

RISK REGISTER MARCH 2023 UPDATE

Governance

Risk no:	Risk Overview (this will happen)	Risk Description (Causes)	Current Impact (see key)	Current Likelihood (see key)	Current Risk Status	Internal and external controls in place	Target Impact (see key)	Target Likelihood (see key)	Target Risk Status	Further Action and Additional Controls	Indicative Time Frame	Comments and update March 2023
G1	The Fund's objectives/legal responsibilities are not met or are compromised - external factors	Externally led influence and change such as scheme change, national reorganisation, cybercrime and asset pooling	Moderate	Possible		1 - Continued discussions at PC and PB regarding this risk 2 - Fund's consultants involved at national level/regularly reporting back to PC 3 - Key areas of potential change and expected tasks identified as part of business plan (ensuring ongoing monitoring) 4 - Asset pooling IAA in place 5 - Ongoing monitoring of cybercrime risk by Officers and PC 6.) Close working relationship between officers, investment consultant, scheme actuary and independent investment adviser. 7.) Officers keep abreast with regulatory changes and immediate reporting to Pensions Board 8.) Close monitoring of investment managers appointed by London CIV by Independent Investment Adviser and Investment Adviser 9.) Officers arrange meetings with London CIV to raise concerns early.	Moderate	Possible		Continue manager deep dive and performance monitoring.	on going monitoring	This risk will remain amber. It is not possible to completely eliminate manager underperformance or cyber risk. 1) Officers continue to implement TPR recommendations on cyber risk and liaise with Tower Hamlets IT to understand mitigating factors. 2.) Officers work closely with scheme actuary 3.) Officers provide update on new legislative changes to Board and Committee quarterly 4.) Officers keep abreast with LGA communications to ensure new changes are picked up 5.) Officers work closely with Heywoods to assess impact on new changes. 6.) Cyber crime risk is now a stand alone risk in line with prioritisation by TPR and SAB
G2	Key Person Risk and staff turnover Risk of loss of key/senior staff resulting in lost knowledge and inability to meet service objectives	Impact of sickness, resignation, retirement, unable to recruit to posts that become vacant as a result. Local authority paygrades may be a barrier to recruiting highly skilled staff.	Moderate	Possible		1 - Business plan includes workforce matters 2 - Ensure quarterly update reports are robust and include all matters of administration 3.) - Consider additional resources, such as outsourcing or use of external consultants as required 5 - Staff reviews implemented and vacant positions recruited to	Moderate	Possible		1 -Keep up to date with legislative changes via LGA, HMRC, Actuarial , investment manager, investment adviser newsletters, guidance and bulletins 2.) Continue training of new and newly promoted staff (MA) 3.) Annual appraisals and target setting for all staff. 4.) Consider future succession planning 5.) Consider use of agency staff in the interim	On going monitoring	This risk has been kept at amber. The team is small therefore long term sickness, retirements affect in the short term performance and turn around times . 2.) Monthly client meetings now take place between Heywoods and Pensions Team to ensure services issues are resolved 3.) Recruitment of permanent staff to take place as soon as staff depart. 4.) Staff attend LGA organised training. This is not restricted to senior staff. Attendance is tailored to officers areas of work. 5.) As and when required, in house training is delivered during team meetings, regulatory changes are discussed during monthly team meetings and fund actuary is engaged to provide additional training as required. For example Annual Allowance.
G3	Appropriate objectives are not agreed or monitored - internal factors	Policies not in place or not being monitored	Moderate	Possible		1- Range of policies in place and all reviewed regularly (work in progress) 2 - Review of policy dates included in business plan 3 - Monitoring of all objectives at least annually (work in progress) 4 - Policies stipulate how monitoring is carried out and frequency 5 - Business plan in place and regularly monitored 6 - PC has approved a mission statement which summarises the overarching objectives of the Fund	Insignificant	Rare		1- Ensure objectives agreed for each policy (MA) 2- Ensure all policies are finalised, approved and regularly reviewed (MA) 3.) Procure governance review every 3 years 4.) Fund compliance against TPR Code of Practice to be undertaken every 3 years or when Code is updated 5.) Review remediation plan every 2/3 years to ensure continuous improvement program	on going standard monitoring	All key policies now in place (administrative strategy, breaches policy, IDRP, Investment Strategy Statement, Communications Policy. 3 year rolling Business Plan. Maintain 3 year rolling work plan for team which includes all key duties
G4	Inappropriate or no decisions are made	Governance (particularly at PC) is poor including due to: - turnover of PC members - lack of knowledge and appropriate skills at PC - failure to take appropriate advice - poor engagement /preparation / commitment - poor oversight / lack of officer skills & knowledge - PC members have undisclosed Conflicts of Interest - PC decision making process is too rigid	Minor	Unlikely		1 - Renewed Officer focus on decision-making / governance including considering structure, behaviour and knowledge 2 - Oversight by Local Pension Board 3 - Training Policy, Plan and monitoring in place for PC and PB members. Training needs analysis undertaken annually 4 - Range of professional advisors covering Fund responsibilities guiding the PC, PB and officers in their responsibilities 5 - Induction training in place for new PC members covering CIPFA Knowledge and Skills requirements and TPR toolkit 6 - Training / improvement plans in place for all officers as part of the Council's performance appraisal programme 7 - Declaration of conflict of interest is standing item on agenda. PC members required to complete annual declaration of interest 8 - Process exists to allow urgent decisions outside of PC meetings 9. - PC flexible to arranging of additional training in relation to key matters 10. PC and PB signed up to the Hymans online knowledge portal.	Minor	Unlikely		1 - Revise and update Conflicts of Interest Policy (MA) 2 - Monitor Board and Pensions Committee participation in Hymans online training. 3. Update PC and PB training plan with regulatory changes from CIPFA, TPR or SAB as and when. 4. Arrange additional training as required (scheme actuary, investment adviser, investment managers or officer) 5.) Monitor use of Hymans online knowledge portal	on going standard monitoring	1.) Declaration of interest now standing meeting agenda item - completed. 2.) Hymans bitesize online training for PC and PB 3.) Fund Investment adviser and fund actuary provide additional training as required. 4.) Fund managers provide additional training as required
G5	Material misstatement of accounts and potentially a qualified audit opinion	Poor internal monitoring and reconciliation process leads to incorrect financing / assets recorded in the Statement of Accounts	Major	Possible		1 - Qualified Accountant produces accounts using most recent SORP, Accounting Code of Practice, Disclosure Checklist and other relevant CIPFA training materials/publications. Attendance at Pensions Officers Group Meetings 2 - Draft Statement of Accounts and working papers reviewed by the Head of Pensions & Treasury and the Chief Accountant. 3 - Reconciliation undertaken between the book cost and market values to the custodians book of records received quarterly. Further reconciliation undertaken between the custodian and investment managers' records. 4 - A checklist of all daily, weekly, monthly and quarterly reconciliations is maintained. Full reconciliation and interim accounts are prepared on a quarterly basis. 5 - All reconciliations are independently reviewed and signed off by a second officer. 6 - All adjustments (including unrealised profits) posted into the general ledger so that accounts can be reported created directly from a gresso.	Moderate	Rare		1) - Consider controls and whether further actions are required (MA) 2.) Head of Pensions & Treasury reviews all reconciliations (transfer in, transfer out, refunds, benefit paid, lump sum, death benefits and pensions paid)	Sep-23	Deloitte auditors have commenced review of the 2016 and 2019 membership data used by Hymans to calculate the pension fund liabilities and funding level. This may result in a qualification of the 2018/19 and 2019/20 pension fund accounts.
G6	Failure to comply with TPR Cyber requirements for Pension Schemes	Confidential and personal member information is put at risk. Potential breach Of the Data Protection Act 2018. A breach of Corporate IT systems may lead to a failure of the pensions administration system and / or a breach of Data Protection regulations	Moderate	Possible		Council's policies on cyber protection and data protection apply to the Fund. Membership database is locally hosted and subject to the Council's wider cyber security protections including off side back ups. Computers are password protected. Access to sensitive data pool is limited to restricted number of staff. All staff complete corporate mandatory training on data protection and cyber crime. Sharing of password is prohibited. Pension staff are prohibited from amending their own records. System reports are set up to exclude the record of the member of staff running the report. Only one senior members of the team can override	Moderate	Rare		Assess Fund against Draft TPR Code of Practice. Risk cannot be completely eliminated . 2.) Complete LGPS Cyber Score card 3.) Provide cyber risk assessment to Board every 2 years	Sep-23	Comments on cyber score card received from Heywoods, Hymans Robertson. Hymans to assist with Cyber risk review and engagement with LBTH IT.
G7	Failure to secure and manage personal data in line with GDPR requirements	Cyber attacks may lead to loss or compromise of data. Leading to Audit criticism, legal challenge, reputational risks and financial penalties	Moderate	Possible		1.) Annual Information governance for staff 2.) Policies and procedures in place and reviewed regularly (Breaches, Data Protection, Systems Access and Retention Schedule) 3.) Secure physical storage measures 4.) Admin system providers implement range of protections against cyber threats including encryption, firewalls, annual 3rd party penetration testing etc. 5.) Use of actuary's portal to send data for calculations 6.) Actuary implement range of protection against cyber crime	Moderate	Possible		1.) On going monitoring. Ensure completion of cyber score card by LBTH IT officers. 2.) Arrange for Local Pensions Board to receive assurance presentation by Divisional Director IT at its November 2021 meeting. 3.) LGA suggested GDPR policies issued to employers	Dec-23	Scheme version of LGA GDPR policies and templates submitted to Committee for approval and issued to employers in March 2022

Funding & Investment Risks (includes accounting and audit)

Risk no:	Risk Overview (this will happen)	Risk Description (if this happens)	Current impact (see key)	Current likelihood (see key)	Current Risk Status	Internal controls in place	Target Impact (see key)	Target Likelihood (see key)	Target Risk Status	Further Action and Owner	Indicative Time Frame	Comments and update December 2021
F1 1	Investment and/or funding objectives and/or strategies are inappropriate, inconsistent or otherwise no longer fit for purpose such that asset values fall/liabilities rise and funding levels fall and/or employer costs rise unexpectedly	Investment and funding strategies are considered in isolation or without proper advice or without considering legislative changes such as LGPS regulations (e.g. asset pooling), external factors (e.g. McCloud) and other funding and investment related requirements	Catastrophic	Unlikely		1 - ISS / FSS are set in line with legislation /guidance, approved by PC, reviewed regularly and contain links to each other 2 - Close liaison between the Fund's actuary and strategic investment adviser 3 - Fund commissions stochastic modelling from the actuary to test the likelihood of success of achieving required returns 4 - The Fund uses Strategic Investment consultant, but has also engaged an independent adviser to challenge/confirm investment/investment strategy decisions 5 - The Investment Consultant / Independent Adviser along with officers have regular meetings to review the investment strategy and present options to the Committee for approval. 6 - The Fund subscribes to a number of organisations that assist officers to keep abreast of development / changes to the LGPS which may affect funding	Minor	Unlikely		1 - Ensure strategies reviewed in response to external changes (MA) 2 - Consider whether any controls set out in this point are not currently done, and consider implementing (MA)	On-going monitoring	The Pensions Committee is currently undertaking a full investment strategy review

FI 2	Investment targets are not achieved therefore materially reducing solvency / increasing contributions	-Markets perform below actuarial assumptions - Fund managers and/or in-house investments don't meet their targets - Market opportunities are not identified and/or implemented.	Major	Possible		1 - Use of a diversified portfolio (regularly monitored) 2 - Annual formal reviews of the continued appropriateness of the funding/investment strategies by the PC 3 - On going monitoring of appointed managers (including in house investments) managed through regular updates and meetings with key personnel 4 - Officers regularly meet with Fund Managers, attend seminars and conferences to continually gain knowledge of investment opportunities available 5 - Consideration / understanding of potential Brexit implications 6 - Equity Protection and Currency Hedging Strategy in place to protect equity gains and potentially reduce volatility of contributions.	Moderate	Possible		1 - Consider whether any actions set out in this point are not currently done, and consider implementing (MA)	On-going monitoring	This risk cannot be completely eliminated however by diversifying and monitoring the Pensions Committee reduces the risk of occurrence
FI 3	Value of liabilities increase due to market yields/inflation moving out of line from actuarial assumptions	Market factors impact on inflation and interest rates. There is a risk that increased inflation may impact on liabilities which could impact onto employer contribution rates payable to the Fund.	Major	Likely		1 - Use of a diversified portfolio which is regularly monitored. 2 - Monthly monitoring of funding and hedge ratio position versus targets. 3 - Annual formal reviews of the continued appropriateness of the funding/investment strategies by the PC. 4 - Consideration / understanding of potential Brexit implications. 5. Investment strategy reviews held every three years or earlier consider inflation risks and protection from different asset classes. Index linked gilts provide some protection. Some other assets have inflation linkage e.g. property, UK Housing, Renewable Energy fund 6. Fund Actuary consulted when making strategic investment changes involving asset allocations 7. Actuarial valuation uses discount rate linked to inflation to reduce short-term volatility of funding level and employer contributions.	Moderate	Possible		1 - Consider whether any controls set out in this point are not currently done, and consider implementing (MA) 2. Pensions Committee receives quarterly funding update from scheme actuary 3. Independent Adviser provides updates on inflation 4.) Pensions Committee reviewing various inflation linked asset classes.	On going monitoring next review Sept 23	
FI 4	Investment Strategy fails to deliver appropriate returns	Long-term Investment Strategy issues caused by: - Responsible Investment (including Climate Change) is not properly considered - Actual asset allocations move away from strategic benchmark - Relevant information relating to investments is not communicated to the PC - The risks associated with the Fund's assets are not fully understood resulting in taking either too much or too little risk	Major	Possible		1. Fund has in place Responsible Investment (RI) Strategy 2. RI Policy has Strategic RI Priorities 3. London CIV has RI policy in place 4. Asset Allocations formally reviewed as part of quarterly report to PC and necessary action taken to correct imbalance 5 - PC receives formal quarterly reports on both the overall performance of the Fund and individual investment managers 6 - Full Investment Strategy review undertaken by Investment Consultant after triennial valuation with Annual/Ad-hoc Strategy reviews undertaken in intervening years to ensure the Strategy is still appropriate to achieve long term funding objectives 7- PC sign up to TCFD 8 - PC set net zero carbon targets	Moderate	Possible		1 - Consider whether any controls set out in this point are not currently done, and consider implementing (MA) 2- Pensions Committee is currently working on adopting TCFD accreditation and reporting	On going monitoring. Risk cannot be completely eliminated	1.) London CIV RI Policy completed May 21 2.) Draft Tower Hamlets Pension Fund RI Policy June 21 3.) TCFD accreditation March 22 4.) Net zero target set by Pensions Committee November 2020 5.) Full Investment Strategy Review March 24
FI 5	Failure of London CIV and investment managers to meet adequate performance levels resulting in reduced financial returns	Issues with the London CIV including: - The manager selection strategy and process adopted by London CIV through fund manager appointments may be inadequate - Asset pooling restricts Fund's ability to fully implement a desired mandate - Asset Pool may not possess required inhouse skill to manage new asset classes like Renewable Infrastructure fund coinvestments - Failure of Asset Pool to appoint best in class investment managers	Major	Likely		1 - The Fund is a founding member of London CIV and is an active participant at all levels (Executive and Officer) of London CIV. 2 - Specifically, the Fund has representation at the Investment Advisory Committee and Officer's business meetings where strategies and fund manager appointments that align with the Fund's investment strategy are promoted. 3 - The London CIV will have as wide a range of mandates as possible and also that there will be a choice of manager for each mandate/asset class. However, because the CIV has to reach consensus among its 32 members, there is a risk that the full complement of mandates in the Fund may not be replicated by London CIV. 4- The London CIV is planning to appoint investment managers to all asset classes that the Fund is currently invested in. 5 - Fund will be able to retain mandates not currently appointed to by the London CIV and may invest in other pools if they have a desired mandate 6 - Fund to continue close monitoring of Renewable Energy Fund and pressue the LCIV to take advice before coinvestment are made.	Moderate	Possible		1 - Keep abreast of asset pooling developments generally and London CIV issues specifically, and ensure the Fund is well placed to act accordingly (MA) 2 - Pensions Committee to promptly write to LCIV raising any concerns and continue close monitoring	Mar-24	Continued close monitoring. Interim Head of Pensions & Treasury met with LCIV CEO to raise concerns over manager performance
FI 6	Value of liabilities/contributions change due to demographics being out of line with assumptions	Employer related assumptions (early retirements, pay increases, 50:50 take up), life expectancy and other demographic assumptions are out of line with assumptions	Moderate	Unlikely		1 - Regular monitoring of actual membership experience carried out by the Fund. 2 - Actuarial valuation assumptions based on evidential analysis and discussions with the Fund/employers. 3 - Ensure employers made aware of the financial consequences of their decisions 4 - In the case of early retirements, employers pay capital sums to fund the costs for non-ill health cases. 5 - Employer monitoring project commissioned with Hymans to review employers close to cessation.	Moderate	Unlikely		1 - Consider whether any controls set out in this point are not currently done, and consider implementing (MA)	Mar-25	The Fund subscribes to Hymans Club Vitae for demographic monitoring
FI 7	Insufficient cash to pay benefits as they fall due, resulting in disinvestment at depressed asset prices	Increases in benefit outflow, including new retirements, or inadequate monitoring, or reductions in contributions not anticipated/expected and/or investment income is less than expected	Minor	Rare		1 - Annual cashflow monitoring undertaken and utilised to inform Investment Strategy to ensure that Fund is always able to meet liabilities as they fall due 2 - Ensuring all payments due are received on time including employer contributions (to avoid breaching Regulations) 3 - Employer contribution payments monitored on a monthly basis; including a full reconciliation between expected and actual 4 - Late payers are identified and reported to the PC as part of quarterly pensions administration report. 5 - Holding sufficient liquid assets as part of agreed cashflow management policy 6 - Monitor cashflow requirements 7 - Treasury management policy is documented	Minor	Rare		1 - Consider whether any controls set out in this point are not currently done, and consider implementing (MA) 2 - £20m cash requested from Schroders equity protection proceeds to meet cashflow gap for 2021/22 and 22/23	on going monitoring. Next review 2024 June	Pensions Committee agreed £20m cash to cover operational cash short falls in 2021 and 2022
FI 8	McCloud Judgement	Implementation of the proposed remedy following new pension legislation and scheme specific regulations for the removal of age discrimination from the LGPS due to the McCloud judgement. Pension Fund officers unable to adequately comply with legislative and regulatory amendments arising from the proposed McCloud remedy due to employers inability to provide historic data required. There is a key risk that employers will not respond when contacted or employers will not have the required information due to GDPR rules which require finance data to be destroyed after 6 years or some employers may have changed payroll provider. DLUHC has confirmed the proposed remedy and th intention to introduce legislation to the statute books from 1 April 2023 but applied retrospectively to 31 March 2012 and 31 March 2014.	Moderate	Possible		1.) Adjustments were made to the 2019 valuation to account for any possible McCloud impact 2.) Quarterly update to Pensions Committee and Pensions Board 3.) Officers to commence with McCloud project implementation 4.) On 4 February 2021 HM Treasury published its response to the consultation and sets out its preferred remedy choice. DLUHC have produced a document that gives general details as to how the remedy proposal would work for the LGPS. Further legislative changes are required before the remedy can be implemented, however due to the complexity of the proposed remedy pension administrators and pension systems providers have commenced development of systems and processes based on current understandings to enable the remedy to be implemented 5.) Employers have been notified of need to keep historic data 6.) Pensions Funds will need to understand what the impact of the remedy means, develop processes and calculations to apply the regulations or the amended schemes.	Moderate	Possible		1 - Continous monitoring in intervaluation updates (MA) 2 - Set up McCloud project set up and updates reported to Pensions Board and Committee quarterly 3 - communications with scheme members and employers commenced 4.) Possible inability to extract historic payroll data for affected scheme members remains a problem. Officers are working with LBTH payroll and other employers. 5.) Employer change of payroll provider and failure of employer to keep historic data 6.) Engage Heywood to undertake initial collection and bulk upload of scheme member data required from scheme employers. 7.) Officers should keep up to date of all relevant correspondence issued by DLUHC, LGA & HMRC and keep up to date with bulleting and guidance from the Home Office as well as regularly attend webinars, forums and seminars.	Apr-24	McCloud implementation service procured from Heywood. Officers will work along side Heywood to implement remedy. Communication issued to employers in August 21 informing them of need to keep historic data of employees. Heywood commenced contacting employers on behalf of the Fund to collect historic missing data. Employer responses have been poor.
FI 9	Climate Change Impact. Climate change risk can be grouped into two categories Physical risks arising from changes in weather that impact on the economy and Transition risks arising from the transition to a low carbon economy.	Studies and evidence shows that Climate Change has the potential to materially impact financial returns based on current studies as well as societal and economic shifts towards a low-carbon future. Significant fall in equity valuations as a result of climate-related transition risk.	Moderate	Possible		Annual monitoring of Fund carbon footprint by Pensions Committee. Pensions Committee sign up to net zero carbon by 2040 in November 2021. Changes to investment strategy to reduce climate change risk. Annual TCFD disclosures. Well diversified equity strategic asset allocation. The LGIM Low Carbon mandate Hedged and unhedged, LCIV (BG) Paris Aligned fund and LCIV (RBC) Sustainable equity fund all incorporates ESG tilt, reduced carbon foot print, Paris Aligned principles and engagement on climate matters as applicable.	Moderate	Possible		increased monitoring of climate change risk, increased manager monitoring of climate change risk, Pensions Committee prepared TCFD report and Pensions Committee considering Decarbonisation target analysis as well as Net Zero strategy.	on going monitoring	Fund to continue reporting in line with Taskforce on Climate related Financial Disclosures (TCFD) and incorporate draft metrics included in the consultation paper. The aim is to improve assessment, management and disclosures of both climate-related financial risks and opportunities. Pensions Committee will be advised when the regulations and related guidance is releases and Committee will be informed as to how the Fund plans to meet any new requirements in addition to what is currently measured.

#### Administration & Communication Risks

Risk no:	Risk Overview (this will happen)	Risk Description (if this happens)	Current impact (see key)	Current likelihood (see key)	Current Risk Status	Internal controls in place	Target Impact (see key)	Target Likelihood (see key)	Target Risk Status	Further Action and Owner	Indicative Time Frame	Comments and update December 2021
AG 1	Unable to meet legal and performance expectations due to external factors	Big changes in employer or scheme member numbers or unexpected work increases (e.g. regulation changes such as increase in transfers out due to new pension freedoms)	Major	Possible		1 - Ongoing reporting to management/PC/PB to quickly identify issues (For example on transfers - Monitor numbers and values of transfers out being processed and report regularly) 2 - External consultants available to assist if required 3 - Recruitment to new posts	Minor	Unlikely		1 - Ongoing consideration of resource levels post recruitment of new posts (MA) 2 - Ongoing consideration of likely national changes and impact on resource (MA)	On going	This risk remains a possibility due to regulatory changes however officer will mitigate by procuring external consultancy expertise. Autoenrolment and subsequent opt out of hundreds of council employees has impacted the team's ability to process routine tasks while focusing on opt out form processing.

AG2	High administration costs and/or errors (including rectification costs and IDR costs or fraud) and reputational damage if Ombudsman rules against the Fund	Systems or are not kept up to date or not utilised appropriately, or complaints are not dealt with appropriately or other processes inefficient	Major	Likely	1- Business plan has number of forthcoming improvements (i-connect/MSS etc) 2- Use of Altair which is a nationally recognised software with plentiful guidance / support 3 - Ongoing training on how to use systems within the Administration team 4- Fund has (PC approved) Internal Dispute Resolution Policy (IDRP) 5 - Robust checks / adherence with best practice including undertaking regular reconciliation of payments	Minor	Unlikely	1 - Ongoing roll out of iConnect and MSS (MA) 2 - Assessment of Team skills / capabilities once restructure is complete (MA)	Sep-23	
AG 3	Scheme members do not understand or appreciate their benefits and cannot make informed decisions	Newsletters and letters are inaccurate, poorly drafted, overly complicated, irrelevant, too technical or insufficient in some other manner	Moderate	Unlikely	1 - Communications Strategy reviewed and updated 2 - Members provided with explanatory notes and guidance and given access to further pension support 3 - Website provides information on the Scheme and on Members' benefits 4 - Member self service to be launched in 2020	Insignificant	Unlikely	1 - Implementation of member self service to progress to deferred members (MA) 2 - Ensure all communication and literature is up to date / relevant (MA) 3 - Revise / update Admin / Comms Strategies every 3 years or as required (MA) 4 - Consider annual communications survey (MA)	on going monitoring	Communication with scheme members continue to improve. Employers forum is scheduled annually. Members who require pensions savings statement receive statements annually, Member self service roll out continues although take up has been low. Fund website now up and scope to include pensioner members on MSS explored with software provider.
AG 4	Service provision is interrupted or incorrect benefits paid and/or records are lost, including data breaches	System failure or unavailability, including as a result of cybercrime or fraud / misappropriation by officers	Major	Rare	1 - Disaster recovery plan in place and allows the pension administration system to be run from an alternative site 2 - Altair administration system is subject to daily software backups and off-site duplication of records 3 - Pensioner payroll system is subject to daily software backups and off-site duplication of records 4 - Robust checks / adherence with best practice including undertaking regular reconciliation of payments 5 - Internal Audit plan includes dedicated hours for review of internal controls in relation to the management and accounting of the Pension Fund. The plan is designed on a risk basis, so that areas of high risk will be subject to more frequent internal audits 6 - Recommendations from internal audits of processes and controls are implemented in a timely manner	Moderate	Rare	1 - Ongoing checks relating to suitability of disaster recovery plan (MA) 2 - Review of cybercrime risk controls (MA) 3. continuous monitoring of business continuity plans for pensions	Mar-23	Cyber risk introduced. Fund provided with details of Heywood's own disaster recovery. Plans in progress to secure access to pension admin records should council's network be temporarily down
AG 5	Guaranteed Minimum Pension (GMP) reconciliation. In accurate record keeping	From 6 April 2016 changes to the State Pension Scheme remove the contracting-out nature of the LGPS. GMP's no longer provided by HMRC. GMP information held by Fund could be wrong resulting in potential for liabilities being paid by Fund. High Court ruling determination that UK defined pension schemes must compensate members for differences attributable to GMP. Impact of the potential adjustments to be made to members' pensions as a result of the GMP reconciliation exercise.	Major	Likely	1.) Establish internal controls 2.) resolve contract with ITM. 3.) Identify terms of LBTH IT procurement of GMP reconciliation in Aquila Heywood contract 3.) Possible impact on pensions team resources	Minor	Unlikely	1 - Data analysis carried out and action taken to reconcile and adjust paid pension paid to retired members. 2. to review GMP amounts allocated to active and deferred members 3. Internal Audit	March 2024 or once impact of final legislation is known	
AG 6	Data Quality Issues	The Fund produced a remediation plan which is expected to put in place improvements for pension fund administration and governance over a 2 to 3 year period. Data quality is a key issue and it is necessary to nip in the bud from the onset which is at the point when the initial data is received from the employer.	Major	Likely	1.) Liaise with pensions admin software provider to produce annual data reviews. 2.) Set initial targets which are achievable then raise with time. 3.) Upload member data to actuary data portal to identify errors annually	Minor	Unlikely	1 - Take steps to address issues with employers directly 2. Escalate to senior officers for each employer. 3. Report to internal audit and Pensions Regulator as last resort 4. Liaise with actuary and action data quality report recommendations issued during triennial valuations	On-going monitoring	
AG 7	Scam detection and Prevention	There is a risk that a Scheme Member could be the victim of fraud. This could be caused by the Scheme Member being exploited into transferring their pension from the LGPS to a bogus or unsuitable pension scheme. This could result in the Scheme Member losing their pension or being at financial loss. This could also result in the Regulator finding against the Fund and requiring it to make good the losses experienced by the Scheme Member.	Minor	Unlikely	The Fund complies with the Code of Good Practice and the Pensions Regulator's guidance and check list. Pension officer notify team leaders and managers if transfer is to a scheme which is perceived as a "scam". Scheme members are required to sign against the TPR check list to ensure they are aware and have taken adequate financial advice. Companies House, HMRC and FCA register is checked to ensure legitimacy.	Minor	Unlikely	Electronic news letters to scheme members via MSS to continue to make members aware of pension scam awareness and cyber security risks	On going monitoring	
AG 8	Financial Irregularity	There is a risk of unintentional overpayments. Failure to address financial irregularity may result in a financial loss to the Fund and scheme employers, as well as reputational damage to the Council	Minor	Unlikely	Unintentional overpayments – The NFI activity may identify overpayments where no fraudulent activity has arisen, but a beneficiary has unintentionally benefited from the Fund, e.g. payments continuing to be made to a widow(er) following the death of their partner. In such instances, officers act compassionately whilst still protecting the assets of the Fund.	Minor	Unlikely	Reconciliation of scheme data (pensioners and deferred members) against NFI is procured half yearly.	Sep-23	Note: cases do not necessarily constitute a fraud, but do represent areas where there is a discrepancy between the Fund's information and data from the government agencies. Half yearly comparison eliminates risks of over payment. NFI data matching costs is met by the Fund. Overpayment policy
AG9	Delay in Transfer in processing time	Timely processing of Transfer in cases is reliant on members previous pension scheme/Fund providing transfer quote or payments promptly.	Major	Possible	Pension Officer case review meetings identifies transfer in cases which require escalation. Officers send 2 remainder letters to schemes in question and notify member of delay	Moderate	Possible	Escalation process involves notifying member of delay experienced by fund. Remainder letter to schemes include deadlines to respond	Ongoing monitoring	

#### Employer Risk

Risk no:	Risk Overview (this will happen)	Risk Description (if this happens)	Current impact (see key)	Current likelihood (see key)	Current Risk Status	Internal controls in place	Target Impact (see key)	Target Likelihood (see key)	Target Risk Status	Further Action and Owner	Indicative Time Frame	Comments and update December 2021
ER 1	Inability to meet legal and performance expectations (including inaccuracies and delays and potential legal breaches) due to lack of or poor quality data from the council and other employers.	Employers: -don't understand or meet their responsibilities -don't allocate sufficient resources to pension matters - don't engage with the Administering Authority the council is the main employer in the scheme and accounts for over 85% of income to the pension fund. Payroll reports and data information received from the council do not agree to amounts paid to the scheme.	Major	Likely		1 - Administration strategy updated and consulted upon 2 - Communications Strategy (to be reviewed) sets out how Fund will engage with all Stakeholders 3 - Ensure information communicated to Employers is clear, concise and relevant 4 - Where available use standard templates/information from the LGPS employers association 5 - Provide training to employers that is specific to their roles and responsibilities in the LGPS 6 - Employer access to the i-Connect portal (roll-out in progress), and forms available on website 7 - Employers can access specialist support from Fund Officers 8 - Engage with relevant council team on employee data quality	Moderate	Possible		1 - Continue to work with identified employer to ensure issues are resolved 2 - Revise / update Admin / Comms Strategies 3 - Identify other employer data issues and engage with employers on these 4. Update Board on progress with LBTH payroll	On going monitoring	Data remains an issue with council
ER 2	Failure to provide an Annual Benefit Statement to 100% of active members due to incorrect data provided by employers in the scheme	Historic issues around data provision by council and other employers in the scheme remain. Where scheme employers are unable to provide correct and timely data on their employees this has a direct impact on the Fund's ability to provide correct Annual Benefit Statements to all its scheme members especially active members. Incorrect salary data means pension estimates are also incorrect when provided to members.	Major	Likely		1.) Establish data portal for employers to upload data 2.) Enforce data submission by employers 3.) Review and identify data errors within days of employer upload 4.) Contact employers immediately to rectify data errors on portal 5.) Provide training to employers on how to use data portal and recognising data errors 6.) Reconcile monthly contributions paid by employers against data uploaded to portal and contact employers within reasonable time frame 7.) Ensure employers provide end of year payroll reports.	Minor	Unlikely		1 - Take steps to address issues with employers directly 2. Escalate to senior officers for each employer. 3. Report to internal audit and Pensions Regulator as last resort. All employers apart from LBTH council, East End Homes, Tower Hamlets Homes, Mulberry Academy, ITRES and Cayley. 4.) Reconciliations of payroll spreadsheet compared with payroll data extraction report shows employees with differences in employer and employee contributions. Continue to liaise with LBTH payroll to resolve.	On going monitoring	Review date extended to March 2023 pending council resolution of employee payroll data in accuracies and upload of employee payroll data to pensions portal
ER 3	Employer unable to pay cessation deficits leading to other employers becoming liable for such deficits	Employer ceasing to exist or otherwise exiting (e.g. when contract ends) with insufficient funding (bond or guarantee).	Moderate	Unlikely		1 - Employer monitoring database developed and updated quarterly to capture key metrics that drive an employers' liabilities and status within the Fund. 2 - Contract dates for admitted bodies are monitored, so that officers are aware and able to identify employers that are due to leave the Scheme. 3 - Fund Actuary is notified of the need to calculate a cessation valuation 3 months before an employer is due to leave the Fund. 4 - Admission agreements policy requires a guarantee or bond. 5 - Fund Actuary undertakes periodic review of employer profiles which are factored into employer contribution rates.	Minor	Unlikely		1 - Consider whether any controls set out in this point are not currently done, and consider implementing (MA)	Mar-24	1.) Periodic review of employer financial standing 2.) Update FSS as and when necessary

ER 4	Employer contributions are insufficient and/or inappropriate relative to the employer's risk profile, potentially leading to other employers having to meet their liabilities	- Funding and/or investment strategy doesn't take into account changes to employer risk characteristics or the strength of employers' covenant. - Employer contributions not in line with Rates and Adjustments Certificate from actuarial valuation - Fund fails to recover other Employer income adding to the deficit.	Major	Unlikely	1 - Ensuring appropriately prudent assumptions on ongoing basis 2 - Employer covenant analyses undertaken by the actuary, along with employer profiling to help understand employer specifics. This is carried out on admission and periodically and the actuary uses this information when contribution rates are being set triennially. 3 - Employer monitoring database developed / updated quarterly to capture key metrics that drive an employer's liabilities. 4 - Regular profiling of employers' characteristics to ensure that assumptions are still relevant and the FSS is fit for purpose. 5 - Employer contribution payment is monitored against expected payment quarterly and late payers reported to PC. 6 - All employer expenditure incurred by the fund is recharged to the relevant employer via itemised invoices. All income recoverable is itemised in the custodian reports. 7 - Recovery / timing of invoices is regularly monitored. 8 - Actuarial / Investment advice provided by qualified professionals and subject to peer review to ensure that it is fit for purpose.	Moderate	Unlikely	1 - Ensure employer covenant monitoring remains fit for purpose (MA) 2 - Consider whether any controls set out in this point are not currently done, and consider implementing (MA)	Mar-25	Risk was evaluated during 2022 valuation. Housing Association employer risk profile increased by actuary due to reduced active membership numbers
ER 5	McCloud	Inability of scheme employers to provide required data	Major	Likely	Perfrom data review exercise in bulk and individually to identify scheme members who may qualify and / or identify missing data	Moderate	Possible	1.) Software provider currently developing calculations and recalculations of deferred benefits and those already in receipt of pension to identify incorrect values and any over/underpayments. 2.) The ABS will need to be amended following implementation of the amended remedy regulations as it is anticipated McCloud data will be included for each scheme member. 3.) ABS contain a statement on McCloud provided by the LGA. 4.) Changes by software provider should include bulk calculations and calculations for individuals, include revised pension amounts, arrears payable/collectible (benefits and contributions) plus interest payable if applicable.	Sep-23	

**SUMMARY**