

## RISK REGISTER MARCH 2021 UPDATE

### Governance

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 July 2021
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	Unlikely		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 - Officers on London CIV Working Group 6 - Ongoing monitoring of cybercrime risk by Officers and PC 7.) Close working relationship between officers, investment consultant, scheme actuary and independent investment adviser. 8.) Officers keep abreast with regulatory changes and immediate reporting to Pensions Board	Moderate	Unlikely		1 - Regular ongoing monitoring to consider if any action is necessary around asset pooling, cost cap and McCloud judgement (MA)	on going standard monitoring	This risk is now green due to the following reasons: 1.) There are no outstanding investment request with LCIV. 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
G3	Services are not being delivered to meet legal and policy 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. Failure to review existing contracts leads to poor value, sub-optimal providers.	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 6 - All procurement carried out in line with the Council's procurement rules and guidance 7 - Contracts reviewed annually (including market testing where applicable) to ensure Fund receives good value 8 - Pension Fund contracts should be agreed and managed by staff with pension fund experience and LGPS Framework used where available 9- National LGPS Framework first consideration for pension contracts as applicable.	Minor	Unlikely		1 - Recruit to any vacant roles (MA) 2 - Continue training of new and newly promoted staff (MA) 3.) Annual appraisals and target setting for all staff.	Mar-23	This risk has been upgraded from red to amber. The Corporate Director Resources agreed that the contract is returned to the management of the Head of Pensions & Treasury. 2.) Monthly client meetings now take place between Heywoods and Pensions Team to ensure services issues are resolved 3.) Recruitment of permanent staff underway 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.
G4	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 - Resolution on pensions admin contract (MA) 4.) Procure governance review every 4/5 years	on going standard monitoring	All key policies now in place (administrative strategy, breaches policy, IDRP, Investment Strategy Statement, Communications Policy.
G5	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-commence September 2021 3.) Fund Investment adviser and fund actuary provide additional training as required. 4.) Fund managers provide additional training as required

G6	Losses or other detrimental impact on the Fund or its stakeholders	Risk is not identified and/or appropriately monitored (recognising that many risks can be identified but not managed to any degree of certainty)	Major	Unlikely		1 - Risk policy in place 2 - Risk register in place and key risks/movements considered quarterly and reported to PC meeting 3 - Attendance at regional / national forums to keep abreast of current issues and their potential impact on the Fund. 4 - Fundamental review of risk register annually 5 - TPR Code Compliance review completed annually 6 - Annual internal and external audit reviews 7 - Breaches procedure also assists in identifying key risks	Moderate	Rare		1 - Revise / update Risk Policy (MA) 2 - Revise / update Risk Register (MA) 3 - Ensure Annual Reviews of Risk Register / TPR Compliance (MA) 4 - Revise / update Breaches procedure (MA)	Jun-22	1.) Breaches Policy Review completed 2.) Risk register review on going 3.) TPR Code of Compliance review March 2022 4.) Internal audit review 2020/21 completed March 21
G7	Legal requirements and/or guidance are not complied with, leading to financial loss and / or reputational damage - internal factors	Those tasked with managing the Fund are not appropriately trained or do not understand their responsibilities (including recording and reporting breaches), or there is a lack of access to appropriate legislation / guidance.	Major	Unlikely		1 - TPR Code Compliance review completed annually 2 - Annual internal and external audit reviews 3 - Breaches procedure also assists in identifying non-compliant areas 4 - Training policy in place (fundamental to understanding legal requirements) 5 - Use of nationally developed administration system 6 - Documented processes and procedures to ensure compliance 7 - Strategies and policies include statements or measures around legal requirements/guidance 8 - Wide range of expert advisers in place 9 - Officers maintain knowledge of legal framework for routine decisions. Council's legal team is involved in reviewing PC papers and other legal documents. 10 - Access to LGA material, use of specialist advisors, membership on national and regional forums and attending training. 11 - Collaborative working with other Funds to assess requirement and impact of new legislation.	Moderate	Rare		1 - Ensure Annual Reviews of Risk Register / TPR Compliance (MA) 2 - Revise / update Breaches procedure (MA)	Mar-22	1.) Revised training plan for Board and Committee March 22 2.) TPR Code Compliance review March 22
G8	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	Catastrophic	Unlikely		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 AGRESSO.	Moderate	Rare		1 - Consider controls and whether further actions are required (MA)	Jun-22	Council audit on going. This risk will be reviewed once 2018/19, 2019/20 and 2020 accounts audit have been completed
G9	Pensions administration contract agreed and managed by non pensions and non finance staff	Several key risks on data. Services paid for which the Fund had not implemented. Lack of Pensions regulatory and legislative knowledge of staff agreeing contract	Moderate	Rare		1.) Raise concerns with appropriate LBTH IT staff and resolve	Moderate	Rare		Contract management reassigned to pensions current for the duration of the Interim Pensions & Investment managers stay with LBTH. Negotiate possibility of moving current contract to LGPS Framework terms and conditions	on going standard monitoring	Management of pensions administration software contract now assigned to Head of Pensions and Treasury who will liaise with IT and information governance teams as and when IT expertise is required. Pensions team officers now attend Heywoods CLASS group meetings for LGPS schemes to keep abreast with developments. Client meetings takes place each month between provider and Head of Pensions and Treasury. Pension officers to ensure that software contract procurement due in 2024 will be procured via National LGPS Framework
<b>NEW RISKS</b>												
G10	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	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	Possible		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-22	Comments on cyber score card received from Heywoods, Hymans Robertson. Comments from LBTH IT pending

G11	Failure to secure and manage personal data in line with data protection 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		on going monitoring. Ensure completion of cyber score card by LBTH IT officers. Arrange for Local Pensions Board to receive assurance presentation by Divisional Director IT at its November 2021 meeting	Jun-22	
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### 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 July 2021
FI 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)	Jun-22	The Pensions Committee is currently undertaking a full investment strategy review
FI 2	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-23	This risk will be evaluated upon completion fo the 2022 triennial valuation

FI 3	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	Unlikely		1 - Consider whether any actions set out in this point are not currently done, and consider implementing (MA)	Ongoing	This risk cannot be completely eliminated however by diversify and monitoring the Pensions Committee reduces the risk of occurrence
FI 4	Value of liabilities increase due to market yields/inflation moving out of line from actuarial assumptions	Market factors impact on inflation and interest rates. Legislative changes such as LIBOR transition could impact investment returns.	Moderate	Possible		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. Monitoring of Fund investments affected by LIBOR transition and bench mark changes required by investment managers from LIBOR to SONIA.	Moderate	Unlikely		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	On going monitoring next review March 23	
FI 5	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	Catastrophic	Unlikely		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	Catastrophic	Unlikely		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 22
FI 6	The Asset Pool fails to meet the Fund's needs	Issues with the London CIV including: - The investment strategy adopted by London CIV through fund manager appointments - Asset pooling restricts Fund's ability to fully implement a desired mandate - Investment consultant notes that LCIV does not possess required inhouse skill to manage new asset classes like Renewable Infrastructure fund coinvestments	Major	Unlikely		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 coinvestmet are made.	Moderate	Unlikely		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 write to LCIV raising any concerns and continue close monitoring	on going monitoring	1.) Procurement of Renewable Energy fund completed - March 21. 2.) There are currently no outstanding investments requiring procurement.
FI 7	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-23	The Fund subscribes to Hymans Club Vitae for demograhic monitoring

FI 8	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 cahflow gap for 2021/22 and 22/23	on going mointrng. Next review 2023 June	Pensions Committee agreed £20m cash to cover operational cash short falls in 2021 and 2022
FI 9	Loss of employer income and/or other employers become liable for their 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-23	
FI 10	COVID-19 Pandemic	The Council is the main employer in the Fund. There are a number of small employers mainly from outsourcing of school catering and cleaning over the years. Employers unable to pay employer contributions. Ceding employers unable to support outsourced operations. Investment environment changes redically, and Fund is slow to respond, leading to lower solvency.	Moderate	Possible		1.) Draft contribution deferral policy submitted to Committee for consideration in July 2020 2.) Covenant reviews and review of high risk employers in the fund. 3.) Active investment monitoring, possible implementaion of Equity Protection by Pensions Committee. 4.) FSS updated and Debt Referral policy and updated exist polcies now in place.	Moderate	Possible		update draft contribution deferral policy once SAB update is issued. Continuous monitoring (MA)	on going monitoring	
FI 11	McCloud Judgement	Remedies relating to the McCloud judgement that need to be made in relation to the LGPS - Court of Appeal ruling that the transitional protections awarded to some scheme members were unlawful on the grounds of age discrimination and could not be justified.	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	Moderate	Possible		1 - Continuous 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 IT 5.) Employer change of payroll provider and failure of employer to keep historic data	Sep-22	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. Officers to attend Head Teachers forum in September to address schools who have opted out of using council payroll services. Data will be one of the main agenda items during the October 2021 employers forum#

**NEW RISKS**

FI12	Climate Change Impact	Climate Change has the potential to materially impact financial returns	Moderate	Possible		Annual monitoring of Fund carbon footprint by Pensions Committee. Pensions Committee sign up to net zero carbon by 2040, Changes to investment strategy to reduce climate change risk	Minor	Unlikely		increased monitoring of climate change risk, increased manager monitoring of climate change risk, Pensions Committee signed up to TCFD reporting from 31 March 2021	on going monitoring	
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**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 July 2021
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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
AG 2	Unable to meet legal and performance expectations (including inaccuracies and delays in benefit calculations) leading to potential member complaints and poor data security	Staff are poorly trained and/or we can't recruit/retain sufficient quality of staff, and/or appropriate succession planning is not in place	Major	Likely		1 - Training Policy, Plan and monitoring in place 2 - External consultants available to assist if required 3 - Data protection training, policies and processes in place 4 - Business plan includes workforce matters 5 - Review of administration team structure 6 - Quarterly update reports consider resourcing matters 7 - Staff reviews implemented and most vacant positions now recruited to 8 - Ongoing training within the team	Minor	Unlikely		1 - Recruit to any vacant roles (MA) 2 - Ongoing consideration of succession planning (MA) 3 - Continue training of new and newly promoted staff (MA) 4. Complete team restructuring (MA)	Mar-22	Recruitment to vacant posts on going and agency staffs are used in the interim
AG 3	Unable 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	Minor	Unlikely		1 - Ongoing roll out of I-connect (MA) 2 - Revise / update Admin / Comms Strategies (MA) 3 - Identify other employer data issues and engage with employers on these (MA) 3. Put in place Pension Fund website	Jun-23	Data remains an issue with council
AG 4	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	Possible		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 5	Scheme members do not understand or appreciate their benefits and cannot make informed decisions	Communications are inaccurate, poorly drafted, overly complicated, irrelevant, too technical or insufficient in some other manner	Moderate	Unlikely		1 - Communications Strategy (to be reviewed) 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 (MA) 2 - Ensure all communication and literature is up to date / relevant (MA) 3 - Revise / update Admin / Comms Strategies (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. Fund website up and running by 31 October 2021
AG 6	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 7	COVID-19 affecting the day to day functions of the Pensions Administration services including customer telephony service, payment of pensions, retirements, death benefits, transfers and refunds. 2	Disruption in work patterns of the team affected by covid-19 pandemic. Reote working presenting data protection risks.	Minor	Unlikely		1) The Pensions Administration team have shifted to working from home. 2) The administrators have prioritised death benefits, retirements including ill health and refunds. If there is any spare capacity the administrators will prioritise transfers and divorce cases. 3) Revision of processes to enable electronic signatures and configure the telephone helpdesk system to work from home. 4) Sending additional and follow up letters to overseas pensioners. 5) All members of the Pensions & Investments teams have phones diverted to mobiles to maintain required level of customer contact. This includes main team member which was also diverted to mobile.	Minor	Unlikely		1. Implement council procedures for staff home working (MA) 2.) Implement Pensions Regulator directive on covid-19 (MA) 3.) Undertake LGPS AON Cyber crime assessment review and implement recommendations	on going monitoring	

AG 8	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	Red	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	Yellow	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	Ongoing review in March 2022 once impact of final legislation is known	
AG 9	Impact of covid-19 on scheme employers	Employer affected by covid-19 could go into administration or encounter short to medium term cash flow issues. The council is the main employer in the scheme.	Moderate	Unlikely	Green	1 - Develop Policy to address eventualities 2 - Monitor employer contributions 3 - Review admission agreements and employer convenants	Insignificant	Unlikely	Green	1 - Continuous monitoring of employer contributions (MA) 2 - Liaise with employers experiencing difficulty paying contributions (MA)	on going monitoring	
AG 10	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	Red	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	Yellow	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	Dec-21	Review date extended to March 2023 pending council resolution of payroll data upload
AG 11	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	Red	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	Yellow	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	Jun-22	

Totals					
Governance		Funding & Investment Risks (includes accounting and audit)		Administration & Communication Risks	
Red	0	Red	0	Red	5
Amber	7	Amber	6	Amber	2
Green	3	Green	5	Green	4