



Local Pension Board

6 December 2021

Title	Pensions Administration Risk Register
Report of	Director of Finance
Wards	N/A
Status	Public
Urgent	No
Key	No
Enclosures	Appendix A – Pensions Administration Risk Register: December 2021
Officer Contact Details	Mark Fox, Pensions Manager – 0208 359 3341

Summary

The Pensions Administration Risk Register is a standing agenda item for the Local Pension Board.

Recommendations

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

1. WHY THIS REPORT IS NEEDED

- 1.1 It is important that the Council maintain the Pensions Administration Risk Register to help protect members of the LGPS.
- 1.2 The most recent Pensions Administration Risk Register can be found in Appendix A.
- 1.3 The Pensions Regulator's guidance on managing risk states that "...the identified risks in a risk register should be reviewed regularly (at least once a quarter)".

Risk Velocity

- 1.4 Risk Velocity is defined as the time to impact (i.e. an estimate of the timeframe within which a risk may occur).
- 1.5 Officers use a traffic light system to classify how risk velocity measured:
 - 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
- 1.6 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	Yellow
PB003	Admin process failure or maladministration	Yellow
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	Yellow
PB009	Conflicts of interest	Green
PB010	Admission agreements / securities (i.e. bonds) not arranged	Yellow
PB011	Commercial viability of strategic suppliers	Green
PB012	Non-compliance with GDPR	Red
PB013	Negative media exposure and member experience	Red
PB015	Impact of COVID-19 on pensions administration	Yellow
PB016	Cyber security	Red
PB017	Risk of fraud by paying pensions to ineligible individuals or fraudulent arrangements	Yellow

1.7 Officers have reviewed the Risk Velocity for each of the risks above and determined there are no changes at this time.

1.8 Updates on other risks are as follows:

1.8.1 **PB002** – To progress the “historic” leavers mainly inherited by the previous administrator, Officers have decided on a plan of action to reduce the number of unprocessed leavers. This involves Officers submitting the leaver data to WYPF rather than employers based on data that has previously been provided. Employers have in the past had difficulty submitting historic data due to payroll provider changes.

The risk score remains at 10 but should reduce as the Data Improvement Plan nears completion.

1.8.2 **PB007** – Officers have previously sent all members of Board, along with members of the Pension Fund Committee, a training questionnaire to identify training requirements for 2022. These are being reviewed and training will be arranged for 2022 as appropriate. Details will be provided in due course.

The risk score remains at 2.

1.8.3 **PB011** – Administration has a low number of suppliers – WYPF, Hymans Robertson and, indirectly, Civica (who provide the pensions administration system UPM to WYPF).

As WYPF are part of a local authority, they will not go out of business. If they do decide to withdraw from the third-party administration market, this is likely to be a phased withdrawal. This would enable Officers time to consider alternative arrangements for the Fund administration, which would be done by using the National LGPS Framework an efficiently procure a high-quality, value for money administration service.

As such, the risk score has reduced to 4 (from 5).

1.8.4 **PB017** – The Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021 were laid before Parliament on 8 November 2021. These regulations intend to protect departing members from pension scams and will require trustees and other pension providers to urgently review their transfer processes and policies. The Regulations come into force on 30 November 2021.

Officers will ensure that WYPF processes have been updated in line with the regulations. Officers have also requested periodic details of transfers made from the Scheme, to check the receiving scheme appears a “genuine” pension arrangement. Where this does not appear obvious, Officers will request copies of correspondence from WYPF to ensure that the transfer has been made in line with the new regulations.

The Risk Score remains at 8.

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. **ENVIROMENTAL IMPACT**

None

7. **BACKGROUND PAPERS**

7.1 None