



Local Pension Board

3 February 2022

Title	Pensions Scheme Risk Register
Report of	Director of Finance
Wards	N/A
Status	Public
Urgent	No
Key	No
Enclosures	Appendix A – Pensions Administration Risk Register: February 2022 Appendix B – Non-Administration Risk Register: February 2022
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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. The purpose of risk management is to identify potential problems before they occur, so that risk handling activities may be planned and invoked as needed to mitigate adverse impacts on achieving objectives
- 1.2 The most recent Pensions Administration Risk Register can be found in Appendix A, with non-Administration risks at Appendix B.
- 1.3 Officers have also viewed the West Yorkshire Pension Fund (WYPF) shared service risk register, which establishes a risk management process across all their shared service clients. This incorporates most of the risks identified in the Barnet Fund's pensions administration risk register.
- 1.4 This document is currently be reviewed and updated, with the intention of sharing with the Board at a future meeting later this year.

Risk Velocity

- 1.5 Risk Velocity is defined as the time to impact (i.e. an estimate of the timeframe within which a risk may occur).
- 1.6 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
- 1.7 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)	
PB002	Member data incomplete or inaccurate	
PB003	Admin process failure or maladministration	
PB004	Excessive charges by suppliers	
PB005	Employer failure to pay contributions to the fund	
PB006	Failure of non-public sector employers	
PB007	Failure to interpret rules or legislation correctly	
PB008	Appropriate personnel in place to perform in designated roles	
PB009	Conflicts of interest	

PB010	Admission agreements / securities (i.e. bonds) not arranged	
PB011	Commercial viability of strategic suppliers	
PB012	Non-compliance with GDPR	
PB013	Negative media exposure and member experience	
PB015	Impact of COVID-19 on pensions administration	
PB016	Cyber security	
PB017	Risk of fraud by paying pensions to ineligible individuals or fraudulent arrangements	
Inv001	Investment Strategy	
Inv002	Investment Manager Returns	
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	

- 1.8 Officers have reviewed the Risk Velocity for each of the risks above and determined that the risk PB010 has changed to green from amber, based on the improvements in getting the historic and current Admission Agreements completed in good time.

Administration Risks

- 1.9 Updates on the administration risks are as follows:

- 1.9.1 **PB002** – To ensure that future leaver data is provided to WYPF within the time limits set out in the Fund's Pensions Administration Strategy document, Officers have arranged two training sessions, in conjunction with WYPF, for early February for both employers and their payroll providers to attend. We asked that all employers (or their payroll provider) attend and advised them of that Officers have the option to fine employers for late submission of data to WYPF.

In addition, to the data improvement plan in place, as preparation for the 2022 triennial valuation, WYPF have submitted data to the Fund actuary to review and following this, WYPF are working on the corrections needed to ensure good data is in place for when the "final cut" of data is submitted to the actuary in June 2022. Further "test" submissions will be made by WYPF before the summer, so progress on the data updates can be monitored.

The risk score remains at 10 but should reduce as further improvements to data are made by WYPF over the next few months.

- 1.9.2 **PB003** - Officers have reviewed the latest WYPF ISO9001 and ISO27001 reports on Quality Management and Information Security Management. Both

reports show that satisfactory controls are in place to ensure that there are appropriate controls on authority levels and that there is clear definition of delegated authorities and individual approval authorities. This determines who can authorise and sanction large payments.

- 1.9.3 **PB007** – Officers are reviewing the training questionnaires sent to Board members and relevant training will then be arranged during 2022. Some of this training may be in conjunction with WYPF, if it is found that they have provided similar training to other local authorities Pension Boards.

The risk score remains at 2.

- 1.9.4 **PB010** – Historic Admission Agreements have now been completed. Officers continue to work with both WYPF and the Actuary to ensure new Agreements are completed and signed promptly. Officers now able to calculate the employer contribution rates and bond values on receipt of “clean data” after purchasing the software from the actuary, which should quicken the process further,

The risk score currently remains at 6.

Non-Administration Risks

- 1.10 No changes were made to the risk scoring for Funding and Governance.
- 1.11 **Inv001** (investment strategy delivering the required investment returns) – The impact has been reduced to 4 (from 5) and risk score from 15 to 12 as a consequence of the funding level improvement to close to 100%, the increased resilience of the investment portfolio through incorporation of ESG filters and the Actuary’s planned use of a 75% success threshold for the assumed future investment return.
- 1.12 **Inv004** (delays to rebalancing activity) – the likelihood has been reduced from 3 to 2 and the risk score from 9 to 6. Significant rebalancing is spread to avoid market impact and monitored by both Hymans and Barnet Officers. No issues have arisen from the significant transition activity carried out in the last three years.

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