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Local Pension Board

23 June 2022

Title	Pensions Scheme Risk Register
Report of	Executive Director of Strategy & Resources (S151 officer)
Wards	N/A
Status	Public
Urgent	No
Key	No
Enclosures	Appendix A – Pensions Administration Risk Register: June 2022
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 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 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 the next Board meeting.

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 pandemics on pensions administration	Yellow
PB016	Cyber security breach	Red
PB017	Risk of fraud by paying pensions to ineligible individuals or fraudulent arrangements	Yellow
PB018	Effect of new pensions legislation and LGPS regulations	Green

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. A new risk PB018 has been identified and added to the risk register. The Pensions team have rated the risk velocity for this risk as green.

1.9 Updates on the administration risks are as follows:

1.9.1 **PB002** – The Pensions Team have previously contacted employers requesting that they submit the outstanding historical leaver notifications to WYPF. This is ongoing and it is pleasing to note that the number of outstanding leavers has nearly halved.

WYPF have also submitted the final “test cut” of valuation data to Hymans so data gaps that still need to be corrected are identified and updated, before the final cut of data is sent at the end of July. An update will be provided at the Board meeting.

As the 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 **PB003** – Any errors or issues identified by WYPF are detailed on the monthly report sent to the LBB Pensions Team. These are also discussed at weekly meetings, where the Pensions Team obtain a detailed explanation of the error or issue and ask them to confirm the actions taken to ensure that this will not happen again.

The risk score remains at 10.

1.9.3 **PB007** – Board Training will now be a standing item at each meeting with appropriate training to be arranged dependant on the Board’s needs and wishes.

The risk score remains at 2.

- 1.9.4 **PB015** – The Board expressed concern at last Board meeting regarding recent issues with WYPF staff absences and unfilled vacancies and the effect on the WYPF performance.

The LBB Pensions Team has discussed the concerns with senior management at WYPF and this will continue to be reviewed until the LBB Pensions Team are satisfied that there is no detrimental effect on the WYPF performance.

The risk score remains at 8.

- 1.9.5 **PB018** – This is a new identified risk on the effect of new pensions legislation and LGPS regulations has on the provision of pension benefits to members of the Fund.

The LBB Pensions Team monitor and review updates to pensions legislation to determine the impact on members benefits. This is then discussed with WYPF, Hymans Robertson and other bodies to enable relevant communication to be sent to appropriate parties.

The initial risk score is 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