

Report Title:	Risk Management
Contains Confidential or Exempt Information	No - Part I
Lead Member:	Councillor Simon Bond, Chairman Pension Fund Committee and Advisory Panel
Meeting and Date:	Pension Fund Committee and Advisory Panel – 18 December 2023
Responsible Officer(s):	Damien Pantling, Head of Pension Fund
Wards affected:	None

REPORT SUMMARY

A risk register is 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 in line with the Risk Management policy approved on 13 March 2023.

The Fund has adopted the 2018 CIPFA risk management framework “Managing risk in the Local Government Pension Scheme”.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That the Pension Fund Committee notes the report;

- i) Approves the updated risk register for publication including any changes since the last approval date, suggesting amendments as required.**

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 statutory duty to establish and operate risk 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 is presented to and reviewed by the Local Pension Board and the Pension Fund Committee on a quarterly basis.
- 2.3. There are 46 risks in total identified in this quarter’s risk register, compared to 47 last quarter. 3 risks have been removed or merged and 2 have been added.

2.4. Following an action from the September 2023 Committee (recommendation from the Local Pension Board), a table of the highest ranked risks has been provided in the body of this report (Table 1), noting that of the 46 identified risks, just one is flagged as red after mitigations.

Table 1

Risk ID	Risk Description	Post-mitigation score
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.	32
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	24
PEN014	Impact of increases to employer contributions following the 2025 and future actuarial valuations.	24
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 McCloud remedy)	24
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.	24
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.	24

2.5. Key changes from the last date of approval (additions, removals, significant changes to mitigations and/or risk scores) are brought to the Committee's attention and are summarised as follows (noting that minor re-wording has not been included in the summary below):

Removed risks

- 2.5.1. REMOVED PEN025 – this is now combined with RENUMBERED PEN021, addressing the fact that there are several similarities and significant crossover.
- 2.5.2. REMOVED PEN027 – This risk focused on skills shortages in the Administration team only, this has been removed and instead combined with Risk RENUMBERED PEN024 as resource and skill, as well as concentration of knowledge risk is not limited to the administration team only.

- 2.5.3. REMOVED PEN040 – Removed risk and combined wording with PEN032 as there are areas of overlap and similarity.

New Risks

- 2.5.4. NEW PEN007 – Added risk to focus on performance drag compared to the wider LGPS, specifically as a result of SAA divergence (as manager performance is addressed in PEN006), this risk is growing in prominence as we are observing significant SAA changes in other funds amid the strong funding environment on average.
- 2.5.5. NEW PEN019 – Added additional risk specifically on Climate Change risk to Liabilities, splitting up the general Climate Change risk from renumbered PEN008 and focusing specifically on those idiosyncratic impacts to liabilities only and how these might impact overall Funding.

Amended risks

- 2.5.6. PEN001 – Improved wording to focus just on the effects of failure to achieve the actuarial benchmark rather than making reference to market returns as this is addressed elsewhere.
- 2.5.7. PEN003 – Updated wording to reference new TCFD assumed implementation date in 2024/25.
- 2.5.8. PEN006 – Updated wording to focus only on manager performance compared to the benchmark, as comparison to wider LGPS as well as actuarial benchmark is covered in other risks.
- 2.5.9. RENUMBERED PEN008 – Updated climate risk to focus only on Investment (asset) climate risk, splitting liability climate risk out separately following an action from the September 2023 committee meeting. This risk still addresses the risks facing the fund associated with physical and transition related climate risks but is more focussed.
- 2.5.10. RENUMBERED PEN010 – Adjusted from trending up to trending sideways, recognising recent (October 2023) CPI data suggesting Inflation may be beginning to come under control and is starting to normalise.
- 2.5.11. RENUMBERED PEN011 – Adjusted from trending up to trending sideways as pressure on public finances is increasing and we are observing an increasing number of Section 114 notices across the sector, this is coupled with a general reduction in inflation expectation, both of which may take the pressure off above-inflation pay growth.
- 2.5.12. RENUMBERED PEN013 – Updated scoring between Fund and Employer impacts, reflecting that Ill Health strain is likely to be more impactful to individual employers than the whole Fund.
- 2.5.13. RENUMBERED PEN014 – Removed tolerate measure which made reference to contribution changes at the last triennial valuation, this is

now out of date. Focus of this risk is updated to be on 2025 and later valuations.

- 2.5.14. RENUMBERED PEN020 – Changed from trending sideways to trending up, based on increased cessation deficits (increased cost of termination) for employers as a result of the new minimum risk policy in effect from April 2023 for most and September 2023 for some employers. Detail available in the Fund's Funding Strategy Statement.
- 2.5.15. RENUMBERED PEN021 – Enhanced wording to focus on Orphan risk and expanded detail to subsume Risk PEN025 as discussed below.
- 2.5.16. RENUMBERED PEN024 – Adjusted from trending down to trending up, addressing higher than usual staff turnover and recent senior and experienced staff movements. Also expanded wording to address complaints and breaches of the law in subsuming risk PEN027.
- 2.5.17. RENUMBERED PEN026 – Increased post-mitigation likelihood of occurrence from 3 to 4 making this a red risk, considering the fact that a key member of the technical team is leaving the organisation and there is currently an above average staff turnover. Also adjusted wording to reflect that Mccloud regulations are now in force.
- 2.5.18. RENUMBERED PEN027 – Adjusted from trending up to trending sideways, addressing that the Fund now have a detailed Mccloud action plan and timeline in place as well as access to various guides from official sources on best practice implementation. We also understand that there are Funds significantly further behind than we are in this process.
- 2.5.19. RENUMBERED PEN029 – Updated wording and timeline now that the triennial valuation date has passed.
- 2.5.20. RENUMBERED PEN030 – Adjusted from trending down to trending up whilst significantly increasing the likelihood of occurrence before mitigations from 1 to 3, also increasing the likelihood of occurrence post-mitigation from 1 to 2. This is in response to a recent cyber incident.
- 2.5.21. RENUMBERED PEN031 – Aligned risk impact and likelihood with PEN030 noting the similarity of importance in these two risks.
- 2.5.22. RENUMBERED PEN032 – Adjusted from trending down to trending sideways following recent fraud/cyber-attack attempt on the Pension Fund.
- 2.5.23. RENUMBERED PEN034 – Adjusted from trending sideways to trending up again in response to recent cyber-attack, noting that the Fund's response was fast but could be improved and lessons could be learned.
- 2.5.24. RENUMBERED PEN043 – Reduced likelihood score both before and after mitigation now that Fund Officers have implemented a McCloud

plan whilst further process notes and guidance documents are produced and made available by the Scheme Advisory Board and other external sources. Further clarity on McCloud implementation now exists.

- 2.6. All risks that have been removed from the prior (September 2023) risk register are disclosed in the current Risk Register for information and decision making purposes.

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. The Equality Act 2010 places a statutory duty on the council to ensure that when considering any new or reviewed strategy, policy, plan, project, service or procedure the impacts on particular groups, including those within the workforce and customer/public groups, have been considered. An Equality Impact Assessment (EQIA) screening exercise has been completed and approved in respect of this report and shared with the RBWM Equalities team. It has been determined through the EQIA screening that a full EQIA is not required and is therefore not appended with 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 formal or organised consultation process has been undertaken since the date of last review, however, Committee members and Pension Board members undertook a detailed annual review and training session in early 2022 in developing a revised Risk Management policy. The Pension Fund Committee re-approved the Risk Management Policy again in March 2023 as part of an annual review process and the appended risk register is fully consistent with this policy.

8.2. The Risk Register is made publicly available and the Fund is continuously open to comments from all relevant stakeholders. The Committee and Board Chairs, Independent Advisors and senior officers are consulted on proposed changes during the preparation of quarterly reports

8.3. The Pension Fund Committee re-approved the Risk Management Policy again in March 2023 as part of an annual review process.

8.4. The Fund's external advisors have been consulted in developing the revised Risk Management Policy.

9. TIMETABLE FOR IMPLEMENTATION

9.1. Ongoing.

10. APPENDICES

10.1. This report is supported by 1 Appendix:

- Appendix 1 – Risk Register

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:</i>	<i>Statutory Officers (or deputy)</i>		
Elizabeth Griffiths	Executive Director of Resources (Section 151 officer)	24/11/2023	8/12/23
Elaine Browne	Deputy Director of Law and Governance (Monitoring Officer)	24/11/2023	8/12/23

<i>Deputies:</i>			
Andrew Vallance	Deputy Director of Finance (Deputy Section 151 officer)	24/11/2023	24/11/2023
Jane Cryer	Principal Lawyer (Litigation) and Deputy Monitoring Officer	24/11/2023	
<i>Other consultees:</i>			
Cllr Simon Bond	Chairman – Berkshire Pension Fund Committee	24/11/2023	26/11/2023
Alan Cross	Chairman – Local Pension Board	24/11/2023	

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
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