

**PENSION FUND RISK REGISTER - LOWER SCORED RISKS (Green Rated)**

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
	<b>REGULATORY</b>								
G1	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.	E3	E3		Treasury and Pensions Manager	E3		Director of Finance
G2	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 Pensions Manager	D3		Director of Finance
G3	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 regularly by the Pension Fund Committee. An investment strategy has been agreed and is reviewed regularly.	E3	E3		Treasury and Pensions Manager	E3		Director of Finance
	<b>GOVERNANCE</b>								
G4	Those charged with governance of the Fund are unable to fulfil their responsibilities effectively	The Pension Fund Committee includes a co-optee and two independent advisers, is a properly constituted Committee of the Council and as such is able to exercise governance of the Fund in a robust manner. It is advised by officers and by independent specialists (Actuaries, Investment Consultants, external auditors) as required.	E3	E3		Treasury and Pensions Manager	E3		Director of Finance
G5	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	Regular training sessions will be arranged before each Committee to ensure that knowledge remains up to date.	Treasury and Pensions Manager	E3	ongoing	Director of Finance

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G6	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 consultant 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, makes of requests for specific reports when required. Advice is delivered at formal meetings and recorded appropriately.	E2	E2		Treasury and Pensions Manager	E2		Director of Finance
G7	Officers do not have sufficient knowledge and experience to advise the Committee and manage the Fund.	Suitably qualified staff appointed. Skills kept up to date through 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		Treasury and Pensions Manager	E3		Director of Finance
G8	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 Pensions Manager	E3		Director of Finance
G9	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		Treasury and Pensions Manager	E3		Director of Finance
G10	Failure to maintain proper oversight of the administration of the Fund	The Pension Fund Committee has responsibility for exercising the Administering Authority's responsibilities clearly set out in its terms of reference. The Pension Board provides support and constructive challenge to support the oversight of the administration of the Fund.	D3	D3		Treasury and Pensions Manager	E3		Director of Finance

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	<b>FUNDING - ASSETS AND LIABILITIES</b>								
G11	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 Pensions Manager	E2		Director of Finance
G12	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	D3	D3		Treasury and Pensions Manager	D3		Director of Finance
G13	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 Pensions Manager	D3		Director of Finance
G14	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 Pensions Manager	D3		Director of Finance
G15	Insufficient assets to meet short and medium term liabilities	Including investment income the Fund currently achieves an annual surplus. Medium term requirements are regularly reviewed, and cashflow is monitored and reconciled on a daily basis. Most of the Fund's investments are liquid and can be accessed relatively quickly.	E2	F2		Treasury and Pensions Manager	F2		Director of Finance
G16	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 Pensions Manager	E2		Director of Finance

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	<b>FUNDING - INVESTMENT STRATEGY</b>								
G17	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 introduction of the CIV has led to reduction in fees and charges.	D4	E4		Treasury and Pensions Manager	E4		Director of Finance
G18	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 Pensions Manager	E2		Director of Finance
G19	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 Pensions Manager	E4		Director of Finance
G20	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 considering the effects of ESG issues on the performance of companies in which they invest	D3	D3	The Fund is strengthening its ESG policy and will approve this at its meeting in November 2020.	Treasury and Pensions Manager	D3	Nov. 2020	Director of Finance
	<b>SECURITY</b>								
G21	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, 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 Pensions Manager	F2	N/A	Director of Finance

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G22	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 Pensions Manager	E2		Director of Finance
G23	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		Treasury and Pensions Manager	E2		Director of Finance
G24	Failure of custodian	Use custodians under banking and FSA regulation	E2	E2		Treasury and Pensions Manager	E2		Director of Finance
G25	Counterparty default in stock lending programme.	Programme managed by experienced investment manager, State Street Global Advisors with risk controls over custody arrangements, counterparty credit worthiness, exposure limits and collateral agreements in place	E3	E3		Treasury and Pensions Manager	E3		Director of Finance
G26	Investments may not be accurately valued	Investments are valued using best current practice as agreed with the investment managers. Valuations reported to Pension Fund Committee	E3	E3		Treasury and Pensions Manager	E3		Director of Finance
	<b>OPERATIONAL</b>								
G27	Major emergency	Business Continuity Plan in place. Service delivery during 2020 Covid-19 Pandemic has demonstrated resilience of remote working arrangements.	E2	E2		Treasury and Pensions Manager	E2		Director of Finance
G28	Failure of pensions administration IT systems	Adequate IT systems and support in place supported by a robust Business Continuity Plan which includes back up servers on a separate site.	E3	E3		Treasury and Pensions Manager	E3		Director of Finance



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G29	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. Staff working from home use only LBH equipment and secure log in arrangements.	E2	E2		Treasury and Pensions Manager	E2		Director of Finance
G30	<del>Failure to comply with LGPS pensions benefits regulations (eg as a result of incorrect benefit calculations and the holding of incorrect data)</del>	<del>Proper administration procedures in place supported by independent internal and external audit review of internal control arrangements. Employers are made aware of requirements and importance of accuracy of the information they provide.</del>	<del>E3</del>	<del>E3</del>		<del>Treasury and Pensions Manager</del>	<del>E3</del>		<del>Director of Finance</del>
G31	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 Pensions Manager	D4		Director of Finance
G32	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	<del>Procedure notes describing all key processes are in place. Induction and training procedures are in place. Adequate staff resources are in post</del>	<del>E4</del>	<del>E4</del>		<del>Treasury and Pensions Manager</del>	<del>E4</del>		<del>Director of Finance</del>
G33	Failure to pay lump sums on time	<del>Procedure notes describing all key processes are in place. Induction and training procedures are in place. Adequate staff resources are in post</del>	<del>E4</del>	<del>E4</del>		<del>Treasury and Pensions Manager</del>	<del>E4</del>		<del>Director of Finance</del>

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G34	Overpayments made	Most overpayments result from deaths not being notified promptly. In addition to informal contacts, life certificates are regularly sent out and Harrow is a member of the National Fraud Initiative. Pensions Admin participate in the "tell us once" service, so are notified of many deaths through registrars via this service.	C4	C4		Treasury and Pensions Manager	C4		Director of Finance
G35	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) identify some discrepancies. Communication with employers to ensure they report changes promptly and accurately.	E3	E3		Treasury and Pensions Manager	E3		Director of Finance
G36	Breach of data protection legislation.	Data security protocol in place. Staff made aware of importance of ensuring data is properly protected.	E2	E2		Treasury and Pensions Manager	E2		Director of Finance
G37	Employers fail to carry out their responsibilities for scheme administration.	Regular communication and guidance to employers on scheme matters	E3	E3		Treasury and Pensions Manager	E3		Director of Finance
G38	Failure by AVC providers to provide proper services to the Pension Fund.	Regular reviews undertaken.	E3	E4		Treasury and Pensions Manager	E4		Director of Finance
G39	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 Pensions Manager	E3		Director of Finance
G40	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 Pensions Manager	E3		Director of Finance

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G41	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 Pensions Manager	E3		Director of Finance
G42	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. Auto enrolment arrangements ensure eligible employees review their decision periodically.	E3	E3		Treasury and Pensions Manager	E3		Director of Finance
G43	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 Pensions Manager	E3		Director of Finance
G44	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 Pensions Manager	E3		Director of Finance
G45	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	F3		Treasury and Pensions Manager	F3		Director of Finance



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G46	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 Pensions Manager	E3		Director of Finance
G47	Inability or refusal of an employer to pay cessation valuation	Action through courts	E3	E3		Treasury and Pensions Manager	E3		Director of Finance
G48	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 Pensions Manager	E2		Director of Finance
<b>ACCOUNTING</b>									
G49	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.	E3	E3		Treasury and Pensions Manager	E3		Director of Finance