



Pension Fund Risk Register

Havering

September 2021

Pension Fund Risk Register oneSource – Havering

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.

Likelihood	A				
	B				
	C				
	D				
	E				
	F				
		4	3	2	1
	Impact				

Risk Likelihood

F = Very Unlikely

E = Unlikely

D = Possible

C = Likely

B = Very likely

A = Certainty

Risk Impact

4 = Negligible

3 = Moderate

2 = Serious

1 = Major

Pension Fund Risk Register oneSource – Havering

Risk No.	Risk Owner	Details of Risk	Consequences (Effect) of not addressing the risk	Controls/Mitigations	Likelihood/ Impact	Actions/ Recommendations	Review of Actions taken to date and further actions identified
RISK TITLE							
No 1. Risk of Inaccurate three yearly actuarial valuation							
Upper Level: S151 Officer/Director of Exchequer and Transational Services							
1.1	Lower Levels: PFM/CMO	Inappropriate assumptions used by actuary in calculations for valuation.	Inappropriate investment risk may be adopted.	Valuation completed by a qualified professional actuary.	D/2		
			Deficit not reduced	Assumptions for valuation are in compliance with regulation			
			Potential for Council Tax increases to plug funding gap.	Actuarial assumptions are open to challenge by officers and GAD			
				Valuation results are checked for consistency across LGPS funds by GAD via the S13 report.			
				Local Government benchmarking/comparisons of assumptions			
				Annual review of actuary performance undertaken by Pensions Committee.			
				Robust, open procurement process in place for appointment of actuary.			
				Data cleansing/ Controls in place to ensure accuracy and completeness of data.			
1.2	PFM/CMO	Poor quality data provided /personal data	Poor quality or Incomplete data could result in an Increase to	Data cleansing/ Controls in place to ensure accuracy and completeness of data.	D/2		

Pension Fund Risk Register oneSource – Havering

Risk No.	Risk Owner	Details of Risk	Consequences (Effect) of not addressing the risk	Controls/Mitigations	Likelihood/Impact	Actions/Recommendations	Review of Actions taken to date and further actions identified
		not maintained (gaps/incorrect)	employer contributions/inappropriate contribution percentages calculated.				
RISK TITLE							
No 2. Risk of Incorrect / Inappropriate Investment Strategy							
Upper Level:S151 Officer							
2.1	Lower Levels: PFM/CMO	Lack of or poor professional investment advice given or not taken	Potential for financial loss.	Investment Advisor appointed to advise the Fund and is instrumental in setting Investment Strategy.	D/2		
			Loss of investment opportunities and adverse performance				
			Growth opportunities are not maximised				
2.2	PFM	Poor governance of Investment Advisor	Potential for financial loss.	Robust, open procurement process in place for appointment of Investment Advisor.	D/3		
				Investment Advisor performance is annually reviewed by the Pensions Committee and conforms to Competitive Markets Order			

Pension Fund Risk Register oneSource – Havering

Risk No.	Risk Owner	Details of Risk	Consequences (Effect) of not addressing the risk	Controls/Mitigations	Likelihood/ Impact	Actions/ Recommendations	Review of Actions taken to date and further actions identified
				Independent advisor was appointed for a one off exercise following adoption of the 2017 Investment Strategy to undertake a health check and add robustness to the investment strategy.			
2.3	PFM	Lack of understanding and awareness (Pension Committee)	More investment risk may be taken to bridge a gap that doesn't actually exist and could generate inefficiencies and unintended risks if not fully understood.	Investment strategy /risks continually assessed as part of the quarterly monitoring process by the Pensions Committee	D/2		
				Investment Advisor attends each quarterly Pension Committee meeting			
				Knowledge and skills training of LPB and Committee Members/Inductions carried out for new LPB and Pension Fund Committee member.		Pensions Committee -Training / Awareness ongoing - working towards full compliance with CIPFA Knowledge and Skills framework.	
2.4	PFM	Concentration risk by asset, region and sector/Lack of clear risk appetite.	Potential for a more risk adverse Investment Strategy when more risk is required or more investment risk may be	Investment strategy /risks continually assessed as part of the quarterly monitoring process by the Pensions Committee.	D/2		

Pension Fund Risk Register oneSource – Havering

Risk No.	Risk Owner	Details of Risk	Consequences (Effect) of not addressing the risk	Controls/Mitigations	Likelihood/Impact	Actions/Recommendations	Review of Actions taken to date and further actions identified
			taken to bridge a gap that doesn't actually exist	Diverse portfolio to reduce concentration			
2.5	PFM	Based upon inaccurate actuarial valuation	Pension deficit not reduced and potential for Council Tax increases.	Liabilities analysed during inter-valuation period in addition to every three years.	D/2		
				Close working relationship is encouraged between actuaries and investment advisor in the development of the investment strategy.			
RISK TITLE No 3. Risk of Failure of Investments to Perform In-Line with Growth Expectations							
Upper Level: S151 Officer							
3.1	Lower Levels: PFM	Poor Fund Manager selection	Potential for losses to be incurred	Robust, Fund Manager selection process in place	D/3		
			Reputational risk from poor investments.				
3.2	PFM	Underperformance by Fund Manager (Non LCIV)	Deficit reduction targets not met/Increased employer contributions	Fund Managers attend Pension Committee to present quarterly performance reports and challenge by the Committee and Fund Investment Advisor.	D/3		
3.3	PFM	Poor investment advice provided to the fund or not taken.	Deficit reduction targets not met	Investment Advisor performance is annually reviewed by the Pensions	D/3		

Pension Fund Risk Register oneSource – Havering

Risk No.	Risk Owner	Details of Risk	Consequences (Effect) of not addressing the risk	Controls/Mitigations	Likelihood/ Impact	Actions/ Recommendations	Review of Actions taken to date and further actions identified
				Committee and close working relationship maintained with officers.			
3.4	PFM	Negative financial market impacts/external factors/increased market volatility (i.e. 2008)/uncertainty of Brexit, COVID 19 Pandemic.	Economy downturn could result in general fall in investment values.	Diverse portfolio to reduce effects from market volatility.	D/3		
3.5	PFM	Delays in the implementation of the strategy will reduce the effectiveness of the strategy and may impact growth	The fund's assets are not sufficient to meet its long term liabilities.	Fund performance and asset class targets are reviewed quarterly by investment advisor/Pensions Committee and officers.	D/3		
3.6	PFM	Delays in compliance with capital calls on new illiquid mandates could result in penalty payments	Penalty payments are charged to the pension fund.	Robust processes in place to ensure capital calls are funded in a timely manner.	D/3		
3.7	PFM	Underperformance of LCIV Fund manager. Failure to achieving Asset Under Management Target	The fund's assets are not sufficient to meet its long term liabilities.	Monitoring meetings are held with Officers from Havering and LCIV client relations team regularly.	D/3		
				LCIV attend Pension Committee to present quarterly performance reports			

Pension Fund Risk Register oneSource – Havering

Risk No.	Risk Owner	Details of Risk	Consequences (Effect) of not addressing the risk	Controls/Mitigations	Likelihood/ Impact	Actions/ Recommendations	Review of Actions taken to date and further actions identified
				and challenge by the Committee and Fund Advisor.			
			Annual development charges may not decrease in line with MTFS expectations	Development chages are reported at the LCIV General Shareholder meetings - attended and challenged by shareholder reps ie Councillors from each borough.			
3.8	PFM	Fund Managers –non compliance to the Code of Transparency.	Failure to disclose full management fees in the Pension Fund Annual Report and accounts.	Fund Managers complete the Code of Transarency compliance template annually.	D/3		
				Officers have access to the Byhiras client portal to check submission of templates			
3.9	PFM	Climate Risk Considerations	Failure to consider the extent of climate change could impact on financial outcomes.	The Committee have developed a set of Investment beliefs that recognises that climate change and the expected transition to a low carbon economy represents a long –term financial risk to Fund outcomes.	D/3	Monitor issuance of new TCFD reporting requirements.	
				Investment beliefs incorporated as part of the ongoing implementation of investment strategy.			
				The Pensions Regulator has set up a working party to			

Pension Fund Risk Register oneSource – Havering

Risk No.	Risk Owner	Details of Risk	Consequences (Effect) of not addressing the risk	Controls/Mitigations	Likelihood/ Impact	Actions/ Recommendations	Review of Actions taken to date and further actions identified
				<p>consider guidance for pension schemes. The SAB is also expected to incorporate climate change considerations into its guidance for LGPS funds during 2020.</p>		<p>between tPR and Government regarding Climate Change and expected guidance.</p>	<p>guidance, the Committee could consider actions including:</p> <ul style="list-style-type: none"> •Further training •Measuring exposure to and reporting. •Escalating engagement with investee companies on climate-related topics.
3.10	PFM	<p>Risk that MATS Consolidate existing Pension Fund memberships funded within various Local Authorities into a Pension Fund outside Havering.</p>	<p>If a request to transfer out from the Fund is granted by MHCLG, this could set a precedent for the sector and the potential wider impact on other employers who may also seek to transfer out. There will be an impact on cash flow and Investment Strategy as it is estimated that c10% of the Fund’s assets and</p>	<p>The Fund has responded to the consultation issued by MHCLG opposing the transfer on the grounds of the wider risks faced by the Fund.</p> <p>If the Transfer request is granted the Fund will ensure data is correct and work with the actuary to ensure that the settlement of the transfer is valued correctly for exit.</p>	C/2	<p>To monitor MHCLG actions re Transfer request from Oasis Community Learning</p> <p>To ensure contact with the Actuary regarding transfers and exit valuations</p>	

Pension Fund Risk Register oneSource – Havering

Risk No.	Risk Owner	Details of Risk	Consequences (Effect) of not addressing the risk	Controls/Mitigations	Likelihood/ Impact	Actions/ Recommendations	Review of Actions taken to date and further actions identified
			liabilities would transfer out if all existing MATS followed precedent				
RISK TITLE							
No 4. Risk of Failure to comply with Legislative requirements							
Upper Level for All Risks S151 Officer/Director of Exchequer and Transational Services							
4.1	Lower Levels: PFM/CMO	Lack of appropriate skills/knowledge of tPR, MHCLG and CIPFA Guidance, Financial Regulations and accounting standards. Unaware of legislative changes/Poor/inaccurate interpretation of the regulations	Potential for breach of legislation resulting in incurring financial penalties from the tPR/legal challenges/ Reputational Damage	Local Pension Board in place to oversee adherence to the Regulations and guidance.	E/3		
				Statutory policy documents reviewed annually to ensure compliance with legislation.			
				Officers are members of the CIPFA Pensions Network and participate in the CIPFA Pensions Network/Peer forums to share knowledge & awareness			
				Active participation in Legislative Consultations where appropriate. Legislative changes are reported to the Pensions Committee where required			
				Induction carried out for new Pension Fund Committee and Local Pension Board members			

Pension Fund Risk Register oneSource – Havering

Risk No.	Risk Owner	Details of Risk	Consequences (Effect) of not addressing the risk	Controls/Mitigations	Likelihood/ Impact	Actions/ Recommendations	Review of Actions taken to date and further actions identified
				External and in house training provided where required. Continual personal development for all Committee/LPB members and Officers	E/3	Personal development for all Committee/LPB members and officers is on-going	
				Access to specialist pension media sources		Training matrix in place, however cannot be fully applied until all CIPFA K&S questionnaires are completed by Local Pension Board and Pensions Committee members	
				Financial requirements are subject to external and internal audit with no qualifications.			
4.2	PFM/CMO	Key person dependency	Loss of corporate knowledge expertise in both administration and finance management	Experienced personnel in place at present.	E/3	Due to age profile of existing finance team - Succession planning is scheduled.	
4.3	PFM/CMO	Failure/inability to administer the pension	non-compliance could result in an adverse external audit report.	Local Pension Board in place to oversee adherence to the Regulations and guidance.	E/3		

Pension Fund Risk Register oneSource – Havering

Risk No.	Risk Owner	Details of Risk	Consequences (Effect) of not addressing the risk	Controls/Mitigations	Likelihood/ Impact	Actions/ Recommendations	Review of Actions taken to date and further actions identified
		scheme in accordance with regulations		Experienced personnel in place			
				Attendance at seminars/training to ensure up to date regulatory requirements.			
				Financial statements are subject to external and internal audit with no qualifications.			
RISK TITLE							
No 5. Risk of inability to Manage/Govern the Pension Fund and Aassociated Services.							
Upper Level for all Risks: S151 Officer/Director of Exchequer and Transactional Services.							
5.1	Lower levels: PFM/CMO	Staffing issues: Loss of corporate knowledge/expertise. Long term sickness absence. Increase in staff turnover. Lack of resource (Staffing/financial). No knowledge base to store experiences/information	Negative impacts upon service provision. Potential for Time delays and . Increased costs due to “buying in” external expertise.	LPP appointed by Havering in November 2017 to adminster the Pension Fund.	D/3	Development of workflow/process management.	
						CMO working to prepare/review procedure manuals.	
						Option being assessed for joint administration with Newham to build resilience	

Pension Fund Risk Register oneSource – Havering

Risk No.	Risk Owner	Details of Risk	Consequences (Effect) of not addressing the risk	Controls/Mitigations	Likelihood/ Impact	Actions/ Recommendations	Review of Actions taken to date and further actions identified
						Succession planning scheduled for key personnel.	
				Continuous pension training for LPB, Pensions Committee members and staff.			
				Attendance at Annual Pension Managers conference.			
				Participates in the CIPFA Pensions Network/ Peer forums to share knowledge & awareness. Guidance from external agencies (some will be at a cost).			
				Members of Local Authority Pensions Web.			
5.2	PFM/CMO	LCIV resourcing – LCIV staff turnover	Undermines investor confidence in the LCIV.	Continued monitoring of LCIV in place	D/3		
5.3	PFM/CMO	ICT failure/Disaster Recovery	Loss of infrastructure. Failure of all ICT services.	ICT/ Disaster Recovery in place. Constant security upgrades to computer systems.	D/3	Evidence that working from home to maintain service continuity successful after implementation of COVID-19 working restrictions.	
				Use protected portals to send personal information			

Pension Fund Risk Register oneSource – Havering

Risk No.	Risk Owner	Details of Risk	Consequences (Effect) of not addressing the risk	Controls/Mitigations	Likelihood/ Impact	Actions/ Recommendations	Review of Actions taken to date and further actions identified
				Internal Firewalls recommended.			
				GDPR good practice is undertaken.			
5.4	PFM/CMO	Cyber Security Risk	Ransomware risk	Internal Audit for oneSource Cyber Security carried out in Oct 2018.	D/3		
				LPP have gained a certificate of Cyber Essentials from March 19 – March 20.		Activities are underway to refresh LPP Group’s Cyber Essentials Certification together with obtaining Cyber Essentials Plus Certification	
5.5	PFM/CMO	Implementation of Oracle Cloud causes pension fund system issues	Pension Fund Accounts system malfunction	Oracle expertise aware of Pension fund system requirements.	D/3	Monitoring ongoing with regard to system reconciliations	
				Systems tested at each stage of implementation . Testing was undertaken by Pension Staff.			
5.6	PFM/CMO	Poor Pension fund administration by the outsourced service LPPA	Service Delivery failure leading to client/customer compliants and Reputational damage	Formal agreement in place with administrator, including SLA’s	D/3		
				CMO in post to monitor the administration work of LPPA			

Pension Fund Risk Register oneSource – Havering

Risk No.	Risk Owner	Details of Risk	Consequences (Effect) of not addressing the risk	Controls/Mitigations	Likelihood/ Impact	Actions/ Recommendations	Review of Actions taken to date and further actions identified
				Service is subject to external auditor report of LPP processes. LPP External audit report was received by the CMO on 1st September 20.			
5.7	PFM/CMO	Poor administration by the employers/payroll providers in the fund.	Service delivery failure leading to client/customer compliants and Reputational damage	Local Pension Board is in place to assist the administering authority in effective and efficient governance of the Havering Pension Fund			
			Inaccurate data provided give rise to inaccurate data and financial reputational consequences such as actuary to set contribution rates with a high margin of error.	CMO in post to monitor the administration work of LPPA Actuary undertake data checks/cleaning as part of triennial review process			
			Pension costs and payments delayed or incorrect.	Monthly reconciliations to monitor cash flow carried out.	D/3		
			Admission agreements not completed by the transfer date	Employer onboarding process in place Service handover completed when process of admitting bodies to the fund transferred from LPPA to inhouse on 1 April 2021.		Strengthen the process for onboarding new employers and Bond reviews.	

Pension Fund Risk Register oneSource – Havering

Risk No.	Risk Owner	Details of Risk	Consequences (Effect) of not addressing the risk	Controls/Mitigations	Likelihood/ Impact	Actions/ Recommendations	Review of Actions taken to date and further actions identified
				Bond or guarantee reviews in place and reviewed every three years as part of valuation process.			
5.8	PFM	Failure/inability to undertake the accounting of the pension scheme appropriately	Qualified opinion on the accounts by external auditor.	Pension Fund accounts subject to external audit.			
				Experienced personnel in place.			
				Pension Fund uses the service of an external custodian to verify asset values and performance			
				Fund Managers performance is monitored quarterly. Fund Managers present at Pension Fund Committee meetings.			
				Monitoring of internal control reports of fund managers to ensure operations administered correctly.			
				Attendance at accounting seminars/training to ensure adherence to guidance and regulations			
5.9	PFM/CMO	Poor communications with stakeholders.	Disaffection and actions against the Council	The Council has in place a complaints system to address complaints via the website	D/3		

Pension Fund Risk Register oneSource – Havering

Risk No.	Risk Owner	Details of Risk	Consequences (Effect) of not addressing the risk	Controls/Mitigations	Likelihood/ Impact	Actions/ Recommendations	Review of Actions taken to date and further actions identified
5.10	PFM	Excessive charges by suppliers	Fund incurring unnecessary costs	Third Party Fee Invoices checked prior to payment	D/3		
RISK TITLE No 6. Risk of failure to on board or exit employers/members effectively.							
Upper Level for all Risks:S151 Officer/Director of Exchequer and Transactional Services							
6.1	Lower Levels: PFM/CMO	Delays in internal processing of documentation/ admission agreements	Contribution delays from the employers & members until onboarding has been completed impacts cash flow	Monthly contribution schedules maintained by the Havering Pensions Team	D/2		
				Reconciliations between General Ledger and contribution schedules undertaken monthly			
				Reconciliations between General Ledger and Altair undertaken quarterly with any queries referred to LPPA/CMO for investigation.			
			Late payments of pension benefits	CMO works closely with LPPA. Carries out spot checks to review LPPA work on a regular basis	D/2		
		Adverse External Audit Opinion on internal controls	Service handover completed when process of admitting bodies to the fund transferred				

Pension Fund Risk Register oneSource – Havering

Risk No.	Risk Owner	Details of Risk	Consequences (Effect) of not addressing the risk	Controls/Mitigations	Likelihood/ Impact	Actions/ Recommendations	Review of Actions taken to date and further actions identified
				from LPPA to inhouse on 1 April 2021			
				LPPA performance report presented to the Local Pension Board at every meeting			
				Escalation to Heads of Service where required.	D/2		
6.2	PFM/CMO	Poor communications with stakeholders/ lack of understanding by employers with regard to their responsibilities.	Potential breach of regulations and member entitlement. Potential for litigation.	Script in place to deliver to new Academy employers, with feedback process in place.	D/2		
				Admission policy and manual completed in November 2017			
				TUPE manual completed in November 2017			
				Electronic file of required documents forwarded to new employers			
				LPPA website contains information for employers and members			
				Database maintained on all contact details for LGPS communications			
				Employer's liabilities may fall back onto other employers and	Actuarial assessment completed for all new admission requests to assess the level of financial risk.		

Pension Fund Risk Register oneSource – Havering

Risk No.	Risk Owner	Details of Risk	Consequences (Effect) of not addressing the risk	Controls/Mitigations	Likelihood/ Impact	Actions/ Recommendations	Review of Actions taken to date and further actions identified
			ultimately local taxpayers.	Bonds and suitable guarantees put into place to protect the Fund in case of default.			
6.3	CMO	Member data incomplete or incorrect	Incorrect member data causes processing delays	LPPA raise queries with scheme employers	D/2		
				Member self service – online tool for members to check and update personal data			
				Data is reviewed as part of the triennial valuation exercise.			
				Tracing agencies used to locate pension fund members.			
				Reconciliations between General Ledger and Altair undertaken quarterly identifies member mismatches			
				CMO works closely with LPPA. Carries out spot checks to review LPPA work on a regular basis			
RISK TITLE							
No 7. Risk of Pension Fund Payment Fraud							
Upper Level for all Risks: S151 Officer/Director of Exchequer and Transactional Services.							
7.1	Lower Levels:	Pension overpayments arising as a result of non-	Financial loss.	Participate in the National Fraud Initiative (bi-annually)	E/1		

Pension Fund Risk Register oneSource – Havering

Risk No.	Risk Owner	Details of Risk	Consequences (Effect) of not addressing the risk	Controls/Mitigations	Likelihood/ Impact	Actions/ Recommendations	Review of Actions taken to date and further actions identified
	CMO	notification in change of circumstances.	Reputational damage of Pension Administration and Council.	Signed up for DWP database Tell us Once – DWP inform Havering of deaths relating to members of the Havering LGPS fund			
				September 20 – Mortality Screening outsourced to an external supplier.			
				Address checked for deferred pensions prior to payment			
				Process is in place to investigate return of payment by banks.			
				Internal audit checks carried out.			
7.2	PFM/CMO	Internal staff fraud/ Staff acting outside of their levels of authorisation.	Potential for financial loss.	Segregation of duties	E/1		
				Pension Fund bank account reconciled to General Ledger monthly			
				Internal audit checks carried out			
				Internal disciplinary process in place.			
7.3	PFM/CMO	Conflict of interest	Inappropriate decision making	Register of interests declarations covered at each Local Pensions Board/Committee meetings.	E/1		

Pension Fund Risk Register oneSource – Havering

Pension Fund Risk Register oneSource – Havering

CMO	Contract Monitoring Officer - Caroline Berry
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
LPB	Local Pension Board
LPPA	Local Pensions Partnership Administration
MHCLG	Ministry of Housing, Communities and Local Government
PFM	Pension Fund Manager – Finance – Debbie Ford
SAB	Scheme Advisory Board
SLA	Service Level Agreement
TCFD	Task Force on Climate-related Financial Disclosures
tPR	The Pensions Regulator