

Hackney Pension Fund - Control Risk Register

Governance Risks

Objectives extracted from Governance Policy  
 G1 All staff, Pensions Committee and Pension Board Members charged with financial administration, decision-making or oversight with regards to the Fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them  
 G2 The Fund is aware that good governance means an organisation is open in its dealings and readily provides information to interested parties  
 G3 All relevant legislation is understood and complied with  
 G4 The Fund aims to be at the forefront of best practice for LGPS funds  
 G5 The Fund manages Conflicts of Interest appropriately

Risk no	Risk Overview (this will happen)	Inst. Description (if this happens)	Strategic objectives at risk (see key)	Current Impact (see key)	Current Likelihood (see key)	Current Risk Status	Internal controls in place	Target Impact (see key)	Target Likelihood (see key)	Target Risk Status	Key's target?	Date Next Ass. Target From	Expected Back on Target	Further Action and Owner	Risk Manager	Next review date	Last Updated	Previous Impact	Previous Likelihood	Previous Risk Status	Risk removed (date)	
1	Recruitment and Retention - Insufficient experienced staff to meet Fund objectives	Restrictions on local authority salaries make it challenging for the fund to recruit and retain suitably qualified and experienced staff	G1, G3, G4	Moderate	Likely	High	1 - Salary benchmark, supplements paid where appropriate 2 - Policies and procedures in place 3 - Staff able to cover other roles where possible 4 - Develop robust succession planning approach	Moderate	Unlikely	High	☹️	01/12/2018	Dec 2019	1 - Develop succession planning approach 2 - Further development of training programme - increase focus on mid level staff	Julie Stacey/Rachel Cowburn	01/03/2019	01/12/2018					
2	Knowledge and Skills - Insufficient knowledge and skills amongst those charged with Fund Management	Failure to provide to suitable training and to ensure that all Committee Members are able to attend with sufficient regulatory could result in the Fund failing to meet its objectives as a result of insufficient knowledge and skills amongst those charged with its management	G1, G3, G4	Moderate	Possible	High	1 - Improvements being made to both induction and ongoing training 2 - Regular review of training offered and its effectiveness 3 - Knowledge and Skills Policy/training plan in place	Moderate	Unlikely	High	☹️	01/12/2018	Dec 2019	1 - Carry out full review of training programme and requirements	Rachel Cowburn	01/03/2019	01/12/2018					
3	Conflicts of Interest - actual conflicts of interest permitted to materialise	Failure to adequately monitor and disclose conflicts of interest results in potential conflicts not being managed	G5	Insignificant	Unlikely	High	1 - Conflicts of interest policy and register maintained 2 - Standing item requesting disclosure at all Committee/Board meetings 3 - Annual update to declarations required	Insignificant	Unlikely	High	☹️				Rachel Cowburn	01/03/2019	01/12/2018					
4	Internal Fraud - financial loss resulting from actions of employee	Persons team involved with the management of significant financial resources - potential for internal fraud	G4	Moderate	Unlikely	High	1 - Segregation of duties for key roles 2 - Regular scrutiny from internal audit 3 - Annual external audit of the Pension Fund	Moderate	Unlikely	High	☹️				Rachel Cowburn	01/03/2019	01/12/2018					
5	Data Protection - failure to adequately protect member details	Non-compliance with the GDPR results in a failure to adequately protect member details, with a potential financial impact on members	G4	Moderate	Possible	High	1 - Compliance with the Council's ICT policy 2 - Use of encrypted email for sensitive data 3 - Use of confidential waste disposal 4 - Use of secure courier to transmit sensitive hard copy files 5 - Appropriate access control measures 6 - Redaction of personal information where required 7 - Tailored training to be provided to Financial Services staff 8 - Pensions Committee and Pension Board Members Contracts with third party suppliers acting as joint data processors must ensure that: 1 - Third parties are GDPR compliant 2 - Secure methods of transfer for sensitive data transmissions/storage built into contract 3 - Appropriate risk sharing between the Council and the third party supplier is in place	Moderate	Unlikely	High	☹️	01/12/2018	Dec 2019	1 - Ensure all pensions team staff fully trained on GDPR 2 - Ensure TLS links in place with third party suppliers where possible 3 - Roll out employer portal to ensure more usual friendly secure data transmission 4 - explore further secure email options as current offer not user friendly	Julie Stacey/Rachel Cowburn	01/03/2019	01/12/2018					
6	Reliance on external systems - potential for system failure (including cybercrime)	Heavy reliance on external systems including following systems: Cedar (accounting), HSBGnet (custodian), LloydLink, Compendia results in crucial action not being taken in the event of system failure	G4	Moderate	Possible	High	1 - All teams complete a Business Impact Analysis to assess timescales/impact of system failure etc. 2 - The Pension Investments and Pensions Administration Business Continuity Plans detail actions to take in the event of system failure	Moderate	Unlikely	High	☹️		Aug 2019		1 - Internal training required on cybercrime risk 2 - Check cybercrime insurance 3 - Receive written assurances from all suppliers re management of cybercrime	Julie Stacey/Rachel Cowburn	01/03/2019	01/12/2018				

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## Hackney Pension Fund - Control Risk Register

### Funding & Investment Risks (includes accounting and audit)

Objectives extracted from Funding Strategy Statement and Investment Strategy Statement

- F1 To ensure the long-term solvency of the Fund using a prudent long term view. This will ensure that sufficient funds are available to meet all members' dependants' benefits as they fall due for payment.
- F2 To ensure that employee contribution rates are reasonably stable where appropriate.
- F3 To minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (NB this will also minimise the costs to be borne by Council Tax payers).
- F4 To reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years.
- F5 To use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.
- F6 Have a strategic asset allocation benchmark for the Fund that has the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature of the Fund's liabilities.

Risk No	Risk Overview (the what happens)	Risk Description (if the happens)	Strategic objectives at risk (see key)	Current Impact (see key)	Current Method (see key)	Current Risk Status	Internal controls in place	Target Impact (see key)	Target Likelihood (see key)	Target Risk Status	Meets target?	Date Met Target From	Expected Date on Target	Further Action and Owner	Risk Manager	Next review date	Last Updated	Previous Impact	Previous Likelihood	Previous Risk Status	Risk removed (date)				
1	Asset risk - failure to meet objectives through poor asset performance	Asset risks include the following: Concentration - over allocation to a single asset class Illiquidity - insufficient liquid assets Currency risk - underperformance of asset currency ESG Risk - ESG related factors reduce the Fund's ability to generate long-term returns Manager Underperformance	I1	Major	Likely	Red	1 - Investment in a diversified range of asset classes 2 - Regular cash flow monitoring 3 - Currency hedging policy 4 - ESG and climate risk policy in place 5 - Multiple managers & performance monitoring	Major	Possible	Yellow	⊕ Current likelihood 1 too high	01/12/2018	Dec 2020	1 - Complete planned investment strategy changes and associated transitions (RC) 2 - Align cash flow monitoring to business objectives (RC)	Rachel Cowburn	01/03/2019	01/12/2018								
2	Funding risk - growth rate of liabilities outstrips that of assets	Funding Risks include: Inflation risk - Price and pay inflation more than anticipated Changing demographics - longevity improvements Systemic risk - interlinked and simultaneous failure of several asset classes	F1	Major	Likely	Red	1 - Monitoring of asset allocation and investment returns 2 - Some investment in bonds assists in liability matching 3 - Stabilisation modelling at whole Fund level allows for the probability that risk free returns on gov bonds will fall 4 - Assessment of liabilities at the internal valuation and the roll-forward of liabilities between valuations	Moderate	Likely	Yellow	⊕ Current Impact 1 too high	01/12/2018	Dec 2020	1 - Reassess liabilities and requirement for matching assets at internal valuation (RC)	Rachel Cowburn	01/03/2019	01/12/2018								
3	Other provider risk - loss of value resulting from external providers	Other provider risks include: Transition risk - unexpected costs in relation to the transition of assets Custody risk - losing economic rights to Fund assets Credit default - default of a counterparty	I1	Major	Possible	Yellow	1 - Regular scrutiny of providers 2 - Monitoring and management (may be delegated to investment managers in certain situations e.g. custody risk in relation to pooled funds) 3 - Seek appropriate advice where necessary (e.g. during a significant transition) 4 - The Pensions Committee has the power to replace a provider should serious concerns exist.	Major	Unlikely	Yellow	⊕ Current likelihood 1 too high	01/12/2018	Dec 2020	1 - Transition planning for upcoming transitions (increased risk as increased movement of assets/appointment of new providers) (RC)	Rachel Cowburn	01/03/2019	01/12/2018								
4	Asset pooling risk - pooling prevents the Fund achieving its objectives	Asset pooling risks include: Transition risk - excessive additional cost through transition to the pooled arrangement Concentration and capacity risks - excessive concentration of assets amongst relatively few large institutions Political risk - central Government's infrastructure aspirations present conflict of interest for the Fund in selling its asset allocation strategy Reputational risks - failure of a pooled arrangement could have significant consequences for the LGPS Strategy risk - the Fund's chosen asset pool does not deliver suitable investment strategies to allow the Fund to meet its objectives	I1	Major	Possible	Yellow	1 - Monitor development/respond to consultations - Monitor proposed changes, consultations and guidance from Government on the pooling agenda, responding where appropriate to influence outcomes. Amend process where required to ensure compliance. 2 - Relationship Management - Maintain good working relationship to ensure that the Fund is fully aware of developments at the pool level and the pool is aware of and responds to the Fund's strategic requirements 3 - Transition Planning - Planning for transition considered as part of Investment Strategy development to ensure assets are transitioned efficiently and within the required timeframe. 4 - Pensions Committee Chair and STS1 officer members of Shareholder Committee	Major	Unlikely	Yellow	⊕ Current likelihood 1 too high	01/12/2018	Dec 2020	1 - Transition planning for upcoming transitions (increased risk as increased movement of assets/appointment of new providers) (RC) 2 - Ensure more frequent formal catch up with senior LCIV staff (IWM/HR) (RC) 3 - Ensure LCIV aware of Hackney business plan to understand timing requirements (IWM/HR) (RC)	Rachel Cowburn	01/03/2019	01/12/2018								
5	ESG Risk - ESG factors negatively impact Fund performance	ESG risk is the risk that financially material ESG factors have a negative impact on the Fund's performance. ESG factors include (but are not limited to) carbon risk, which is the risk that the implementation of COP21 political commitments dramatically reduces the proportion of fossil fuel reserves that can be used, with a subsequent impact on the business models and valuations of fossil fuel companies.	I1	Major	Possible	Yellow	1 - Monitoring and management of the Fund's exposure to fossil fuel reserves and power generation to assess level of risk. Initial assessment carried out in July 2016. 2 - Inclusion of a policy statement setting out the Fund's approach to climate risk within the Investment Strategy Statement 3 - Active engagement with managers to understand sources of ESG risk	Major	Unlikely	Yellow	⊕ Current likelihood 1 too high	01/12/2018	Dec 2020	1 - Ongoing development of monitoring of fossil fuel risk (formal review of target summer 2019) 2 - Liaise with managers to improve wider ESG risk reporting	Rachel Cowburn	01/03/2019	01/12/2018								
6	External Factor/Regulatory Risk	The risk that external (e.g. geopolitical) factors or the introduction of new regulation requires major changes to the operation of the Fund	I1, F1	Major	Possible	Yellow	1 - Asset liability modelling to ensure the Fund's Investment Strategy helps the Fund meet its objectives under a range of economic conditions 2 - Horizon scanning to ensure awareness of potential future risks and prepare	Moderate	Possible	Yellow	⊕ Current Impact 1 too high	01/12/2018	Dec 2020	1 - Complete investment strategy updates to improve fund resilience - re-valuation	Rachel Cowburn	01/03/2019	01/12/2018								
7	Employer Covenant/Affordability risks	Employer Covenant and Affordability risks include: Employer default Employer deficit on termination Highly variable/rapidly increasing employer contribution rates	F4	Moderate	Unlikely	Green	1 - Valuation and inter-valuation monitoring 2 - Monitoring of contributions 3 - Employer covenant checks with use of bonds/guarantees where necessary 4 - Contribution rate stabilisation where appropriate	Moderate	Unlikely	Green	⊕				Rachel Cowburn	01/03/2019	01/12/2018								

## Hackney Pension Fund - Control Risk Register

Administrative & Communication Risks

Objectives extracted from: Administration Strategy (03/2017) and Communications Strategy (04/2016)

A1 Deliver an efficient, quality and value for money service to its scheme employers and scheme members

A2 Ensure payment of accurate benefits and collect the correct contributions from the right people in a timely manner

A3 Ensure the Fund's employers are aware of and understand their role and responsibilities under the LGPs regulations and in the delivery of the administration function

A4 Maintain accurate records and communicate all information and data accurately, and in a timely and secure manner

A5 Set out clear roles and responsibilities for the Council and Equiniti and work together to provide a seamless service to Scheme employers and scheme members

C1 Promote the scheme as a valuable benefit and provide sufficient and up to date information so members can make informed decisions about their benefits

C2 Communicate in a plain language style

C3 Ensure the Fund use the most appropriate means of communication, taking into account the different needs of different stakeholders

C4 Look for efficiencies in delivering communications including greater use of technology

C5 Evaluate the effectiveness of communications and shape future communications appropriately

Risk ID	Risk Overview (this will happen)	Risk Description (if this happens)	Strategic objectives at risk (see key)	Current Impact (see key)	Current Likelihood (see key)	Current Risk Status	Internal controls in place	Target Impact (see key)	Target Likelihood (see key)	Target Risk Status	Met target?	Date Met Target From	Expected Back On Target	Further Action and Owner	Risk Manager	Next review date	Last Updated	Previous Impact	Previous Likelihood	Previous Risk Status	Risk removed (date)
1	Poor Membership Data	Poor administration and/or provision of data resulting in inaccurate data giving rise to financial, reputational risks, actuary unable to set contribution rates, higher contribution rates, member dissatisfaction, inaccurate benefit statements produced, overpayment of benefits etc.	A4	Major	Almost certain	High	<ul style="list-style-type: none"> <li>1 - annual monitoring of membership records, valuation checks, external data validations</li> <li>2 - Monthly monitoring of contributions to ensure that employers paying across correct contributions along with membership data being supplied</li> <li>3 - Service Level Agreement with external administrator and monthly monitoring of contract. Monitoring of employers and Pensions Administration Strategy which enables Fund to recoup additional administration costs for sub-standard performance.</li> <li>4 - Provision of employer support to ensure employers have the knowledge and understanding necessary to provide correct information</li> </ul>	Moderate	Possible	High	<ul style="list-style-type: none"> <li>Current Impact 1 too high</li> <li>Current Likelihood 2 too high</li> </ul>	01/12/2018	Dec 2020	<ul style="list-style-type: none"> <li>1 - Prioritise completion of work on interface RC)</li> <li>2 - Roll out employer portal to all employers (JS)</li> <li>3 - Develop and roll out data improvement plan (JS/RC)</li> <li>4 - liaise with Hackney payroll team to roll out new contribution monitoring report (RC)</li> <li>5 - Ensure equiniti roll out employer strategy in line with contract (JS)</li> </ul>	Julie Stacey/Rachael Cowburn	01/03/2019	01/12/2018				
2	Poor Stakeholder Engagement	Poor communication with stakeholders (e.g. member communications late or incomplete, poor explanation of scheme) giving rise to dissatisfaction, poor understanding amongst members and employers and actions against Council	A3 C1-5	Moderate	Possible	High	<ul style="list-style-type: none"> <li>1 - Range of communication options for members and employers</li> <li>2 - Provision of employer support to new or struggling employers</li> </ul>	Moderate	Unlikely	High	<ul style="list-style-type: none"> <li>Current likelihood 1 too high</li> </ul>	01/12/2018	Dec 2019	<ul style="list-style-type: none"> <li>1 - Roll out new website (JS)</li> <li>2 - Roll out member self service (JS)</li> <li>3 - Roll out employer portal (JS)</li> <li>4 - Carry out scheme member satisfaction surveys (JS)</li> </ul>	Julie Stacey	01/03/2019	01/12/2018				
3	Pension Overpayments - increased costs through failure to cease pension payments	Pension Overpayments arising as a result of non-notification of death, re-employment, or ceasing education. This has financial and reputational consequences.	A2	Minor	Rare	High	<ul style="list-style-type: none"> <li>1 - Management of NFI matches and follow up. NFI exercises to identify checks</li> <li>2 - Write to pensioners each year over age 80 and overseas seeking confirmation of ongoing pension entitlement.</li> </ul>	Minor	Rare	High					Julie Stacey	01/03/2019	01/12/2018				
4	Discretionary Policies - Insufficiently robust policies expose Fund to higher costs	Regulations allow the Pension Fund and employers certain areas where they are able to exercise discretion. Excessively generous or insufficiently robust policies of the Pension Fund and employers exposed to higher costs and reputational risks.	A2, A3	Minor	Unlikely	High	<ul style="list-style-type: none"> <li>1 - Controls - Agreed policies and procedures to control such risks, which are regularly reviewed and approved by Pensions Committee</li> <li>2 - Ensuring that employers are aware of the additional costs that could arise from the exercise of their discretions or lack of policy.</li> </ul>	Minor	Unlikely	High					Julie Stacey	01/03/2019	01/12/2018				
5	Poor delivery of administration service	Risk that third party administrator does not deliver in accordance with contractual requirements	A1-5	Major	Possible	High	<ul style="list-style-type: none"> <li>1 - Strict service standards and SLAs in place</li> <li>2 - Appointment through robust procurement exercise</li> <li>3 - Expert contract management team in place</li> <li>4 - Regular monitoring of KPIs</li> <li>5 - Regular service review meetings</li> </ul>	Major	Unlikely	High	<ul style="list-style-type: none"> <li>Current likelihood 1 too high</li> </ul>	01/12/2018	Dec 2019	<ul style="list-style-type: none"> <li>1 - Ensure contract requirement are met</li> <li>2 - Early identification and escalation of issues</li> </ul>	Julie Stacey	01/03/2019	01/12/2018				