

PENSION FUND RISK REGISTER

LIKELIHOOD

A Very high				
B High			24, 25, 26	
C Significant	44	15, 17, 23		
D Low	27, 41	2, 3, 8, 11, 16, 18, 19, 30, 49	1, 13, 14, 22	
E Very Low	29, 42, 43, 48	4, 9, 10, 35, 36, 38, 40, 45, 47, 50, 51, 52, 53, 54, 55, 57, 58	5, 6, 7, 12, 21, 28, 31, 32, 33, 34, 37, 39, 46, 59, 60	
F Almost Impossible			20, 56	

4 Negligible Impact/Benefit
3 Marginal Impact / Minor Benefit
2 Critical Impact / Major Benefit
1 Catastrophic Impact / Exceptional Benefit

IMPACT

DEFINITION OF TERMS

LIKELIHOOD

A Very high	Greater than 80% (almost certainly will occur)
B High	51-80% (more likely to occur than not)
C Significant	25-50% (fairly likely to occur)
D Low	10-24% (low, but could occur)
E Very Low	3-9% (extremely unlikely)
F Almost Impossible	0-2%

IMPACT

Catastrophic	Services could not be sustained or major project fails to deliver
Critical	Serious disruption to services
Marginal	Small effect on services
Negligible	Trivial effect on services

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
	REGULATORY								
1	Changes to national pension requirements and/or HMRC rules not being implemented	The Administering Authority considers all consultation papers and new regulations and, with assistance from its advisers and suppliers, implements them as appropriate	D2	D2		Treasury and Pension Fund Manager	D2		Director of Finance
2	Time, cost and/or reputational risks associated with the Section 13 analysis.	Advice is taken from the Actuary to ensure that the valuation and administration approaches are in accordance with best practice.	D3	D3		Treasury and Pension Fund Manager	D3		Director of Finance
3	Changes by regulation to particular employer participation in the Local Government Pension Scheme with impacts on funding and/or investment strategies.	The Administering Authority considers all consultation papers and new regulations and, with assistance from its advisers, implements them as appropriate including amending strategies as appropriate.	D3	D3		Treasury and Pension Fund Manager	D3		Director of Finance
4	Failure to make appropriate and timely investments in the London Collective Investment vehicle to satisfy Government requirements.	Progress on the development of the CIV and the Fund's relationship with it are reviewed at every meeting of the Pension Fund Committee. An investment strategy has been agreed and is reviewed regularly.	E3	E3		Treasury and Pension Fund Manager	E3		Director of Finance
	GOVERNANCE								
5	Those charged with governance of the Fund are unable to fulfil their responsibilities effectively	The Pension Fund Committee including a co-optee and as advised by an Investment Adviser, two independent advisers and officers is a properly constituted Committee of the Council and is able to exercise governance of the Fund in a robust manner	E2	E2	Whilst the governance of the Fund is considered to be of a high standard there remains an aspiration to improve	Treasury and Pension Fund Manager	E3	2018	Director of Finance
6	Pension Fund Committee members have insufficient knowledge to make correct decisions	Regular training is provided via a structured training programme to allow Members to review and challenge recommendations. Actuarial, investment, independent and officer advice is available to assist Members in making their decisions. The Council's in-house Legal Department provides advice as appropriate.	E2	E2	Whilst the knowledge of the Committee Members is considered to be of a high standard there remains an aspiration to improve.	Treasury and Pension Fund Manager	E3	2018	Director of Finance

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
7	Inadequate investment and actuarial advice is available to the Pension Fund Committee or sound advice is not heeded	Properly considered appointment of actuary and investment adviser with relevant experience and professional standards in place. Appointment of additional independent advisers. The Administering Authority, via its Pension Fund Committee and Pension Board maintains close contact with its specialist advisers and, in addition to receiving "statutory" reports, has made a number of requests for specific reports from them. Advice is delivered by formal meetings and recorded appropriately.	E2	E2		Treasury and Pension Fund Manager	E2		Director of Finance
8	Officers do not have sufficient knowledge and experience to advise the Committee and manage the Fund.	Suitably qualified staff appointed. Ongoing professional development (including training and technical reading); liaison with other funds and professional bodies and other networks. Training and development needs monitored through annual and monthly meetings with managers. Use of external advisers where appropriate.	D3	D3	Improvements are constantly sought and the staff currently in post exhibit the potential for improvement.	Treasury and Pension Fund Manager	E3	2018	Director of Finance
9	Failure to adhere to relevant statutory regulations including updates from LGPS	Investment and Administration sections review DCLG website, other literature and have networking arrangements to ensure they remain up-to date. Sufficient resources are in place to implement LGPS changes while continuing to administer the scheme. Membership of relevant professional groups ensures any potential changes in statutory requirements are properly implemented	E3	E3		Treasury and Pension Fund Manager	E3		Director of Finance
10	Non-compliance with LGPS investment regulations on permitted investments	Investment Strategy Statement and investment management mandates are structured to ensure compliance. Robust monitoring arrangements for investment managers are in place.	D3	E3	Regular review of regulations should ensure improvement	Treasury and Pension Fund Manager	E3		Director of Finance

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
11	Failure to make provision for the proper oversight of the administration of the Fund	The appointment of the Pension Board assists in the provision of oversight.	D3	D3	The development of the Pension Board should lead to improvements	Treasury and Pension Fund Manager	E3		Director of Finance
	FUNDING - ASSETS AND LIABILITIES								
12	Pension Fund objectives are not defined and agreed	Objectives are defined in the Funding Strategy Statement which is reviewed regularly by the Pension Fund Committee	E2	E2		Treasury and Pension Fund Manager	E2		Director of Finance
13	The Fund's assets are not sufficient to meet its long term liabilities. Fall in returns on Government bonds leading to rise in value placed on liabilities and an increase in deficit	Fund assets and liabilities are subject to regular assessment through triennial actuarial valuations. The Fund's investment strategy, as described in the Investment Strategy Statement, is regularly reviewed to seek to ensure that optimum returns are realised to meet its liabilities. Stabilisation modelling allows for the probability of the fall in returns on Government bonds within a long term context	D2	D2		Treasury and Pension Fund Manager	D2		Director of Finance
14	The relative movement in the value of the Fund's assets does not match the relative movement in the Fund's liabilities	Fund assets and liabilities are subject to regular assessment through triennial actuarial valuations. The Funding Strategy Statement is regularly reviewed in line with the triennial valuation with the main objective of ensuring the long term solvency of the Fund.	D2	D2		Treasury and Pension Fund Manager	D2		Director of Finance
15	Pay and price inflation is higher than anticipated increasing the value of liabilities	Fund assets and liabilities are subject to regular assessment through triennial actuarial valuations. The focus of the actuarial valuation is on real returns on assets, net of pay and price increases. Inter-valuation monitoring provides early warning of of adverse movements. Some investment in bonds helps to mitigate risks	C3	C3		Treasury and Pension Fund Manager	C3		Director of Finance

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
16	The Fund's pensioners are living longer than assumed in actuarial assumptions thereby increasing liabilities.	At each triennial actuarial valuation life expectancy assumptions are specifically reviewed taking into account both national and local longevity experience. The Actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might affect the assumptions underpinning the valuation	C3	D3		Treasury and Pension Fund Manager	D3		Director of Finance
17	Other demographic factors change increasing the cost of Fund benefits thereby increasing liabilities.	At each triennial valuation assumptions are reviewed.	C3	C3		Treasury and Pension Fund Manager	C3		Director of Finance
18	Increase in number of early retirements due to service reductions and/or ill-health retirements.	Employers are charged the "strain" cost of non-ill-health retirements; ill health retirement experience is closely monitored. Controls are included in admission agreements for new bodies joining the Fund and insurance may be available. Experience between triennial valuations is monitored and incorporated in the valuation process.	D3	D3		Treasury and Pension Fund Manager	D3		Director of Finance
19	Structural changes in an employer's membership (eg fall in active membership) leading to non-recovery of past service deficits	Monitor at each valuation and appropriate investment strategy is implemented. Past service deficits are being recovered by cash rather than percentage of payroll.	D3	D3		Treasury and Pension Fund Manager	D3		Director of Finance
20	Insufficient assets to meet short and medium term liabilities	Including investment income the Fund currently achieves an annual surplus. Medium term requirements are being reviewed. Cashflow is monitored and reconciled on a daily basis. Most of the Fund's investments can be accessed relatively quickly.	E2	F2		Treasury and Pension Fund Manager	F2		Director of Finance
21	Reductions in payroll causing insufficient deficit recovery payments	Reviewed at triennial valuation. Stabilisation mechanism permits appropriate contribution increases. Deficit contributions are a fixed monetary amount rather than a percentage of payroll.	E2	E2		Treasury and Pension Fund Manager	E2		Director of Finance

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
	FUNDING - INVESTMENT STRATEGY								
22	Long term investment strategy in relation to fund liabilities is inappropriate	External investment adviser, actuary and performance measurement consultant provide specialist guidance, including asset/liability and other modelling, to the Pension Fund Committee. Investment strategy options are considered as an integral part of the funding strategy. Strategy is documented, regularly reviewed and approved by Pension Fund Committee. Strategy is in accordance with LGPS investment regulations. The Pension Fund Committee has explicitly considered its tolerance of risk and this is reflected in its allocation strategy.	D2	D2		Treasury and Pension Fund Manager	D2		Director of Finance
23	Significant allocation to any single asset category and its underperformance relative to expectation. Failure of individual investments to perform up to expectation	Diversified investment strategy and investment management structure minimises impact at fund level of any individual investment failure. Performance measurement consultant and investment adviser supply regular review of the performance of the portfolio as a whole and of the individual managers. Asset allocation is periodically reviewed and adjustments made if required. On a quarterly basis progress against de-risking triggers is measured to consider whether any action required	C3	C3		Treasury and Pension Fund Manager	C3		Director of Finance
24	General fall in investment markets leading to poor performance.	The Committee, as advised by the actuary considers long term returns. Diversification between asset classes and regular monitoring of investment performance	B2	B2		Treasury and Pension Fund Manager	B2		Director of Finance

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
25	Failure by fund managers to achieve benchmark (passive) or performance target (active) returns for their given mandates	Diversification of managers and asset classes mitigates the impact of a single manager under-performing. Managers are selected via an extensive process of "due diligence." Manager performance is reviewed by Committee at each meeting against benchmark and performance objectives and with investment adviser's report; poor performance is highlighted and addressed by the Committee and officers. Regular dialogue is maintained with the investment advisers and managers; the Committee meets the managers once a year and officers meet them on at least one further occasion. Procurement frameworks and adviser's advice are used to fast track the appointment of new managers if changes are required.	B2	B2		Treasury and Pension Fund Manager	B2		Director of Finance
26	Fund assets fail to deliver returns in line with anticipated returns underpinning the triennial valuation	Long term returns are anticipated on a prudent basis and progress is analysed on at least a three year's basis. Assets are invested on the basis of specialist advice in a suitably diversified manner across asset classes, geographies, managers etc.	B2	B2		Treasury and Pension Fund Manager	B2		Director of Finance
27	Fees and charges of investment managers, actuary and investment adviser are excessive.	Both at tender stage and throughout the contracts charges which are value for money are sought and challenged when appropriate. Fees and charges are identified in the Annual Financial Statement and specifically highlighted for the Pension Fund Committee to consider. The influence of the CIV should lead to reduction in fees and charges.	D4	D4	In June 2016 the Fund received a report from CEM Benchmarking comparing its fees and charges for investment management with other funds. This report and the requirements for pooling arrangements will be used to seek savings	Treasury and Pension Fund Manager	E4	2018	Director of Finance
28	Losses arise due to currency fluctuations	The Council has established a currency hedging strategy covering 50% of the global equity portfolio to dampen the effect of foreign currency fluctuations against sterling. Approximately 10 major currencies are hedged most notably the US Dollar, Japanese Yen and Euro.	E2	E2		Treasury and Pension Fund Manager	E2		Director of Finance

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
29	Transition costs may be unexpected or excessive	The Administering Authority has significant experience of the transition process and has sufficient professional advice available to it to mitigate this risk.	E4	E4		Treasury and Pension Fund Manager	E4		Director of Finance
30	Environmental, social and governance issues reduce the Fund's abilities to generate long term returns	The Fund expects its managers to act in the best financial interests of the Fund which involves the effects of ESG issues on the performance of companies in which they invest	D3	D3		Treasury and Pension Fund Manager	D3		Director of Finance
						Treasury and Pension Fund Manager			Director of Finance
	SECURITY					Treasury and Pension Fund Manager			Director of Finance
31	Investment manager may not have appropriate control framework in place to protect Pension Fund assets	Client agreements which include the control framework are in place. Assets are held by external custodians separate from the investment managers; custodians are expected to comply with ICAEW's Audit and Assurance Faculty's guidance on internal controls of service organisations. Each investment manager's annual audit of internal controls is reviewed by officers and the Pension Fund Committee. Investment managers maintain an appropriate risk management framework to minimise the level of risk to pension fund assets	E2	E2	Whilst this risk is outside the Fund's control, most of the annual audits reveal very few exceptions to the intended control processes operating correctly. An aspiration that the likelihood is almost impossible is therefore a reasonable aspiration but timescales are dependent on the managers.	Treasury and Pension Fund Manager	F2	N/A	Director of Finance
32	Negligence, fraud or default by individual investment manager.	Legal requirements on fund managers set out in investment management agreements, FSA and other regulatory requirements; separation of investment management and custody arrangements; annual review of operational controls	E2	E2		Treasury and Pension Fund Manager	E2		Director of Finance
33	Custody arrangements may not be sufficient to safeguard fund assets	Client agreements which include the control framework are in place. External custodians comply with ICAEW's Audit and Assurance Faculty's guidance on internal controls of service organisations. Regular reconciliations carried out to check external custodian records	E2	E2	The heavy fine recently imposed on one of the most significant custodians suggests that the likelihood of the risk being realised cannot be reduced	Treasury and Pension Fund Manager	E2		Director of Finance

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
	OPERATIONAL								
37	Major emergency or system failure	Business Continuity Plan in place	E2	E2		Treasury and Pension Fund Manager	E2		Director of Finance
38	Failure of pensions administration IT systems	Adequate IT systems and support in place supported by a robust Business Continuity Plan	E3	E3		Treasury and Pension Fund Manager	E3		Director of Finance
39	Systems and data may not be secure and appropriately maintained	Authentication controls including regular password changes and robust user administration procedures are in place. Access rights restricted. Data is backed up on an incremental basis daily and fully backed up weekly. Audit trails and reconciliations are in place. System is protected against viruses and other system threats. Software is regularly updated to ensure LGPS requirements are met	E2	E2		Treasury and Pension Fund Manager	E2		Director of Finance
40	Failure to comply with LGPS pensions benefits regulations (eg as a result of incorrect benefit calculations and the holding of incorrect data)	Proper administration procedures in place supported by independent internal and external audit review of internal control arrangements	E3	E3		Treasury and Pension Fund Manager	E3		Director of Finance
41	Contributions to the Fund are not received, processed and recorded completely and accurately in accordance with scheme rules.	Sufficient resources are in place, structured appropriately, to carry out the necessary transaction processing. Procedures exist to identify any non-payment of contributions. Internal audit reviews take place regularly and there is an External Audit review of the accounts annually	D4	D4		Treasury and Pension Fund Manager	D4		Director of Finance
42	Life events relating to scheme members eg joining the scheme, transfers in and out and retirements are not processed and recorded properly in accordance with scheme rules	Procedure notes describing all key processes are in place. Induction and training procedures are in place. Adequate staff resources are in post	E4	E4		Treasury and Pension Fund Manager	E4		Director of Finance
43	Failure to pay lump sums on time	Procedure notes describing all key processes are in place. Induction and training procedures are in place. Adequate staff resources are in post	E4	E4		Treasury and Pension Fund Manager	E4		Director of Finance

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
44	Overpayments made	Most overpayments result from deaths not being notified. In addition to informal contacts, life certificates are regularly sent out and Harrow is a member of the National Fraud Initiative.	C4	C4		Treasury and Pension Fund Manager	C4		Director of Finance
45	Standing member and other data and permanent records are not accurate or do not reflect changes in circumstances	Business processes are in place to identify changes to standing data. Records are supported by appropriate documentation; input and output checks are undertaken; reconciliations are carried to between input and source records. Documentation is maintained in line with agreed policy. Data matching exercises (National fraud Initiative) identifies some discrepancies.	E3	E3		Treasury and Pension Fund Manager	E3		Director of Finance
46	Breach of data protection legislation.	Data security protocol	E2	E2		Treasury and Pension Fund Manager	E2		Director of Finance
47	Employers' failure to carry out their responsibilities for scheme administration.	Regular communication and guidance to employers on scheme matters	E3	E3		Treasury and Pension Fund Manager	E3		Director of Finance
48	Failure by AVC providers to provide proper services to the Pension Fund.	Regular reviews undertaken.	E3	E4		Treasury and Pension Fund Manager	E4		Director of Finance
49	Concentration of knowledge in a small number of officers and risk of departure of key staff	Appoint suitably qualified staff. Ensure training and succession planning in place	D3	D3		Treasury and Pension Fund Manager	D3		Director of Finance
50	Increase in workload for employers	Maintain close relationships with employers to make them aware of likely changes. Encourage employers to take account of pensions issues when considering restructuring or contracting out. Keep abreast of new developments. Work closely with software suppliers and ICT services to manage developments and planned maintenance to minimise impact	E3	E3		Treasury and Pension Fund Manager	E3		Director of Finance
51	Failure to communicate or engage with Pension Fund stakeholders	Maintain a communication and governance strategy and Governance Compliance Statement subject to regular review. Utilise a range of formal and informal communication routes with stakeholders	E3	E3		Treasury and Pension Fund Manager	E3		Director of Finance

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
52	Increasing use of new methods of service provision eg academies, free schools without full understanding of pensions implications	Ensure all employers are aware of pensions implications and of associated legislation and guidance	E3	E3		Treasury and Pension Fund Manager	E3		Director of Finance
53	Employees opting out of the scheme voluntarily	Effective communication helps members to make properly informed decisions about membership ensuring that they understand the value of membership.	E3	E3		Treasury and Pension Fund Manager	E3		Director of Finance
54	Administering Authority unaware of structural changes in an employer's membership (eg large fall in employee numbers, large number of retirements) or not advised of an employer closing to new entrants.	The Administering Authority has a close relationship with employing bodies and communicates required standards eg for submission of data. The Actuary may revise the Rates and Adjustments Certificate to increase an employer's contributions between triennial valuations. Deficit contributions are expressed as monetary amounts	E3	E3		Treasury and Pension Fund Manager	E3		Director of Finance
55	Default by a participating employer	Ongoing liabilities managed through the triennial valuation process. Periods allowed to repay deficits are set depending on the value of the employer's covenant and linked to contract periods for transferee employer bodies. Any cessation lump sum required from an employer leaving the Fund is calculated on a minimum risk basis by the Actuary. Major employers are "scheduled" in regulations and backed by long term tax receipts and the constitutional permanence of local government	E3	E3		Treasury and Pension Fund Manager	E3		Director of Finance
56	Administering authority failing to commission the fund actuary to carry out a termination valuation for a departing admission body and losing the opportunity to call in a debt	System of close monitoring of employers in place and, if active membership decreases, arrangements are reviewed.	F2	F2		Treasury and Pension Fund Manager	F2		Director of Finance

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
57	An employer ceasing to exist with insufficient funding or adequacy of a bond.	Seeking a funding guarantee from another scheme employer or external body wherever possible or a bond from a new employer. Vetting prospective employers before admission and alerting them to their obligations and sources of advice. Reviewing bond or guarantor arrangements at regular intervals and, if appropriate, reviewing contributions well ahead of cessation	E3	E3		Treasury and Pension Fund Manager	E3		Director of Finance
58	Inability or refusal of an employer to pay cessation valuation	Action through courts	E3	E3		Treasury and Pension Fund Manager	E3		Director of Finance
59	Effect of possible increase in employer's contribution rate on service delivery of Administering Authority and admission and scheduled bodies.	A stabilisation mechanism has been agreed as part of the funding strategy and other measures are in place to limit sudden increases in contributions.	E2	E2		Treasury and Pension Fund Manager	E2		Director of Finance
	ACCOUNTING								
60	Failure to comply with Pension Fund accounting requirements.	Sufficient properly qualified and trained staff are employed to carry out processes; knowledge is maintained via written guidance, networks, professional press and training. Accounting, management and administration processes are maintained in accordance with legislation and external regulations and the Council's Financial Regulations. Regular reconciliations are carried out between in-house records and those maintained by external custodian and investment managers. Internal audit reviews. External Audit annual review	E2	E2	Improvements are constantly sought and with the staff currently in post are being achieved.	Treasury and Pension Fund Manager	E2		Director of Finance