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## Local Pension Board

26 April 2022

<b>Title</b>	<b>Pensions Scheme Risk Register</b>
<b>Report of</b>	Executive Director of Resources (S151 officer)
<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: April 2022
<b>Officer Contact Details</b>	Mark Fox, Pensions Manager – 0208 359 3341
<b>Summary</b>	
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 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.
- 1.3 The LBB Pensions Team (“the Pensions Team) has 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 being updated but will be shared 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)	Red
PB002	Member data incomplete or inaccurate	Amber
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	Green
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

1.8 The Pensions Team has reviewed the Risk Velocity for each of the risks above and determined that there are no changes at present. We would expect that risk PB015 may no longer be applicable soon, depending on if the COVID-19 pandemic comes to an end.

1.9 Updates on the administration risks are as follows:

1.9.1 **PB002** – The Pensions Team have contacted all relevant employers requesting that they submit the outstanding leaver notifications to WYPF. Deadlines have been given to employers for this exercise to be completed and failure to adhere to these deadlines will result in the Pensions Team taking further action, including issuing of fines to the employer, and reporting them to The Pensions Regulator.

As these leavers are processed, along with other data corrections that are required to be done, it is likely that the risk score will reduce, but at present, it remains at 10.

1.9.2 **PB007** – The Pensions Team have reviewed the Training Policy and will be making suggestions to the Board regarding future training over the forthcoming meetings.

The risk score remains at 2.

1.9.3 **PB015** – WYPF are reviewing their working practices and putting in place hybrid working arrangements for their staff, following the relaxation of the Covid-19 regulations. The Pensions Team will continue to monitor WYPF performance to ensure that it mains at an acceptable level.

The risk score remains at 8.

1.9.4 **PB017** - The Pensions Regulator (TPR) has launched a new campaign calling on the pensions industry to go further in protecting scheme members from scammers. The TPR want Boards and administrators to take the “pensions pledge” to combat pension scams and commit to:

- raising awareness of the risks of scams

- educating themselves on the best practice for due diligence around transfers
- doing all they can to protect their members.

By signing up to the pledge, it shows a commitment to abide by the following six principles:

- regularly warn members of the risk of scams
- encourage those requesting cash drawdown to call The Pensions Advisory Service for free, impartial guidance
- learn the warning signs of a scam and best practice for transfers by taking the new Trustee Toolkit module
- take appropriate due diligence measures and document pension transfer procedures
- clearly communicate concerns to members if high-risk transfers must be made
- report concerns about a scam to the authorities and communicate this with the member.

To support the pledge to combat pension scams, TPR have developed a brand new module in the Trustee Toolkit. The Toolkit module sets out what steps the industry needs to take to protect savers from scammers.

WYPF are signing up to the “Pensions Pledge”, but the Administering Authority should also sign up as well, which will require Board members to complete the new TPR toolkit section on pension scams.

The risk score remains at 8.

## **2. REASONS FOR RECOMMENDATIONS**

2.9 Management of risk is critical to avoiding unfavourable outcomes.

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

3.9 Not applicable in the context of this report.

## **4. POST DECISION IMPLEMENTATION**

4.9 Not applicable in the context of this report.

## **5. IMPLICATIONS OF DECISION**

### **5.9 Corporate Priorities and Performance**

5.9.1 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.

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

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

#### **5.11 Social Value**

5.11.1 Not applicable in the context of this report.

#### **5.12 Legal and Constitutional References**

5.12.1 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

#### **5.13 Risk Management**

5.13.1 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.

#### **5.14 Equalities and Diversity**

5.14.1 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.

#### **5.15 Corporate Parenting**

5.7.1 Not applicable in the context of this report.

#### **5.16 Consultation and Engagement**

5.16.1 Not applicable.

#### **5.17 Insight**

5.17.1 Not applicable

### **6. ENVIROMENTAL IMPACT**

None

### **7. BACKGROUND PAPERS**

7.9 None