

Risk Register - Haringey Pension Fund

Risk No	Cat Ref	Risk	Risk Ranking
GOVERNANCE			
1	GOV1	Pension Fund Objectives are not defined and agreed leading to lack of focus of strategy to facilitate the aims of the LGPS.	3
2	GOV2	Frequent and/or extensive turnover of committee members causing a loss of technical and operational knowledge about the Fund and an inexperienced Committee/Board.	16
3	GOV3	Members have insufficient knowledge of regulations, guidance and best practice to make good decisions.	12
4	GOV4	Member non-attendance at training events.	8
5	GOV5	Officers lack the knowledge and skills required to effectively advise elected members and/or carry out administrative duties.	4
6	GOV6	Committee members have undisclosed conflicts of interest.	3
7	GOV7	The Committee's decision making process is too rigid to allow for the making of expedient decisions leading to an inability to respond to problems and/or to exploit opportunities.	4
8	GOV8	Known risks not monitored leading to adverse financial, reputational or resource impact.	4
9	GOV9	Failure to recognise new Risks and/or opportunities.	4
10	GOV10	Weak procurement process leads to legal challenge or failure to secure the best value for the value when procuring new services.	5
11	GOV11	Failure to review existing contracts means that opportunities are not exploited.	8

Risk No	Cat Ref	Risk	Risk Ranking
INVESTMENTS			
39	INV1	That the assumptions underlying the Investment and Funding Strategies are inconsistent.	10
40	INV2	That Fund liabilities are not correctly understood and as a consequence assets are not allocated appropriately.	5
41	INV3	Incorrect understanding of employer characteristics e.g. strength of covenant.	10
42	INV4	The Fund doesn't take expert advice when determining Investment Strategy.	5
43	INV5	Strategic investment advice received from Investment Consultants is either incorrect or inappropriate for Fund.	10
44	INV6	Investment Manager Risk - this includes both the risk that the wrong manager is appointed and /or that the manager doesn't follow the investment approach set out in the Investment Management agreement.	10
45	INV7	Relevant information relating to investments is not communicated to the Committee in accordance with the Fund's Governance arrangements.	4
46	INV8	The risks associated with the Fund's assets are not understood resulting in the Fund taking either too much or too little risk to achieve its funding objective.	10
47	INV9	Actual asset allocations move away from strategic benchmark.	12
48	INV10	No modelling of liabilities and cash flow is undertaken.	5
49	INV11	The risk that the investment strategy adopted by London CIV through fund manager appointments does not fully meet the needs of the Fund.	25

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GOVERNANCE			
12	GOV12	Weak process and policies around communicating with a scheme members and employers means that decisions are not available for scrutiny.	3
13	GOV13	Lack of engagement from employers/members means that communicating decisions becomes a "tick box" exercise and accountability is not real.	6
14	GOV14	Failure to comply with legislation and regulations leads to illegal actions/decisions resulting in financial loss and / or reputational damage	5
15	GOV15	Failure to comply with guidance issued by The Pensions Regulator (TPR) and Scheme Advisory Board (SAB) resulting in reputational damage.	10
16	GOV16	Pension fund asset pooling restricts Haringey Pension Fund's ability to fully implement a desired mandate	10
17	GOV17	The Fund adopts and follows ill-suited investment strategy.	15

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COMMUNICATION			
50	COM1	Members don't make an informed decision when exercising their pension options whilst employers cannot make informed decisions when exercising their discretions leading to possible complaints and appeals against the Fund	8
51	COM2	Communication is overcomplicated and technical leading to a lack of engagement and understanding by the user (including members and employers).	6
52	COM3	Employer doesn't understand or carry out their legal responsibilities under relevant legislation.	8
53	COM4	Apathy from members and employers if communication is irrelevant or lacks impact leading to uninformed users.	9
54	COM5	Employers don't meet their statutory requirements leading to possible reporting of breaches to the Pension Regulator.	8
55	COM6	Lack of information from Employers impacts on the administration of the Fund, places strain on the partnership between Fund and Employer.	4

LEGISLATION			
18	LEG1	Failure to adhere to LGPS legislation (including regulations, order from the Secretary of State and any updates from The Pension Regulator) leading to financial or reputational damage	10
19	LEG2	Lack of access to appropriate legislation, best practice or guidance could lead to the Fund acting illegally.	5
20	LEG3	Lack of skills or resource to understand complex regulatory changes or understand their impact.	8

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ACCOUNTING			
21	ACC1	The Pension Fund Statement of Accounts does not represent a true and fair view of the Fund's financing and assets.	10
22	ACC2	Internal controls are not in place to protect against fraud/ mismanagement.	8
23	ACC3	The Fund does not have in place a robust internal monitoring and reconciliation process leading to incorrect figures in the accounts.	8
24	ACC4	Market value of assets recorded in the Statement of Accounts is incorrect leading to a material misstatement and potentially a qualified audit opinion.	10
25	ACC5	Inadequate monitoring of income (contributions) leading to cash flow problems.	4
26	ACC6	Rate of contributions from employers' in the Fund is not in line with what is specified in actuarial ratings and adjustment certificate potentially leading to an increased funding deficit or surplus.	5
27	ACC7	The fund fails to recover adhoc /miscellaneous income adding to the deficit.	8
28	ACC8	Transfers out increase significantly as members transfer to DC funds to access cash through new pension freedoms.	12

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FUNDING/LIABILITY			
56	FLI1	Funding Strategy and Investment considered in isolation by Officers, Committee and their separate actuarial and investment advisors	10
57	FLI2	Inappropriate Funding Strategy set at Fund and employer level despite being considered in conjunction with Investment Strategy.	10
58	FLI3	Inappropriate Investment and Funding Strategy set that increases risk of future contribution rate increases.	10
59	FLI4	Processes not in place to capture or failure to correctly understand changes to risk characteristics of employers and adapting investment/funding strategies.	10
60	FLI5	Processes not in place to capture or review when an employer may be leaving the LGPS.	5
61	FLI6	Processes not in place to capture or review funding levels as employer approaches exiting the LGPS.	10
62	FLI7	Investment strategy is static, inflexible and does not meet employers and the Fund's objectives.	5
63	FLI8	Process not in place to ensure new employers admitted to the scheme have appropriate guarantor or bond in place.	5
64	FLI9	Level of bond not reviewed in light of change in employers pension liabilities.	8
65	FLI10	Processes not in place to capture or review covenant of individual employers.	8
66	FLI11	Processes not in place to capture and understand changes in key issues that drive changes to pension liabilities.	5

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ADMINISTRATION			
29	ADM1	Failure to act within the appropriate legislative and policy framework could lead to illegal actions by the Fund and also complaints against the Fund.	10
30	ADM2	Pension structure is inappropriate to deliver a first class service	15
31	ADM3	Insufficiently trained or experienced staff leading to knowledge gaps	12
32	ADM4	Failure of pension administration system resulting in loss of records and incorrect pension benefits being paid or delays to payment.	5
33	ADM5	Failure to pay pension benefits accurately leading to under or over payments.	8
34	ADM6	Failure of pension payroll system resulting in pensioners not being paid in a timely manner.	8
35	ADM7	Not dealing properly with complaints leading to escalation that ends ultimately with the ombudsman	8
36	ADM8	Data protection procedures non-existent or insufficient leading to poor security for member data	10
37	ADM9	Loss of funds through fraud or misappropriation by officers leading to negative impact on reputation of the Fund as well as financial loss.	5
38	ADM10	Officers do not have appropriate skills and knowledge to perform their roles resulting in the service not being provided in line with best practice and legal requirements. Succession planning is not in place leading to reduction of knowledge when an officer leaves.	10

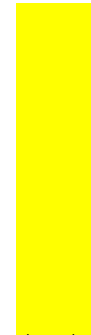
Colour	Risk Level
	Low
	Moderate
	High
	Very High

FUNDING/LIABILITY: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Current Controls	Impact	Probability	Overall Risk Rating	Responsibility	Timescale
56	FLI1	Funding Strategy and Investment considered in isolation by Officers, Committee and their separate actuarial and investment advisors	Funding Strategy statement has explicit links to the investment strategy. Both the actuarial advisor and the investment advisor advise Officers and the Committee and work in partnership to ensure that the two strategies are compatible. The Funding Strategy once ready is presented to Committee for final review and approval.	5	2	10	HoP	Mar-18
57	FLI2	Inappropriate Funding Strategy set at Fund and employer level despite being considered in conjunction with Investment Strategy.	Fund commissions stochastic modelling from the fund's actuary to test the likelihood of success of achieving desired returns to deliver the Fund long term objectives of being able to pay retirement benefits as they fall due. The actuary sets a high probability bar for future service return and also a deficit recovery plan that recovers funding shortfall in the most efficient manner.	5	2	10	HoP	Mar-18
58	FLI3	Inappropriate Investment and Funding Strategy set that increases risk of future contribution rate increases.	The Investment and Funding Strategies are considered in tandem to each. The Actuary as part of the triennial valuation reviews the Funding Strategy to take account of outcomes from the triennial valuation and sets appropriate contribution rate for each employer in the Fund. Similarly, a comprehensive review of the Investment Strategy is undertaken following a triennial valuation to ensure that the Strategy is still fit for purpose - annual and ad-hoc reviews are also undertaken where opportunities present itself.	5	2	10	HoP	Mar-18
59	FLI4	Processes not in place to capture or failure to correctly understand changes to risk characteristics of employers and adapting investment/funding strategies.	Employer monitoring database developed and updated quarterly to capture key metrics that drive an employers' liabilities. Regular profiling of employers' characteristics to ensure that assumptions are still relevant and the Funding Strategy is fit for purpose.	5	2	10	HoP; PAM	Mar-18
60	FLI5	Processes not in place to capture or review when an employer may be leaving the LGPS.	Employer monitoring database developed and updated quarterly to capture key metrics that drive an employers' liabilities and status within the Fund. Contract dates for admitted bodies are monitored, so that officers are aware and able to identify employers that are due to leave the Scheme.	5	1	5	PAM; HoP	Sep-17

FUNDING/LIABILITY: RISK MANAGEMENT FRAMEWORK									
Risk No	Cat Ref	Risk	Current Controls	Impact	Probability	Overall Risk Rating	Responsibility	Timescale	
61	FLI6	Processes not in place to capture or review funding levels as employer approaches exiting the LGPS.	<p>Employer monitoring database developed and updated quarterly to capture key metrics that drive an employers' liabilities and status within the Fund.</p> <p>Contract dates for admitted bodies are monitored, so that officers are aware and able to identify employers that are due to leave the Scheme. Where an employer is admitted on a closed basis, this usually aligns with when the last active member on the employers payroll either retires or leaves the service of the employer.</p> <p>The Fund's actuary is notified of the need to calculate a cessation valuation 3 months before an employer is due to leave the Fund.</p>	5	2	10	PAM; HoP	Sep-17	
62	FLI7	Investment strategy is static, inflexible and does not meet employers and the Fund's objectives.	<p>The investment strategy is constantly under review and updated to ensure that the Fund is able to meet its objectives.</p> <p>The Investment/Independent Consultant along with officers of the month have regular meetings to review the investment strategy and present options to the Committee for approval.</p>	5	1	5	HoP	Mar-18	
63	FLI8	Process not in place to ensure new employers admitted to the scheme have appropriate guarantor or bond in place.	<p>The Fund's admission agreement policy require potential admitted bodies to have a guarantor/bond in place.</p> <p>Where an admitted body is unable to secure a bond, such an employer would be required to provide a guarantor to indemnify the pension fund against any risk from the employer becoming insolvent.</p>	5	1	5	PAM; HoP	ongoing	

changed wording slightly to remove reference to 5% additional contribution. Changed impact to 5 from 4

FUNDING/LIABILITY: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Current Controls	Impact	Probability	Overall Risk Rating	Responsibility	Timescale
64	FLI9	Level of bond not reviewed in light of change in employers pension liabilities.	<p>All new admissions into the Fund are required to have a bond taken out in the name of the Fund or provide a guarantor.</p> <p>The Fund Actuary undertakes a periodic review of employer profiles to assess the level of risk posed by individual employers to the Fund.</p> <p>The results of the employer profiling exercise is a factor in determining contribution rates for each employer in the Fund, so that the level of risk posed by an employer is commensurate with the rate of recovery of funding deficit.</p>	4	2	8	PAM; HoP	ongoing
65	FLI10	Processes not in place to capture or review covenant of individual employers.	<p>The strength of covenant of individual employers is assessed before they are admitted into the Fund.</p> <p>The strength of covenant is a significant factor when determining the terms of admission for a new admitted body to the Fund. Along with employer profiling the employer profiling, strength of covenant of each individual employer is assessed periodically by the actuary and Head of Pensions.</p>	4	2	8	HoP	Mar-18
66	FLI11	Processes not in place to capture and understand changes in key issues that drive changes to pension liabilities.	<p>The Haringey Pension Fund subscribes to a number of organisations that assists officers of the Scheme to keep abreast of development and changes to the Fund (including government legislation).</p> <p>Updates are received Local Authority Pension Fund Forum; CIPFA Pensions Network; London Pension Fund Forum. These forums/networks provide regular updates on all things local government pension and facilitates awareness of proposed or imminent changes to the LGPS or Investment regulations.</p>	5	1	5	PAM; HoP	ongoing



changed wording slightly to remove reference to 5% additional contribution

Risk Owners

HoP Head of (Finance) Pensions
PAM Pensions Administration Manager
PCB Pensions Committee/Board
HoCF Head of Corporate Finance
CC Committee Clerk

Risk Level

Level 1
Level 2
Level 3
Level 4
Level 5

Impact

Insignificant
Minor
Moderate
Major
Catastrophic

Probability

Rare
Unlikely
Moderate
Likely
Almost Certain

RED RATED RISKS								
Risk No	Cat Ref	Risk	Controls/Mitigations	Impact	Probability	Overall Risk Rating	Responsibility	Timescale
2	GOV2	Frequent and/or extensive turnover of committee members causing a loss of technical and operational knowledge about the Fund and an inexperienced Committee/Board.	<p>The nature of Council appointees to the Fund means that there is likely to be annual turnover of appointments to the Pensions Committee. However, Full Council through Democratic Services has been made aware of the consequences of constant turnover of Pensions Committee members.</p> <p>A comprehensive training programme that is in line with CIPFA guidance/The Pension Regulator has been developed and is continuously reviewed/updated.</p> <p>Training needs analyses undertaken annually to identify knowledge gaps and training programme adapted accordingly</p> <p>New members required to complete The Pensions Regulators public service toolkit modules as a minimum requirement.</p> <p>All members are encouraged to attend training events (internal/external) to ensure all have adequate knowledge to perform duties as trustees of the Fund.</p>	4	4	16	PCB; HoP	Ongoing
17	GOV17	The Fund adopts and follows ill-suited investment strategy.	<p>The Investment Strategy is in accordance with LGPS investment regulations and it takes into consideration the Funds liabilities and funding levels among other things.</p> <p>The Investment Strategy is documented, reviewed and approved by the Pensions Committee/Board.</p>	5	3	15	HoP	Mar-17
30	ADM2	Pension structure is inappropriate to deliver a first class service	<p>New structure implemented from October 2016. Impact to be monitored by Head of Pensions.</p> <p>This risk will be reassessed once the restructuring of the pensions team has been completed and some time has passed for the structure to be embedded.</p>	5	3	15	HoCF	Apr-17