

Tower Hamlets Pension Fund Risk Register

Risk Ref	Risks	Triggers	Consequences	Current Risk			Required Control Measures	Target Risk			Responsibility	CPT
				L	I	Total		L	I	Total		
HRP0009	There is a risk that historical errors in Pension Scheme member data will lead to materially incorrect calculation of the Pension's liability figure and qualification of the Council's Statement of Accounts and Pension Fund Accounts.	<p>External Audit review of IAS 19 (Employee Benefit) reports leading to discovery of unremediated errors in the underlying records.</p> <p>Triennial valuation to scheme actuary</p> <p>Valuation extracts to scheme actuary</p>	Material error in calculation of the Pension's Liability figure leading to qualification of the Council's Statement of Accounts.	4	4	16	<p>Initial one-off reconciliation of pensioner records in altair and payroll to identify records which require amending or updating</p> <ol style="list-style-type: none"> 1) Reconciliation of pensioner Altair records 2) Reconciliation of payroll pensioner records 3) Identification of inconsistent errors 4) Amend records 5) Sign off 6) Provide error list to scheme actuary for estimation of liability <p>Costs cannot be estimated at this Time Abdulrazak Kassim <u>Required Control Measure</u> Target Date: 28/02/2025</p>	3	3	9	Abdulrazak Kassim	
HRP0035	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	<p>Employers:</p> <ul style="list-style-type: none"> -don't understand or meet their responsibilities -don't allocate sufficient resources to pension matters - don't engage with the Administering Authority <p>- 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</p>		4	4	16	<p>Continue to work with identified employer to ensure issues are resolved Paul Audu <u>Required Control Measure</u> Target Date: Ongoing with breaches to be resolved by 31 January 2025</p> <p>Revise / update Admin / Comms Strategies Paul Audu <u>Required Control Measure</u> Target Date: 31 March 2025</p>	3	3	9	Paul Audu	

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		from the council do not agree to amounts paid to the scheme.			<p>Identify other employer data issues and engage with employers on these Paul Audu <u>Required Control Measure</u> Target Date: 31 March 2025</p> <p>Update Board on progress with LBTH payroll Paul Audu <u>Required Control Measure</u> Target Date: 31 March 2025</p>			
HRP0039	McCloud	Inability of scheme employers to provide required data		4 4 16	<p>Identify Under/Over Valuations</p> <p>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 Paul Audu <u>Required Control Measure</u> Target Date: Dependent on finalisation of legal and regulatory position</p> <p>Amend Annual Benefits Statement (ABS) in line with remedy</p> <p>The ABS will need to be amended following implementation of the amended remedy regulations as it is anticipated McCloud data will</p>	3 3 9	Paul Audu	

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							<p>be included for each scheme member Paul Audu <u>Required Control Measure</u> Target Date: Dependent on finalisation of legal and regulatory position</p> <p>ABS contain a statement on McCloud provided by the LGA. Paul Audu <u>Required Control Measure</u> Target Date: Dependent on finalisation of legal and regulatory position</p> <p>Calculations using Software:</p> <p>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. Paul Audu <u>Required Control Measure</u> Target Date: Dependent on finalisation of legal and regulatory position</p>							
HRP0014	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		3	5	15	<p>Consider controls and whether further actions are required Paul Audu <u>Required Control Measure</u> Target Date: Ongoing (31 March 2025)</p> <p>Head of Pensions & Treasury reviews all reconciliations (transfer in, transfer out, refunds, benefit paid, lump sum, death benefits and pensions paid) Paul Audu <u>Required Control Measure</u> Target Date: Ongoing (31 March 2025)</p>	1	3	3	Paul Audu			

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HRP0019	There is a Risk of increased liabilities due to market yields/inflation moving out of line from actuarial assumptions/forecasting.	Inflation and gilt yields change in a manner which has a significant adverse impact on the funding ratio.	Negative impact on employer contribution rates payable to the Fund.	4	3	12	Consider whether any controls set out in this point are not currently done, and consider implementing Paul Audu <u>Required Control Measure</u> Target Date: Ongoing (31 March 2025)	3	3	9	Pensions Committee receives periodic funding update from scheme actuary. Independent Adviser provides updates on inflation. Paul Audu <u>Required Control Measure</u> Target Date: Ongoing (31 March 2025)	Pensions Committee reviewing various inflation inked asset classes. Paul Audu <u>Required Control Measure</u> Target Date: Ongoing (31 March 2025)	Paul Audu	

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HRP0020	Investment Strategy fails to deliver appropriate returns	<p>Long-term Investment Strategy issues caused by:</p> <ul style="list-style-type: none"> - 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. 		3	4	12	<p>Consider whether any controls set out in this point are not currently done, and consider implementing</p> <p>Paul Audu</p> <p><u>Required Control Measure</u> Target Date: Ongoing (31 March 2025)</p> <p>Pensions Committee is currently working on adopting TCFD accreditation and reporting</p> <p>Paul Audu</p> <p><u>Required Control Measure</u> Target Date: Ongoing (31 March 2025)</p>	3	3	9	Paul Audu	

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HRP0021	There is a Risk that the London CIV and Investment Managers underperform.	Issues with the London CIV including: - Poor approach to fund manager selection. - Pool restricts Fund's ability to implement a desired strategy/mandate. - Pool may not possess required in-house skill to manage new asset classes.	Opportunity cost / Reduced financial returns	4	3	12	Keep abreast of asset pooling developments generally and London CIV issues specifically, and ensure the Fund is well placed to act accordingly Paul Audu <u>Required Control Measure</u> Target Date: Ongoing (31 March 2025) Pensions Committee to promptly write to LCIV raising any concerns and continue close monitoring Paul Audu <u>Required Control Measure</u> Target Date: Ongoing (31 March 2025)	3	3	9	Paul Audu			
HRP0027	There is a risk to the Pension Service's Budget due to high administration costs and/or errors by way of rectification costs, IDR costs or Fraudulent activities. There is also further financial risk and reputational risk if the Ombudsman rules against the Fund.	Inefficient Processes Out of date systems/processes Inappropriate or under use of systems Complaints not processed efficiently or effectively	Suggested: Fines/penalties issued by Ombudsman or other governing body. (estimate/range of costs) Reputational damage	4	3	12	MSS also rolled out although take up yet to attain 50% Paul Audu <u>Required Control Measure</u> Target Date: Assessment of Team skills / capabilities, training and reconciliations Paul Audu <u>Required Control Measure</u> Target Date: Ongoing (31 March 2025)	2	2	4	Paul Audu			

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HRP0030	<p>Guaranteed Minimum Pension (GMP) reconciliation. Inaccurate record keeping</p> <p>Suggested Wording: There is a risk to the Guaranteed Minimum Pension reconciliation if records are not kept accurately.</p>	<p>From 6 April 2016 changes to the State Pension Scheme remove the contracting-out nature of the LGPS.</p> <p>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.</p> <p>Suggested: As of 2016, changes to State Pension Scheme removed contracting out nature of the LGPS. Triggers include weak controls/processes, turnover of key personnel resulting in knowledge/skills loss, database bugs/errors, System failure (resulting in accidental deletion of data)</p>	<p>Suggested: Members Pensions are inaccurately adjusted resulting in potential liabilities</p>	4	3	12	2	2	4	Paul Audu	

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HRP0031	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.		4	3	12	2	2	4	Paul Audu	

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HRP0017	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		2	5	10	2	2	4	Paul Audu	

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HRP0038	Employer contributions are insufficient and/or inappropriate relative to the employer's risk profile, potentially leading to other employers having to meet their liabilities	<ul style="list-style-type: none"> - 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. 		2	5	10	3	3	9	Paul Audu	

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HRP0010	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		3	3	9	Continue manager deep dive and performance monitoring. Paul Audu <u>Required Control Measure</u> <u>Target Date: Ongoing (31 March 2025)</u>	3	3	9	Paul Audu	

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HRP0011	Key Person Risk and staff turnover, Risk of loss of key/senior staff	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	lost knowledge and inability to meet service objectives	3	3	9	3	3	9	Paul Audu	

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HRP0015	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		3	3	9	Assess Fund against Draft TPR Code of Practice. Risk cannot be completely eliminated. Paul Audu <u>Required Control Measure</u> <u>Target Date: Ongoing (31 March 2025)</u> Complete LGPS Cyber Score card Paul Audu <u>Required Control Measure</u> <u>Target Date: Ongoing (31 March 2025)</u> Provide cyber risk assessment to Board every 2 years Paul Audu <u>Required Control Measure</u> <u>Target Date: Ongoing (31 March 2025)</u>	1	3	3	Paul Audu	
HRP0016	Failure to secure and manage personal data in line with GDPR requirements	Cyber-attacks may lead to loss or compromise of data.	Audit criticism, legal challenge, reputational risks and financial penalties	3	3	9	On going monitoring. Ensure completion of cyber score card by LBTH IT officers. Paul Audu <u>Required Control Measure</u> <u>Target Date: Ongoing (31 March 2025)</u> Arrange for Local Pensions Board to receive assurance presentation by Divisional Director IT.	3	3	9	Paul Audu	

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HRP0018	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.		3	3	9	3	3	9	Paul Audu	

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HRP0024	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 the intention to introduce legislation to the statute books from 1 April 2023 but applied retrospectively to 31 March 2012 and 31 March 2014.		3	3	9	3	3	9	Paul Audu	

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provider and failure of employer to keep historic data.
Paul Audu
Required Control Measure
Target Date: Ongoing (31 March 2025)

Engage Heywood to undertake initial collection and bulk upload of scheme member data required from scheme employers.
Paul Audu
Required Control Measure
Target Date: Ongoing (31 March 2025)

Staff to keep up with relevant/new guidelines from DLUHC, LGA, HMRC & Home Office

Officers should keep up to date of all relevant correspondence issued by DLUHC, LGA & HMRC and keep up to date with bulletin and guidance from the Home Office as well as regularly attend webinars, forums and seminars.
Paul Audu
Required Control Measure
Target Date: Ongoing (31 March 2025)

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HRP0025	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 show 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 because of climate-related transition risk.	3	3	9	Increased Monitoring and Analysis increased monitoring of climate change risk, increased manager monitoring of climate change risk, Pensions Committee prepared TCFD report and Pensions Committee considering Decarbonization target analysis as well as Net Zero strategy. Paul Audu <u>Required Control Measure</u> Target Date: Ongoing (31 March 2025)	3	3	9	Paul Audu	
HRP0026	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)		3	3	9	Ongoing consideration of resource levels post recruitment of new posts Paul Audu <u>Required Control Measure</u> Target Date: Ongoing (31 March 2025) Ongoing consideration of likely national changes and impact on resource Paul Audu <u>Required Control Measure</u> Target Date: Ongoing (31 March 2025)	2	2	4	Paul Audu	

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HRP0034	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.		3	3	9	Escalation Process Escalation process involves notifying member of delay experienced by fund. Remainder letter to schemes include deadlines to respond Paul Audu <u>Required Control Measure</u> <u>Target Date: Ongoing (31 March 2025)</u>	3	3	9	Paul Audu	
HRP0036	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.		3	3	9	Take steps to address issues with employers directly Paul Audu <u>Required Control Measure</u> <u>Target Date: Ongoing (31 March 2025)</u> Escalate to senior officers for each employer Paul Audu <u>Required Control Measure</u> <u>Target Date: Ongoing (31 March 2025)</u> Reporting 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 Paul Audu <u>Required Control Measure</u> <u>Target Date: Ongoing (31 March 2025)</u> Reconciliations Reconciliations of payroll spreadsheet compared with payroll data extraction report	2	2	4	Paul Audu	

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							shows employees with differences in employer and employee contributions. Continue to liaise with LBTH payroll to resolve. Paul Audu <u>Required Control Measure</u> Target Date: Ongoing (31 March 2025)					
HRP0022	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		2	3	6	Consider whether any controls set out in this point are not currently done, and consider implementing Paul Audu <u>Required Control Measure</u> Target Date: Ongoing (31 March 2025)	2	3	6	Paul Audu	
HRP0028	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		2	3	6	Implementation of member self-service to progress to deferred members Paul Audu <u>Required Control Measure</u> Target Date: Ongoing (31 March 2025) Ensure all communication and literature is up to date / relevant Paul Audu <u>Required Control Measure</u> Target Date: Ongoing (31 March 2025) Revise / update Admin / Comms Strategies every 3 years or as required Paul Audu <u>Required Control Measure</u> Target Date: Ongoing (31 March 2025) Consider annual communications survey Paul Audu	2	1	2	Paul Audu	

					<i>Required Control Measure</i> <i>Target Date: Ongoing (31</i> <i>March 2025)</i>			
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HRP0037	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).		2	3	6	2	2	4	Paul Audu	
HRP0029	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		1	4	4	1	3	3	Paul Audu	

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HRP0032	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.	2	2	4	<p>Communicate to Scheme Members</p> <p>Electronic newsletters to scheme members via MSS to continue to make members aware of pension scam awareness and cyber security risks</p> <p>Paul Audu</p> <p><u>Required Control Measure</u> Target Date: Ongoing (31 March 2025)</p>	2	2	4	Paul Audu	
HRP0033	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	Financial Irregularity	There is a risk of unintentional overpayments.	2	2	4	<p>Reconciliation of scheme data (pensioners and deferred members) against NFI is procured half yearly.</p> <p>Paul Audu</p> <p><u>Required Control Measure</u> Target Date: Ongoing (31 March 2025)</p>	2	2	4	Paul Audu	

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HRP0013	Inappropriate or no decisions are made	<p>Governance (particularly at PC) is poor including due to:</p> <ul style="list-style-type: none"> - 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 		2	1	2	<p>Revise and update Conflicts of Interest Policy Paul Audu</p> <p><u>Required Control Measure</u> Target Date: Ongoing (31 March 2025)</p> <p>Monitor Board and Pensions Committee participation in Hymans online training. Paul Audu</p> <p><u>Required Control Measure</u> Target Date: Ongoing (31 March 2025)</p> <p>Update PC and PB training plan with regulatory changes from CIPFA, TPR or SAB as and when. Paul Audu</p> <p><u>Required Control Measure</u> Target Date: Ongoing (31 March 2025)</p> <p>Arrange additional training as required (scheme actuary,</p>	2	1	2	Paul Audu	

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							investment adviser, investment managers or officer) Paul Audu <u>Required Control Measure</u> Target Date: Ongoing (31 March 2025)					
							Monitor use of Hymans online knowledge portal Paul Audu <u>Required Control Measure</u> Target Date: Ongoing (31 March 2025)					
HRP0023	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		1	2	2	Consider whether any controls set out in this point are not currently done, and consider implementing Paul Audu <u>Required Control Measure</u> Target Date: Ongoing (31 March 2025)	1	2	2	Paul Audu	
							The Fund has around £21m operational cash Paul Audu <u>Required Control Measure</u> Target Date: Ongoing (31 March 2025)					