4. Data Protection/GDPR. GDPR compliance is included as a specific risk on the register in regard to processing and handling personal data, this is dealt with in the appendix along with the relevant mitigations.

## **8. CONSULTATION**

- 8.1. No specific consultation since the date of last review, however Committee members and Pension Board members undertook a detailed annual review session in January 2022 followed by a risk appetite statement review and training session on 21 April 2022 during the development of the Risk Management Policy approved on 4 July 2022, which the appended risk register is consistent with.

## **9. TIMETABLE FOR IMPLEMENTATION**

- 9.1. Ongoing.

## **10. APPENDICES**

- 10.1. This report is supported by 2 Appendices:
  - Appendix 1 – Risk Register
  - Appendix 2 - EQIA

## 11. BACKGROUND DOCUMENTS

11.1. This report is supported by 0 background documents:

## 12. CONSULTATION (MANDATORY)

Name of consultee	Post held	Date sent	Date returned
<i>Mandatory: Statutory Officers (or deputy)</i>			
Adele Taylor	Executive Director of Resources/S151 Officer	18/08/2022	25/08/2022
Emma Duncan	Deputy Director of Law and Strategy / Monitoring Officer	18/08/2022	
<i>Deputies:</i>			
Andrew Vallance	Head of Finance (Deputy S151 Officer)	18/08/2022	06/09/2022
Elaine Browne	Head of Law (Deputy Monitoring Officer)	18/08/2022	24/08/2022
Karen Shepherd	Head of Governance (Deputy Monitoring Officer)	18/08/2022	18/08/2022
<i>Other consultees:</i>			
Cllr Julian Sharpe	Chairman – Berkshire Pension Fund Committee	18/08/2022	

## 13. REPORT HISTORY

Decision type:	Urgency item?	To follow item?
Pension Fund Committee decision	Yes/No	Yes/No

Report Author: Damien Pantling, Head of Pension Fund



19/09/2022

Author: Damien Pantling, Head of Pension Fund  
Adele Taylor - Director of Resources (S.151 Officer)

Status: FINAL

GREEN = Score of 3 to 15

AMBER = Score of 16 to 25

RED = Score of 26 - 75

**Risk Calculation Key**

IMPACT (Total) = IMPACT (Fund) + IMPACT (Employers) + IMPACT (Reputation)

Gross Risk Score = IMPACT (Total) x Likelihood

Net Risk Score = IMPACT (Total) x Revised Likelihood

Scores all ranked 1 to 5

Please refer to final page for CIPFA guidance, Scoring Matrix and full column heading breakdown

Risk Group	Risk Ref.	Trending	Risk Description	IMPACT					Likelihood	Gross Risk	Mitigating Actions	Revised Likelihood	Net Risk	Owner	Reviewed
				Fund	Employers	Reputation	TOTAL								
Asset & Investment Risk	PEN001		Investment managers fail to achieve returns of at least the actuarial discount rate over the longer term.	5	4	3	12	3	36	<p><b>TREAT</b></p> <p>1) The Advisory Management Agreement (AMA) clearly states expectations in terms of investment performance targets.</p> <p>2) Investment manager performance is reviewed by LPPI and the committee on a quarterly basis.</p> <p>3) The Pension Fund Committee should be positioned to move quickly in regards to asset allocation and strategy if it is felt that targets will not be achieved.</p> <p>4) Portfolio rebalancing is considered on a regular basis by the Pension Fund Committee.</p> <p>5) The Fund's investment management structure is highly diversified, which lessens the impact of manager risk compared with less diversified structures.</p> <p>6) Target return benchmark to be developed in due course, expected to be above the actuarial discount rate</p>	2	24	Damien Pantling	15/08/2022	
Asset & Investment Risk	PEN002		Significant volatility and negative sentiment in global investment markets following disruptive geo-political uncertainty. Increased risk to global economic stability.	4	4	1	9	3	27	<p><b>TREAT</b></p> <p>1) Maintaining a well diversified portfolio with significant allocation to both public and private markets.</p> <p>2) Maintaining a well diversified investment portfolio with significant allocations across a variety of asset classes such as (but not limited to) credit, equity and real-assets.</p> <p>3) Routinely receiving market updates from independent advisors and acting upon the recommendations where appropriate - such as issuing additional/new guidance/instruction to LPPI.</p> <p>4) Examining portfolio at an individual investment level to fully understand exposure to effected regions and reacting as appropriate.</p>	2	18	Damien Pantling	15/08/2022	
Asset & Investment Risk	PEN003		The global outbreak of COVID-19 poses economic uncertainty across the global investment markets.	4	3	2	9	3	27	<p><b>TREAT</b></p> <p>1) Routinely receiving market updates from independent advisors and acting upon the recommendations as appropriate</p> <p><b>TOLERATE</b></p> <p>1) Global investment market returns in aggregate for our SAA have thus far not been adversely affected by the COVID-19 pandemic, therefore, no significant changes to the investment strategy or strategic asset allocation are recommended</p>	1	9	Damien Pantling	15/08/2022	
Asset & Investment Risk	PEN004		Volatility caused by uncertainty with regard to the withdrawal of the UK from the European Union and the economic after effects such as labour and supply chain shortages.	4	4	1	9	3	27	<p><b>TREAT</b></p> <p>1) Volatility is reduced through having a relatively low exposure to UK equities and is well diversified with a significant safe-haven focus.</p> <p>2) Fund has removed the significant GBP hedge and is not undergoing any strategic currency hedging from 6th December 2021, but will seek to review in Summer 2022</p>	2	18	Damien Pantling	15/08/2022	
Asset & Investment Risk	PEN005		Increased scrutiny on environmental, social and governance (ESG) issues, leading to reputational damage if not compliant. The administering authority declared an environmental and climate emergency in June 2019, effect on Pension Fund is currently unknown. TCFD regulations impact on LGPS schemes currently unknown but expected to come into force during 2022/23.	3	2	4	9	3	27	<p><b>TREAT</b></p> <p>1) Review ISS in relation to published best practice (e.g. Stewardship Code) .</p> <p>2) Ensure fund managers are encouraged to engage and to follow the requirements of the published ISS.</p> <p>3) The Fund is a member of the Local Authority Pension Fund Forum (LAPFF) and Pensions and Lifetime Savings Association (PLSA), which raises awareness of ESG issues and facilitates engagement with fund managers and company directors.</p> <p>4) An ESG statement and RI Policy was drafted for the Pension Fund as part of the ISS and approved in March 2021.</p> <p>5) Officers regularly attend training events on ESG and TCFD regulations to ensure stay up to date with latest guidance.</p> <p>6) LPPI manage the funds investments and have their own strict ESG policies in place which align with those of the fund.</p>	2	18	Damien Pantling	15/08/2022	
Asset & Investment Risk	PEN006		A change in government or existing government policy may result in new wealth sharing policies which could negatively impact the value of the pension fund assets.	5	5	1	11	2	22	<p><b>TREAT</b></p> <p>1) Maintain links with central government and national bodies to keep abreast of national issues. Respond to all consultations and lobby as appropriate to ensure consequences of changes to legislation are understood by (external) policy makers and the Fund.</p>	1	11	Damien Pantling	15/08/2022	
Asset & Investment Risk	PEN007		Financial failure of third party supplier results in service impairment and financial loss.	5	4	1	10	2	20	<p><b>TREAT</b></p> <p>1) Performance of third parties (other than fund managers) regularly monitored by Fund officers and the Pension Fund Committee.</p> <p>2) Regular meetings and conversations with global custodian (currently JP Morgan) take place.</p> <p>3) Actuarial services and investment management are provided by two different providers.</p>	1	10	Damien Pantling	15/08/2022	
Asset & Investment Risk	PEN008		Failure of global custodian or counterparty.	5	3	2	10	2	20	<p><b>TREAT</b></p> <p>2) Review of internal control reports on an annual basis.</p> <p>3) Credit rating kept under review.</p>	1	10	Damien Pantling	15/08/2022	
Asset & Investment Risk	PEN009		Financial failure of a fund manager leads to value reduction, increased costs and impairment.	4	3	3	10	2	20	<p><b>TREAT</b></p> <p>1) Fund is reliant upon current adequate contract management activity overseen by our investment managers LPPI.</p> <p>2) Fund is reliant upon alternative suppliers at similar prices being found promptly.</p>	1	10	Damien Pantling	15/08/2022	
Asset & Investment Risk	PEN010		Global investment markets fail to perform in line with expectations leading to deterioration in funding levels and increased contribution requirements from employers.	3	5	2	10	2	20	<p><b>TREAT</b></p> <p>1) Proportion of total asset allocation made up of equities, bonds, property funds, infrastructure and fixed income, limiting exposure to one asset category - this diversification generally reduces risk of any particular market underperformance.</p> <p>2) The investment strategy is continuously monitored and periodically reviewed to ensure optimal risk asset allocation.</p> <p>3) Full wholistic strategy review takes place every three years in line with the actuarial valuation.</p> <p>4) Investment strategy reviewed every year and LPPI undertake a health-check bi-annually.</p> <p>5) The actuarial assumptions regarding asset performance are regarded as achievable over the long term in light of historical data.</p>	1	10	Damien Pantling	15/08/2022	



19/09/2022

Author: Damien Pantling, Head of Pension Fund  
Adele Taylor - Director of Resources (S.151 Officer)

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Scores all ranked 1 to 5

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Risk Group	Risk Ref.	Trending	Risk Description	IMPACT					Likelihood	Gross Risk	Mitigating Actions	Revised Likelihood	Net Risk	
				Fund	Employers	Reputation	TOTAL	Owner					Reviewed	
Liability Risk	PEN011		Scheme members live longer than expected leading to higher than expected liabilities.	5	5	1	11	2	22	TREAT 1) A longevity swap insurance contract was entered into in 2009 which effectively hedged the risk of longevity rates increasing for all of the retired scheme members (c11,000 members) at that point in time. 2) All scheme members that were not part of the longevity swap contract group in 2009 (i.e. all active or deferred members as at 2009 or that have since joined the scheme) have liabilities exposed to longevity risk. Whilst longevity risk in isolation cannot be hedged without further consideration of another longevity contract, it is managed through regular review of the investment strategy (risk profile, cashflows, liability matching)	1	11	Damien Pantling	15/08/2022
Liability Risk	PEN012		Mortality rates decreasing, or increasing at a lower rate than those assumed in the 2009 longevity contract, leading to an increased contractual liability at present value.	3	4	4	11	2	22	TOLERATE 1) The opportunity cost in entering into the longevity contract was the loss of upside benefits associated with decreasing longevity rates - this was an active decision previously taken. 2) At present, the cost or even the option of exiting the contract has not been explored and may not be possible contractually. Any cost of exit if applicable is likely to far exceed the benefits.	2	22	Damien Pantling	15/08/2022
Liability Risk	PEN013		Long-term price inflation is significantly more than anticipated in the actuarial assumptions.	5	5	1	11	3	33	TREAT 1) Ensure sizeable holding in real assets (infrastructure and property) which generally act as protection against inflation. 2) The fund's material allocation to equity will provide a degree of protection against inflation. 3) The actuary will take a prudent view on inflation through the valuation process. 4) Material deviations (unexpected increases in inflation) and their impacts are modelled by the actuary through stress test analysis.	2	22	Damien Pantling	15/08/2022
Liability Risk	PEN014		Employee pay increases are significantly more than anticipated for employers within the Fund.	3	4	2	9	2	18	TOLERATE 1) Fund employers should monitor own experience. 2) Assumptions made on pay and price inflation (for the purposes of IAS19/FRS102 and actuarial valuations) should be long term assumptions. Any employer specific assumptions above the actuary's long term assumption would lead to further review. 3) Employers to be made aware of generic impact that salary increases can have upon the final salary linked elements of LGPS benefits (accrued benefits before 1 April 2014). 4) Employee pay rises currently remain below inflation. 5) Employer decisions to increase pay more than anticipated would result in increased contributions for that employer at the next triennial valuation	2	18	Damien Pantling	15/08/2022
Liability Risk	PEN015		Impact of economic and political decisions on the Pension Fund's employer workforce and government funding level affecting the Councils spending decisions. For example scheme matures more quickly than expected due to public sector spending cuts, resulting in contributions reducing and pension payments increasing.	5	2	1	8	3	24	TREAT 1) Barnet Waddingham uses prudent assumptions on future of employees within the workforce. Employer responsibility to flag up potential for major bulk transfers outside of the fund. The potential for a significant reduction in the workforce as a result of the public sector financial pressures may have a future impact on the Fund. 2) Barnet Waddingham will make prudent assumptions about diminishing workforce when carrying out the triennial actuarial valuation in 2022. 3) Review maturity of scheme at each triennial valuation. Secondary deficit contributions specified as lump sums, rather than percentage of payroll to maintain monetary value of contributions and mitigate risk of reducing workforce on cashflow. 4) Cashflow position monitored monthly.	2	16	Damien Pantling	15/08/2022
Liability Risk	PEN016		Ill health costs may exceed "budget" allocations made by the actuary resulting in higher than expected liabilities particularly for smaller employers.	4	2	1	7	2	14	TOLERATE 1) Review "budgets" at each triennial valuation and challenge actuary as required. Charge capital cost of ill health retirements to admitted bodies at the time of occurring. Occupational health services provided by the unitaries and other large employers to address potential ill health issues early.	2	14	Damien Pantling	15/08/2022
Liability Risk	PEN017		Impact of increases to employer contributions following the actuarial valuation.	4	5	3	12	3	36	TREAT 1) Officers to consult and engage with employer organisations in conjunction with the actuary. 2) Actuary will assist where appropriate with stabilisation and phasing in processes.	2	24	Damien Pantling	15/08/2022
Liability Risk	PEN018		There is insufficient cash available in the Fund to meet pension payments leading to investment assets being sold at sub-optimal prices to meet pension payments.	5	4	3	12	2	24	TREAT 1) Cashflow forecast maintained and monitored. 2) Cashflow requirement is a factor in current investment strategy review. 3) Maintain a material level of cash held within a short duration bond fund, which allows access at short notice.	1	12	Damien Pantling	15/08/2022
Liability Risk	PEN019		Mismatching of assets and liabilities, inappropriate long-term asset allocation or investment strategy, mistiming of investment strategy.	5	3	3	11	2	22	TREAT 1) Active investment strategy and asset allocation monitoring by LPPI, overseen by Pension Fund Committee, officers and independent advisors. 2) Strategic asset allocation review was approved in September 2021 with a move out of diversifying strategies and an increase in equities. 3) Setting of Fund specific benchmark relevant to the current position of fund liabilities to be approved in March 2022. 4) Fund manager targets set and based on market benchmarks or absolute return measures. Overall investment benchmark and out-performance target is fund specific.	1	11	Damien Pantling	15/08/2022
Liability Risk	PEN020		Transfers out increase significantly as members transfer to DC funds to access cash through new pension freedoms, this also includes bulk transfers out.	4	4	2	10	2	20	TREAT 1) Monitor numbers and values of transfers out being processed. If required, commission transfer value report from Fund Actuary for application to Treasury for reduction in transfer values.	1	10	Damien Pantling	15/08/2022
Liability Risk	PEN021		Inadequate, inappropriate or incomplete investment or actuarial advice is actioned leading to a financial loss or breach of legislation.	5	3	2	10	2	20	TREAT 1) At time of appointment, ensure advisers have appropriate professional qualifications and quality assurance procedures in place. Committee, Board and officers scrutinise and challenge advice provided by all parties.	1	10	Damien Pantling	15/08/2022
Liability Risk	PEN022		Changes to LGPS Scheme moving from Defined Benefit to Defined Contribution	5	3	2	10	1	10	TOLERATE 1) Political will required to effect the change - this would be a major change to the LGPS, and a significant lead in time, probably with protection for almost all existing benefits, so there would be considerable time to assess the likely impact. 2) Significant and sustained political will be required to make such a change, with likely opposition of existing members to be managed.	1	10	Damien Pantling	15/08/2022



19/09/2022

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<b>EMPLOYER RISK</b>															
Employer Risk	PEN023		Last active employee of scheduled or admitted body retires leading to cessation valuation liability calculated either on an ongoing or minimum risk basis, the latter applies to community admission type bodies without a bond or appropriate financial security in place. The full cessation at minimum risk could challenge the employer as a going concern and lead to failure.	3	5	4	12	3	36	<p><b>TREAT</b></p> <p>1) Employer covenant risk assessment was conducted by LPP in 2019 and presented to committee (<i>formerly panel</i>) on 19 December 2019 based on 2019 valuation results. This identified a number of key at-risk employers in the fund, those were all community admission body type employers at risk of cessation in the near future and without security in place.</p> <p>2) A further review is to be commissioned by the actuary to re-evaluate these risks based on 2022 triennial figures, from this a number of employers can be contacted to discuss possible options and plans.</p> <p>3) A number of employers have either had cessation arrangement decisions taken already through committee or have approached officers to discuss options, demonstrating the proactive rather than reactive nature of treating this risk.</p> <p>4) Where appropriate seek to agree support from the relevant Local Authority.</p> <p>5) Proper use of employer flexibilities introduced in the 2020 amended regulations (deferred debt and debt spreading agreements) to ensure that employer debts are managed appropriately in a way that benefits both the fund and the employer</p>	2	24	Damien Pantling	15/08/2022	
Employer Risk	PEN024		Failure of an admitted or scheduled body leads to unpaid liabilities being left in the Fund to be met by others.	5	3	3	11	2	22	<p><b>TREAT</b></p> <p>1) Transferee admission bodies (term no longer used) were required to have bonds or guarantees in place at time of signing the admission agreement.</p> <p>2) Regular monitoring of employers and follow up of expiring bonds.</p> <p>3) Regular reviews of what were formally referred to as community admission bodies, which are deemed high risk as no bond or guarantee was put in place at the time of admission.</p> <p>4) Proper use of employer flexibilities introduced in the 2020 amended regulations (deferred debt and debt spreading agreements) to ensure that employer debts are managed appropriately in a way that benefits both the fund and the employer</p>	1	11	Damien Pantling	15/08/2022	
Employer Risk	PEN025		Risk of unexpected employer contributions (primary and secondary) as a result of poor budget management i.e. failure to plan and budget for the increased contribution costs. General risk of poor accountability and planning within employers. Payment delay or failures may increase liabilities primarily for that employer but may affect others in the event of failure	2	5	4	11	3	33	<p><b>TREAT</b></p> <p>1) Employer contributions communicated at every triennial valuation setting levels for the following 3 years in the Rates &amp; Adjustment certificate</p> <p>2) For largest employers, regular communication on likely contribution increases for budget planning purposes outside of triennial valuation process</p> <p>3) Early communication with any employer experiencing payment delays or similar issues</p> <p>4) Risk of increased liabilities resulting from poor budget management of the fund's expenses mitigated through robust business plan, budget setting and budget management</p> <p><b>TOLERATE</b></p> <p>1) Common understanding that liabilities are ringfenced on an employer basis. With the largest (unitary council) employers unlikely to fail, liability increases associated with payment delays are likely to be contained within the struggling employer and not affect other employers</p>	2	22	Damien Pantling	15/08/2022	
<b>RESOURCE AND SKILL RISK</b>															
Resource & Skill Risk	PEN026		Change in membership of Pension Fund Committee or Local Pensions Board leads to dilution of member knowledge and understanding - as such, Committee or Board members do not have appropriate skills or knowledge to discharge their responsibility leading to inappropriate decisions.	2	2	1	5	4	20	<p><b>TREAT</b></p> <p>1) Succession planning process to be considered.</p> <p>2) Ongoing training of Pension Fund Committee members, training plan in place.</p> <p>3) Pension Fund Committee new member induction programme.</p> <p>4) Training to be based on the requirements of CIPFA Knowledge and Skills Framework under designated officer.</p> <p>5) Training to be supported by external parties including but not limited to the actuary, auditor, investment advisor and independent advisors.</p> <p>6) External professional advice is sought where required</p>	2	10	Damien Pantling	15/08/2022	
Resource & Skill Risk	PEN027		Officers do not have appropriate skills and knowledge to perform their roles resulting in the service not being provided in line with best practice and legal requirements. Succession planning is not in place leading to reduction of knowledge when an officer leaves.	4	3	3	10	2	20	<p><b>TREAT</b></p> <p>1) Person specifications are used in recruitment processes to appoint officers with relevant skills and experience.</p> <p>2) Training plans are in place for all officers as part of the performance appraisal arrangements.</p> <p>3) Officers maintain their CPD by attending training events and conferences.</p>	1	10	Damien Pantling	15/08/2022	
Resource & Skill Risk	PEN028		Concentration of knowledge in a small number of officers and risk of departure of key staff. Loss of technical expertise and experience. Risk identified in 2023 of key personnel potentially leaving the Fund.	4	3	3	10	3	30	<p><b>TREAT</b></p> <p>1) Practice notes in place.</p> <p>2) Development of team members and succession planning improvements to be implemented.</p> <p>3) Officers and members of the Pension Fund Committee to be mindful of the proposed CIPFA Knowledge and Skills Framework when setting objectives and establishing training needs for senior fund officers.</p> <p>4) Training plans in place for all officers.</p>	2	20	Damien Pantling	15/08/2022	
Resource & Skill Risk	PEN029		McCloud remedy will generate considerable additional workloads for the team resulting in potential resource concerns.	3	4	2	9	4	36	<p><b>TREAT</b></p> <p>1) Statutory guidance to be issued by government setting out how remedy is to be managed.</p> <p>2) All Pension Committee, Advisory Panel and Board Members receive regular updates and actions will be taken by officers once guidance is issued.</p> <p>3) If necessary, consider the recruitment of temporary staff.</p>	3	27	Damien Pantling	15/08/2022	
<b>ADMINISTRATIVE AND COMMUNICATIVE RISK</b>															
Administrative & Communicative Risk	PEN030		Structural changes in an employer's membership or an employer fully/partially closing the scheme. Employer bodies transferring out of the pension fund or employer bodies closing to new membership. An employer ceases to exist with insufficient funding or adequacy of bond placement.	2	4	4	10	3	30	<p><b>TREAT</b></p> <p>1) Administering Authority actively monitors prospective changes in membership.</p> <p>2) Maintain knowledge of employer future plans through regular communication.</p> <p>3) Contribution rates and deficit recovery periods set to reflect the strength of the employer covenant.</p> <p>4) Periodic reviews of the covenant strength of employers are undertaken and indemnity applied where appropriate.</p> <p>5) Risk categorisation of employers exercise undertaken by LPP in December 2019, further work to be undertaken by Actuary as part of 2022 Triennial Valuation.</p> <p>6) Monitoring of gilt yields for assessment of pensions deficit on a minimum risk basis.</p>	2	20	Kevin Taylor	15/08/2022	
Administrative & Communicative Risk	PEN031		Failure to comply with Scheme regulations and associated pension law leading to incorrect pension payments being made. Risk of fines, adverse audit reports and breaches of the law.	5	4	4	13	1	13	<p><b>TREAT</b></p> <p>1) Training provided as and when Regulations are updated.</p> <p>2) Competent software provider maintains up to date systems.</p> <p>3) Competent external consultants.</p> <p>4) Comprehensive policy in place on reporting suspected breaches of the law, informing internal stakeholders on process to minimise legal challenge in unlikely event of breach or suspected breach</p>	1	13	Kevin Taylor	15/08/2022	





19/09/2022

Author: Damien Pantling, Head of Pension Fund  
Adele Taylor - Director of Resources (S.151 Officer)

Status: FINAL

GREEN = Score of 3 to 15

AMBER = Score of 16 to 25

RED = Score of 26 - 75

**Risk Calculation Key**

IMPACT (Total) = IMPACT (Fund) + IMPACT (Employers) + IMPACT (Reputation)

Gross Risk Score = IMPACT (Total) x Likelihood

Net Risk Score = IMPACT (Total) x Revised Likelihood

Scores all ranked 1 to 5

Please refer to final page for CIPFA guidance, Scoring Matrix and full column heading breakdown

Risk Group	Risk Ref.	Trending	Risk Description	IMPACT					Likelihood	Gross Risk	Mitigating Actions	Revised		Owner	Reviewed
				Fund	Employers	Reputation	TOTAL	Net Risk							
Administrative & Communicative Risk	PEN032	↔	Administrators do not have sufficient staff or skills to manage the service leading to poor performance and complaints.	3	2	3	8	3	24	<b>TREAT</b> 1) Review of administration roles and responsibilities to be undertaken in 2022/23. 2) Establishment of key training and development budget from 2022/23. 3) Key staff movements to be monitored closely. 4) Ongoing monitoring of administration statistical outcomes and KPI's via Local Pensions Board and Pension Fund Committee.	2	16	Kevin Taylor	15/08/2022	
Administrative & Communicative Risk	PEN033	↘	Failure of pension payroll system resulting in pensioners not being paid in a timely manner.	5	5	5	15	2	30	<b>TREAT</b> 1) System hosted and backed up in two separate locations. 2) Re-issue previous months BACS file in extreme circumstances.	1	15	Kevin Taylor	15/08/2022	
Administrative & Communicative Risk	PEN034	↘	Failure to maintain a high quality member database leading to loss in member confidence, incorrect calculations of benefits, increased number of complaints, poor performance and loss of reputation.	5	5	3	13	1	13	<b>TREAT</b> 1) Fund undertakes annual data quality exercise required by and reported to TPR. 2) Implementation of I-Connect to enable employers to submit membership data in real time. 3) Fund makes further data checks as part of year end processing. 4) Fund undertakes additional data cleansing exercise with the actuary ahead of the triennial valuation. 5) Mortality screening checks undertaken as reported in Risk PEN037	1	13	Kevin Taylor	15/08/2022	
Administrative & Communicative Risk	PEN035	↘	Failure to hold data securely due to poor processing of data transfers, poor system security, poor data retention and disposal, poor data backup and recovery of data.	4	4	4	12	1	12	<b>TREAT</b> 1) Database hosted off-site and backed up in 2 separate locations every day. 2) Access to systems is limited to a defined number of users via dual password and user identification. 3) Data transferred is encrypted. 4) Compliant with RBWM data protection and IT policies. 5) No papers files all managed via image and system documentation generation. 6) Confidential waste disposed of in line with RBWM policy.	1	12	Kevin Taylor	15/08/2022	
Administrative & Communicative Risk	PEN036	↗	Failure of cyber security measures following a cyber attack or data breach, including information technology systems and processes, leading to the accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to, personal scheme membership data.	4	2	5	11	3	33	<b>TREAT</b> 1) Fund to develop its own cyber security risk policy. 2) System provider has robust accredited solutions in place to ensure any cyber-attack can be identified and prevented. 3) Fund shares cyber security systems with the administering authority, these are well funded and up to date. 4) Fund to engage consultancy in due course to independently test systems and recommend any further cyber security measures to implement. 5) Administering authority engages in system penetration checks annually, fund to utilise this service going forward with specific checks in fund IT systems. 6) New internal auditors appointed by administering authority, major focus on IT security going forward and recommendations to come out of internal audits.	2	22	Kevin Taylor	15/08/2022	
Administrative & Communicative Risk	PEN037	↘	Loss of funds through fraud or misappropriation by an employer, agent or contractor leading to negative impact on reputation of the Fund as well as financial loss.	3	2	5	10	2	20	<b>TREAT</b> 1) Fund undertakes National Fraud Initiative (NFI) biannually. 2) Fund is subject to external audit and ad hoc internal audit which can be more frequent than annually - this tests the resilience and appropriateness of controls. New internal audit service is expected to enhance scrutiny in this regard. 3) Regulatory control reports from investment managers and the custodian are obtained. 4) New regulatory controls are in place to avoid pension transfer scams occurring	1	10	Kevin Taylor	15/08/2022	
Administrative & Communicative Risk	PEN038	↔	Payments continue to be made incorrectly at a potential cost to the Pension Fund. Distress caused to dependents.	3	3	4	10	2	20	<b>TREAT</b> 1) The fund undertakes a monthly mortality screening exercise. 2) Additional validation measures are put in place with our overseas payments provider to check the information held in regards to payments to non-UK bank accounts. 3) The fund participates in the biannual national fraud initiative (NFI).	1	10	Kevin Taylor	15/08/2022	
Administrative & Communicative Risk	PEN039	↘	Inability to respond to a significant event leads to prolonged service disruption and damage to reputation.	1	2	5	8	2	16	<b>TREAT</b> 1) Fund has a business continuity plan. 2) Systems hosted and backed up off-site in 2 locations. 3) All officers have the ability to work from home or any location where secure internet access is available.	1	8	Kevin Taylor	15/08/2022	
Administrative & Communicative Risk	PEN040	↘	Late or non-receipt of pension contributions from Scheme employers within statutory deadlines leading to loss of Fund investment. Risk of being reported to the Pensions Regulator with actions and fines being imposed if regulation breach is considered to be materially significant.	4	5	4	13	1	13	<b>TREAT</b> 1) Fund closely monitors receipts of contributions and will chase any employer that is late in making a payment. 2) A notice of unsatisfactory performance will be sent to a Scheme employer who regularly misses the statutory deadline for payment. 3) Fund has power to report a Scheme employer to the Pensions Regulator if it deems the potential loss of investment as a result of the late payment of contributions to be materially significant. 4) Large employers (unitaries) have opted to pay secondary contributions in advance.	1	13	Kevin Taylor	15/08/2022	
Administrative & Communicative Risk	PEN041	↔	Failure to communicate properly with stakeholders leading to Scheme members being unaware of the benefits the Scheme provides so take bad decisions and Scheme employers being unaware of their statutory responsibilities and duties in maintaining the Scheme for their employees.	4	4	2	10	2	20	<b>TREAT</b> 1) Fund has a Communication policy and a dedicated Communications Manager. 2) Pension Fund website is maintained to a high quality standard. 3) Quarterly bulletins issued to Scheme employers providing details of any and all scheme updates. 4) Training provided for Scheme employers. 5) Newsletters available to all active, deferred and retired scheme members. 6) Guides, factsheets and training notes are provided as relevant.	1	10	Kevin Taylor	15/08/2022	
Administrative & Communicative Risk	PEN042	↘	Lack of guidance and process notes leads to inefficiency and errors.	3	3	1	7	2	14	<b>TREAT</b> 1) Desktop procedures have been written for all administrative tasks and are kept under review. 2) All Committee, Advisory Panel and Board Members have received a 'Member Handbook' and are required to undertake the Pension Regulator's online Public Sector toolkit.	1	7	Kevin Taylor	15/08/2022	
Administrative & Communicative Risk	PEN043	↘	Failure to identify GMP liability leads to ongoing costs for the pension fund.	5	2	1	8	2	16	<b>TREAT</b> 1) Fund has carried out and completed a GMP reconciliation against all pensions in payment. 2) Ongoing action is being taken to complete a reconciliation of all GMPs held on active and deferred member records.	1	8	Kevin Taylor	15/08/2022	
Administrative & Communicative Risk	PEN044	↘	Loss of office premises due to fire, bomb, flood etc. leading to temporary loss of service.	5	5	4	14	2	28	<b>TREAT</b> 1) All staff are now able to work remotely. 2) A business continuity plan is in place. 3) Systems are cloud hosted and backed up.	1	14	Kevin Taylor	15/08/2022	





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Risk Group	Risk Ref.	Trending	Risk Description	IMPACT					Likelihood	Gross Risk	Mitigating Actions	Revised Likelihood	Net Risk	
				Fund	Employers	Reputation	TOTAL							
<b>REPUTATIONAL RISK</b>														
Reputational Risk	PEN045	↔	Financial loss of cash investments from fraudulent activity.	3	3	5	11	2	22	TREAT 1) Policies and procedures are in place which are regularly reviewed to ensure risk of investment loss is minimised. Strong governance arrangements and internal controls are in place in respect of the Pension Fund. Internal Audit assist in the implementation of strong internal controls. Fund Managers have to provide annual SSAE16 and ISAE3402 or similar documentation (statement of internal controls) that are reviewed by auditors.	1	11	Damien Pantling	15/08/2022
Reputational Risk	PEN046	↘	Financial loss and/or reputation damage associated with poor investment decision making. - through failure of governance and oversight as opposed to fraud	4	3	4	11	3	33	TREAT 1) Specific manager/investment decisions are delegated to, and undertaken by LPPI and are thus subject to rigorous investment manager selection processes involving a team of appropriately qualified and experienced investment professionals 2) LPPI's investment recommendations are presented to the Pension Fund committee for scrutiny by officers, members and independent advisors 3) Where appropriate, additional opinions may be called in i.e. LAPFF, PIRC, or other LGPS funds on matters that are either controversial or non-straightforward. 4) Good governance recommendations regularly reviewed following governance review in 2020, also new Internal Audit team to engage on governance matters and propose additional recommendations where appropriate	2	22	Damien Pantling	15/08/2022
Reputational Risk	PEN047	↔	Inaccurate information in public domain leads to reputation damage and loss of confidence.	1	1	3	5	3	15	TREAT 1) Ensure that all requests for information (Freedom of Information, member and public questions at Council, etc.) are managed appropriately and that Part 2 Exempt items remain so. 2) Maintain constructive relationships with employer bodies, our communications team and LPPI's press team to ensure that news is well managed. 3) Hold AGM every year.	2	10	Damien Pantling	15/08/2022
<b>REGULATORY AND COMPLIANCE RISK</b>														
Regulatory & Compliance Risk	PEN048	↗	Failure to process (Collect, retain, use and disclose) personal data in accordance with relevant data protection legislation including UK GDPR and DPA 2018	3	3	5	11	3	33	TREAT 1) Data sharing with partners is end to end encrypted. 2) IT data security policy adhered to. 2) Implementation of and adherence to RBWM information governance policies and data retention schedules 3) Mandatory staff training for new joiners on GDPR data processing which is annually refreshed 4) Administering Authority has an assigned data protection officer responsible for advising on data protection obligations. 5) Data protection compliance checks to be part of internal audit workplan going forward 6) Staff are aware of data breach process	2	22	Damien Pantling	15/08/2022
Regulatory & Compliance Risk	PEN049	↔	Implementation of proposed changes to the LGPS (pooling) does not conform to plan or cannot be achieved within laid down timescales.	3	2	1	6	3	18	TOLERATE 1) Officers consult and engage with DLUHC, LGPS Scheme Advisory Board, advisors, LPPI, peers, various seminars and conferences. 2) Officers engage in early planning for implementation against agreed deadlines. 3) Uncertainty surrounding new DLUHC pooling guidance.	3	18	Damien Pantling	15/08/2022
Regulatory & Compliance Risk	PEN050	↔	Changes to LGPS Regulations along with failure to comply with legislation leads to ultra-vires actions resulting in financial loss and/or reputational damage - and pensions legislation or regulation changes resulting in an increase in the cost of the scheme or increased administration.	3	3	1	7	3	21	TREAT 1) Fund will respond to all consultations and lobby as appropriate to ensure consequences of changes to legislation are understood. 2) Impact of LGPS (Management of Funds) Regulations 2016 to be monitored. Impact of Regulation on compulsory pooling to be monitored. 3) Officers maintain knowledge of legal framework for routine decisions. 4) Eversheds retained for consultation on non-routine matters. 5) Maintain links with central government and national bodies to keep abreast of national issues. 6) Fund officers to ensure there are regular internal audits and that both internal and external audit recommendations are adhered to	2	14	Damien Pantling	15/08/2022
Regulatory & Compliance Risk	PEN051	↔	Failure to comply with legislative requirements e.g. ISS, FSS, Governance Policy, Freedom of Information requests.	3	3	4	10	2	20	TREAT 1) Publication of all documents on external website and all appointed managers expected to comply with ISS and investment manager agreements. 2) Local Pensions Board is an independent scrutiny and assistance function. 3) Compliance with the legislative requirements are reviewed annually through the audit process.	1	10	Damien Pantling	15/08/2022
Regulatory & Compliance Risk	PEN052	↔	Failure to comply with recommendations from the Local Pensions Board, resulting in the matter being escalated to the scheme advisory board and/or the pensions regulator.	1	3	5	9	2	18	TREAT 1) Ensure that a co-operative, effective and transparent dialogue exists between the Pension Fund Committee and Local Pensions Board. 2) Chair of Pension Board normally attends the committee and speaks as appropriate.	1	9	Damien Pantling	15/08/2022
Regulatory & Compliance Risk	PEN053	↘	Loss of flexibility to engage with Fund Managers and loss of elective professional status with any or all of the existing Fund managers and counterparties resulting in reclassification. (The Fund is a retail client to counterparties unless opted up).	3	2	2	7	2	14	TREAT 1) More reliance on LPPI to keep Officers and Committee updated. 2) Maintaining up to date information about the fund on relevant platforms. 3) Fund can opt up with prospective managers. 4) Existing and new Officer appointments subject to requirements for professional qualifications and CPD. 5) MIFID2 regulations to be monitored by fund officers and LPPI.	1	7	Damien Pantling	15/08/2022
Regulatory & Compliance Risk	PEN054	↔	Procurement processes may be challenged if seen to be non-compliant with OJEU rules. Poor specifications lead to dispute. Unsuccessful fund managers may seek compensation following non compliant process.	2	2	3	7	2	14	TOLERATE 1) Pooled funds are not subject to OJEU rules, and most of our funds are in LPPI's pooled vehicles. TREAT 1) For those that are held directly, ensure that assessment criteria remains robust and that full feedback is given at all stages of the procurement process.	1	7	Damien Pantling	15/08/2022