



18/12/2023

Author: Damien Pantling, Head of Pension Fund

Section 151 officer - Elizabeth Griffiths

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	
				Fund	Employers	Reputation	TOTAL	Owner					Reviewed	
Asset & Investment Risk	PEN001	↔	Investment managers fail to achieve returns of at least the actuarial discount rate over the longer term, leading to deterioration in funding levels and increased contribution requirements from employers compared to actuarial assumptions set at the last Triennial valuation	5	4	3	12	3	36	<p>TREAT</p> <p>1) The LPPI/RCBPF 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 with action delegated to be taken as necessary.</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, as advised by LPPI</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 maintained as highly diversified, which lessens the impact of manager risk compared with less diversified structures.</p> <p>6) Target return (actuarial) benchmark revised for monitoring from March 2023, above the actuarial discount rate</p> <p>TOLERATE</p> <p>1) The actuarial assumptions regarding asset performance are regarded as achievable over the long term based on historical data.</p>	2	24	Head of Fund	14/11/2023
Asset & Investment Risk	PEN002	↔	Significant volatility and negative sentiment in global investment markets following disruptive geo-political uncertainty and/or unforeseen events such as global health and conflicts. Increased risk to global economic stability.	4	4	1	9	3	27	<p>TREAT</p> <p>1) Maintaining a well diversified portfolio with significant allocation to both public and private markets, a variety of asset classes and a variety of geographical locations and styles.</p> <p>2) Routinely receiving market updates from LPPI and independent advisors and acting upon the recommendations where appropriate - such as issuing additional/new guidance/instruction to LPPI.</p> <p>3) Examining portfolio at an individual investment level to fully understand exposure to effected regions and reacting as appropriate.</p>	2	18	Head of Fund	14/11/2023
Asset & Investment Risk	PEN003	↗	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. TCFD regulations impact on LGPS schemes currently expected to come into force during 2024/25.	3	2	4	9	3	27	<p>TREAT</p> <p>1) Published ISS in relation to published best practice (e.g. Stewardship Code) and in compliance with the LGPS 2016 investment regulations.</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, the RI policy was comprehensively reviewed and published in October 2022 ensuring it is fit for purpose.</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	Head of Fund	14/11/2023
Asset & Investment Risk	PEN004	↗	A change in government or existing government policy may result in new policies which could negatively impact the value of the pension fund assets.	5	5	1	11	2	22	<p>TREAT</p> <p>1) Maintain links with central government and national bodies to keep abreast of national issues. Respond to consultations and provide views as appropriate to ensure consequences of changes to legislation are understood by (external) policy makers and the Fund.</p>	1	11	Head of Fund	14/11/2023
Asset & Investment Risk	PEN005	↗	Financial failure of third party supplier including fund managers results in service impairment, financial loss, value and confidence loss, increased costs.	5	4	2	11	2	22	<p>TREAT</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 take place.</p> <p>3) Actuarial services and investment management are provided by different providers.</p> <p>4) Review of internal control reports on an annual basis and regular Internal Audits are undertaken (at least annually)</p> <p>5) Supplier credit rating and risk of failure reviewed through procurement processes.</p> <p>6) Fund is reliant upon current adequate investment contract management activity overseen by our investment managers LPPI.</p> <p>7) Fund is reliant upon alternative suppliers at similar prices being found promptly.</p>	2	22	Head of Fund	14/11/2023
Asset & Investment Risk	PEN006	↔	Investment managers fail to perform in line with expectations (market benchmark) leading to worse performance than the market.	3	5	2	10	2	20	<p>TREAT</p> <p>1) Authority is delegated to LPPI to monitor, engage and make amendments to underlying investment manager relationships including performance management processes.</p> <p>2) Performance is monitored on various timeframes, noting that poor short-term performance may not be indicative of any material issues, this is fully considered in manager review and selection processes by LPPI</p> <p>3) Manager governance is kept under review by LPPI, noting that good governance structures and competent management reduce the risk of longer term issues</p>	1	10	Head of Fund	14/11/2023
Asset & Investment Risk	PEN007	↗	The Fund's SAA drives underperformance compared to the rest of the LGPS	4	4	3	11	3	33	<p>TREAT</p> <p>1) Other LGPS Fund's SAA's are reviewed when setting our SAA to identify best practice and ensure there is no significant deviation and there maintains some consistency amid the similarities in LGPS liability profiles.</p> <p>2) Fund maintains asset allocation 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 in the long run.</p> <p>3) The investment strategy is continuously monitored and periodically reviewed to ensure optimal risk/reward asset allocation.</p> <p>4) Full holistic strategy review takes place every three years in line with the actuarial valuation.</p> <p>5) Investment strategy reviewed every year and LPPI undertake a health-check more frequently if required.</p> <p>6) Where there are deviations compared to the wider LGPS, it is important that there is rationale (i.e. Berkshire's funding level compared to average, or Berkshires cash-flow/liability profile</p>	2	22	Head of Fund	14/11/2023
Asset & Investment Risk	PEN008	↔	Climate Change Investment risk - this can generally be categorised as transitory (short term) and physical (long term) risk. This focuses primarily on the Fund's existing asset holdings and the future expected returns associated with these. There is close overlap with Climate Change Liability Risk (PEN0018), particularly on future expected returns for assets that may not yet be owned	2	4	3	9	3	27	<p>TREAT</p> <p>1) The fund undertakes a climate risk assessment at each triennial valuation to determine if adequate prudence has been built into the ongoing discount rate based on available information and industry recognised forecasts at that point in time.</p> <p>2) Where additional prudence is required in the ongoing discount rate, this may be added and employer contributions may be increased as appropriate (determined by FSS stability and affordability objectives).</p> <p>3) Where it can be determined that changing the Fund's Strategic Asset Allocation can reduce the amount of prudence required in the ongoing discount rate, this will be considered with amendments made as appropriate and considering the Fund's other objectives and fiduciary responsibility.</p> <p>4) Assets are analysed independently by LPPI in terms of their risk to the Portfolio's future returns considering transition and physical climate risks. Action (engagement, voting, divestment) is delegated to be taken as appropriate in line with the Fund's policies.</p>	2	18	Head of Fund	14/11/2023



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

Gross Risk Score = IMPACT (Total) x Likelihood

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Scores all ranked 1 to 5

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Risk Group	Risk Ref.	Trending	Risk Description	Fund					TOTAL	Likelihood	Gross Risk	Mitigating Actions	Revised Likelihood	Net Risk	
				Fund	Employers	Reputation									
Liability Risk	PEN009	↔	Scheme members live longer than expected (increasing mortality rates / reducing longevity rates) 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 hedged (or transferred) the risk of longevity rates increasing for all of the retired and dependent scheme members (c11,000 members) at that point in time. As at December 2022 the number has reduced to c6500 members. The opportunity cost of entering into the longevity contract was the loss of upside benefits associated with decreasing longevity rates - this was an active and measured decision previously taken by the Fund. Since entering into the contract, longevity rates have decelerated substantially and actually reduced over the pandemic period which has had a positive impact on the Fund's liabilities, but negatively offset by a reduction in the value of the longevity swap contract in respect of those members covered by the contract. TOLERATE 1) All scheme members that were not part of the longevity swap contract group in 2009 have liabilities exposed to the risk of increasing longevity rates. 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, consideration of liability matching (LDI/CDI)). 2) The impact of increasing longevity rates will be partially reduced because a group of members (c6,500) are still covered by the contract.	1	11	Head of Fund	14/11/2023	
Liability Risk	PEN010	↔	Long-term price inflation is significantly more than anticipated in the actuarial assumptions, negatively affecting the Funding level of the Fund	5	5	1	11	4	44	TREAT 1) Maintain material 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, both in dividend income and capital appreciation 3) The actuary has taken a prudent view on long-term 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	Head of Fund	14/11/2023	
Liability Risk	PEN011	↔	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 and communicate with the Fund as appropriate 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) Employer decisions to increase pay more than anticipated would result in increased contributions for that employer at the next triennial valuation to offset the liability impact.	2	18	Head of Fund	14/11/2023	
Liability Risk	PEN012	↗	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) Actuary 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) Actuary made prudent assumptions about diminishing workforce when carrying out the 2022 triennial actuarial valuation and will do so for future valuations 3) Review maturity of scheme at each triennial valuation. 4) Cashflow position monitored monthly and 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.	2	16	Head of Fund	14/11/2023	
Liability Risk	PEN013	↔	Ill health costs may exceed "budget" allocations made by the actuary resulting in higher than expected liabilities particularly for smaller employers.	1	5	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	Head of Fund	14/11/2023	
Liability Risk	PEN014	↗	Impact of increases to employer contributions following the 2025 and future actuarial valuations.	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 considering affordability and stability of contributions for all employers.	2	24	Head of Fund	06/12/2023	
Liability Risk	PEN015	↔	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 regularly. 2) Cashflow requirement is significant factor in the Fund's Investment Strategy Statement 3) Maintain a material level of cash held within a short duration bond fund, which allows access at short notice.	1	12	Head of Fund	14/11/2023	
Liability Risk	PEN016	↔	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 undertaken at regular intervals (last at March 2023) 3) Setting of Fund specific benchmark relevant to the current position of fund liabilities approved at each Triennial valuation 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	Head of Fund	14/11/2023	
Liability Risk	PEN017	↔	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. 2) Educate members on the long term benefit of remaining in the LGPS vs the short term benefits of a cash lump sum, forums such as AGM	1	10	Head of Fund	14/11/2023	
Liability Risk	PEN018	↔	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	Head of Fund	14/11/2023	
Liability Risk	PEN019	↔	Climate Change Liability risk - this can generally be categorised as transitory (short/medium term) and physical (longer term) risk. This has close links and some overlap with Climate Change Investment risk (PEN007) but focuses more on the drivers of liability growth (Inflation, Longevity, cash-flow, discount rates (future expected returns))	4	4	2	10	2	20	TREAT <u>All of the mitigations identified in PEN007 apply, plus the following:</u> 1) Increased inflation, or specifically inflation in a low-growth environment (stagflation) may be an effect of climate change physical (longer term) risk, this is treated by maintaining a material proportion of assets in investments that traditionally have inflation protection properties 2) Changes to the proportion of active/retired members as a result of employer budget constraints influenced by transition or physical climate adverse effects may affect Fund operation cash-flows. This is mitigated through careful forward planning and budget setting, both on the operation and investment side of running the Fund 3) Should the make up of the fund's membership profile significantly change and the vast majority become retired/deferred, liability management tools may be explored (Liability driven investment, cashflow driven investment, further longevity hedging) to ensure that adverse swings in Fund liabilities are offset by Asset movements to minimise the effect on Funding.	1	10	Head of Fund	14/11/2023	



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EMPLOYER RISK														
Employer Risk	PEN020		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.	2	5	4	11	3	33	<p>TREAT</p> <p>1) Employer covenant risk assessment was conducted by BW in 2023 using 2022 valuation data. 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. Fund officers are in contact with the employers flagged through this review</p> <p>2) 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>3) Where appropriate seek to agree support from the relevant Local Authority.</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> <p>5) Implementation of pass-through provisions from 1 April 2023 so this risk is fully mitigated for all new admission bodies</p>	2	22	Head of Fund	14/11/2023
Employer Risk	PEN021		Failure of an admitted or scheduled body leads to unpaid liabilities being left in the Fund to be met by others. - Orphan risk where an employer ceases to exist with insufficient funding or adequacy of bond placement.	5	3	3	11	2	22	<p>TREAT</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> <p>5) Regular covenant assessment undertaken, at each triennial valuation, last undertaken in 2023 (2022 valuation)</p> <p>6) Administering Authority actively monitors prospective changes in membership, maintaining knowledge of employer future plans through regular communication.</p> <p>7) Contribution rates and deficit recovery periods set to reflect the strength of the employer covenant.</p> <p>4) Change to minimum risk cessation basis from 1 April 2023, moving way from Gilt yields to "prudence plus" protecting the Fund in a higher rate environment but negative to terminating employer</p>	1	11	Head of Fund	14/11/2023
Employer Risk	PEN022		Risk of unexpected employer contributions (primary and secondary) and pension strain costs as a result of poor employer budget management i.e. failure to plan and budget for the increased contribution costs. General risk of poor accountability and planning within employers and the Fund. Payment delay or failures may increase funding deficit primarily for that employer but may affect others in the event of failure	2	5	4	11	3	33	<p>TREAT</p> <p>1) Employer contributions communicated at every triennial valuation setting levels for the following 3 years in the Rates & 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) Periodical review of Pension Strain Cost factors with early communication with all scheme employers offering guidance about requests for early retirement estimates where Pension Strain Cost may be incurred.</p> <p>5) 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>TOLERATE</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	Head of Fund	14/11/2023
RESOURCE AND SKILL RISK														
Resource & Skill Risk	PEN023		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>TREAT</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>	3	15	Head of Fund	14/11/2023
Resource & Skill Risk	PEN024		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, leading to poor performance, complaints and even breaches of the law. Succession planning is not in place leading to reduction of knowledge when an officer leaves.	4	3	3	10	2	20	<p>TREAT</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, including training and development budget from 2023/24</p> <p>3) Officers maintain their CPD by attending training events and conferences.</p> <p>4) Key staff movements to be monitored closely.</p> <p>5) Ongoing monitoring of administration statistical outcomes and KPI's via Local Pensions Board and Pension Fund Committee.</p>	1	10	Head of Fund	14/11/2023
Resource & Skill Risk	PEN025		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>TREAT</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	Head of Fund	14/11/2023
Resource & Skill Risk	PEN026		McCloud remedy will generate considerable additional workloads for the team resulting in potential resource concerns.	3	3	2	8	4	32	<p>TREAT</p> <p>1) Statutory guidance to be issued by government setting out how remedy is to be managed. Regulations came into force from October 2023.</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) Increase headcount in this area through recruitment or secondment</p>	4	32	Head of Fund	14/11/2023



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Administrative & Communicative Risk	PEN027		Failure to comply with Scheme regulations and associated pension law leading to, for example, incorrect pension payments being made. Risk of fines, adverse audit reports and breaches of the law. (Scoring update in September 2023 puts considerable weight on Mcloud remedy)	5	3	4	12	2	24	<p>TREAT</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 and advisors.</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>	2	24	Deputy Head of Fund	14/11/2023
Administrative & Communicative Risk	PEN028		Failure of pension payroll system resulting in pensioners not being paid in a timely manner.	5	5	5	15	2	30	<p>TREAT</p> <p>1) System hosted and backed up in two separate locations.</p> <p>2) Re-issue previous months BACS file in extreme circumstances.</p>	1	15	Deputy Head of Fund	14/11/2023
Administrative & Communicative Risk	PEN029		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	<p>TREAT</p> <p>1) Fund undertakes annual data quality exercise required by and reported to TPR.</p> <p>2) Implementation of I-Connect to enable employers to submit membership data in real time.</p> <p>3) Fund makes further data checks as part of year end processing.</p> <p>4) Testing of Annual Pension Increase by senior officers begins immediately once Pension Increase Order issued and immediately uploaded to test system.</p> <p>5) Fund undertakes additional data cleansing exercise with the actuary ahead of the triennial valuation.</p> <p>6) Mortality screening checks undertaken as reported in Risk PEN036</p> <p>7) Fund undertakes additional data cleansing exercise and testing with software provider ahead of Pensions Dashboards onboarding scheduled for all Public Sector Pension Schemes by October 2026.</p>	1	13	Deputy Head of Fund	14/11/2023
Administrative & Communicative Risk	PEN030		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	3	36	<p>TREAT</p> <p>1) Database hosted off-site and backed up in 2 separate locations every day.</p> <p>2) Access to systems is limited to a defined number of users via dual password and user identification.</p> <p>3) Data transferred is encrypted.</p> <p>4) Compliant with RBWM data protection and IT policies.</p> <p>5) No papers, files all managed via image and system documentation generation.</p> <p>6) Confidential waste disposed of in line with RBWM policy.</p> <p>7) Review of shared files undertaken including Office 365 and implementation of enhanced security measures, including encryption, MFA, additional file passwords and not storing personal information in OneDrive</p>	2	24	Deputy Head of Fund	14/11/2023
Administrative & Communicative Risk	PEN031		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	4	4	12	3	36	<p>TREAT</p> <p>1) Fund to consider developing its own cyber security risk policy.</p> <p>2) System provider has robust accredited solutions in place to ensure any cyber-attack can be identified and prevented.</p> <p>3) Fund shares cyber security systems with the administering authority, these are well funded and up to date.</p> <p>4) Fund to engage consultancy in due course to independently test systems and recommend any further cyber security measures to implement.</p> <p>5) Administering authority engages in system penetration checks annually, fund to utilise this service going forward with specific checks in fund IT systems.</p> <p>6) New internal auditors appointed by administering authority, major focus on IT security going forward and recommendations to come out of internal audits.</p> <p>7) Mandatory staff training for new joiners on cyber security which is annually refreshed by all staff as part of performance appraisal process.</p>	2	24	Deputy Head of Fund	14/11/2023
Administrative & Communicative Risk	PEN032		Loss of funds through fraud or misappropriation by an employer, agent, contractor or other relevant third party leading to negative impact on reputation of the Fund as well as financial loss.	3	2	5	10	2	20	<p>TREAT</p> <p>1) Fund undertakes National Fraud Initiative (NFI) biannually.</p> <p>2) Fund is a registered adopter of the Governments Tell Us Once (TUC) service, receives notification of deaths registered with GRO instantly.</p> <p>3) 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.</p> <p>4) Regulatory control reports from investment managers and the custodian are obtained.</p> <p>5) Regulatory controls are in place and reviewed annually or, if earlier, immediately on receipt of guidance from the Local Government Association (LGA) to prevent and protect the Fund from pension scams</p> <p>6) Fund undertakes a Global Existence Project with its overseas payment provider to prove the existence of in payment scheme members who reside overseas and receive monthly payment to an account in the country of their residence.</p> <p>7) Policies and procedures are in place which are regularly reviewed to ensure risk of investment loss through fraud 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 and other financial third parties have to provide annual SSAE16, ISAE3402, SOC1/2 or similar documentation (statement of internal controls) that are reviewed by auditors regularly.</p>	1	10	Head of Fund	14/11/2023
Administrative & Communicative Risk	PEN033		Payments continue to be made incorrectly at a potential cost to the Pension Fund. Distress caused to dependents and difficulty recovering Funds in a timely manner or at all.	3	3	4	10	2	20	<p>TREAT</p> <p>1) The fund undertakes a monthly mortality screening exercise.</p> <p>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.</p> <p>3) The fund participates in the biannual National Fraud Initiative (NFI).</p> <p>4) Fund undertakes a Global Existence Project with its overseas payment provider to prove the existence of in payment scheme members who reside overseas and receive monthly payment to an account in the country of their residence.</p> <p>5) Fund immediately suspends payment of monthly pension on return of a rejected payment.</p>	1	10	Deputy Head of Fund	14/11/2023
Administrative & Communicative Risk	PEN034		Inability to respond to a significant event leads to prolonged service disruption and damage to reputation.	1	2	5	8	2	16	<p>TREAT</p> <p>1) Fund has a business continuity plan.</p> <p>2) Systems hosted and backed up off-site in 2 locations.</p> <p>3) All officers have the ability to work from home or any location where secure internet access is available.</p> <p>4) To invest in staff training on responding to significant IT loss or cyber-attack events, including identifying early signs of an attack, improving general awareness</p>	1	8	Deputy Head of Fund	14/11/2023



18/12/2023

Author: Damien Pantling, Head of Pension Fund

Section 151 officer - Elizabeth Griffiths

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	
				Fund	Employers	Reputation	TOTAL					Owner	Reviewed		
ADMINISTRATIVE AND COMMUNICATIVE RISK (CONTINUED)															
Administrative & Communicative Risk	PEN035		Late or non-receipt of pension contributions from Scheme employers within statutory deadlines leading to loss of Funds available for 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	<p>TREAT</p> <p>1) Fund closely monitors receipts of contributions and will chase any employer that is late in making a payment.</p> <p>2) A notice of unsatisfactory performance will be sent to a Scheme employer who regularly misses the statutory deadline for payment.</p> <p>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.</p> <p>4) Large employers (unitaries) have opted to pay secondary contributions in advance.</p>	1	13	Head of Fund	14/11/2023	
Administrative & Communicative Risk	PEN036		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	<p>TREAT</p> <p>1) Fund has a Communication policy and a dedicated Communications Manager.</p> <p>2) Pension Fund website is maintained to a high quality standard.</p> <p>3) Fund provides all active, deferred and retirement scheme members secure online access to view and model their benefits according to status.</p> <p>4) Quarterly bulletins issued to Scheme employers providing details of any and all scheme updates.</p> <p>5) Training provided for Scheme employers.</p> <p>6) Newsletters available to all active, deferred and retired scheme members.</p> <p>7) Guides, factsheets and training notes are provided as relevant.</p>	1	10	Deputy Head of Fund	14/11/2023	
Administrative & Communicative Risk	PEN037		Lack of guidance and process notes leads to inefficiency and errors.	3	3	1	7	2	14	<p>TREAT</p> <p>1) Desktop procedures have been written for all administrative tasks and are kept under review.</p> <p>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.</p> <p>3) Personal Development Plans are provided on day one to new staff members with no prior knowledge of LGPS administration that provides clear milestones for learning and development in all areas of the LGPS including team members responsible for delivery of training or alternative method.</p>	1	7	Deputy Head of Fund	14/11/2023	
Administrative & Communicative Risk	PEN038		Failure to identify GMP liability leads to ongoing costs for the pension fund.	5	2	1	8	2	16	<p>TREAT</p> <p>1) Fund has carried out and completed a GMP reconciliation against all pensions in payment.</p> <p>2) Ongoing action is being taken to complete a reconciliation of all GMPs held on active and deferred member records. In the interim Fund has registered access to HMRC website to obtain GMP liability values on an as required basis.</p>	1	8	Deputy Head of Fund	14/11/2023	
Administrative & Communicative Risk	PEN039		Loss of office premises due to fire, bomb, flood etc. leading to temporary loss of service.	5	5	4	14	2	28	<p>TREAT</p> <p>1) All staff are now able to work remotely.</p> <p>2) A business continuity plan is in place.</p> <p>3) Systems are cloud hosted and backed up.</p>	1	14	Deputy Head of Fund	14/11/2023	
REPUTATIONAL RISK															
Reputational Risk	PEN040		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	<p>TREAT</p> <p>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</p> <p>2) LPPI's investment recommendations are presented to the Pension Fund committee for scrutiny by officers, members and independent advisors</p> <p>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.</p> <p>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</p>	2	22	Head of Fund	14/11/2023	
Reputational Risk	PEN041		Inaccurate information in public domain leads to reputation damage and loss of confidence.	1	1	3	5	3	15	<p>TREAT</p> <p>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.</p> <p>2) Maintain constructive relationships with employer bodies, our communications team and LPPI's press team to ensure that news is well managed.</p> <p>3) Hold Annual General Meeting every year for members and employers</p>	2	10	Head of Fund	14/11/2023	



18/12/2023

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Risk Calculation Key

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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	
				Fund	Employers	Reputation	TOTAL	Owner					Reviewed	
Regulatory & Compliance Risk	PEN042		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 by all staff as part of performance appraisal process. 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	Head of Fund	14/11/2023
Regulatory & Compliance Risk	PEN043		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	3	9	3	27	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 closely monitored. 3) Officers maintain knowledge of legal framework for routine decisions. 4) Maintain links with central government and national bodies to keep abreast of national issues. 5) Fund officers to ensure there are regular internal audits and that both internal and external audit recommendations are adhered to	2	18	Head of Fund	14/11/2023
Regulatory & Compliance Risk	PEN044		Failure to comply with legislative requirements defined in the Fund's published statutory policies 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 acts as an independent scrutiny and assistance function. 3) Compliance with the legislative requirements are reviewed annually through the audit process.	1	10	Head of Fund	14/11/2023
Regulatory & Compliance Risk	PEN045		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	Head of Fund	14/11/2023
Regulatory & Compliance Risk	PEN046		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 funds that are held directly, ensure that assessment criteria remains robust and that full feedback is given at all stages of the procurement process. 2) Ensure that procurement waivers are kept up to date where applicable	1	7	Head of Fund	14/11/2023
DELETED RISKS (RISK REF. refers to its reference in the last report before deletion)														
Administrative & Communicative Risk	PEN0025	REMOVED DECEMBER 2023	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	TREAT 1) Administering Authority actively monitors prospective changes in membership, maintaining knowledge of employer future plans through regular communication. 2) Contribution rates and deficit recovery periods set to reflect the strength of the employer covenant. 3) Periodic reviews of the covenant strength and risk categorisation of employers are undertaken and indemnity applied where appropriate, last done in March 2023 using the results from the 2022 triennial valuation. 4) Change to minimum risk cessation basis from 1 April 2023, moving way from Gilt yields to "prudence plus" protecting the Fund in a higher rate environment	2	20	Damien Pantling	24/08/2023
Administrative & Communicative Risk	PEN027	REMOVED DECEMBER 2023	Administrators do not have sufficient staff or skills to manage the service leading to poor performance and complaints.	3	2	3	8	3	24	TREAT 1) Review of administration roles and responsibilities to be undertaken in 2023 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	Damien Pantling	29/08/2023
Reputational Risk	PEN0040	REMOVED DECEMBER 2023	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	24/08/2023