

# London Borough of Barnet Pension Fund Pension Administration Risk Register

Updated by: Mark Fox, Pensions Manager, London Borough of Barnet

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# London Borough of Barnet Pension Fund – Pension Administration Risk Register

## Evaluating risks and Risk Matrix

The LBB Pension Fund evaluates the pension administration risks on a four-point scale on the likelihood of the risk occurring and the impact caused should the risk occur. Risks are evaluated with their controls in place. Risks are plotted on a risk matrix (see below) and prompt action will be taken on those risks that fall into the red zone. Action is considered for “yellow” risk, while “green” risks are regarded as acceptable.

|            |                    |             |                     |                                 |                  |
|------------|--------------------|-------------|---------------------|---------------------------------|------------------|
| Likelihood | 4 – Almost Certain |             |                     |                                 |                  |
|            | 3 - Likely         |             | <u>18</u>           |                                 |                  |
|            | 2 - Unlikely       |             | <u>5, 6, 10, 14</u> | <u>2, 8, 11, 12, 13, 16, 17</u> | <u>15</u>        |
|            | 1 - Rare           |             | <u>4, 7, 9</u>      | <u>1, 3</u>                     |                  |
|            |                    | 1 - Trivial | 2 - Medium          | 3 - Major                       | 4 - Catastrophic |
|            |                    | Impact      |                     |                                 |                  |

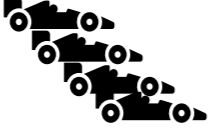


### Risks

1. Operational disaster
2. Incomplete or inaccurate data
3. Maladministration
4. Excessive charges by suppliers
5. Failure to pay contributions
6. Failure of non-public sector employers
7. Failure to interpret rules correctly
8. Appropriate personnel in key roles
9. Conflicts of interest
10. Admission agreements not in place
11. Commercial viability of suppliers
12. Non-compliance with GDPR
13. Negative media exposure
14. Impact of staffing issues on admin
15. Cyber security breach
16. Risk of fraud
17. Effect of new pensions regulations
18. Failure to produce annual report and accounts within deadline

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## Risk Velocity

Risk Velocity is defined as the time to impact (i.e., an estimate of the timeframe within which a risk may occur). The Pensions Team use a traffic light system to classify how risk velocity measured:

|   |  |   |
|---|--|---|
| <a href="#">1</a> , <a href="#">12</a> , <a href="#">13</a> , <a href="#">15</a>  |  | - very rapid; within a couple of days                       |
| <a href="#">2</a> , <a href="#">3</a> , <a href="#">8</a> , <a href="#">14</a> , <a href="#">16</a>   |   | - risk may occur within a few days up to a couple of months |
| <a href="#">4</a> , <a href="#">5</a> , <a href="#">6</a> , <a href="#">7</a> , <a href="#">9</a> , <a href="#">10</a> , <a href="#">11</a> , <a href="#">17</a> , <a href="#">18</a> |  | - a slow impact that may occur over several months or more  |

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## Risk Scores

The risk scores are calculated as Likelihood x Impact.

As the Impact tends to be fixed, it is the Likelihood that requires risk management.

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## Summary of Risks

| Risk   | Description   | Current Risk Score | Lowest Possible Risk Score | Risk Velocity   | Risk Owner                  | Date Risk Identified |
|--|---|--------------------|----------------------------|---|-----------------------------|----------------------|
| ADM01<br>Operational disaster (Fire / flood etc)             | An event occurs that would impact the ability to deliver all / parts of the pension service.  | 3                  | 3                          |    | WYPF                        | August 2017          |
| ADM02<br>Incomplete or inaccurate member data                | To fulfil legal obligations, the pension service is dependent on receiving accurate information and data from scheme employers, and for the administrator to maintain member records. | 6                  | 3                          |    | WYPF                        | August 2017          |
| ADM03<br>Administration process failure/maladministration    | Administration of the pension scheme should be in line with the Local Government Pension Scheme (LGPS) rules.   | 3                  | 3                          |  | WYPF                        | August 2017          |
| ADM04<br>Excessive charges by suppliers                      | The cost of running the pension scheme should not exceed the agreed budget.   | 2                  | 2                          |  | Head of Pensions & Treasury | August 2017          |
| ADM05<br>Employer's failing to pay contributions to the fund | If the fund does not receive the correct contributions from employers to fund pension liabilities, this could lead to a scheme deficit.   | 4                  | 2                          |  | Finance Manager - Pensions  | August 2017          |

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|---|---|--------------------|----------------------------|---|-------------------------------|----------------------|
| <b>ADM06</b><br>Failure of non-public sector employers                                | Should admitted bodies default on payments, the fund is left with additional pension liabilities.                                   | 4                  | 2                          |    | Pensions Manager, LBB         | August 2017          |
| <b>ADM07</b><br>Failure to interpret rules or legislation correctly                   | The Board does not have the level of pension knowledge to perform their role effectively.   | 2                  | 2                          |    | Senior Pensions Officer - LBB | August 2017          |
| <b>ADM08</b><br>Appropriate personnel in place to perform in designated and key roles | WYPF does not comply with statutory obligations and is unable to evidence appropriate governance.                                   | 6                  | 3                          |  | WYPF                          | August 2017          |
| <b>ADM09</b><br>Conflicts of interest   | Decisions made may be influenced by other factors and may be subject to challenge.  | 2                  | 2                          |  | Pensions Manager, LBB         | August 2017          |
| <b>ADM10</b><br>Admission agreements & bonds not arranged in good time                | If a new employer is not admitted to the Fund in a timely manner, then employees will not be able to have access to their benefits. | 4                  | 2                          |  | Pensions Manager, LBB         | January 2019         |

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|--|--|--------------------|----------------------------|---|-----------------------------|----------------------|
| <b>ADM11</b><br>Commercial viability of strategic suppliers          | If the commercial viability of a strategic supplier declines this could lead to operational failings resulting in service disruption / reduction, failure to complete statutory duties and financial costs.                              | 6                  | 4                          |    | Head of Pensions & Treasury | March 2019           |
| <b>ADM12</b><br>Non-compliance with GDPR                             | Failure to adhere to GDPR may lead to the breach of GDPR regulations (e.g. breach of personal information), which will result in enforcement action from TPR and the ICO, resulting in financial and reputational impact on the Council. | 6                  | 2                          |    | Pensions Manager, LBB       | March 2019           |
| <b>ADM13</b><br>Negative media exposure and member experience        | Negative media attention may lead to ineffective media management impacting on the reputation of the Council and impacting on staff morale.  | 6                  | 2                          |  | Pensions Manager, LBB       | March 2019           |
| <b>ADM14</b><br>Impact of staffing issues on pensions administration | WYPF staff absence (due to both illness and leave) should be managed to ensure that the service levels are maintained so there is no detrimental effect on the payment of members benefits and general service levels.                   | 4                  | 2                          |  | Pensions Manager, LBB       | April 2020           |

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|---|--|--------------------|----------------------------|---|-----------------------------|----------------------|
| <b>ADM15</b><br>Cyber security breach   | The Fund holds large amounts of personal data which can make them a target for fraudsters and criminals. Steps need to be taken to protect members which includes protecting them against the 'cyber risk'.  | 8                  | 4                          |    | Head of Pensions & Treasury | March 2019           |
| <b>ADM16</b><br>Risk of fraud by paying pensions to ineligible individuals or fraudulent arrangements | The Fund should evaluate the various forms of fraud in relation to pensions administration and then arrange for the implementation of appropriate controls that are both proportionate and pragmatic.  | 6                  | 3                          |    | Pensions Manager, LBB       | March 2019           |
| <b>ADM17</b><br>Effect of new pensions legislation and LGPS regulations                               | New pensions legislation or updates to the LGPS regulations can affect members pension benefits within the Fund.   | 6                  | 3                          |  | Pensions Manager, LBB       | March 2019           |
| <b>ADM18</b><br>Failure to produce compliant annual report and accounts within deadline               | The Accounts and Audit Regulations 2015 (2022 amendment) require audited accounts to be published on the 30 September after the year end. The risk of the Pension Fund Accounts not being published is that the Council Accounts will not be complete. | 6                  | 2                          |  | Pensions Manager, LBB       | April 2020           |

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| Risk   | Nature of Risk      | Controls in Place  | Actions to mitigate risk  | Action Owner  | Action Completion Date  |
|--|---------------------|--|---|---|---|
| <b>ADM01</b><br>Operational disaster<br>(Fire / flood etc) | Business Continuity | <ul style="list-style-type: none"> <li>WYPF has Business Continuity Procedures and Disaster Recover Plans in place, which are reviewed and tested regularly.</li> </ul>                  | <ul style="list-style-type: none"> <li>WYPF have advised that two further tests will take place in the summer of 2023. The LBB Pensions Team will review the reports when available.</li> </ul>   | WYPF<br>Mark Fox  | Oct 2023<br>Dec 2023  |
| <b>ADM02</b><br>Incomplete or inaccurate member data       | Governance          | <ul style="list-style-type: none"> <li>Common and Conditional data analysis provided monthly by WYPF.</li> <li>Regular updates provided by WYPF on the Data Improvement Plan.</li> </ul> | <ul style="list-style-type: none"> <li>WYPF to update the LBB Pensions Team when employers are not providing the relevant information, so appropriate action can be taken.</li> <li>The LBB Pensions Team continue to work with employers who still have unprocessed leavers.</li> <li>Regular updates provided by WYPF on progress on the data improvement plan.</li> <li>Employers to be reminded of their responsibilities at each employer forum meeting.</li> <li>Process for rectification historical records – documented and completed November 2023</li> </ul> | WYPF<br>Jim Nokku<br>WYPF<br>Mark Fox<br>Mark Fox/Jim Nokku | Ongoing - Monthly<br>March 2024<br>Ongoing - Quarterly<br>Dec 2023<br>n/a |



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|--|----------------|---|---|----------------------|-----------------------------------|
| <b>ADM03</b><br>Administration process failure / maladministration | Statutory Duty | <ul style="list-style-type: none"> <li>Formal agreement in place with WYPF, including agreed SLA's.</li> <li>WYPF authority levels agreed with clear definition of delegated authorities and individual approval authorities.</li> <li>Scheme Event Calendar in place to ensure regulatory deadlines are achieved.</li> <li>WYPF staff training plans in place to ensure processing in accordance with LGPS requirements.</li> <li>Monthly reports by WYPF provided to LBB Pensions Manager.</li> </ul> | <ul style="list-style-type: none"> <li>The LBB Pensions Team to review the latest WYPF ISO9001 and ISO27001 reports , when available, which details the controls in place at WYPF.</li> <li>WYPF to update the LBB Pensions Team on any errors or issues in the monthly report, or earlier, if deemed appropriate.</li> </ul> | Mark Fox<br><br>WYPF | Jan 2024<br><br>Ongoing - Monthly |
| <b>ADM04</b><br>Excessive charges by suppliers                     | Finance        | <ul style="list-style-type: none"> <li>Pension scheme budget agreed annually.</li> <li>Periodic review of suppliers.</li> </ul>   | <ul style="list-style-type: none"> <li>LBB Pensions Team to review supplier charges – looking at budgets and value for money</li> </ul>   | David Spreckley      | Dec 2023                          |

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|---|----------------|--|---|------------------------------|--|
| <b>ADM05</b><br>Employer's failing to pay contributions to the fund | Financial      | <ul style="list-style-type: none"> <li>Monthly reconciliation of contribution payments received by both the LBB Pensions Team and WYPF.</li> <li>Revised procedures have been implemented to improve the collection of strain cost invoices.</li> </ul>    | <ul style="list-style-type: none"> <li>The LBB Pensions Team check monthly that employers pay the correct contributions rates.</li> <li>New Admitted Bodies are asked to commence paying contributions(at a temporary rate) prior to the Admission Agreement being to avoid delays in payment.</li> </ul> | Adam McPhail<br><br>Mark Fox | Ongoing – Monthly<br><br>Ongoing – when applicable |
| <b>ADM06</b><br>Failure of non-public sector employers              | Financial      | <ul style="list-style-type: none"> <li>The LBB Pension Team monitor employer covenant and business strength.</li> <li>The LBB Pensions Team have access to a Hymans modeller, enabling the employer contribution rate to be calculated quicker.</li> </ul> | <ul style="list-style-type: none"> <li>The LBB Pensions Team to ensure all admitted bodies have an appropriate bond/guarantee is in place.</li> <li>Process for new admitted bodies is changing with effect from 1 April 2024, which will eliminate the requirement for a bong/guarantee.</li> </ul>      | Mark Fox<br><br>Mark Fox     | Ongoing – when applicable<br>April 2024            |

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|---|----------------|---|---|-----------------------------------|---|
| <b>ADM07</b><br>Failure to interpret rules or legislation correctly                   | Compliance     | <ul style="list-style-type: none"> <li>Up to date training log in place for Local Pensions Board to show completion of training undertaken.</li> <li>Training is a standing item at Local Pensions Board meetings, where training is reviewed, and further training needs can be identified.</li> </ul> | <ul style="list-style-type: none"> <li>The LBB Pensions Team to update the training for undertaken by Board members bi-monthly.</li> <li>The LBB Pensions Team to facilitate training requests received from Board members (either external or internal training).</li> </ul>   | <p>Jim Nokku</p> <p>Jim Nokku</p> | <p>Ongoing – Monthly</p> <p>Ongoing – when applicable</p>             |
| <b>ADM08</b><br>Appropriate personnel in place to perform in designated and key roles | Compliance     | <ul style="list-style-type: none"> <li>WYPF ensure that the personnel in key roles in relation to the administration of the Fund are suitably experienced and qualified to perform in their roles and have the appropriate authorities.</li> </ul>  | <ul style="list-style-type: none"> <li>WYPF review the roles and responsibilities of relevant individuals to ensure they hold appropriate authorities, by annual appraisal reviews and setting of objectives</li> <li>LBB Pensions Team to obtain confirmation that WYPF staff in key positions have the appropriate experience and authority.</li> </ul> | <p>WYPF</p> <p>Mark Fox</p>       | <p>Ongoing – at least annually</p> <p>Ongoing – at least annually</p> |

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| Risk   | Nature of Risk | Controls in Place   | Actions to mitigate risk   | Action Owner | Action Completion Date |
|--|----------------|---|--|--------------|------------------------|
| <b>ADM09</b><br>Conflicts of interest                                  | Compliance     | <ul style="list-style-type: none"> <li>All Pension Board members to declare any conflicts and potential conflicts before each meeting and recorded in the conflict-of-interest register.</li> <li>All pension board members to complete and renew relevant educational material.</li> </ul> | <ul style="list-style-type: none"> <li>No further actions required; risk has reached its target score and is being tolerated with the existing controls and mitigations in place.</li> </ul>   | Mark Fox     | N/A                    |
| <b>ADM10</b><br>Admission agreements & bonds not arranged in good time | Governance     | <ul style="list-style-type: none"> <li>The LBB Pensions Team now have access to a Hymans modeller, enabling calculation of the employer's contribution rate, thus speeding up the admission process.</li> </ul>   | <ul style="list-style-type: none"> <li>LBB Pensions Team to review and update the Admissions, Bonds and Cessations process to make it less labour intensive and more efficient. New process agreed that will be effective from 1 April 2024 that will make process simpler.</li> </ul> | Mark Fox     | Ongoing - Monthly      |

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|---|---------------------|--|---|----------------------|--|
| <b>ADM11</b><br>Commercial viability of strategic suppliers | Business Continuity | <ul style="list-style-type: none"> <li>Contract monitoring takes place monthly with quarterly reporting to Financial Performance and Contracts Committee.</li> <li>Contract register kept under review with checks on financial status of strategic suppliers.</li> <li>Contract management arrangements in place, including indicators to identify financial stress.</li> </ul> | <ul style="list-style-type: none"> <li>In the unlikely event that WYPF go out of business and cease to provide third party admin services, the LBB Pensions Team will be able to tender for a new provider by using the This can be done by using the National LGPS Framework.</li> </ul>                 | David Spreckley      | Ongoing – when applicable                                  |
| <b>ADM12</b><br>Non-compliance with GDPR                    | Statutory Duty      | <ul style="list-style-type: none"> <li>The LBB Pensions Team are required to undertake regular training on GDPR regulations and information security.</li> <li>WYPF staff must also complete GDPR awareness training.</li> </ul>   | <ul style="list-style-type: none"> <li>WYPF to confirm that staff have completed their GDPR training.</li> <li>WYPF to update LBB on any data breaches and actions taken to mitigate breach.</li> <li>The LBB Pensions Team to report any data breaches to the Council’s Data Protection Team.</li> </ul> | WYPF<br>WYPF<br>WYPF | Dec 2023<br>Ongoing – Monthly<br>Ongoing – when applicable |

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|--|---------------------|--|--|--------------------------------------|--|
| <b>ADM13</b><br>Negative media exposure and member experience        | Governance          | <ul style="list-style-type: none"> <li>External Communications team to liaise with S151 Officer should a media enquiry arises.</li> <li>WYPF to refer any media enquiries to the LBB Pensions Team for action.</li> </ul>  | <ul style="list-style-type: none"> <li>Press releases to be shared with Local Pension Board and Pension Fund Committee members prior to publication (if possible).</li> <li>Member experience to be measured by quarterly satisfaction surveys and feedback by WYPF.</li> <li>The LBB Pensions Team are reviewing engagement strategy to improve both member and employer communications.</li> </ul> | Mark Fox<br><br>WYPF<br><br>Mark Fox | Ongoing – when applicable<br><br>Ongoing – Quarterly<br><br>Nov 2023 |
| <b>ADM14</b><br>Impact of staffing issues on pensions administration | Business Continuity | <ul style="list-style-type: none"> <li>WYPF have developed their own Business Continuity plan which considers staff absence.</li> <li>The LBB Pensions Team monitor service levels through regular reports and calls with WYPF. This information is also reported to the Local Pension Board.</li> </ul> | <ul style="list-style-type: none"> <li>The LBB Pensions Team to continue to regularly monitor WYPF performance levels, complaints and resourcing levels.</li> <li>Should there be any issues, these will be raised with senior management at WYPF and Commercial Team at the LBB.</li> </ul>   | Mark Fox<br><br>Mark Fox             | Ongoing – Monthly<br><br>Ongoing - quarterly                         |



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|---|----------------|---|--|--------------------------------------|---|
| <b>ADM15</b><br>Cyber security breach   | Compliance     | <ul style="list-style-type: none"> <li>WYPF, as part of its Information Governance Toolkit, has adopted a Cyber Security policy which outlines how the Fund protects members' data from incidents of Cyber Crime and risk of hacking together with outlining the Fund's control mechanisms for its pension administration software system.</li> </ul> | <ul style="list-style-type: none"> <li>The LBB Pensions Team to the updated WYPF Cyber Security Report when available.</li> <li>The LBB Pensions Team to check whether the WYPF policy is updated in line with the TPR cyber security principles.</li> </ul>   | Mark Fox<br><br>Mark Fox             | Dec 2023<br><br>Dec 2023  |
| <b>ADM16</b><br>Risk of fraud by paying pensions to ineligible individuals or fraudulent arrangements | Governance     | <ul style="list-style-type: none"> <li>WYPF run annual pensioner existence exercises.</li> <li>Pension transfer documentation includes the "pension scam" literature from TPR.</li> <li>WYPF administration processes to ensure proper checks on the receiving arrangement before making payment.</li> </ul>  | <ul style="list-style-type: none"> <li>WYPF to regularly update the LBB Pensions Team the results of the pensioner existence exercise.</li> <li>The LBB Pensions Team to review all transfer payments every six months.</li> <li>WYPF have confirmed that they have signed up to TPR Pensions Pledge, which is a new initiative to raise awareness of the risks of scams. The LBB Pensions Team will look at implementing this for Barnet</li> </ul> | WYPF<br><br>Mark Fox<br><br>Mark Fox | Ongoing – monthly<br><br>Ongoing – Biannually<br><br>January 2024 |

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|---|----------------|--|--|----------------------------------|--|
| <b>ADM17</b><br>Effect of new pensions legislation and LGPS regulations                 | Statutory Duty | <ul style="list-style-type: none"> <li>The LBB Pensions Team to monitor and review updates to pensions legislation to determine the impact on members benefits.</li> <li>The LBB will work with other stakeholders and bodies ensure relevant communication is sent to appropriate parties.</li> </ul>                                   | <ul style="list-style-type: none"> <li>WYPF to provide updates of any new relevant regulations that will affect the Barnet Fund through monthly reports and regular meetings.</li> <li>The LBB Pensions Team to attend quarterly meetings of the London Pension Officers Group (LPOG) to share best practice on LGPS regulations.</li> </ul> | WYPF<br><br>Mark Fox             | Ongoing – when applicable<br><br>Ongoing - Quarterly       |
| <b>ADM18</b><br>Failure to produce compliant annual report and accounts within deadline | Statutory Duty | <ul style="list-style-type: none"> <li>The LBB Pensions Team will ensure all working papers and data is in place when preparing the accounts, so that when the audit commences, the process is more efficient.</li> <li>The LBB Pensions Team to agree an audit program with the Auditors and ensure that this is adhered to.</li> </ul> | <ul style="list-style-type: none"> <li>The Auditors and the LBB Pensions Team to maintain regular communication throughout the audit.</li> <li>Ensure that the Auditors are employing suitably qualified staff to undertake the audit.</li> </ul>  | Adam McPhail<br><br>Adam McPhail | Ongoing – when applicable<br><br>Ongoing – when applicable |