

# London Borough of Barnet Pension Fund Pension Non-Administration Risk Register

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# London Borough of Barnet Pension Fund – Pension Non-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		Inv09 Inv10 ESG01	GEN04	Inv03 FUN02 ESG02		
	2 - Unlikely		Inv01 Inv05 FUN04	GOV05 ESG03 GEN05	Inv02 Inv04 Inv06 Inv07	FUN01 FUN03 GOV02 GOV03	GOV04 GEN01 GEN03
	1 - Rare		GOV01		Inv08 FUN05	GEN02	
		1 - Trivial	2 - Medium	3 - Major	4 - Catastrophic		

### Risks

- INV01 Signatory Lists
- INV02 Redemption Protocols
- INV03 Investment Performance
- INV04 Strategic Allocation
- INV05 Pooling
- INV06 Education
- INV07 Liquidity
- INV08 Cash Management
- INV09 Diversification of Assets
- INV10 Fund Performance Drift
- FUN01 Economic Assumptions
- FUN02 Inflation
- FUN03 Longevity
- FUN04 Triennial Valuation
- FUN05 Actuarial Approach
- GOV01 Committee/Board Papers
- GOV02 Committee/Board Papers Accuracy
- GOV03 Knowledge and Understanding
- GOV04 Risk Register
- GOV05 Conflicts of Interest
- ESG01 Convergence to NetZero Model Portfolio
- ESG02 Data Quality
- ESG03 Role of Model Portfolio
- ESG04 ESG Opportunity/Risk - TBA
- ACC01 Record Keeping
- ACC02 Accounts Deadlines
- ACC03 Expenses
- ACC04 Business Continuity
- ACC05 Regulations
- GEN01 Key Person
- GEN02 Resourcing
- GEN03 Advisors
- GEN04 Charges and Fees
- GEN05 Service Levels

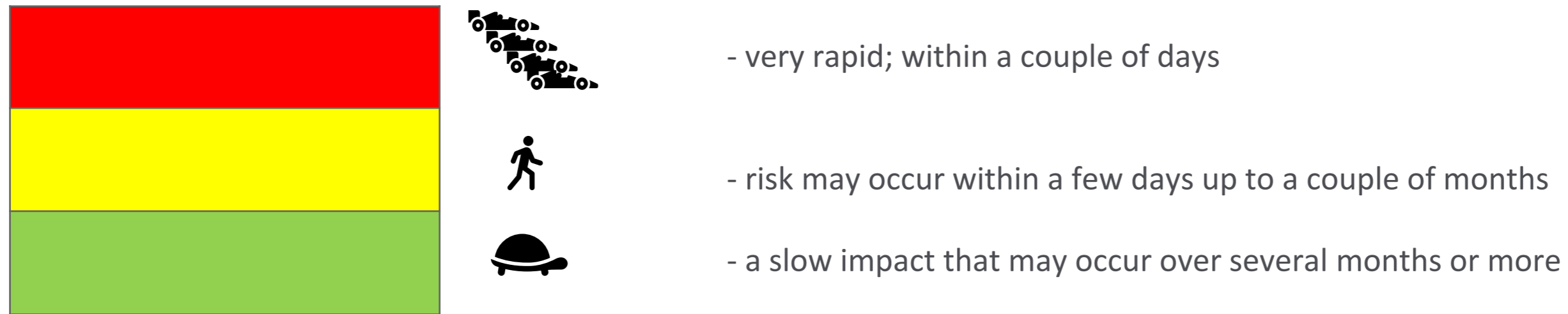
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Impact

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

## 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:







## 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.

# London Borough of Barnet Pension Fund – Pension Non- Administration Risk Register- Investment Risks





## Summary of Risks

Risk	Description	Current Risk Score	Lowest Possible Risk Score	Risk Velocity	Risk Owner	Date Risk Identified
INV01 Signatory Lists	Signatory lists not up-to-date or vulnerable to fraud	4 [2,2]	2 [1,2]		Head of Pensions	November 2023
INV02 Redemption Protocols	Funds cannot be accessed when they are needed	6 [2,3]	3 [1,3]		Head of Pensions	November 2023
INV03 Investment Performance	Investments underperform their relative benchmarks, increasing the risk of the fund going into deficit	9 [3,3]	9 [3,3]		Head of Pensions	November 2023
INV04 Strategic Allocation	Strategic Allocation not appropriate given Council's and other employers risk budget	6 [2,3]	6 [2,3]		Head of Pensions	November 2023

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# London Borough of Barnet Pension Fund – Pension Non- Administration Risk Register- Investment Risks



## Summary of Risks

Risk	Description	Current Risk Score	Lowest Possible Risk Score	Risk Velocity	Risk Owner	Date Risk Identified
INV05 Pooling	Relationship with Pool not appropriate, Pool underperforms	4 [2,2]	4 [2,2]		Head of Pensions	November 2023
INV06 Education	Committee Members/Officers do not understand the investments where decisions are being made	6 [2,3]	3 [1,3]		Head of Pensions	November 2023
INV07 Liquidity	Liquidity is insufficient to meet cashflow	6 [2,3]	3 [1,3]		Finance Manager	November 2023
INV08 Cash Management	Cash Management is ineffective, leading to liquidity issues/poor performance	3 [1,3]	3 [1,3]		Finance Manager	November 2023

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# London Borough of Barnet Pension Fund – Pension Non- Administration Risk Register- Investment Risks

## Summary of Risks

Risk	Description	Current Risk Score	Lowest Possible Risk Score	Risk Velocity	Risk Owner	Date Risk Identified
INV09 Diversification of Assets	Diversification of Assets is not sufficient, leading to increased concentration risk	4 [2,2]	4 [2,2]		Head of Pensions	November 2023
INV10 Fund Performance Drift	Pension Fund Performance drifts significantly from peer group	4 [2,2]	4 [2,2]		Head of Pensions	November 2023

# London Borough of Barnet Pension Fund – Pension Non- Administration Risk Register- Funding Risks






## Summary of Risks

Risk	Description	Current Risk Score	Lowest Possible Risk Score	Risk Velocity	Risk Owner	Date Risk Identified
FUN01 Economic Assumptions	Economic Assumptions too optimistic or cautious leading to instable contribution rates	6 [2,3]	6 [2,3]		Head of Pensions	November 2023
FUN02 Inflation	Inflation not considered appropriately	9 [3,3]	6 [2,3]		Head of Pensions	November 2023
FUN03 Longevity	Longevity not considered appropriately	6 [2,3]	6 [2,3]		Head of Pensions	November 2023
FUN04 Triennial Valuation	Triennial Valuation produces surprising results	4 [2,2]	4 [2,2]		Head of Pensions	November 2023
FUN05 Actuarial Approach	Inconsistency between actuarial approach and assumptions underpinning investment decisions	3 [1,3]	3 [1,3]		Head of Pensions	November 2023

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# London Borough of Barnet Pension Fund – Pension Non- Administration Risk Register- Governance Risks





## Summary of Risks

Risk	Description	Current Risk Score	Lowest Possible Risk Score	Risk Velocity	Risk Owner	Date Risk Identified
GOV01 Committee/Board Papers	Committee/Board Papers do not meet the standards required by governance.	2 [1,2]	2 [1,2]		Head of Pensions	November 2023
GOV02 Committee/Board Papers Accuracy	Committee/Board Papers contain inaccurate information, leading to poor decision making	6 [2,3]	3 [1,3]		Head of Pensions	November 2023
GOV03 Knowledge and Understanding	Knowledge and Understanding of members and officers insufficient	6 [2,3]	3 [1,3]		Pensions Manager	November 2023
GOV04 Risk Register	Risk Register does not contain risks which it should	6 [2,3]	3 [1,3]		Pensions Manager	November 2023
GOV05 Conflicts of Interest	Conflicts of interest not declared by members or officers	4 [2,2]	4 [2,2]		Pensions Manager	November 2023



# London Borough of Barnet Pension Fund – Pension Non- Administration Risk Register- ESG/NetZero






## Summary of Risks

Risk	Description	Current Risk Score	Lowest Possible Risk Score	Risk Velocity	Risk Owner	Date Risk Identified
ESG01 Convergence to NetZero Model Portfolio	Convergence to Funds Model Portfolio either too fast or too slow	6 [3,2]	4 [2,2]	 	Head of Pensions	November 2023
ESG02 Data Quality	Data quality used to make decisions on ESG not of sufficient quality	9 [3,3]	6 [2,3]		Head of Pensions	November 2023
ESG03 Role of Model Portfolio	Model Portfolio and role in decision making not understood	4 [2,2]	2 [1,2]		Head of Pensions	November 2023
ESG04 ESG Opportunity/Risk	To be completed in Q1 2024	TBA	TBA		Head of Pensions	November 2023

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# London Borough of Barnet Pension Fund – Pension Non- Administration Risk Register- Accounting






## Summary of Risks

Risk	Description	Current Risk Score	Lowest Possible Risk Score	Risk Velocity	Risk Owner	Date Risk Identified
ACC01 Record Keeping	Record keeping of contribution and benefit data	6	6		Finance Manager	November 2023
ACC02 Accounts Deadlines	Preparation of Accounts do not meet statutory deadlines	6	6		Finance Manager	November 2023
ACC03 Expenses	Expenses information inaccurate	9	6		Finance Manager	November 2023
ACC04 Business Continuity	Chain of command of accountancy skills in team	9	6		Finance Manager	November 2023
ACC05 Regulations	The Pension Fund does not comply with CIPFA and wider regulations	6	6		Finance Manager	November 2023

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# London Borough of Barnet Pension Fund – Pension Non- Administration Risk Register- General

## Summary of Risks

Risk	Description	Current Risk Score	Lowest Possible Risk Score	Risk Velocity	Risk Owner	Date Risk Identified
GEN01 Key Person	Key individuals are absent for an extended period of time, resulting in delays and tasks not being completed	6 [2,3]	6 [2,3]		Head of Pensions	November 2023
GEN02 Resourcing	The Pension Fund team is insufficiently resourced	3 [1,3]	3 [1,3]		Head of Pensions	November 2023
GEN03 Advisors	Over-reliance on advisors, as well as risk of having too many advisors	6 [2,3]	6 [2,3]		Head of Pensions	November 2023
GEN04 Charges and Fees	Advisors and external providers increase fees and charges significantly	6 [3,2]	4 [2,2]		Head of Pensions	November 2023
GEN05 Service Levels	Service levels of advisors and external providers decreases significantly	4 [2,2]	2 [1,2]		Head of Pensions	November 2023

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

## Risk Details

Risk	Nature of Risk	Controls in Place	Actions to mitigate risk	Action Owner	Action Completion Date
<b>INV01</b> Signatory Risks	Governance	<ul style="list-style-type: none"> <li>Fund Manager control sheet in place, containing current signatory listing, and last date reviewed.</li> <li>All funds require at least 2 signatories for any transactions.</li> </ul>	<ul style="list-style-type: none"> <li>AM to diarise quarterly recurring review of control document</li> </ul>	Adam McPhail	Continuing
<b>INV02</b> Redemption Protocols	Strategic Cashflow	<ul style="list-style-type: none"> <li>Fund manager control sheet in place, which contains the divestment protocols for each fund.</li> </ul>	<ul style="list-style-type: none"> <li>AM to diarise quarterly recurring review of control document</li> </ul>	Adam McPhail	Continuing
<b>INV03</b> Investment Performance	Strategic Cashflow	<ul style="list-style-type: none"> <li>Quarterly Investment reporting from Hymans Robertson identifies underperforming investments</li> <li>Triennial Strategic Review (may be more frequent)</li> <li>LCIV also monitor when investing through CIV</li> </ul>	<ul style="list-style-type: none"> <li>24/25 schedule of meetings with managers with AM / DS preparing a feedback report</li> <li>Committee review and question performance reports at PFC meetings</li> </ul>	Adam McPhail / David Spreckley  PFC	Continuing
<b>INV04</b> Strategic Allocation	Strategic	<ul style="list-style-type: none"> <li>(At least) Triennial Investment review including Asset Liability Modelling to look at probability of funding outcomes based on different investment scenarios.</li> </ul>	<ul style="list-style-type: none"> <li>Recently moved substantial proportion of assets to Bonds and Hymans undertook Asset Liability Modelling to support decision making</li> <li>Action to review new contributions vs. asset income</li> </ul>	AM	31/5/2024

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

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Risk	Nature of Risk	Controls in Place	Actions to mitigate risk	Action Owner	Action Completion Date
<b>INV05</b> Pooling	Strategic	<ul style="list-style-type: none"> <li>Quarterly reporting from Hymans Robertson on LCIV performance</li> <li>Regular catch-ups with LCIV key stakeholders</li> <li>Attend LCIV “Business Update” meetings</li> <li>LCIV prepare substantial reports</li> </ul>	<ul style="list-style-type: none"> <li>Regular meetings building/maintaining relationship with LCIV</li> <li>Review LCIV output and consider how to ‘condense and share’ with PFC</li> <li>Regular meetings with officers within London Funds which considers LCIV</li> </ul>	David Spreckley AM  DS/AM	Continuing  31/05/2024  Continuing
<b>INV06</b> Education	Strategic	<ul style="list-style-type: none"> <li>Officers prepare Training Requirement and policy for Committee (inc. access to Hymans LOLA portal)</li> </ul>	<ul style="list-style-type: none"> <li>Develop Monthly Investment Newsletter covering investment issues and broaden “focus on manager”.</li> <li>MF to consider 24/25 Training Requirements</li> </ul>	AM  MF	Continuing  31/03/2024
<b>INV07</b> Liquidity	Cashflow	<ul style="list-style-type: none"> <li>Monthly monitoring of cash balances, contributions received, and benefits paid out.</li> </ul>	<ul style="list-style-type: none"> <li>No specific actions</li> </ul>		
<b>INV08</b> Cash Management	Cashflow Strategic	<ul style="list-style-type: none"> <li>Cash Management policy in place, to ensure cash balances are controlled and maximum return is achieved with low risk.</li> </ul>	<ul style="list-style-type: none"> <li>No specific actions</li> </ul>		
<b>INV09</b> Diversification of Assets	Strategic	<ul style="list-style-type: none"> <li>Diversification considerations form part of Asset Liability Modelling</li> </ul>	<ul style="list-style-type: none"> <li>No specific actions</li> </ul>		
<b>INV10</b> Barnet Performance Drift	Strategic	<ul style="list-style-type: none"> <li>Forms part of Triennial Investment Review.</li> </ul>	<ul style="list-style-type: none"> <li>Recently reduced exposure to Equities.</li> <li>No specific actions but need to monitor Bond / Equity markets</li> </ul>		

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

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Risk	Nature of Risk	Controls in Place	Actions to mitigate risk	Action Owner	Action Completion Date
<b>FUN01</b> Economic Assumptions	Strategic	<ul style="list-style-type: none"> <li>Substantial process considering economic assumptions at each Triennial Valuation</li> </ul>	<ul style="list-style-type: none"> <li>No immediate action</li> <li>Next Triennial Valuation 31 March 2025</li> </ul>		
<b>FUN02</b> Inflation	Strategic	<ul style="list-style-type: none"> <li>Substantial process considering inflation assumptions at each Triennial Valuation</li> </ul>	<ul style="list-style-type: none"> <li>No immediate action</li> <li>Next Triennial Valuation 31 March 2025</li> <li>High inflation likely to lead to “strains” at 31 March 2025 valuation and so making sure Hymans Robust will be a key consideration</li> </ul>		
<b>FUN03</b> Longevity	Strategic	<ul style="list-style-type: none"> <li>Substantial process considering Longevity assumptions at each Triennial Valuation</li> </ul>	<ul style="list-style-type: none"> <li>No immediate action</li> <li>Next Triennial Valuation 31 March 2025</li> </ul>		

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<b>FUN04</b> Triennial Valuation	Strategic	<ul style="list-style-type: none"> <li>Annual Funding Update from Hymans</li> <li>IAS19 report provides another measure</li> <li>DS undertakes approximate analysis</li> </ul>	<ul style="list-style-type: none"> <li>No immediate action</li> </ul>		
<b>FUN05</b> Actuarial Approach	Strategic	<ul style="list-style-type: none"> <li>Hymans (Actuary) consulted on funding impact of any changes</li> </ul>	<ul style="list-style-type: none"> <li>Actuary considered impact of recent change to strategy</li> <li>No specific actions</li> </ul>		

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Risk	Nature of Risk	Controls in Place	Actions to mitigate risk	Action Owner	Action Completion Date
<b>GOV01</b> Committee/Board Papers	Governance	<ul style="list-style-type: none"> <li>Papers cleared by chair, chief officer, legal and governance.</li> </ul>	<ul style="list-style-type: none"> <li>Regular meetings with governance to understand requirements</li> </ul>	David Spreckley	Continuing
<b>GOV02</b> Committee/Board Papers Accuracy	Governance Strategic	<ul style="list-style-type: none"> <li>Papers reviewed by officers, and cleared by chair, chief officer, legal and governance.</li> </ul>	<ul style="list-style-type: none"> <li>Discussions with external advisors to ensure accuracy of information.</li> </ul>	David Spreckley	Continuing
<b>GOV03</b> Knowledge and Understanding	Training	<ul style="list-style-type: none"> <li>Officers complete CPD for respective areas, members also required to undertake specified amount of training</li> <li>Members and officers have access to Hymans Robertson LOLA training portal</li> </ul>	<ul style="list-style-type: none"> <li>MF to consider 24/25 Training Requirements</li> </ul>	Mark Fox	31/03/2024
<b>GOV04</b> Risk Register	Governance	<ul style="list-style-type: none"> <li>Risk Register regularly reviewed and presented to committee and board</li> </ul>	<ul style="list-style-type: none"> <li>New updated risk register template, making it easier to maintain and update</li> <li>MF to set up Quarterly Review meetings (recurring)</li> </ul>	Mark Fox	31/03/2024
<b>GOV05</b> Conflicts of Interest	Governance	<ul style="list-style-type: none"> <li>Conflicts of interest declared by members at start of year, and in committee meetings</li> </ul>	<ul style="list-style-type: none"> <li>No immediate actions required. To be reviewed at every Committee and Board meeting</li> </ul>	Mark Fox	Continuing

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Risk	Nature of Risk	Controls in Place	Actions to mitigate risk	Action Owner	Action Completion Date
<b>ESG01</b> Convergence to Model Portfolio	Strategic	<ul style="list-style-type: none"> <li>Model portfolio paper to be presented to Pension Fund Committee regularly, allowing for discussion and timely decisions to be made.</li> </ul>	<ul style="list-style-type: none"> <li>Review of Paris Aligned Funds with Hymans</li> <li>Working with LCIV / Hymans on Natural Capital Solutions</li> <li>Looking to advise on next steps of convergence Summer 2024</li> </ul>	David Spreckley	30/6/2024
<b>ESG02</b> Data Quality	Strategic	<ul style="list-style-type: none"> <li>Data Sourced from third party providers (LCIV / Hymans / Investment Managers)</li> </ul>	<ul style="list-style-type: none"> <li>No immediate action but key concern for ESG01</li> </ul>		
<b>ESG03</b> Role of Model Portfolio	Strategic	<ul style="list-style-type: none"> <li>Several papers prepared from PFC on role of Model Portfolio</li> <li>When decision is being asked for, relevance of Model Portfolio to form part of decision making</li> </ul>	<ul style="list-style-type: none"> <li>Communication through monthly investment newsletter on the Model Portfolio</li> </ul>	David Spreckley	Continuing
<b>ESG04</b> ESG Opportunity/Risk	Strategic	<ul style="list-style-type: none"> <li>To be completed Q1 2024</li> </ul>	<ul style="list-style-type: none"> <li>TBA</li> </ul>	TBA	TBA

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Risk	Nature of Risk	Controls in Place	Actions to mitigate risk	Action Owner	Action Completion Date
<b>ACC01</b> Record Keeping	Regulations	<ul style="list-style-type: none"> <li>WYPF review contribution and benefit data, before it is sent through to the Pension Fund</li> </ul>	<ul style="list-style-type: none"> <li>Continue to monitor contributions paid, and chase employers who have not sent returns or payments</li> </ul>	Adam McPhail	Continuing
<b>ACC02</b> Accounts Deadlines	Regulations	<ul style="list-style-type: none"> <li>LBB send through their Accounts timetable to the Pension Fund</li> </ul>	<ul style="list-style-type: none"> <li>Continue to communicate any issues with meeting LBB deadlines</li> <li>Provide deadlines for information from third parties</li> </ul>	Adam McPhail	Continuing
<b>ACC03</b> Expenses	Regulations	<ul style="list-style-type: none"> <li>Fund Managers send through expenses information through the SAB Cost Transparency Initiative</li> </ul>	<ul style="list-style-type: none"> <li>Provide deadlines to Fund Managers on when their submissions need to be sent through.</li> <li>Communicate non-complying managers to the SAB</li> </ul>	Adam McPhail	Continuing
<b>ACC04</b> Business Continuity	Regulations	<ul style="list-style-type: none"> <li>Finance manager supported by CIPFA graduate</li> </ul>	<ul style="list-style-type: none"> <li>Provide training on key Pension Fund accounting concepts to wider team</li> </ul>	Adam McPhail	Continuing
<b>ACC05</b> Regulations	Regulations	<ul style="list-style-type: none"> <li>Regular updates on changes in regulations provided to Pension Fund.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to attend meetings with London Pensions officers to discuss issues and be aware of any changes in regulations</li> </ul>	Adam McPhail	Continuing

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

## Risk Details

Risk	Nature of Risk	Controls in Place	Actions to mitigate risk	Action Owner	Action Completion Date
<b>GEN01</b> Key Person	Strategic/ Operational	<ul style="list-style-type: none"> <li>Signatory lists in place contain multiple authorised signatories</li> <li>Regular Team Briefings so whole Team has sight of what is on the agenda</li> </ul>	<ul style="list-style-type: none"> <li>No immediate Actions</li> </ul>		
<b>GEN02</b> Resourcing	Operational	<ul style="list-style-type: none"> <li>Team has broad operating model with key roles clearly defined</li> <li>Monthly 1-2-1s to test work loads</li> <li>3x workflow meetings per week</li> </ul>	<ul style="list-style-type: none"> <li>No immediate Actions</li> </ul>		
<b>GEN03</b> Advisors	Strategic	<ul style="list-style-type: none"> <li>Advisor performance reviewed annually</li> </ul>	<ul style="list-style-type: none"> <li>Annual review to be established with Provider to consider quality</li> </ul>	David Spreckley	30/06/2024
<b>GEN04</b> Charges and Fees	Strategic	<ul style="list-style-type: none"> <li>Reports on advisor performance presented annually to committee, to ensure charges are appropriate</li> </ul>	<ul style="list-style-type: none"> <li>Prepare advisors fee budget for 2024/25 and share with advisors</li> </ul>	David Spreckley	31/03/2024
<b>GEN05</b> Service Levels	Strategic	<ul style="list-style-type: none"> <li>Advisor performance reviewed annually</li> </ul>	<ul style="list-style-type: none"> <li>Annual review to be established with Provider to consider quality</li> </ul>	David Spreckley	30/06/2024