# Local Pension Board

| Title | Pension Fund Administration Risk Register |
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| **Date of meeting** | 28 June 2023 |
| **Report of** | Executive Director of Strategy & Resources (S151 Officer) |
| **Wards** | N/A |
| **Status** | Public |
| **Urgent** | No |
| **Appendices** | Appendix A – London Borough of Barnet Pension Fund – Pensions Administration Risk Register – June 2023 |
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## Summary

The Pensions Administration Risk Register is a standing agenda item for the Local Pension Board to be reviewed at each meeting.

## Recommendations

1.  **That the Local Pension Board note the most recent administration risk register.**

| 1. | **Reasons for the Recommendations** |
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1.1 It is important that the Council maintain the Pension Administration 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 can be planned and invoked as required to mitigate adverse impacts.

1.2 The most recent Pensions Administration Risk Register can be found in Appendix A.

1.3 As mentioned at the last Board meeting in March, the LBB Pensions Team (the "Pensions Team") will be undertaking a fundamental review of the pension fund risk registers, to consider if/how these documents can be more useful to the Pensions Team and Board and Pension Fund Committee members (who review the register annually) from an operational perspective. This is review is ongoing and the Pensions Team will provide an update to the Board at the next meeting.

### 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). The Pensions Team 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.

1.5 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 |
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| 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 |
| PB014 | Impact of pandemics on pensions administration | Amber |

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| PB015 | Cyber security breach | <span style="background-color:red;">      </span> | |
| PB016 | Risk of fraud by paying pensions to ineligible individuals or fraudulent arrangements | <span style="background-color:yellow;">      </span> | |
| PB017 | Effect of new pensions legislation and LGPS regulations | <span style="background-color:green;">      </span> | |
| PB018 | Failure to produce compliant annual report and accounts within deadline. | <span style="background-color:green;">      </span> | |

1.6    There is a new risk PB018 and the Pensions Team have determined that this be classified as green. For the other risk previously identified, the Pensions Team has reviewed the Risk Velocity for each of the risks above and determined that there are no changes at present.

1.7    Updates on the administration risks are as follows:

**PB001** – West Yorkshire Pension Fund have advised that they will shortly be undertaking Disaster Recovery/ Business Continuity testing. The Pensions Team have requested copies of these reports following this testing when available.

**PB002** - The LBB Pensions Team continue to work with employers who still have unprocessed leavers. Another employer forum meeting was held in June 2023 where employers were again reminded of their responsibilities.

**PB005** - Employers have been notified of the new employer contributions rates following the 2022 actuarial valuation. The Pensions Team are checking that the contributions paid from April 2023 are based on the revised rates.

**PB007** – As agreed at the last Board meeting, the LBB Pensions Team are collating training undertaken by Board members monthly and updating the training log.

**PB008** – The Pensions Team will obtain confirmation that WYPF staff in key positions have the appropriate experience and that their authority levels are appropriate.

**PB010** - A new procedure to make bond renewals more efficient has been agreed with Hymans Robertson and will ensure that all admitted bodies have an appropriate bond or guarantee in place.

The Pensions Team are also commencing a review of the admissions, cessations and bonds processes to make this more efficient and ensure that issues arising previously do not occur again going forward.

**PB013** - The Pensions Team are reviewing the pension fund's engagement strategy to improve both member and employer communications. One of the intentions of this review is that with better engagement, both members and employers will maintain a positive view of the Fund.

**PB015** - The Pensions Team will request an updated cyber security report from WYPF when available.

1.8    A new risk has been added to the risk register, as requested at the last Board meeting, to identify the risks of "*Failure to produce compliant annual report and accounts within deadline*". This is shown as risk **PB018.**

1.9    Due to the current non signing of the 2020/21 Pension Fund Accounts, the risk score is stated as 15.

| **2.** | **Alternative Options Considered and Not Recommended** |
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| 2.1 | Not applicable in the context of this report. |
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| **3.** | **Post Decision Implementation** |
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| 3.1 | Not applicable in the context of this report. |
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| **4.** | **Corporate Priorities, Performance and Other Considerations** |
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**Corporate Plan**

4.1 The Local Pension Board supports the delivery of the Council's strategic objectives and priorities as expressed through the Corporate Plan, by assisting in maintaining the integrity of the pension Fund by monitoring the administration and compliance of the Fund.

4.2 By monitoring the risk registers of the Barnet Pension Fund, good governance of the Pension Fund is maintained. This is because good governance ensures the smooth running of the Fund with the benefits will be equitably split between all employers, thus enabling funds to be directed to Council priorities as set out in the Corporate Plan.

**Corporate Performance / Outcome Measures**

4.3 Not applicable in the context of this report.

**Sustainability**

4.4 Not applicable in the context of this report.

**Corporate Parenting**

4.5 Not applicable in the context of this report.

**Risk Management**

4.6 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.

**Insight**

4.7 Not applicable in the context of this report.

**Social Value**

4.8 Not applicable in the context of this report.

| **5.** | **Resource Implications (Finance and Value for Money, Procurement, Staffing, IT and Property)** |
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| 5.1 | Risks that are not mitigated or managed can have a financial penalty to the Scheme. |
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| **6.** | **Legal Implications and Constitution References** |

6.1  The LGPS Regulations 2013 place responsibility for the local administration of pensions and other benefits under these Regulations on the administering authority, which is London Borough of 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.

6.2  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.

6.3  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

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| **7.** | **Consultation** |

7.1  Not applicable in the context of this report.

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| **8.** | **Equalities and Diversity** |

8.1  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.

8.2  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.

## 9. Background Papers

9.1 None