



**Overarching Fund Objective – to ensure Fund assets are sufficient to meet Fund liabilities in the short, medium and long term**

<b>Risk Category</b>	<b>Risk Description</b>	<b>IMPACT</b>	<b>LIKELIHOOD</b>	<b>RATING</b>		<b>Control Measure</b>	<b>Comments on changes in risk rating Sept 2021 qtr</b>
Funding	Long term investment strategy unable to meet the objective of funding liabilities.	5	2	10	MR	<ul style="list-style-type: none"> <li>Monitoring of deficit, reporting on the funding levels produced by the actuaries.</li> <li>Monitoring of the adopted asset / liability model.</li> <li>Monitoring the outcome of the consultation on the remedies of the McCloud case in the Supreme Court.</li> </ul>	
	Sub-optimal asset allocation throughout the portfolio.	4	2	8	MR	<ul style="list-style-type: none"> <li>The investment strategy is reviewed and adopted by the Pension Fund Committee.</li> <li>The Committee (with advice from the Advisory Panel) should regularly review the asset allocation strategy.</li> <li>The review should cover both the fund strategy and the asset allocation.</li> <li>Post 2019 valuation review completed and implementation in progress.</li> </ul>	
	Actuarial assumptions are not met. e.g. discount rate, life expectancy assumptions.	4	3	12	MR	<ul style="list-style-type: none"> <li>Agree and set prudent assumptions in conjunction with the appointed Fund Actuary, based on past trends, forecasts, longevity modelling.</li> <li>Adhere to triennial valuations.</li> <li>Monitor performance against assumptions, consider Interim Valuations where necessary.</li> <li>Monthly monitoring of Pension Fund investment valuation given the uncertainty in markets due to Covid-19.</li> <li>Receive regular Actuarial Funding updates.</li> </ul>	
	Increases in Employer contributions.	4	2	8	MR	<ul style="list-style-type: none"> <li>Participate in LGPS Scheme design consultation.</li> <li>Engage with Employers during and between Valuation cycles, particularly during times of organisational change e.g. downsizing, outsourcing.</li> <li>Ensure adequate securities / guarantees are in place where possible and that consequential risk is fully communicated to relevant parties.</li> </ul>	
	Potential for 'Cashflow Negativity'	4	2	8	MR	<ul style="list-style-type: none"> <li>Regularly monitor cashflow impact position as contributions reduce.</li> <li>Ensure sufficient income generation/liquid assets are available.</li> <li>Regularly review Asset Strategy and adjust as necessary.</li> </ul>	

	Detrimental changes to the maturity of fund membership. As the scheme matures the ratio of pensioner / deferred pensioner to active employees increases.	4	2	8	MR	<ul style="list-style-type: none"> <li>Monitor carefully through the valuation cycle. Ensure the investment strategy reflects current and forecast Fund maturity.</li> <li>Actively participate in pension consultation, giving due consideration to any proposals that may have a disproportional impact on scheme 'opt out' rates.</li> </ul>	
Investments	Financial Market suppressed by economic climate, national / global austerity measures and Brexit.	4	4	16	HR	<ul style="list-style-type: none"> <li>Long-term funding plan with a diverse range of asset classes and Fund Manager styles.</li> <li>Panel clearly understand the impact of market conditions on asset classes and fund manager performance.</li> <li>Panel monitor and scrutinise performance, market conditions and forecasts.</li> <li>Continue to monitor the potential implications of Brexit.</li> <li>Material economic and financial risk of infectious disease.</li> </ul>	
	Custody arrangements may not be sufficient to safeguard pension fund assets.	4	2	8	MR	<ul style="list-style-type: none"> <li>An agreement is in place between the custodian and Pension Fund.</li> <li>Monthly reconciliations are carried out to check external custodian records.</li> <li>Funds held in the name of the Pension Fund or the WPP, not the Fund Manager nor the Custodian.</li> </ul>	
	Investment returns fail to meet agreed targets.	4	2	8	MR	<ul style="list-style-type: none"> <li>Regular monitoring of investment returns.</li> <li>Advisory Panel review and challenge of fund manager performance against their benchmarks and targets.</li> <li>Use advisors to support the monitoring and challenge of fund managers.</li> <li>Where performance issues arise, put more targeted review and challenge arrangements in place.</li> </ul>	
	Adverse impact of the transition of the Pension Fund's assets into the Wales Pension Partnership pooling	4	2	8	MR	<ul style="list-style-type: none"> <li>Effective governance arrangements of the Joint Governance Committee and Officer Working Group.</li> <li>Key role undertaken by the Joint Governance Committee at transition process.</li> <li>Ensure operator establishes a tax efficient UK collective investment vehicle.</li> <li>Ensure the appropriate 'wrappers' for the investments in illiquid assets.</li> </ul>	

	Investments are not carried out by the fund manager in accordance with instructions given by the Pension Fund.	3	2	6	LR	<ul style="list-style-type: none"> <li>Investment assets and transactions are monitored in-house via the Euraplan Shareholder II system.</li> <li>Investment management fees are monitored on a quarterly basis.</li> <li>Investment malpractices are reported to the FCA.</li> </ul>	New control measure added to reflect the reporting of malpractices
	Pension fund investments may not be accurately valued.	4	1	4	LR	<ul style="list-style-type: none"> <li>Investments are valued using correct prices obtained by fund managers from independent third party agencies.</li> </ul>	
	Fund managers may not have the appropriate control framework in place to protect pension fund assets.	4	1	4	LR	<ul style="list-style-type: none"> <li>Agreements are in place between fund managers and the Pension Fund.</li> <li>Portfolios are managed in accordance with the investment objectives.</li> <li>Monthly reconciliations are carried out to check portfolios against administering authority records.</li> <li>Third parties provide the Pension Fund with an annual internal control report, which provides assurance.</li> <li>FCA regulated.</li> <li>Fund managers have robust arrangements in place to manage mandates at difficult and volatile times.</li> </ul>	
	Fund manager mandate restrictions and benchmarks constrain returns.	3	1	3	LR	<ul style="list-style-type: none"> <li>Obtain advice from advisors.</li> <li>Obtain advice from performance measurement company.</li> </ul>	
Governance	Introduction of new pooling arrangements by central government	5	2	10	MR	<ul style="list-style-type: none"> <li>Joint Governance Committee and Officer Working Group has been formally constituted.</li> <li>Establishment of sub-groups of the WPP for specialisation.</li> <li>Wales Pension Partnership's CIV proposal approved by FCA on 24<sup>th</sup> July 2018, further submissions approved to allow for the development of additional sub funds.</li> <li>Participation on consultation papers.</li> <li>Engagement with local pension boards.</li> <li>Creation of sub-funds continues to be effectively progressed.</li> <li>Pension Board Engagement days held to update Pension Board Chairs and provide feedback.</li> <li>Development of appropriate business plans, policies and procedures.</li> </ul>	

Failure to comply with LGPS Governance Regulation / Pension Regulator Code of Practice.	5	1	5	LR	<ul style="list-style-type: none"> <li>• Fund Governance Compliance Statement is reviewed and published annually.</li> <li>• The Fund's 'Pension Board' became effective from 1st April 2015.</li> <li>• The Fund has a breaches policy.</li> <li>• Review the Investment Strategy Statement annually in accordance with MHCLG guidance.</li> <li>• Benchmark against regulator on code of practice.</li> <li>• Submit Annual Pension Scheme Regulator Return on time.</li> <li>• Good governance review currently being considered by MHCLG.</li> </ul>
Members, officers and advisors do not have the right knowledge or skills.	4	1	4	LR	<ul style="list-style-type: none"> <li>• The Pension Fund has adopted the CIPFA knowledge and skills framework.</li> <li>• The Pension Fund Skill and Knowledge framework is reviewed at each Investment and Administration Advisory Panel, Pension Committee and Pension Board</li> <li>• The Pension Fund subscribes to relevant professional bodies, e.g. LAPFF.</li> </ul>
Loss of reputation.	2	2	4	LR	<ul style="list-style-type: none"> <li>• The Fund holds Annual General Meetings, Communication Forums, seminars and training.</li> <li>• The Fund has a dynamic website responding to stakeholder requirements.</li> <li>• Knowledgeable and professional staff.</li> <li>• Meetings are held regularly with the Fund's employer authorities.</li> <li>• Benefit statements are sent out annually to members by 31<sup>st</sup> August.</li> <li>• Monitoring the policy on voting decisions and the impact should UK shareholder lose voting rights in EU companies.</li> <li>• Annual reports are produced by 1<sup>st</sup> December.</li> <li>• The Fund's Responsible Investment Policy is contained within the Investment Strategy Statement and available on the Pension Fund website <a href="http://www.rctpensions.org.uk/En/GovernanceandInvestments/Investments">http://www.rctpensions.org.uk/En/GovernanceandInvestments/Investments</a></li> <li>• The Pension Fund's passive equities are invested in a low carbon product.</li> <li>• External Audit and Governance and Audit Committee.</li> </ul>
Conflicts of Interest arise.	3	1	3	LR	<ul style="list-style-type: none"> <li>• Declarations to be made by Advisory Panel Members, Pension Board Members and Pension Committee Members.</li> <li>• Director of Legal Services maintains a Register of Interests.</li> <li>• Fund Governance Policy.</li> <li>• Employer / Member Engagement – Communication Policy.</li> <li>• Transparency – published audited accounts, Valuation, Annual Report, etc.</li> </ul>
Failure to comply with the Myners Statement of Investment Principles.	2	1	2	LR	<ul style="list-style-type: none"> <li>• The Statement is reviewed annually by the Advisory Panel and approved by the Pension Committee.</li> </ul>

Operational	Loss of key staff / expertise.	4	3	12	MR	<ul style="list-style-type: none"> <li>• Job descriptions and person specifications.</li> <li>• Dynamic training program.</li> <li>• Workforce planning arrangements in place.</li> <li>• All staff are currently working from home during Covid-19</li> </ul>	
	Compliance with data quality regulation and best practice.	5	2	10	MR	<ul style="list-style-type: none"> <li>• Data Improvement Plan in place.</li> <li>• Good relationships / communication with Employers.</li> <li>• Ensure timely notification by Fund Employers of new starters, changes and leavers.</li> <li>• Issue annual benefit statements to scheme members for review.</li> <li>• Breaches policy in place.</li> <li>• Mandatory rollout of I-connect, monthly data submissions.</li> <li>• Monthly Data Screening.</li> <li>• Common and Scheme Specific Data reviews / scoring.</li> <li>• Scheme Member Self Serve validation available.</li> <li>• Fund participation in the National 'Tell us Once Service'.</li> <li>• TPR Annual Scheme Return and data score.</li> <li>• Membership data is hosted in the UK.</li> </ul>	
	Cyber security breach of the Fund's pension system and personal data contained.	5	2	10	MR	<ul style="list-style-type: none"> <li>• Third Party supplier – cyber reliance controls.</li> <li>• Controls and environment maintained and regularly reviewed in line with Council's standards. Internal controls include, appropriate password and access conventions, firewalls, virus and malware protection, data encryption requirements.</li> <li>• Annual control review or more frequent depending on environment / service changes</li> <li>• Designated Information Management Officer, with Security Incident reporting protocol.</li> <li>• Cyber Essential Accreditation.</li> <li>• Public Service Network (PSN) Accreditation.</li> <li>• Information &amp; Security Board.</li> <li>• All Wales Security Forum (WARP).</li> <li>• Cyber Security Principles for Pension Schemes' (Self Assessment).</li> <li>• Cyber Security Risk Assessment undertaken during Covid-19.</li> </ul>	
	Confidential / commercially sensitive data is leaked, stolen or misplaced	5	1	5	LR	<ul style="list-style-type: none"> <li>• The Pension Fund will clearly mark any confidential / commercially sensitive data that it shares.</li> </ul>	New risk added
	Failure to meet Service Standards.	3	3	9	MR	<ul style="list-style-type: none"> <li>• Pension Fund Administration Strategy.</li> <li>• Workforce planning, realign to meet one off demands, skills and training review.</li> <li>• Appropriate systems and technology.</li> <li>• Regular monitoring by Fund governance groups.</li> </ul>	

Failure to implement scheme changes.	4	2	8	MR	<ul style="list-style-type: none"> <li>Regular updates are received, reviewed and acted upon in a timely manner.</li> <li>Ensure software is adapted appropriately.</li> <li>Membership of relevant pensions professional bodies.</li> <li>Implementation of McCloud remedies.</li> </ul>	
Employer ceases to participate in Fund / Admitted bodies go into administration.	3	2	6	LR	<ul style="list-style-type: none"> <li>Employer covenants or bonds.</li> <li>Regular review of covenants.</li> </ul>	
Failure to hold and share personal data in accordance with the General Data Protection Regulation (effective 28 <sup>th</sup> May 2018).	5	1	5	LR	<ul style="list-style-type: none"> <li>Administering Authority Information Management Security policies.</li> <li>All Scheme Member correspondence securely imaged.</li> <li>Appropriate Data Protection Registration.</li> <li>Third Party Data Sharing agreements in place.</li> <li>Fund Privacy Notice published.</li> <li>Employer Memorandum of Understanding implemented.</li> <li>Mandatory training undertaken by all staff.</li> <li>Awareness sessions held with the Fund's Governance groups.</li> </ul>	
Failure to pay pensioners on time.	5	1	5	LR	<ul style="list-style-type: none"> <li>Payroll Timetables maintained.</li> <li>Business Continuity Plan.</li> </ul>	
Delivery of the 2022 Triennial Valuation	5	1	5	LR	<ul style="list-style-type: none"> <li>2021 Data Cleaning exercise.</li> <li>Actuarial 'Employer Covenant' reviews.</li> </ul>	
Qualification of accounts.	4	1	4	LR	<ul style="list-style-type: none"> <li>Financial Information reconciled on a timely basis.</li> <li>Accounts are prepared in accordance with the relevant regulations, guidance and Codes of Practice.</li> <li>Regular dialogue with external auditors.</li> </ul>	
Operational disaster (fire / flood, etc)	4	1	4	LR	<ul style="list-style-type: none"> <li>Business continuity procedures are in place and tested.</li> </ul>	
Compliance with Fund 'Dispute' Regulation.	3	1	3	LR	<ul style="list-style-type: none"> <li>Internal Dispute Procedure in place.</li> </ul>	



	Failure by employers to pay contributions into the Fund on time and in accordance with the 2019 'Rates and Adjustments Certificate'.	2	1	2	LR	<ul style="list-style-type: none"> <li>Monitoring of monthly receipts to remittances, with reference to the 2019 'Rates and Adjustment Certificate'.</li> <li>Report any material breaches to Regulator in accordance with the Fund's 'Breach Policy'.</li> </ul>	
	Fraud.	2	1	2	LR	<ul style="list-style-type: none"> <li>Strict internal control mechanisms, segregation of duties, etc.</li> <li>Internal and External Audit Review.</li> <li>National Fraud Inspectorate participation.</li> <li>Whistleblowing policy in place.</li> </ul>	
Regulatory	Failure to comply with LGPS regulations and any other new regulations.	4	1	4	LR	<ul style="list-style-type: none"> <li>There are sufficient fully trained staff.</li> <li>Regular updates are received and acted upon.</li> <li>Membership of relevant pensions professional bodies.</li> <li>Welsh Pension Officer Group participation.</li> <li>Welsh Pension Fund Treasurers Group participation.</li> <li>Compliance with MiFID II.</li> <li>Submit Annual Pension Scheme Regulator Return on time.</li> <li>MHCLC/LGA guidance issued to Fund Employers around the 'Exit' Regulations (now revoked).</li> </ul>	
	Non compliance of procurement rules	1	2	2	LR	<ul style="list-style-type: none"> <li>Regular budget monitoring.</li> <li>Periodic review of suppliers.</li> <li>Contract procedure rules.</li> </ul>	