



## Local Pension Board

### 4 February 2021

<b>Title</b>	<b>Pensions Scheme Risk Register</b>
<b>Report of</b>	Director of Finance
<b>Wards</b>	N/A
<b>Status</b>	Public
<b>Urgent</b>	No
<b>Key</b>	No
<b>Enclosures</b>	Appendix A – Pensions Administration Risk Register: February 2021 Appendix B – Non-Administration Risk Register
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### Summary

The Pensions Administration Risk Register is a standing agenda item for the Local Pension Board. The non-administration risks are reviewed annually by the Board.

### Recommendations

That the Local Pension Board are requested to note the most recent risk registers.

## 1. WHY THIS REPORT IS NEEDED

- 1.1 It is important that the Council maintain the Pensions Risk Register to help protect members of the LGPS.
- 1.2 The most recent Pensions Administration Risk Register can be found in Appendix A, with non-Administration risks at Appendix B.

### Risk Velocity

- 1.3 At the last Board meeting, risk velocity was discussed in relation to adding to the risk register. Risk Velocity is defined as the time to impact (i.e. an estimate of the timeframe within which a risk may occur).
- 1.4 To classify risk velocity, Officers have decided to use a traffic light system. How this classification is interpreted is classified as follows:
- Red – very rapid impact within a couple of days  
Amber – risk may occur within a few days up to a couple of months  
Green – a slow impact that may occur over several months or more
- 1.5 Officers have reviewed each of the risks on the risk register and have determined the risk velocity as follows:

Risk ID	Short Risk Title	Risk Velocity
PB001	Operational - disaster (Fire / flood etc)	Red
PB002	Member data incomplete or inaccurate	Red
PB003	Admin process failure or maladministration	Amber
PB004	Excessive charges by suppliers	Green
PB005	Employer failure to pay contributions to the fund	Green
PB006	Failure of non-public sector employers	Green
PB007	Failure to interpret rules or legislation correctly	Green
PB008	Appropriate personnel in place to perform in designated roles	Amber
PB009	Conflicts of interest	Green
PB010	Admission agreements / securities (i.e. bonds) not arranged	Amber
PB011	Commercial viability of strategic suppliers	Amber
PB012	Non-compliance with GDPR	Red
PB013	Negative media exposure and member experience	Red
PB015	Impact of COVID-19 on pensions administration	Amber
PB016	Cyber security	Red
PB017	Risk of fraud by paying pensions to ineligible individuals or fraudulent arrangements	Amber
Inv001	Investment Strategy	Amber
Inv002	Investment Manager Returns	Red

Inv003	ESG	
Inv004	Rebalancing	
Fun001	Achievement of Investment Return Assumptions	
Fun002	Contribution rate increases	
Fun003	Funding level	
Fun004	Employer's covenant	
Gov001	Knowledge and Understanding	

1.6 Risk PB014 – “Change of administrator” has been removed from the Risk Register as now the transition to West Yorkshire Pension Fund (WYPF) has been completed, this risk is no longer relevant.

1.7 Updates on other risks are as follows:

### Administration Risks

1.7.1 **PB002** – WYPF undertook a common data test in December 2020, which showed that 96% this data is present and accurate. Common data is basic data such as name, date of birth, sex, address etc. This result is very close to The Pensions Regulator expectations.

Conditional data tests (i.e. data used in the calculation of member benefits) will be run by WYPF following the completion of the data correction project. Officers have asked for WYPF to put together a project plan to determine the outstanding work and the timescales for this work to be completed. The last conditional data test run in November 2019 produced a figure of 40% of data being present. Although the Pensions Regulator does not set targets for conditional data, this score will need to be improved.

The risk score remains at 10 whilst WYPF analyse and report back on the quality of the data and the data scores,

1.7.2 **PB003** – The risk score remains at 10 for this risk, but Officers anticipate that following the transition of the administration to WYPF, the score will reduce in the next few months.

1.7.3 **PB005** – Following the transition to WYPF, Officers are now reconciling contributions received each month and this will ensure that there is stronger enforcement on employers who do not pay contributions on time.

There is no change to the risk score.

1.7.4 **PB010** – Work continues to get new Admission Agreements completed. Capita have agreed to answer c6 queries that were outstanding with them prior to the transfer of administration which should be completed by 31 January 2021. WYPF are working on the more recent admissions.

The risk score remains at 6.

- 1.7.5 **PB015** – WYPF staff are working from home (as were Capita staff). To date, Officers have not seen any detrimental effect on the work processed by WYPF, but will keep this under review whilst the pandemic continues.

There is no change to the risk score.

### **Non-Administration Risks**

- 1.7.6 There have been no additions or deletions to the identified risks in the last year. The one change to rating is to increase the impact score for Inv001 (investment strategy) from 4 to 5 to reflect the potential impact on employers should the strategy not deliver the anticipated returns. The main factor influencing funding risks was the completion of the 2019 triennial valuation that saw the funding level increase from 73% to 86% with the probability of full funding increased from 66% to 70%. The deficit recover period was reduced from a maximum of 20 years to a maximum of 17 years. An investment strategy review will be undertaken during 2021, which offers opportunities to increase the stability of investment returns while still delivering the returns necessary to achieve full funding.
- 1.7.7 In additional, a check on progress of the funding level will be undertaken as at 31 March 2021. While no employers have failed to pay contributions during the covid-19 crisis due to affordability issues, a more formal covenant assessment process would be beneficial.

## **2. REASONS FOR RECOMMENDATIONS**

- 2.1 Management of risk is critical to avoiding unfavourable outcomes.

## **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

- 3.1 Not applicable in the context of this report.

## **4. POST DECISION IMPLEMENTATION**

- 4.1 Not applicable in the context of this report.

## **5. IMPLICATIONS OF DECISION**

### **5.1 Corporate Priorities and Performance**

- 5.1.1 The Local Pension Board supports delivery of Council's strategic objectives and priorities as expressed through the Corporate Plan (Barnet 2024) by assisting in maintaining the integrity of the Pension Fund by monitoring the administration and compliance of the Fund.

### **5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)**

5.2.1 Risks that are not mitigated or managed can have a financial penalty to the Scheme.

### 5.3 **Social Value**

5.3.1 Not applicable in the context of this report.

### 5.4 **Legal and Constitutional References**

5.4.1 The LGPS Regulations 2013 place responsibility for the local administration of pensions and other benefits under these Regulations on the administering authority, which is LB Barnet. The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 inserts regulation 106 into the Local Government Pension Scheme Regulations 2013 which requires the Council to establish a Pension Board, whose role is to assist the Council in securing compliance with legislation, regulation and best practice, including as set out in the Pension Regulator's Code of Practice to ensure the effective and efficient governance and administration of the Scheme and any connected scheme.

5.4.2 The Risk Register is a tool that assists the Board in ensuring that the Scheme has a mechanism in place to identify and review at least annually, the pension scheme administration risks

5.4.3 Under the terms of reference for the Local Pension Board, the role of the Board is to assist with:

- compliance with LGPS Government regulations;
- compliance with the requirements imposed by the Pensions Regulator.
- such other matters as the LGPS regulations may specify ensure the effective and efficient governance and administration
- ensure the Pension Fund's strategy and policy documents are maintained in accordance with the LGPS Regulations.
- ensure the Pension Fund's internal Risk Register is reviewed at least annually.
- review the Pension Fund's performance in complying with the requirements of the LGPS Regulations

### 5.5 **Risk Management**

5.5.1 Risk management is central to the LGPS. LGPS pension funds are in themselves risk management tools, managing the risk that future employer income streams will be able to meet future pensions liabilities by creating a reserve from which future liabilities will be met. Good governance is essential to managing the risks of the pension fund.

## **5.6 Equalities and Diversity**

5.6.1 Pursuant to the Equalities Act 2010, the Council is under an obligation to have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and fostering good relations between persons who share a relevant 'protected characteristic' and persons who do not share it. The 'protected characteristics' are: age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation, marriage and civil partnership.

5.6.2 The rules governing admission to and participation in the Pension Fund are in keeping with the public sector equality duty. The Public Sector Equality Duty requires public authorities in carrying out their functions, to have due regard to the need to achieve the objectives set out under s149 of the Equality Act 2010. Good governance arrangements will benefit everyone who contributes to the fund.

## **5.7 Corporate Parenting**

5.7.1 Not applicable in the context of this report.

## **5.8 Consultation and Engagement**

5.8.1 Not applicable.

## **5.9 Insight**

5.9.1 Not applicable

## **6. BACKGROUND PAPERS**

6.1 None