



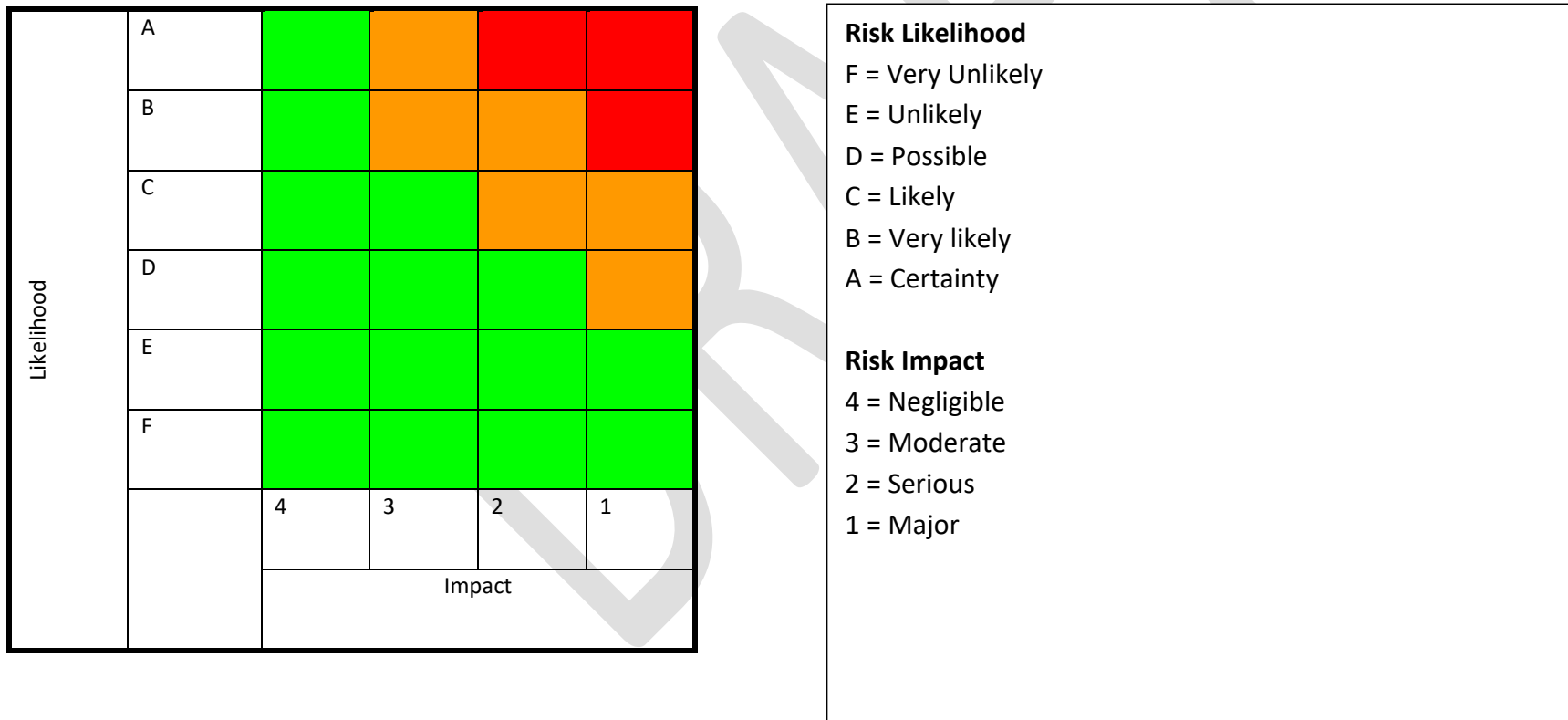
# Pension Fund Risk Register

## Havering

October 2020

**Generic Pension Fund Risk Register**

The pension fund uses a 4 x 6 matrix to plot risk likelihood and impact and has set its risk appetite. The green shaded area on the matrix shows the risks where there is good control and the Council is comfortable with the risk. Risks in the amber and red zones are those over which closer control is needed.



Pension Fund Risk Register oneSource – Havering – as at October 2020

Appendix A

Risk No.	Risk Owner	Risk Title (Objectives)	Consequences of not achieving the objective (Effect)	Controls/Mitigations	Likelihood/ Impact	Actions/Recommendations	Review of Actions taken to date and further actions identified
1	S151 Officer/ Director of Exchequer and Transactional Services Lower Level: PM/CMO  PFM/CMO  CMO  PFM/CMO	<p><b>Risk of Inaccurate three yearly actuarial valuation</b></p> <p><b>Cause:</b></p> <ul style="list-style-type: none"> <li>▪ Inappropriate assumptions used by actuary in calculations for valuation</li> <li>▪ Poor quality data provided from LB of Havering</li> <li>▪ Personal data not maintained to a high standard (gaps/incorrect)</li> <li>▪ Actuary’s own assumptions are not robust or reflective</li> </ul>	<ul style="list-style-type: none"> <li>▪ Deficit is not reduced</li> <li>▪ Employers pay/continue to pay inappropriate contribution percentages</li> <li>▪ Increase in employer contributions</li> <li>▪ Potential for Council Tax increases</li> <li>▪ More investment risk may be taken to bridge a gap that doesn’t actually exist</li> <li>▪ Potential for a more risk adverse Investment Strategy when more risk is required.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Valuation completed by a qualified professional actuary</li> <li>▪ Robust, open procurement process in place for appointment of actuary</li> <li>▪ Assumptions for valuation are in compliance with regulation</li> <li>▪ Actuarial assumptions are open to challenge by officers and GAD</li> <li>▪ Valuation results are checked for consistency across LGPS funds by GAD via the S13 report</li> <li>▪ Local Government</li> </ul>	D/3	None identified at this point	

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				benchmarking/comparisons of assumptions <ul style="list-style-type: none"> <li>▪ Annual review of actuary performance undertaken by Pensions Committee</li> <li>▪ Controls in place to ensure accuracy and completeness of data.</li> <li>▪ Monitoring of contributions due and received</li> </ul>			
2	S151 Officer/ Lower Level as follows:  PFM  PFM PFM  PFM	<b>Risk of Incorrect / Inappropriate Investment Strategy</b> <b>Cause:</b> <ul style="list-style-type: none"> <li>▪ Lack or poor professional investment advice given</li> <li>▪ Poor governance</li> <li>▪ Investment advice is not taken</li> <li>▪ Lack of understanding and awareness</li> </ul>	<ul style="list-style-type: none"> <li>▪ Pension deficit not reduced</li> <li>▪ Potential for financial loss</li> <li>▪ Growth opportunities are not maximised</li> <li>▪ Could generate inefficiencies and</li> </ul>	<ul style="list-style-type: none"> <li>▪ Investment Advisor appointed to advice the Fund and is instrumental in setting Investment Strategy</li> <li>▪ Independent advisor was appointed for a one</li> </ul>	D/2		

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	PFM  PFM  PFM	(Pension Committee) <ul style="list-style-type: none"> <li>▪ Lack of clear risk appetite</li> <li>▪ Based upon inaccurate actuarial valuation</li> <li>▪ Concentration risk by asset, region and sector</li> </ul>	unintended risks if not fully understood. <ul style="list-style-type: none"> <li>▪ More investment risk may be taken to bridge a gap that doesn't actually exist</li> <li>▪ Potential for a more risk adverse Investment Strategy when more risk is required.</li> <li>▪ Potential for Council Tax increases</li> <li>▪ Loss of investment opportunities and adverse performance</li> </ul>	off exercise following adoption of investment strategy in January 17 to undertake a health check and add robustness on the investment strategy. <ul style="list-style-type: none"> <li>▪ Robust, open procurement process in place for appointment of Investment Advisor</li> <li>▪ Investment Advisor performance is annually reviewed by the Pensions Committee and conforms to Competitive Markets Order.</li> <li>▪ Close working relationship is encouraged between actuaries and investment advisor in the development of the</li> </ul>			

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				investment strategy <ul style="list-style-type: none"> <li>▪ Investment strategy continually assessed as part of the quarterly monitoring process by the Pensions Committee</li> <li>▪ Liabilities analysed during inter-valuation period</li> <li>▪ Knowledge and skills training of LPB and Committee Members</li> <li>▪ Inductions carried out for new LPB and Pension Fund Committee member.</li> </ul>		<ul style="list-style-type: none"> <li>▪ Pensions Committee - Training / Awareness - working towards full compliance with CIPFA Knowledge and Skills framework.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Knowledge and Skills Training is on-going for Pension Committee and Local Pension Board members.</li> </ul>
3	S151 Officer/ Lower Level as follows:  PFM	<b>Risk of failure of investments to perform in-line with growth expectations</b>  <b>Cause</b> <ul style="list-style-type: none"> <li>▪ Poor Fund Manager</li> </ul>	<ul style="list-style-type: none"> <li>▪ Deficit reduction</li> </ul>	<ul style="list-style-type: none"> <li>▪ Robust, Fund</li> </ul>	D/3	<ul style="list-style-type: none"> <li>▪ Pensions Committee</li> </ul>	<ul style="list-style-type: none"> <li>▪ CIPFA Knowledge</li> </ul>

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	PFM	selection	targets are not met	Manager selection process		Training/Awareness – working towards full compliance with CIPFA Knowledge and Skills framework	and Skills Training is on-going.
	PFM	<ul style="list-style-type: none"> <li>Underperformance by fund manager</li> </ul>	<ul style="list-style-type: none"> <li>Potential for losses to be incurred</li> </ul>	<ul style="list-style-type: none"> <li>Diverse portfolio to reduce negative effects from market volatility</li> </ul>			
	PFM	<ul style="list-style-type: none"> <li>Poor investment advice provided to the Fund or not taken</li> </ul>	<ul style="list-style-type: none"> <li>Increased employer contributions</li> </ul>	<ul style="list-style-type: none"> <li>Fund performance and asset class split is reviewed quarterly by investment advisor/Pensions Committee and officers.</li> </ul>			
	PFM	<ul style="list-style-type: none"> <li>Negative financial market impacts</li> </ul>	<ul style="list-style-type: none"> <li>Reputational risk from poor investments</li> </ul>	<ul style="list-style-type: none"> <li>Fund Managers (including LCIV) attend Pension Committee to present quarterly performance reports and challenge by the Committee and Fund Advisor.</li> </ul>			
	PFM	<ul style="list-style-type: none"> <li>External factors / increased market volatility (i.e. 2008), uncertainty of Brexit, COVID-19 Pandemic.</li> </ul>	<ul style="list-style-type: none"> <li>The fund’s assets are not sufficient to meet its long term liabilities</li> </ul>	<ul style="list-style-type: none"> <li>Process in place to fund new illiquid mandates.</li> </ul>			
	PFM	<ul style="list-style-type: none"> <li>Delays in the implementation of the strategy will reduce the effectiveness of the strategy and may impact growth</li> </ul>	<ul style="list-style-type: none"> <li>Economy downturn could result in general fall in investment values</li> </ul>				
	PFM	<ul style="list-style-type: none"> <li>Delays in compliance with capital calls on new illiquid mandates could result in penalty payments</li> </ul>					
	PFM	<ul style="list-style-type: none"> <li>Underperformance of fund manager (LCIV)</li> </ul>	<ul style="list-style-type: none"> <li>MTFS prediction may fail to reach the</li> </ul>	<ul style="list-style-type: none"> <li>Development costs</li> </ul>		<ul style="list-style-type: none"> <li>To continue the monitoring of the LCIV</li> </ul>	<ul style="list-style-type: none"> <li>Regular reviews of the LCIV</li> </ul>

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	PFM	<p>new pooled holding) in achieving Asset Under Management Target</p> <ul style="list-style-type: none"> <li>Fund Managers –non-compliance to the Code of Transparency.</li> </ul>	<p>target – consequence being that annual development charges may not decrease in line with MTFS expectations</p> <ul style="list-style-type: none"> <li>Havering not able to disclose full management fees in the Pension Fund Annual Report and accounts, in line with CIPFA guidance.</li> </ul>	<p>are reported by the LCIV at the General Shareholder meetings attended by shareholder reps i.e. Councillors from each borough.</p> <ul style="list-style-type: none"> <li>Monitoring meetings are held with Officers from Havering and LCIV client relations team quarterly.</li> <li>Fund Managers complete the Code of Transparency compliance template annually.</li> </ul>		<p>performance.</p> <ul style="list-style-type: none"> <li>To ensure LCIV development costs are notified to shareholder representative for informed voting decisions.</li> <li>Ensure annual compliance with receipt of completed templates.</li> </ul>	<p>performance continues and this includes monitoring of the LCIV development costs</p> <p><b>Further Action taken</b></p> <ul style="list-style-type: none"> <li>Ongoing action taken as templates are submitted year on year. 2019/20 templates now all completed.</li> </ul>
4	S151 Officer /Director of Exchequer and Transactional Services.	<p><b>Risk of failure to comply with legislative requirements</b></p> <p><b>Cause:</b></p>			E/3	None identified at this point.	



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	Lower Level as follows: PFM/CMO  PFM/CMO  PFM/CMO  PFM/CMO  PFM/CMO	<ul style="list-style-type: none"> <li>▪ Lack of appropriate skills/knowledge of tPR, MHCLG and CIPFA Guidance, Financial Regulations and accounting standards</li> <li>▪ Unaware of legislative changes</li> <li>▪ key person dependency</li> <li>▪ Poor/inaccurate interpretation of the regulations</li> <li>▪ Failure/inability to administer the pension scheme appropriately</li> </ul>	<ul style="list-style-type: none"> <li>▪ Reputational damage</li> <li>▪ Potential for financial penalties from the tPR</li> <li>▪ Potential for costly legal challenges</li> <li>▪ Impact on employer contributions, delayed due to non-compliance.</li> <li>▪ Adverse external audit report</li> </ul>	<ul style="list-style-type: none"> <li>▪ Financial requirements are subject to external and internal audit with no qualifications.</li> <li>▪ Experienced personnel in place</li> <li>▪ Continual personal development for all Committee/LPB members and Officers</li> <li>▪ Induction carried out for new Pension Fund Committee and Local Pension Board members</li> <li>▪ Legislative changes are reported to the Pensions Committee where required</li> <li>▪ Local Pension Board in place to oversee adherence to the</li> </ul>			

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				<ul style="list-style-type: none"> <li>regulations</li> <li>▪ Active participation in Legislative Consultations where appropriate</li> <li>▪ External and in house training provided where required</li> <li>▪ Member of the CIPFA Pensions Network</li> <li>▪ Participate in the CIPFA Pensions Network/ Peer forums to share knowledge &amp; awareness</li> <li>▪ Statutory policy documents reviewed annually to ensure compliance with legislation</li> <li>▪ Access to specialist pension media sources.</li> <li>▪</li> </ul>			

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5	S151 Officer /Director of Exchequer and Transactional Services. Lower level as follows:  PFM/CMO PFM/CMO PFM/CMO PFM/CMO PFM/CMO PFM/CMO	<b>Risk of inability to manage/govern the Pension Fund and associated services:</b> <b>Cause:</b>  <ul style="list-style-type: none"> <li>▪ Ineffective / lack of succession planning</li> <li>▪ Loss of corporate knowledge/expertise</li> <li>▪ Long term sickness absence</li> <li>▪ Increase in staff turnover</li> <li>▪ Lack of resource (Staffing/financial)</li> <li>▪ No knowledge base to store experiences/information</li> </ul>	<ul style="list-style-type: none"> <li>▪ Negative impacts upon service provision</li> <li>▪ Time delays</li> <li>▪ Potential for breach of legislation</li> <li>▪ Financial penalties/ other sanctions</li> <li>▪ Reputational Damage</li> <li>▪ Increased costs due to “buying in” external expertise</li> </ul>	<ul style="list-style-type: none"> <li>• LPP appointed in Havering in November 17 to administer the Pension Fund</li> <li>• Attendance at local forum meetings</li> <li>• Continuous pension training for LPB, Pensions Committee members and staff</li> <li>• Attendance at Annual Pension Managers conference</li> <li>• Members of Local Authority Pensions Web</li> <li>• Participates in the</li> </ul>	D/3	<ul style="list-style-type: none"> <li>• Succession planning required for key personnel</li> <li>• Review / update procedure manuals</li> <li>• Option being assessed for joint administration with Newham to build resilience</li> <li>• Development of Training Matrix</li> <li>• Development of workflow/process management</li> </ul>	<ul style="list-style-type: none"> <li>• Succession planning in progress</li> <li>• CMO working to prepare procedure manuals.</li> <li>• Training matrix in place, however cannot be fully applied until all CIPFA K&amp;S questionnaires are completed by Local Pension Board and Pensions Committee members.</li> <li>• LPP works with</li> </ul>



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	PFM/CMO	<ul style="list-style-type: none"> <li>Implementation of Oracle Cloud causes system issues</li> </ul>	<ul style="list-style-type: none"> <li>Pension Fund Accounts system failures - operational issues and accounting reconciliations not able to be carried out.</li> </ul>	<p>Security carried out in Oct 2018.LPP have gained a certificate of Cyber Essentials from March 19 – March 20.</p> <ul style="list-style-type: none"> <li>Oracle expertise aware of Pension fund system requirements. Systems tested at each stage of implementation.</li> </ul>		<ul style="list-style-type: none"> <li>Pension Fund Staff to interact regarding the progress of the Oracle Cloud Implementation</li> </ul>	<p>working restrictions</p> <p>Further Actions :</p> <ul style="list-style-type: none"> <li>Fusion live in September 20 – Testing was undertaken by Pension Staff. System monitoring is on-going.</li> </ul>
	CMO	<ul style="list-style-type: none"> <li>Poor pension fund administration including outsourced service by LPP</li> </ul>	<ul style="list-style-type: none"> <li>Admission agreements not completed by the transfer date.</li> </ul>	<ul style="list-style-type: none"> <li>Formal agreement in place with administrator, including SLA's</li> </ul>		<ul style="list-style-type: none"> <li>That LPP provide Havering with a copy of their external audit once this has been presented to their own audit committee and released</li> </ul>	<ul style="list-style-type: none"> <li>LPP External audit report was received by the CMO on 1st September 20. CMO to take to LPB for further discussion at a future meeting</li> </ul>
	CMO	<ul style="list-style-type: none"> <li>Poor administration by the employers, payroll providers in the fund</li> </ul>	<ul style="list-style-type: none"> <li>Pension costs and payments delayed or incorrect.</li> </ul>	<ul style="list-style-type: none"> <li>Service is subject to external auditor report of LPP processes</li> </ul>			
	PFM/CMO	<ul style="list-style-type: none"> <li>Poor monitoring of employer financial status</li> </ul>	<ul style="list-style-type: none"> <li>Inaccurate data provided by the pension fund</li> </ul>	<ul style="list-style-type: none"> <li>A statutory Local Pension Board is in place to assist the administering</li> </ul>		<ul style="list-style-type: none"> <li>CMO is in place and continues to review the administration work of LPP and report to the LPB</li> </ul>	
	PFM/CMO	<ul style="list-style-type: none"> <li>Poor communications with stakeholders</li> </ul>					

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	<p>CMO</p> <p>CMO</p>	<ul style="list-style-type: none"> <li>▪ Excessive charges by suppliers</li> <li>▪ Employer goes into default, deficit on termination, change of status, financial risk.</li> </ul>	<p>employers and payroll providers give rise to inaccurate data and financial reputational consequences such as actuary to set contribution rates with a high margin of error.</p> <ul style="list-style-type: none"> <li>▪ Employer defaults</li> <li>▪ Employer failure to pay scheme contributions on time</li> <li>▪ Poor Communication with stakeholders giving rise to disaffection and actions against the Council</li> </ul>	<p>authority in effective and efficient governance of the Havering Pension Fund</p> <ul style="list-style-type: none"> <li>• The Council has in place a complaints system to address complaints via the website</li> <li>• CMO in post to review the administration work of LPP</li> <li>• Employer covenants checks undertaken by LPP</li> <li>• Bond or guarantee reviews in place and reviewed every three years as part of valuation process</li> <li>• Monthly reconciliations to monitor cash flow carried out.</li> <li>• Ee’s and Er’s contributions</li> </ul>		<ul style="list-style-type: none"> <li>• Strengthen the process for Bond reviews.</li> </ul>	<ul style="list-style-type: none"> <li>• Fund Managers performance is monitored quarterly.</li> </ul>

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	PFM	<ul style="list-style-type: none"> <li>▪ Inappropriate investment accounting – including reliance on third party providers.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Qualified opinion on the accounts by external auditor</li> <li>▪ Higher employer contributions due to poor investment performance</li> <li>▪ Insufficient assets to meet short term liabilities</li> </ul>	<ul style="list-style-type: none"> <li>reconciled monthly –late payments chased</li> <li>• Fee Invoices checked prior to payment</li> <li>• Pension Fund accounts subject to external audit.</li> <li>• Attendance at accounting seminars/training</li> <li>• Pension Fund uses the service of an external custodian to verify asset values and performance</li> <li>• Attendance at accounting seminars/training</li> <li>• Monitor audited accounts of third party providers to ensure consistent asset valuation.</li> <li>• Monitor investment</li> </ul>			

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				managers performance – Fund Managers present at Pension Fund Committee meetings <ul style="list-style-type: none"> <li>• Union Representative at the Committee</li> </ul>			
6	S151 Officer /Director of Exchequer and Transactional Services Lower Level as follows: PFM/CMO  CMO  PFM/CMO  PFM/CMO  CMO	<b>Risk of failure to on board or exit employers/members effectively</b> <b>Cause:</b> <ul style="list-style-type: none"> <li>▪ Delays in internal processing of documentation</li> <li>▪ Member data incomplete</li> <li>▪ Poor communications with stakeholders</li> <li>▪ Lack of understanding by employers with regard to their responsibilities</li> <li>▪ Lack of signed admission</li> </ul>	<ul style="list-style-type: none"> <li>▪ Delays in collection of contributions from the employers/members</li> <li>▪ Impacts cash flow</li> <li>▪ Potential for litigation</li> <li>▪ Employer contribution assessment can become out of date</li> <li>▪ Potential breach of regulations</li> </ul>	<ul style="list-style-type: none"> <li>▪ Escalation to Heads of Service</li> <li>▪ Script in place to deliver to new Academy employers, with feedback process in place (minuted)</li> <li>▪ Database maintained on all contact details for LGPS communications.</li> </ul>	D/2	<ul style="list-style-type: none"> <li>▪ Review of internal processes on boarding processes</li> <li>• Template admission agreement awaiting legal clearance</li> </ul>	<ul style="list-style-type: none"> <li>▪ Still in progress lead by the risk officer in LPP</li> </ul>



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		agreements from Employers	<ul style="list-style-type: none"> <li>▪ Incorrect records of new members</li> <li>▪ External Audit Opinion on internal controls</li> <li>▪ Employer’s liabilities may fall back onto other employers and ultimately local taxpayers.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Monthly schedules maintained by the Pensions Administration Team</li> <li>▪ Tracing agencies used to locate pension fund members</li> <li>▪ Electronic file of required documents forwarded to new employers</li> <li>▪ Actuarial assessment completed for all new admission requests to assess the level of risk.</li> <li>▪ TUPE manual completed in November 2017</li> <li>▪ Admission policy and manual completed in November 2017</li> <li>▪ Bonds and suitable guarantees put into place to protect the</li> </ul>			

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				Fund in case of default. <ul style="list-style-type: none"> <li>▪ Funding level of each employer is assessed as part of the triennial valuation and contribution rates set accordingly.</li> <li>▪ CMO works closely with LPP. Carries out spot to checks review the work on a regular basis</li> <li>▪ LPP report their performance to the Local Pension Board at every meeting</li> <li>▪ Pensions Accounts review and check all oracle entries relating to pensions against the LPP Altair report on a quarterly basis.</li> </ul>		<ul style="list-style-type: none"> <li>▪ Pensions Accounts refer any oracle queries to LPP for investigation.</li> </ul>	
7	S151 Officer Director of Exchequer and Transactional	<b>Risk of Pension Fund Payment Fraud Cause:</b>			E/1		

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	Services. Lower Level as follows: CMO  PFM/CMO PFM/CMO  PFM/CMO	<ul style="list-style-type: none"> <li>▪ Pension overpayments arising as a result of non-notification in change of circumstances</li> <li>▪ Internal staff fraud</li> <li>▪ Staff acting outside of their levels of authorisation</li> <li>▪ Conflict of interest</li> </ul>	<ul style="list-style-type: none"> <li>▪ Financial loss</li> <li>▪ Reputational damage of Pension Administration team and Council</li> <li>▪ Litigation / investigation</li> <li>▪ Internal disciplinary</li> <li>▪ Reputational damage</li> </ul>	<ul style="list-style-type: none"> <li>▪ Participate in the National Fraud Initiative (bi-annually)</li> <li>▪ Process is in place to investigate return of payment by banks.</li> <li>▪ All pension calculations are peer checked and signed off by senior officer</li> <li>▪ Segregation of duties within the Pensions Administration Team</li> <li>▪ Segregation of duties between Payroll and Pensions Administration Team</li> <li>▪ Address checked for deferred pensions prior to payment</li> </ul>			

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				<ul style="list-style-type: none"> <li>▪ Internal audit checks carried out</li> <li>▪ Signed up for DWP database Tell us Once – DWP inform Havering of deaths relating to contributors to the LGPS fund</li> <li>▪ Pension Fund bank account checked monthly</li> <li>▪ Register of interests declarations covered at all board/Committee meetings</li> </ul>			<p><b>Further Actions Taken</b></p> <ul style="list-style-type: none"> <li>• LPP to investigate the cost/use of ATMOS – a mortality screening application. September 20 – Mortality Screening outsourced to external supplier - Target</li> </ul>

CIPFA	Chartered Institute of Public Finance and Accountancy
DWP	Department for Work and Pensions
GAD	Government Actuary's Department
ICT	Information and Communications Technology
LCIV	London Collective Investment Vehicle
LGPS	Local Government Pension Scheme

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LPB	Local Pension Board
LPP	Local Pensions Partnership
MHCLG	Ministry of Housing, Communities and Local Government
PFM	Pension Fund Manager – Finance – Debbie Ford
CMO	Contract Monitoring Officer - Caroline Berry

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