

# Havering Pension Fund

## Risk Register

September 2023

### 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      | Green | Amber | Red   | Red   |
|            | B      | Green | Amber | Amber | Red   |
|            | C      | Green | Green | Amber | Amber |
|            | D      | Green | Green | Green | Amber |
|            | E      | Green | Green | Green | Green |
|            | F      | Green | Green | Green | Green |
|            |        | 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

| Abbreviations | Description   |
|---------------|---|
| CMO           | Contract Monitoring Officer - Caroline Guyon          |
| CIPFA         | Chartered Institute of Public Finance and Accountancy |
| DLUHC         | Department for Levelling UP, Housing & Communities    |
| DWP           | Department for Work and Pensions                      |
| ESG           | Environmental, Social and Governance                  |
| FCA           | Financial Conduct Authority                           |
| 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             |
| PFM           | Pension Fund Manager, Finance – Debbie Ford           |
| SAB           | Scheme Advisory Board                                 |
| SLA           | Service Level Agreement                               |
| SLT           | Society of London Treasurers                          |
| TCFD          | Task Force on Climate-related Financial Disclosures   |
| tPR           | The Pensions Regulator                                |

| 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. | AMBER<br>B/2<br>Very Likely/<br>Serious                   | Assumptions for valuation are compliant with regulation.   | GREEN<br>E/3<br>Unlikely/<br>Moderate  |   | Officer meeting October 2022. Valuation training for pensions Committee members delivered by Hymans December 22. Valuation 2022 process completed by March 2023 deadline.<br><br>Risk and Controls Reviewed by LPB July 23.<br><br>GAD S13 report for 2022 not expected until 2024 – Officers to assess results and report to Committee on the outcomes. |
|   |                   |  |   |   | Actuarial assumptions are open to challenge by officers, members during training and as part of the Funding Strategy Statement consultation with stakeholders. |  |   |  |
|   |                   |  |   |   | Valuation results are checked for consistency across LGPS funds via GAD S13 report.  |  | GAD S13 report measures valuations using 4 criteria: <ul style="list-style-type: none"> <li>• compliance</li> <li>• constituency</li> <li>• solvency</li> <li>• long-term cost efficiency.</li> </ul> GAD S13 report on 2019 valuations resulted in the Fund receiving “white” flag under the solvency measure – meaning no overall concerns. |  |
|   |                   |  |   | Local Government benchmarking/comparisons of assumptions. |  |  |   |  |

| 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                   |
|----------|------------|--|---|--|---|--|---|--|
|          |            |  |   |  | Asset/Liability review following Valuation and consideration by members.  |  |   |  |
|          |            |  | Potential for Council Tax increases to plug funding gap.  |  | Valuation completed by a qualified professional actuary.  |  |   | Risk and Controls Reviewed by LPB July 23.                                       |
|          |            |  |   |  | Robust, open procurement process in place for appointment of actuary.   |  |   | 22/23 Service Review due to be presented to Pensions Committee in November 2023. |
|          |            |  |   |  | Annual review of actuary performance undertaken by Pensions Committee.  |  | 21/22 Service Review submitted to Pensions Committee 08 November 2022. Current contract extended to 2025, in line with framework agreement. |  |
| 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. | AMBER B/2 Very Likely/ Serious             | Data cleansing/Controls in place to ensure accuracy and completeness of data. Data accuracy measured against the Pensions Regulator scoring criteria with a requirement to achieve 100% accuracy on common data. An annual data improvement plan is in place with agreement from LPPA to ensure identified areas for improvement are recorded and dealt with. | GREEN E/3 Unlikely/ Moderate           |   | Risk and Controls Reviewed by LPB July 23.                                       |
|          |            |  |   |  | Annual Data Improvement plan implemented with agreement from LPPA and regular checking of the Pensions Regulator data   |  |   |  |

| 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                    |
|--|-------------------|--|---|--|---|--|---|---|
|  |                   |  |   |  | <p>scores to identify areas to be fed into the plan.</p> <p>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> |                   |  |   |  |   |  |   |   |
| <b>Upper Level:S151 Officer</b>                                    |                   |  |   |  |   |  |   |   |
| 2.1  | Lower Levels: PFM | Lack of or poor professional investment advice given or not taken. | Potential for financial loss.                             | AMBER C/2 Likely/Serious                   | Investment Advisor appointed to advise the Fund who is instrumental in setting Investment Strategy.<br><br>Investment Advisor is FCA regulated so is required to evidence that they meet the required standards.    | GREEN D/3 Possible/Moderate            |   | Risk and controls reviewed September 23. No changes required to current controls. |
|  |                   |  | Loss of investment opportunities and adverse performance. |  |   |  |   |   |
|  |                   |  | Growth opportunities are not maximised.                   |  |   |  |   |   |
| 2.2  | PFM               | Poor governance of Investment Advisor.                             | Potential for financial loss.                             | AMBER C/2 Likely/Serious                   | Robust, open procurement process in place for appointment of Investment Advisor.  | GREEN E/3 Unlikely/Moderate            | Contract ends 31 March 2024 with the option to extend to 31 March 2026. | Risk and controls reviewed September 23.  |

| 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   |
|----------|------------|--|--|--|---|--|--|--|
|          |            |  |  |  | Investment Advisor performance is annually reviewed by the Pensions Committee and conforms to Competitive Markets Order.<br>Option to appoint an Independent advisor to undertake a health check and add robustness to the investment strategy as required.   |  | 21/22 Service review presented to Pensions Committee 13 December 2022. | No changes required.<br>22/23 Service review due to Pensions Committee November 2023.<br>Officers to recommend extension of contract to 31 March 2026. |
| 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. | AMBER<br>C/2<br>Likely/Serious             | Investment strategy /risks continually assessed as part of the quarterly monitoring process by the Pensions Committee.<br>Investment Advisor attends each quarterly Pension Committee meeting.<br>Knowledge and skills training of LPB and Committee Members / Inductions carried out for new LPB and Pension Fund Committee members. | GREEN<br>D/2<br>Possible/<br>Serious   |  | Risk and controls reviewed September 23.<br>Hymans LOLA Version 2 to go live 1 October 2023.<br>Continue to monitor completion of modules              |
|          |            |  |  |  |   |  | Signed up to Hymans online learning                                    |  |

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|---|----------------------|---|--|--|--|--|-----------------------------------|---|
|   |                      |   |  |  |  |  | platform (LOLA) from August 2022. |   |
| 2.4   | PFM                  | Concentration risk by asset, region and sector/Lack of clear risk appetite. | Potential for a more risk averse Investment Strategy when more risk is required or more investment risk may be taken to bridge a gap that does not actually exist. | AMBER<br>C/2<br>Likely/Serious             | Investment Strategy Statement (ISS) /risks continually assessed as part of the quarterly monitoring process by the Pensions Committee. Diversify portfolio to reduce concentration. Members are informed of risk vs return consequences on any proposal to change the ISS. | GREEN<br>E/3<br>Unlikely/<br>Moderate  |                                   | Risk and controls reviewed September 23. No changes required.   |
| 2.5   | PFM                  | Based upon inaccurate actuarial valuation.                                  | Pension deficit not reduced and potential for Council Tax increases.   | AMBER<br>C/2<br>Likely/Serious             | Liabilities analysed during inter-valuation period in addition to every three years.   | GREEN<br>E/3<br>Unlikely/<br>Moderate  |                                   | Risk and controls reviewed September 23. No changes required. Inter-valuation report as at 30 September 2023 due in December 2023. Officers to report outcomes to Pensions Committee. |
|   |                      |   |  |  | A close working relationship is encouraged between the actuary and the investment advisor in the development of the investment strategy. Thus made easier as both services undertaken by the same firm.  |  |                                   |   |
| <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:<br>PFM | Poor Fund Manager selection.  | Potential for losses to be incurred.   | AMBER<br>C/2<br>Likely/Serious             | Fund Manager selection now undertaken by LCIV. LCIV is FCA regulated   | GREEN<br>E/3<br>Unlikely/              |                                   | Risk and controls   |

| 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   |
|----------|------------|--|---|--|--|--|--|--|
|          |            |  | Reputational risk from poor investments.                            |  | Product reviews and due diligence are undertaken by the Investment Advisor before the Fund invests. A robust Fund Manager selection process is in place (Non LCIV where required). | Moderate                               |  | reviewed September 23. No changes required.  |
| 3.2      | PFM        | Underperformance by Fund Manager.  | Deficit reduction targets not met/Increased employer contributions. | AMBER C/2 Likely/Serious                   | Fund Managers and LCIV attend Pension Committee to present quarterly performance reports and are challenged by the Committee and Fund Investment Advisor.                          | GREEN D/3 Possible/Moderate            |  | Risk and controls reviewed September 23. No changes required.  |
| 3.3      | PFM        | Poor investment advice provided to the Fund or not taken.  | Deficit reduction targets not met.                                  | AMBER C/2 Likely/Serious                   | Investment Advisor performance is annually reviewed by the Pensions Committee and close working relationship are maintained with officers.   | GREEN D/3 Possible/Moderate            | 21/22 Service Review submitted to Pensions Committee 13 December 2022. | Risk and controls reviewed September 23. No changes required.<br><br>22/23 Service review due to Pensions Committee November 2023. |
| 3.4      | PFM        | A negative financial market impacts/external factors/increased market volatility (i.e. Recession, COVID 19 Pandemic, inflation). | Economy downturn could result in general fall in investment values. | RED B/1 Very Likely/Major                  | Diverse portfolio to reduce effects from market volatility.<br><br>Close monitoring of Markets by the Fund's investment Advisor.   | GREEN D/3 Possible/Moderate            |  | Risk and controls reviewed September 23. No changes required.  |

| 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                    |
|----------|------------|---|---|--|--|---|---|---|
|          |            |   |   |  | Investment Advisor produces monthly market updates.  |   |   |   |
| 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. | AMBER<br>C/2<br>Likely/Serious             | Investment advisor/Pensions Committee and officers review fund performance and asset class targets quarterly.  | GREEN<br>D/3<br>Possible/<br>Moderate   |   | Risk and controls reviewed September 23. No changes required.                     |
| 3.6      | PFM        | Delays in compliance with capital calls/FX Hedges on new illiquid mandates could result in penalty payments.      | Penalty payments are charged to the Fund.                               | GREEN<br>D/3<br>Possible/<br>Moderate      | Robust processes in place to ensure capital calls/FX cash settlements are funded in a timely manner.   | GREEN<br>D/4<br>Possible/<br>Negligible | No penalty charges or missed capital calls to date. | Risk and controls reviewed September 23. No changes required.                     |
| 3.7      | PFM        | Underperformance of LCIV Fund manager. Failure to achieve Asset Under Management (AUM) Target.                    | The Fund's assets are not sufficient to meet its long-term liabilities. | AMBER<br>C/1<br>Likely/Major               | Officers attend LCIV monthly business meetings to ensure the Fund is up to date with LCIV events. Summaries are reported back to the Pensions Committee quarterly.                       | GREEN<br>D/3<br>Possible/<br>Moderate   |   | Risk and controls reviewed September 23. No changes required to current controls. |
|          |            |   |   |  | LCIV arrange regular "meet the manager" sessions that are open to Officers and Committee members.  |   |   |   |
|          |            |   |   |  | LCIV attend Pension Committee, as part of the reporting cycle, to report on sub fund manager performance and LCIV updates. Open to challenge by the Pensions Committee and Fund Advisor. |   |   |   |



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|----------|------------|--|--|--|---|--|---|--|
|          |            |  |  |  | LCIV sub fund manager performance is monitored by LCIV – monitoring status awarded “normal”, “enhanced” or “on-watch”. Deep dives undertaken annually or more frequently if on “enhanced” monitoring or “on watch |  | LCIV Diversified Growth Fund currently classified as “enhanced” monitoring<br>Next review: December 2023. | This Fund is in the process of being fully divested, proceeds to fund LCIV Global Bond Fund.     |
|          |            |  | Failure to meet AUM target may impact LCIV service delivery.   |  | Development charges and ad valorem fees are reported at the LCIV General Shareholder meetings - attended and challenged by shareholder reps i.e. Councillors from each borough, SLT.                              |  |   |  |
|          |            |  | Annual charges may not decrease in line with MTFS expectations.  |  |   |  |   |  |
| 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 and being overcharged.                         | GREEN<br>C/3<br>Likely/Moderate            | Fund Managers complete the Code of Transparency compliance template annually.<br><br>Officers have access to the Byhiras client portal to check submission of templates.  | GREEN<br>D/3<br>Possible/<br>Moderate  | All fund managers now submit data so further analysis can be undertaken.                                  | Risk and controls reviewed September 23. No changes required.                                    |
| 3.9      | PFM        | Climate Risk /ESG Considerations.                          | Failure to consider the extent of climate change could impact negatively on financial outcomes e.g. stranded assets, carbon taxes etc. | AMBER<br>C/2<br>Likely/Serious             | 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.         | GREEN<br>D/2<br>Possible/<br>Serious   | Climate Risk Policy agreed by Pensions Committee on 25 July 2023.   | Risk and controls reviewed September 23. No changes required. Workshops to be arranged to assess |

| 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  |
|----------|------------|--|---|--|---|--|---|---|
|          |            |  | Could also result in the Fund missing out on investment opportunities associated with Climate change.   |  | Investment beliefs incorporated as part of the ongoing implementation of investment strategy and some funds have switched to less carbon intensity products.  |  |   | progress against action plan.   |
|          |            |  |   |  | 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.<br>climate scenario stress testing is now included in the contribution modelling exercise for the local authority as at the 2022 valuation. |  | Consultation "LGPS Governance & Reporting of Climate change Risk" closed in Nov 2022. Officers will monitor progress of regulations and guidance- yet to be issued. |   |
| 3.10     | PFM        | Risk that MATS Consolidate existing Pension Fund memberships funded within various Local Authorities into a Pension Fund outside Havering. | If a request to transfer out from the Fund is granted by DLUHC, 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 the | AMBER<br>C/2<br>Likely/Serious             | The Fund has responded to the consultation issued by DLUHC opposing the transfer on the grounds of the wider risks faced by the Fund.<br><br>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.                                  | AMBER<br>C/2<br>Likely/Serious         | To monitor DLUHC actions re Transfer request from Oasis Community Learning.<br><br>To ensure contact with the Actuary regarding transfers and exit valuations.      | DLUHC continuing to consider the Oasis application, no update as at September 2023- officers awaiting decision. |

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|--|-------------------------|--|---|--|--|--|---------------------------|--|
|  |                         |  | Investment Strategy, as it is estimated that 10% of the Fund's assets and liabilities would transfer out, if all existing MATS followed precedent |  |  |  |                           |  |
| <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, DLUHC 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.                 | AMBER<br>C/1<br>Likely/Major               | Local Pension Board is in place to oversee adherence to the Regulations and guidance.  | GREEN<br>E/3<br>Unlikely/<br>Moderate  |                           | Risk and controls reviewed September 23. No changes required.  |
|  |                         |  |   |  | 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.   |  |                           |  |

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|----------|------------|-----------------------|--|--|--|--|--|--|
|          |            |                       |  |  | 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.   |  |
|          |            |                       |  |  |  |  | A K&S questionnaires to be completed by Local Pension Board and Pensions Committee members. Fed up to Hymans online learning platform (LOLA) from August 2022. | v2 to go live from 1 October 2023. Completion of modules to continue to be monitored.        |
|          |            |                       |  |  | Access to specialist pension media sources.  |  |  | Risk and controls reviewed September 23. No changes required.                                |
|          |            |                       |  |  | Financial requirements are subject to external and internal audit with no qualifications.  |  |  |  |
| 4.2      | PFM / CMO  | Key person dependency | Loss of corporate knowledge and expertise in both administration and finance management. | RED<br>B/1<br>Very Likely/Major            | Experienced personnel in place at present.   | GREEN<br>D/2<br>Possible/<br>Serious   | One Source is undergoing a restructure. Having Pension Fund finance will be returning to sovereign borough. Succession planning scheduled.                     | Risk and controls reviewed September 23. No changes required. OneSource restructure ongoing. |

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|---|------------|--|--|--|--|--|--|--|
| 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. | AMBER<br>C/2<br>Likely/Serious             | Local Pension Board in place to oversee adherence to the Regulations and guidance.   | GREEN<br>E/3<br>Unlikely/<br>Moderate  |  | Risk and controls reviewed September 23. No changes required.  |
|   |            |  |  |  | tPR undertook a review of the Fund's day-to-day practices and operations in 2019 with no overall concerns and officers have since implemented recommendations arising from their review. |  |  | Continued monitoring against tPR recommendations.              |
|   |            |  |  |  | Experienced personnel in place at present.   |  | Risk and controls reviewed September 23. No changes required.                          |  |
|   |            |  |  |  | Attendance at seminars/training to ensure up to date regulatory requirements.  |  |  |  |
| Financial statements are subject to external and internal audit with no qualifications. |            | Outstanding - audit sign off for the 20/21 accounts (audit completed).<br>Outstanding -Pension Fund audit for 21/22 accounts (audit commenced September 2023).<br>Outstanding -Pension Fund audit 22/23 - not commenced. | Officers currently complying with 21/22 audit requests.          |  |  |  |  |  |
| 4.4   | PFM        | Employers ability to meet contribution rates determined by the Actuary in the Valuation  | Potential loss of Income to the Pension Fund and target          | AMBER<br>C/2<br>Likely/Serious             | The Administrating Authority has a policy included within its FSS, setting out its approach to   | GREEN<br>D/2<br>Possible/<br>Serious   | Officers to keep under review the risk of employer's ability to meet their obligations |  |

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|--|------------------------|---|--|--|--|--|---|--|
|  |                        | Rates and Adjustment certificate due to budget pressures  | funding level not met. Potentially leading to higher employer contributions rates set in future.                                 |  | reviewing contribution rates between triennial valuations. This has been adopted in line with regulations.   |  | and liaise with the Fund's actuary as appropriate.                    |  |
| <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> |                        |   |  |  |  |  |   |  |
| 5.1  | Lower levels: PFM /CMO | Staffing issues:<br>Loss of corporate knowledge/expertise.<br>Long-term sickness absence.<br>Increase in staff turnover.<br>Lack of resource (Staffing/financial).<br>No knowledge base to store experiences/information. | Negative impacts upon service provision.<br>Potential for Time delays.<br>Increased costs due to "buying in" external expertise. | AMBER<br>B/1<br>Very Likely/Major          | 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. | GREEN<br>D/2<br>Possible/<br>Serious   |   | Risk and controls reviewed September 23. No changes required.  |
|  |                        |   |  |  | LPPA have case type dedicated teams to ensure expertise is maintained.   |  |   |  |
|  |                        |   |  |  | Continuous pension training for LPB, Pensions Committee members and staff.   |  | Signed up to Hymans online learning platform (LOLA) from August 2022. |  |

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|-----------------------------------|------------|--|--|--|---|--|---|--|
|                                   |            |  |  |  | Participates in the CIPFA Pensions Network/ Peer forums to share knowledge & awareness. |  |   | Risk and controls reviewed September 23. No changes required.  |
|                                   |            |  |  |  | oneSource has introduced a knowledge sharing platform (the Finance Academy).            |  | Pension Fund officers to maintain and ensure procedure notes in place for key activities. |  |
|                                   |            |  |  |  | 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.          | AMBER C/2 Likely/Serious                   | Continued monitoring of LCIV in place.  | GREEN D/3 Possible/Moderate            |   | Risk and controls reviewed September 23. No changes required.  |
| 5.3                               | PFM / CMO  | ICT failure/Disaster Recovery.         | Loss of infrastructure. Failure of all ICT services. | RED B/1 Very Likely/Major                  | ICT/ Disaster Recovery in place.  | GREEN D/3 Possible/Moderate            |   | Risk and controls reviewed September 23. No changes required.  |
|                                   |            |  |  |  | Regular security upgrades to computer systems at both Havering and LPPA.                |  |   |  |
|                                   |            |  |  |  | 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. |            |  |  |  |   |  |   |  |

| 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 |
|----------|------------|--|---|--|---|--|--|--|
| 5.4      | PFM / CMO  | Cyber Security Risk.   | Ransomware risk.  | RED<br>B/1<br>Very Likely/Major            | Internal Audit for oneSource Cyber Security carried out in Oct 2018.  | AMBER<br>C/2<br>Likely/Serious         |  | Risk and controls reviewed September 23. No changes required.  |
|          |            |  |   |  | 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.   | AMBER<br>C/2<br>Likely/Serious             | Oracle team aware of Pension fund system requirements.  | GREEN<br>D/2<br>Possible/Serious       | Monitoring ongoing with regard to system reconciliations and balance sheet requirements. | Risk and controls reviewed September 23. No changes required.  |
|          |            |  |   |  | 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. | RED<br>B/1<br>Very Likely/Major            | Formal agreement in place with administrator, including SLA's.  | GREEN<br>E/3<br>Unlikely/Moderate      |  | Risk and controls reviewed September 23. No changes required.  |
|          |            |  |   |  | 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   |  |  |  |



| 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 |
|----------|------------|---|--|---|--|--|---------------------------|--|
|          |            |   |  |   | objectives link in to the Pensions Regulator Code of Practice 14.  |  |                           |  |
| 5.7      | CMO        | Poor administration by the employers/payroll providers in the fund. | Service delivery failure leading to client/customer complaints and reputational damage.  | AMBER<br>C/2<br>Likely/Serious  | Local Pension Board is in place to assist the administering authority in effective and efficient governance of the Havering Pension Fund.        | GREEN<br>E/3<br>Unlikely/<br>Moderate  |                           | Risk and controls reviewed September 23. No changes required.  |
|          |            |   |  |   | 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 undertakes 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                   |  |  |                           |  |

| 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   |
|----------|------------|--|--|--|---|--|--|--|
|          |            |  |  |  | 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.<br>CMO monitors benefit payments from the Fund.   |  |  |  |
|          |            |  | Admission agreements not completed by the transfer date. |  | Employer on boarding process in place. Service handover completed when the process of admitting bodies to the fund transferred from LPPA to in-house on 1 April 2021. |  | Strengthens the process for on boarding new employers and Bond reviews.<br>Staff member appointed September 2022.  |  |
|          |            |  |  |  | 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.   | AMBER<br>C/2<br>Likely/Serious             | Pension Fund accounts subject to external audit.  | GREEN<br>E/3<br>Unlikely/<br>Moderate  | Outstanding audit sign off for the 20/21 accounts (audit completed).<br>Outstanding Pension Fund audit for 21/22 accounts (audit commenced September 2023).<br>Outstanding Pension Fund audit 22/23 - not commenced. | Risk and controls reviewed September 23. No changes required.<br><br>Officers currently complying with 21/22 audit requests. |
|          |            |  |  |  | Experienced personnel in place.   |  |  |  |
|          |            |  |  |  | Pension Fund uses the service of an external  |  |  |  |

| 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 |
|----------|------------|--|--|--|--|--|---------------------------|--|
|          |            |  |  |  | <p>custodian to verify asset values and performance.</p> <p>Fund Managers performance is monitored quarterly. Fund Managers present at Pension Fund Committee meetings.</p> <p>Monitoring of internal control reports of fund managers to ensure operations administered correctly.</p> <p>Attendance at accounting seminars/training to ensure adherence to guidance and regulations.</p> |  |                           |  |
| 5.9      | PFM / CMO  | Poor communications with stakeholders. | Disaffection and actions against the Council.    | GREEN<br>C/3<br>Likely/Moderate            | 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.  | GREEN<br>E/3<br>Unlikely/<br>Moderate  |                           | Risk and controls reviewed September 23. No changes required.  |
|          |            |  |  |  | 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.  |  |                           |  |

| 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 |
|--|----------------------------|--|--|--|---|---|---|--|
|  |                            |  |  |  | The Fund has a pensions dedicated page within the Havering Council website where fund specific information is published and where the Fund publishes an Annual Report.  |   |   |  |
| 5.10   | PFM / CMO                  | Excessive charges by suppliers.  | Fund incurring unnecessary costs.  | AMBER<br>C/2<br>Likely/Serious             | Third Party Fee Invoices checked prior to payment.  | GREEN<br>E/4<br>Unlikely/<br>Negligible |   | Risk and controls reviewed September 23. No changes required.  |
| 5.11   | CMO                        | The Data migration from Altair to UPM (Universal Pensions Management) in November 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. | RED<br>B/1<br>Very Likely/Major            | LPPA have a dedicated project team and robust project plan in place that includes rigorous testing of data migration and calculations.<br><br>The project risk register has been presented to the Local Pensions Board. | GREEN<br>D/2<br>Possible/<br>Serious    | Havering data migrated to UPM in November 2022. | Continued monitoring in place to ensure accurate transfer.     |
| <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:<br>PFM / CMO | Delays in internal processing of documentation/ admission agreements.  | Contribution delays from the employers & members until on-boarding has   | AMBER<br>C/2<br>Likely/Serious             | Monthly contribution schedules maintained by the Havering Pensions Team.  | GREEN<br>E/3<br>Unlikely/<br>Moderate   |   | Risk and controls reviewed September 23.                       |

| 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 |
|----------|------------|-----------------|--|--|---|--|---------------------------|--|
|          |            |                 | been completed impacts cash flow.                    |  | Reconciliations between the General Ledger and contribution schedules undertaken monthly.   |  |                           | No changes required.   |
|          |            |                 |  |  | 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.                  |  |                           |  |
|          |            |                 | 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.  |  |                           |  |

| 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 |
|--|------------|--|---|--|--|--|---------------------------|--|
|  |            |  |   |  | 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. | AMBER C/2 Likely/Serious                   | Script in place to deliver to new Academy employers, with feedback process in place.           | GREEN E/3 Unlikely/Moderate  |                           | Risk and controls reviewed September 23. No changes required.  |
|  |            |  |   |  | 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 employers and ultimately local taxpayers.      | Actuarial assessment completed for all new admission requests to assess the level of financial risk. |                           |  |
| 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.                                   | AMBER B/2 Very Likely/Serious              | LPPA raise queries with scheme employers.  | GREEN E/3 Unlikely/Moderate  |                           | Risk and controls reviewed September 23. No changes required   |
|  |            |  |   |  | Member self-service – online tool for members to   |  |                           |  |

| 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  |
|----------|------------|---|--|--|---|--|--|---|
|          |            |   |  |  | 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 UPM undertaken quarterly identifies member mismatches. |  |  |   |
| 6.4      | PFM / CMO  | Government white paper on academies, which sets out that it wants all LEA's to convert to academy status within the next 8 years. | There are 42 schools currently with the LEA that may need to convert, which could impact existing resources to on-board and administer.<br><br>Cost implications for the Administration contract due to increased levels of employers and employees to manage. | AMBER D/3 Possible/Moderate                | To monitor development of Government plans.   | AMBER B/3 Very Likely/Moderate         | Having to liaise with LPPA to have appropriate plans in place to review resources for implementation and ongoing monitoring. | Risk and controls reviewed February 23. Update – The Government has scrapped the schools bill and the aim to convert all LEA schools to Academies by 2030 will not go ahead. A regulatory review will continue. |

| 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 7. Risk of Pension Fund Payment Fraud</b>  |                      |  |   |  |   |   |                           |  |
| <b>Upper Level for all Risks: S151 Officer/Director of Exchequer and Transactional Services.</b> |                      |  |   |  |   |   |                           |  |
| 7.1  | Lower Levels:<br>CMO | Pension overpayments arising because of non-notification in change of circumstances. | Financial loss.<br>Reputational damage of Pension Administration and the Council. | GREEN<br>C/3<br>Likely/Moderate            | Participate in the National Fraud Initiative (bi-annually).   | GREEN<br>E/4<br>Unlikely/<br>Negligible |                           | Risk and controls reviewed September 23. No changes required   |
|  |                      |  |   |  | Signed up for DWP database Tell us Once – DWP inform Havering of deaths relating to members of the Havering LGPS fund. Monitored on a daily basis |   |                           |  |
|  |                      |  |   |  | September 20 – Mortality Screening outsourced to an external supplier. Checks carried out monthly.  |   |                           |  |
|  |                      |  |   |  | 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 /<br>CMO         | Internal staff fraud/<br>Staff acting outside of their levels of authorisation.      | Potential for financial loss.   | AMBER<br>C/2<br>Likely/Serious             | Segregation of duties.  | GREEN<br>E/3<br>Unlikely/<br>Moderate   |                           | Risk and controls reviewed September 23. No changes required   |
|  |                      |  |   |  | Pension Fund bank account reconciled to General Ledger monthly.   |   |                           |  |
|  |                      |  |   |  | Internal audit checks carried out.  |   |                           |  |



| 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 |
|----------|------------|-----------------------|--|--|---|--|---------------------------|--|
|          |            |                       |  |  | Internal disciplinary process in place.   |  |                           |  |
| 7.3      | PFM / CMO  | Conflict of interest. | Inappropriate decision making.                   | AMBER<br>C/2<br>Likely/Serious             | Register of interest declarations are covered within the agenda at all Local Pensions Board/Committee meetings. | GREEN<br>E/3<br>Unlikely/<br>Moderate  |                           | Risk and controls reviewed September 23. No changes required   |

