



# Pension Fund Risk Register

## Havering

September 2021

Post LPB 28.09.21

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 Risk Likelihood/Impact score shows in the column “Risk Likelihood/Impact Prior to controls” and the column “Risk Likelihood/Impact Post Controls”. 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

Risk No.	Risk Owner	Details of Risk	Consequences (Effect) of not addressing the risk	Risk Likelihood/ Impact prior to Controls	Controls/Mitigations	Risk Likelihood/ Impact post Controls	Actions/ Recommendations	Review of Actions taken to date and further actions identified	
<b>RISK TITLE</b>									
<b>No 1. Risk of Inaccurate three yearly actuarial valuation</b>									
<b>Upper Level: S151 Officer/Director of Exchequer and Transactional Services</b>									
1.1	Lower Levels: PFM	Inappropriate assumptions used by actuary in calculations for valuation.	Inappropriate investment risk may be adopted and deficit not reduced.	B/2	Assumptions for valuation are in compliance with regulation.	E/3			
					Actuarial assumptions are open to challenge by officers				
					Valuation results are checked for consistency across LGPS funds via GAD S13 report.				
					Local Government benchmarking/comparisons of assumptions.				
				Potential for Council Tax increases to plug funding gap.		Valuation completed by a qualified professional actuary.			
						Robust, open procurement process in place for appointment of actuary.			Next Actuary procurement due 2023 or if current contract extended in 2025
							Annual review of actuary performance undertaken by Pensions Committee.		Service Review submitted to Pensions Committee 09 November 2021

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1.2	PFM/CMO	Poor quality data provided /personal data not maintained (gaps/incorrect)	Poor quality or Incomplete data could result in an Increase to employer contributions/ inappropriate contribution percentages calculated.	B/2	Data cleansing/Controls in place to ensure accuracy and completeness of data.	E/3		
					Annual Data Improvement plan implemented with agreement from LPPA and regular checking of the Pensions Regulator data scores to identify areas to be fed into the plan			
					Pensions Administration Strategy implemented with effect from 01/10/21 to clarify employer responsibilities regarding data accuracy and timeliness			
<p><b>RISK TITLE</b>  <b>No 2. Risk of Incorrect / Inappropriate Investment Strategy</b></p>								
<p><b>Upper Level:S151 Officer</b></p>								
2.1	Lower Levels: PFM	Lack of or poor professional investment advice given or not taken	Potential for financial loss.	C/2	Investment Advisor appointed to advise the Fund and is instrumental in setting Investment Strategy.	D/3		
			Loss of investment opportunities and adverse performance.					
			Growth opportunities are not maximised.					

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2.2	PFM	Poor governance of Investment Advisor	Potential for financial loss.	C/2	Robust, open procurement process in place for appointment of Investment Advisor.	E/3		
					Investment Advisor performance is annually reviewed by the Pensions Committee and conforms to Competitive Markets Order.			
					Option to appoint an Independent advisor to undertake a health check and add robustness to the investment strategy as required.			
2.3	PFM	Lack of understanding and awareness (Pension Committee)	More investment risk may be taken to bridge a gap that does not actually exist and could generate inefficiencies and unintended risks if not fully understood.	C/2	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 & LPB - Training / Awareness ongoing - working towards full compliance	

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							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 taken to bridge a gap that does not actually exist.	C/2	Investment strategy /risks continually assessed as part of the quarterly monitoring process by the Pensions Committee. Diverse portfolio to reduce concentration.	E/3		
2.5	PFM	Based upon inaccurate actuarial valuation.	Pension deficit not reduced and potential for Council Tax increases.	C/2	Liabilities analysed during inter-valuation period in addition to every three years.	E/3		
					Close working relationship is encouraged between actuaries and investment advisor in the development of the investment strategy.			

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<b>RISK TITLE</b>								
<b>No 3. Risk of Failure of Investments to Perform In-Line with Growth Expectations</b>								
<b>Upper Level: S151 Officer</b>								
3.1	Lower Levels: PFM	Poor Fund Manager selection.	Potential for losses to be incurred.	C/2	Fund Manager selection now undertaken by LCIV. Product reviews and due diligence undertaken by Investment Advisor before the Fund invests. Robust, Fund Manager selection process in place (Non LCIV where required)	E/3		
			Reputational risk from poor investments.					
3.2	PFM	Underperformance by Fund Manager (Non-LCIV).	Deficit reduction targets not met/Increased employer contributions.	C/2	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.	C/2	Investment Advisor performance is annually reviewed by the Pensions Committee and close working relationship maintained with officers.	D/3	Service Review submitted to Pensions Committee 09 November 2021	
3.4	PFM	Negative financial market impacts/external factors/increased market volatility (i.e. 2008)/uncertainty	Economy downturn could result in general fall in investment values.	C/2	Diverse portfolio to reduce effects from market volatility.	D/3		
					Close monitoring of Markets by the Fund’s investment Advisor in particular during COVID19 pandemic			
					Investment Advisor produces monthly market updates.			

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		of Brexit, COVID 19 Pandemic.						
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.	C/2	Investment advisor/Pensions Committee and officers review fund performance and asset class targets quarterly.	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.	C/2	Robust processes in place to ensure capital calls are funded in a timely manner.	D/4		
3.7	PFM	Underperformance of LCIV Fund manager. Failure to achieve Asset Under Management Target.	The fund’s assets are not sufficient to meet its long term liabilities.	C/2	Monitoring meetings are held with Officers from Havering and LCIV client relations team regularly.	D/3		
					LCIV arrange regular meet the manager sessions that is open to Officers and Committee members.			
					LCIV run monthly business meetings to ensure the Fund is up to date with LCIV events. Summaries are reported back to the Pensions Committee quarterly.			
					LCIV attend Pension Committee, as part of the reporting cycle, to report			

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					on sub fund manager performance and LCIV updates. Open to challenge by the Committee and Fund Advisor.			
			Annual development charges may not decrease in line with MTFS expectations.		Development charges are reported at the LCIV General Shareholder meetings - attended and challenged by shareholder reps i.e. Councillors from each borough.			
3.8	PFM	Fund Managers – noncompliance to the Code of Transparency.	Failure to disclose full management fees in the Pension Fund Annual Report and accounts.	C/3	Fund Managers complete the Code of Transparency compliance template annually.	D/3	Code of Transparency data sent to Investment Consultant for guidance on interpretation of data and further analysis.	
					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.	C/2	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/2	Monitor issuance of new TCFD reporting requirements.	

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					Investment beliefs incorporated as part of the ongoing implementation of investment strategy and the Committee have made a number of decisions to switch to less carbon intensity products.			
					The Pensions Regulator has set up a working party to consider guidance for pension schemes. The SAB is also expected to incorporate climate change considerations into its guidance for LGPS funds during 2020.		To monitor on – going discussions between tPR and Government regarding Climate Change and expected guidance.	Following issuance of guidance, the Committee could consider actions including: <ul style="list-style-type: none"> <li>•Further training</li> <li>•Measuring exposure to and reporting.</li> <li>•Escalating engagement with investee companies on climate-related topics.</li> </ul>
3.10	PFM	Risk that MATS Consolidate existing Pension Fund memberships funded within various Local Authorities into a	If a request to transfer out from the Fund is granted by MHCLG, this could set a precedent for the	C/2	The Fund has responded to the consultation issued by MHCLG (now DLUHC) opposing the transfer on the grounds of the wider risks faced by the Fund.	C/2	To monitor DLUHC actions re Transfer request from Oasis Community Learning. To ensure contact with the Actuary	

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		Pension Fund outside Havering.	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 liabilities would transfer out if all existing MATS followed precedent		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.		regarding transfers and exit valuations.	

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<b>RISK TITLE</b>								
<b>No 4. Risk of Failure to comply with Legislative requirements</b>								
<b>Upper Level for All Risks S151 Officer/Director of Exchequer and Transactional Services</b>								
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.	C/1	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.			
					External and in house training provided where required. Continual personal development for all Committee/LPB members and Officers.		Personal development for all Committee/LPB members and officers is on-going	

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							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.	
					Access to specialist pension media sources.			
					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.	B/2	Experienced personnel in place at present.	D/2	One Source is undergoing a Transformation exercise that will be addressing succession issues.	
4.3	PFM/CMO	Failure/inability to administer the pension scheme in accordance with regulations.	Non-compliance could result in an adverse external audit report.	C/2	Local Pension Board in place to oversee adherence to the Regulations and guidance.	E/3		
					tPR undertook a review of the Fund’s day-to-day practices and operations in 2019 with no overall concerns and			

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					officers have since implemented recommendations arising from their review.			
					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.			
<b>RISK TITLE</b>								
<b>No 5. Risk of inability to Manage/Govern the Pension Fund and Associated Services.</b>								
<b>Upper Level for all Risks: S151 Officer/Director of Exchequer and Transactional Services.</b>								
<b>5.1</b>	Lower levels: PFM/CMO	Staffing issues: Loss of corporate knowledge/expertise. Long-term sickness absence. Increase in staff turnover. Lack of resource (Staffing/financial).	Negative impacts upon service provision. Potential for Time delays and . Increased costs due to “buying in” external expertise.	B/2	The London Borough of Havering delegated the pension administration service to Lancashire County Council who have engaged the Local Pensions Partnership Administration (LPPA) to undertake their pension portfolio. LPPA have case type dedicated teams to ensure expertise is maintained Continuous pension training for LPB, Pensions Committee members and staff.	D/2	Succession planning scheduled for key personnel.	

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		No knowledge base to store experiences/information.			Participates in the CIPFA Pensions Network/ Peer forums to share knowledge & awareness.			
					Onesource has introduced a knowledge sharing platform (the Finance Academy)			
					Guidance from external agencies (some will be at a cost).			
					Members of Local Authority Pensions Web.			
5.2	PFM	LCIV resourcing – LCIV staff turnover.	Undermines investor confidence in the LCIV.	C/2	Continued monitoring of LCIV in place.	D/3		
5.3	PFM/CMO	ICT failure/Disaster Recovery.	Loss of infrastructure. Failure of all ICT services.	B/1	ICT/ Disaster Recovery in place. Constant security upgrades to computer systems at both Havering, Pensions & Treasury and LPPA.	D/3		
					Implementation of COVID-19 working restrictions has maintained service continuity.			
					Use protected portals to send personal information.			
					Internal Firewalls recommended.			
					GDPR good practice is undertaken.			
5.4	PFM/CMO	Cyber Security Risk.	Ransomware risk.	B/1	Internal Audit for oneSource Cyber Security carried out in Oct 2018.	D/3		

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					LPPA hold a current Cyber Essentials Certificate, issued 13/07/2021. They also undertake regular penetration testing with a CREST accredited company with any vulnerabilities being remediated			
5.5	PFM/CMO	Functionality of Oracle Cloud causes pension fund system issues.	Pension Fund Accounts system malfunction.	C/2	Oracle team aware of Pension fund system requirements.	D/2	Monitoring ongoing with regard to system reconciliations and balance sheet requirements.	
					Systems tested at each stage of implementation. Pension Finance Staff undertook testing of General Ledger Revenue codes.			
5.6	CMO	Poor Pension fund administration by the outsourced service LPPA.	Service Delivery failure leading to client/customer complaints and Reputational damage.	B/1	Formal agreement in place with administrator, including SLA's.	E/3		
					CMO in post to monitor the administration work of LPPA.			
					Service is subject to external auditor report of pension's admin processes. LPPA supply an annual internal assurance report where the control objectives link in to the Pensions Regulator Code of Practice 14.			
5.7	CMO	Poor administration by the employers/payroll	Service delivery failure leading to client/customer complaints and	C/2	Local Pension Board is in place to assist the administering authority in effective and efficient governance of the Havering Pension Fund.	E/3		

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		providers in the fund.	Reputational damage.		Pensions Administration Strategy in place to clarify the responsibilities of scheme employers and provide timescales for the submission of data.				
						LPPA have a programme of employer training and a dedicated employer engagement team to provide support.			
						CMO maintains regular contact with scheme employers to provide support			
			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.			
						Data cleanse checks undertaken as part of the year end pensions administration process			
						Annual data improvement plan implemented with agreement from LPPA and regular checking of the Pensions Regulator data scores to identify areas to be fed into the plan			
			Pension costs and payments delayed or incorrect.			Monthly reconciliations to monitor cash flow carried out.			
						CMO monitors benefit payments from the Fund			
			Admission agreements not			Employer onboarding process in place Service handover completed when		Strengthen the process for	

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			completed by the transfer date.		process of admitting bodies to the fund transferred from LPPA to in-house on 1 April 2021.		onboarding new employers and Bond reviews.	
					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.	C/2	Pension Fund accounts subject to external audit.	E/3		
					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.	C/3	The Council has in place a complaints system to address complaints via the website that goes all the way up to the pension’s ombudsman.	E/3		

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					The Pension Fund has a communications strategy that is updated annually and reviewed every 3 years. The strategy is reviewed by the local pensions board and approved by the pensions committee			
					LPPA has an LGPS dedicated website that contains all relevant information for scheme members and employers.			
					The Fund has a pensions dedicated page within the Havering Council website where fund specific information is published and the Fund publishes an Annual Report			
5.10	PFM/CMO	Excessive charges by suppliers.	Fund incurring unnecessary costs.	C/2	Third Party Fee Invoices checked prior to payment.	E/4		
5.11	CMO	The Data migration from Altair to UPM (Universal Pensions Management) in September 2022 is not complete and accurate.	Member’s records may not be accurate which would leave LPPA unable to calculate the correct level of pension benefits.	B/1	LPPA have a dedicated project team and robust project plan in place that includes rigorous testing of data migration and calculations.	D/2	LPPA are providing regular updates to clients and employers as to the progress of the project.	
					The project risk register has been presented to the local pensions board			

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<b>RISK TITLE</b>								
<b>No 6. Risk of failure to on board or exit employers/members effectively.</b>								
<b>Upper Level for all Risks:S151 Officer/Director of Exchequer and Transactional Services</b>								
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.	C/2	Monthly contribution schedules maintained by the Havering Pensions Team.	E/3		
					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.			
					Pensions Administration Strategy in place to clarify the responsibilities of scheme employers and provide timescales for the submission of contribution payments.			
			Late payments of pension benefits.		CMO works closely with LPPA. Carries out spot checks to review LPPA work on a regular basis.			
					Pensions Administration Strategy in place to clarify the responsibilities of scheme employers and provide timescales for the submission of data			

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			Adverse External Audit Opinion on internal controls.		Service handover completed when process of admitting bodies to the fund transferred from LPPA to in-house on 1 April 2021.			
					LPPA performance report presented to the Local Pension Board at every meeting.			
					Escalation to Heads of Service where required.			
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.	C/2	Script in place to deliver to new Academy employers, with feedback process in place.	E/3		
					Admission policy and manual completed in November 2017			
					TUPE manual completed in November 2017.			
					Pensions Administration Strategy in place to clarify the responsibilities of scheme employers			
					CMO maintains contact with employers to provide dedicated point of contact.			
					Database maintained on all contact details for LGPS communications.			
			Employer's liabilities may fall back onto other		Actuarial assessment completed for all new admission requests to assess the level of financial risk.			

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			employers and 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.	B/2	LPPA raise queries with scheme employers.	E/3		
					Member self-service – online tool for members to check and update personal data.			
					Annual data cleansing and checks are undertaken as part of the year end administration process			
					Data is reviewed as part of the triennial valuation exercise.			
					Reconciliations between General Ledger and Altair undertaken quarterly identifies member mismatches.			
<p><b>RISK TITLE</b>  <b>No 7. Risk of Pension Fund Payment Fraud</b></p>								
<p><b>Upper Level for all Risks: S151 Officer/Director of Exchequer and Transactional Services.</b></p>								
7.1	Lower Levels: CMO	Pension overpayments arising because of non-notification in	Financial loss. Reputational damage of Pension	C/3	Participate in the National Fraud Initiative (bi-annually).	E/4		
					Signed up for DWP database Tell us Once – DWP inform Havering of deaths relating to members of the			

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		change of circumstances.	Administration and Council.		Havering LGPS fund. Monitored on a daily basis			
					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.	C/2	Segregation of duties.	E/3		
					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.	C/2	Register of interests declarations covered at each Local Pensions Board/Committee meetings.	E/3		

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CMO	Contract Monitoring Officer - Caroline Berry
CIPFA	Chartered Institute of Public Finance and Accountancy
DLUHC	Department for Levelling UP, Housing & Communities
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