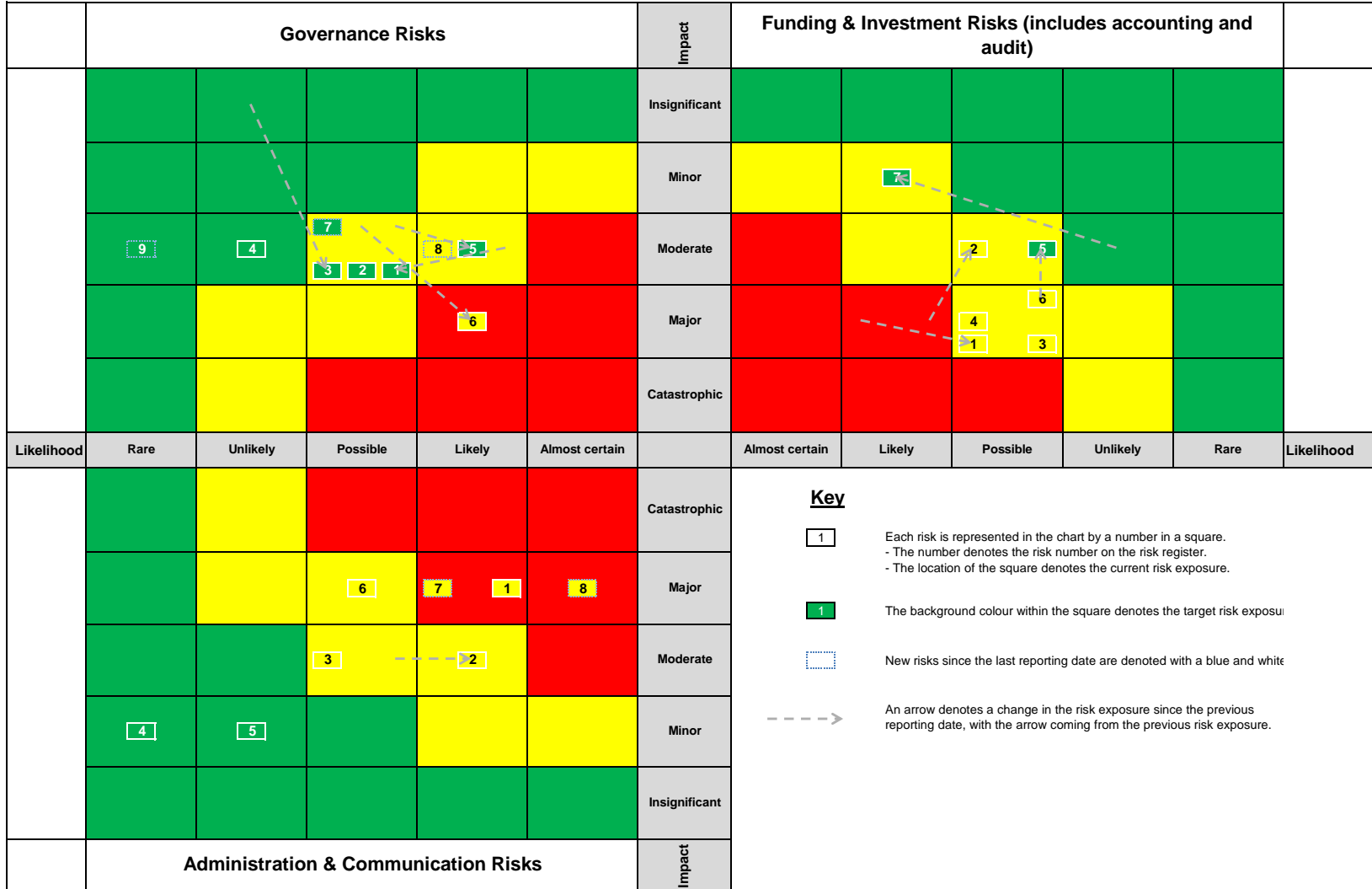


All Fund Risk Heat Map and Summary of Governance Risks



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)	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	Meets target?	Date Not Met Target From	Expected Back on Target	Further Action and Owner	Risk Manager	Next review date	Last Updated
1	Recruitment and Retention - Insufficient experienced staff to meet Fund objectives	Restrictions on local authority salaries and council recruitment freezes make it challenging for the fund to recruit and retain suitably qualified and experienced staff. The introduction of the Government's exit payments cap and internal voluntary redundancy policies also have an impact on staffing.	G1, G3, G4	Moderate	Possible	Yellow	1 - Salaries benchmarked, supplements paid where appropriate 2 - Policies and procedures in place 3 - Staff able to cover other roles where possible 4 - Increase reliance on advisors in short term where required	Moderate	Unlikely	Green	☺ Current likelihood 1 too high	01/12/2018	Sep 2021	1 - Develop succession planning approach (JM/MH/LP) 2 - Further development of training programme - increase focus on mid level staff (MH/LP)	Lucy Patchell / Michael Honeysett	31/07/2021	01/03/2021
2	Knowledge and Skills - insufficient knowledge and skills amongst those charged with Fund Management	Failure to provide suitable training and to ensure that all Committee Members are engaged and able to attend with sufficient regularity could result in the Fund making wrong or inappropriate decisions as a result of insufficient knowledge and skills amongst those charged with its management	G1, G3, G4	Moderate	Possible	Yellow	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 4 - Training needs analysis carried out periodically	Moderate	Unlikely	Green	☺ Current likelihood 1 too high	01/12/2018	Dec 2021	1 - Review training programme and requirements (JM/MH)	Michael Honeysett	31/07/2021	01/03/2021
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	Moderate	Possible	Yellow	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	Green	☺ Current impact 2 too high Current likelihood 1 too high	16/07/2020	Jun 2021	1 - Further training for committee and board members 2 - Broaden register of conflicts 3 - Consider management of advisor conflicts	Michael Honeysett	31/07/2021	01/03/2021
4	Internal Fraud - financial loss resulting from actions of employee	Pensions team or third party involved with the management of significant financial resources - potential for internal fraud	G4	Moderate	Unlikely	Green	1 - Segregation of duties for key roles 2 - Regular scrutiny from internal audit 3 - Annual external audit of the Pension Fund 4 - Regular review of third parties' internal controls	Moderate	Unlikely	Green	☺				Michael Honeysett	31/07/2021	01/03/2021
5	Data Protection - failure to adequately protect data results in potential financial or personal impact on members	Non-compliance with the GDPR results in a failure to adequately protect member data. Home working due to Covid-19 has increased the potential risk.	G3, G4	Moderate	Likely	Yellow	1 - Compliance with the Council's ICT policy 2 - Use of encrypted email and/or TLS links 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, 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 transmission/storage built into contract 3 - Appropriate risk sharing between the Council and the third party supplier is in place.	Moderate	Unlikely	Green	☺ Current likelihood 2 too high	01/12/2018	Dec 2021	1 - Ensure all pensions team staff fully trained on GDPR and that this is regularly updated. 2 - Roll out employer portal to ensure more user friendly secure data transmission 3 - Consider additional GDPR requirements due to Covid-19 situation 4 - Obtain regular third party reassurance on GDPR measures	Lucy Patchell / Michael Honeysett	31/07/2021	01/03/2021
6	Reliance on external systems - the Fund's assets, systems or data are compromised including financial/data loss or systems downtime	Insufficient security controls and heavy reliance on external systems including Cedar (accounting), HSBNet (custodian), LloydsLink, and Compendia could result in a) failure to take appropriate action in the event of system failure and b) insufficient protection against cybercrime	G4	Major	Likely	Red	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 3 - Assurances of system security from third parties 4 - Internal Council controls and firewalls 5 - Internal training on cybercrime risk	Major	Unlikely	Yellow	☺ Current likelihood 2 too high	01/12/2018	Mar 2022	1 - Understand Council's approach to cybercrime prevention 2 - Receive written assurances from all suppliers re: management of cybercrime 3 - Develop pension fund cybercrime policy	Lucy Patchell / Michael Honeysett	31/07/2021	01/03/2021
7	Business continuity failure	Systems failure (not related to cybercrime) or other event affects the ability of the Fund or third parties to carry out business	G4	Moderate	Possible	Yellow	1 - Business continuity plans in place 2 - Ability to homework 3 - Reassurances from third parties on their business continuity measures	Minor	Unlikely	Green	☺ Current impact 1 too high Current likelihood 1 too high	16/07/2020	Mar 2022	1 - Review of business continuity procedures to reflect Covid-19	Michael Honeysett	31/07/2021	01/03/2021
8	External factors including regulatory changes impact the governance of the Fund	Major changes to the governance of the Fund are required (e.g. changes introduced by SAB Good Governance review)	G3	Moderate	Likely	Yellow	1 - Advice and guidance from professional advisors 2 - Attendance at regular LGPS national events/groups	Moderate	Possible	Yellow	☺ Current likelihood 1 too high	16/07/2020	Mar 2022	1 - Continue to keep abreast of proposed changes and their implications (MH)	Michael Honeysett / Lucy Patchell	31/07/2021	01/03/2021
9	Incorrect advice/guidance received from third parties	The Fund relies on external advisors in many areas so could be at risk if incorrect or no advice/guidance is provided.	G1 - G4	Moderate	Rare	Green	1 - Retendering exercises to ensure that contracts remain appropriate and that the advisors are appropriately qualified and experienced 2 - Regular meetings with external advisors discussing current pensions landscape	Moderate	Rare	Green	☺				Michael Honeysett	31/07/2021	01/03/2021

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 employer 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
- I1 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 (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	Meets target?	Date Not Met Target From	Expected Back on Target	Further Action and Owner	Risk Manager	Next review date	Last Updated	
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 Manager Underperformance	I1	Major	Possible		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		☺			1 - Complete planned investment strategy changes and associated transitions (MH) 2 - Strategy Review in 2020 (MH)	Michael Honeysett	31/07/2021	01/03/2021	
2	Employer contributions are insufficient to meet the cost of benefits	If growth rate of liabilities outstrips assets the risk is that contributions being paid will be insufficient	F1 - F5	Moderate	Possible		1 - Asset liability modelling shows low likelihood of not meeting objectives 2 - Assessment of liabilities at the triennial valuation and the roll-forward of liabilities between valuations 3 - Contribution rates assessed by actuary as having a low likelihood of not meeting objectives 4 - Actuary sets evidence-based assumptions using analysis of experience	Moderate	Possible		☺			1 - Ongoing monitoring (MH)	Michael Honeysett	31/07/2021	01/03/2021	
3	Other investment 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		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 - Pensions Committee has the power to replace a provider should serious concerns exist.	Major	Unlikely		☹	Current likelihood 1 too high	01/12/2018	Dec 2021	1 - Transition planning for upcoming transitions (MH) 2 - Ensure custodian continuity (MH)	Michael Honeysett	31/07/2021	01/03/2021
4	Asset pooling risk - pooling prevents the Fund achieving its objectives	Asset pooling risks include: Transition risks – excessive additional cost through transition to the pooled arrangement. Concentration and capacity risks – excessive concentration of assets amongst relatively few large institutions. Political risks – central Government changes Reputational risks – failure of a pooled arrangement could have significant consequences for the LGPS. Governance risks - potential lack of oversight of pool arrangements Lack of oversight of investment managers	I1	Major	Possible		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 timeframes. 4 - Pensions Committee Chair and S151 officer members of Shareholder Committee 5 - Oversight and engagement of existing investment managers	Major	Unlikely		☹	Current likelihood 1 too high	01/12/2018	Dec 2021	1 - Maintain relationships with senior LCIV staff (IW/JM/MH) 2 - Ensure LCIV aware of Hackney investment priorities and objectives to understand timing requirements (IW/JM/MH)	Michael Honeysett	31/07/2021	01/03/2021
5	Responsible Investment Risk - RI factors negatively impact Fund performance	Performance risk - failure of investment managers to achieve desired returns	I1	Moderate	Possible		1 - Monitoring and management of the Fund's exposure to fossil fuel reserves and power generation to assess level of risk. 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 RI risk	Moderate	Unlikely		☹	Current likelihood 1 too high	01/12/2018	Dec 2021	1 - Continue to monitor fossil fuel exposure against target 2 - Liaise with managers and LCIV to develop wider RI risk reporting including voting and engagement 3 - Asset liability modelling carried out with climate scenarios	Michael Honeysett	31/07/2021	01/03/2021
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 (e.g. McCloud, cost cap, Covid-19).	I1, F1	Major	Possible		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 3 - Monitoring and analysis of impact, taking advice from advisors where appropriate 4 - Adding items to business plan when appropriate	Moderate	Possible		☹	Current impact 1 too high	01/12/2018	Dec 2021	1 - Ensure business plan kept up to date	Michael Honeysett	31/07/2021	01/03/2021
7	Employer Covenant/Affordability risks	Employer Covenant and Affordability risks include: Employer default Employer deficit on termination Rapidly increasing employer contribution rates Ability of employer to pay Substantial deficit or credit on termination	F4, F5	Minor	Likely		1 - Valuation and inter-valuation monitoring of employers near cessation (funding position and contract situation) 2 - Monitoring of payment of contributions 3 - Employer covenant checks with use of bonds/guarantees where necessary 4 - Employer engagement	Minor	Unlikely		☹	Current likelihood 2 too high	31/12/2019	Dec 2021	1 - Start communications with at-risk employers 2 - Robust review process to be developed	Michael Honeysett	31/07/2021	01/03/2021

Hackney Pension Fund - Control Risk Register
Administration & 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 no.	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	Meets target?	Date Not Met Target From	Expected Back On Target	Further Action and Owner	Risk Manager	Next review date	Last Updated
1	Poor Membership Data	Poor administration and/or provision of data result in inaccurate data giving rise to financial, reputational risks, accuracy unable to set contribution rates, higher contribution rates, member dissatisfaction, inaccurate benefit statements produced, overpayment of benefits etc. Incorrect data submitted for valuation. Inaccurate McCloud reconciliation. Data provided late also impacts on Fund's ability to pay correct benefits and set accurate contribution rates.	A1, A4	Major	Likely		1 - Annual monitoring of membership records, valuation checks, external data validations (done by third party administrator) 2 - Monthly monitoring of contributions to ensure that employers paying across correct contributions along with membership data being supplied (done by third party administrator) 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. 4 - Provision of employer support to ensure employers have the knowledge and understanding necessary to provide correct information	Moderate	Possible		☹️ Current impact 1 too high Current likelihood 1 too high	01/12/2018	Mar 2022	1 - Liaison with payroll team to prioritise completion of development work on interface (MH) 2 - Roll out employer portal to all employers (LP) 3 - Develop and roll out data improvement plan (LP/MH) 4 - Ensure Equiniti roll out employer strategy in line with contract (LP) 5 - Speak to Equiniti to understand monitoring carried out (see internal controls) (MH)	Lucy Patchell / Michael Honeysett	31/07/2021	01/03/2021
2	Poor Employer Engagement	Poor employer engagement can lead to incorrect or late data (see above) and/or member dissatisfaction.	A3, C1-C5	Moderate	Likely		1 - Provision of employer support from Pensions Team/Third Party Administrator 2 - Annual Employer Forum 3 - Employer section of website containing guidance 4 - Pensions Administration Strategy setting out expected service standards and allowing for additional employer charges where appropriate	Moderate	Possible		☹️ Current likelihood 1 too high	01/12/2018	Mar 2022	1 - Roll out employer portal (LP) 2 - Roll out of employer engagement strategy (LP) 3 - Carry out employer satisfaction surveys (LP) 4 - Continue with roll out of employer section of website (LP)	Lucy Patchell	31/07/2021	01/03/2021
3	Poor Member Engagement	Poor member engagement can lead to members not fully understanding and/or appreciating the benefits available to them, which could lead them to make poor decisions about their benefits.	A1, A4, C1-C3	Moderate	Possible		1 - Provision of annual benefit statements and newsletters 2 - Member website with information about benefits and the Fund	Moderate	Possible		😊 Current likelihood 1 too high			1 - Continue roll out of Member Self Service (LP) 2 - Carry out regular member surveys (LP)	Lucy Patchell	31/07/2021	16/07/2020
4	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		1 - Management of NFI matches and follow up. NFI exercises to identify checks 2 - Write to pensioners each year over age 80 and overseas seeking confirmation of ongoing pension entitlement (currently on hold due to COVID-19).	Minor	Rare		😊 Current likelihood 1 too high			1 - Existence checks to be carried out (LP)	Lucy Patchell	31/07/2021	16/07/2020
5	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		1 - Controls - Agreed policies and procedures to control such risks, which are regularly reviewed and approved by Pensions Committee. 2 - Ensuring that employers are aware of the additional costs that could arise from the exercise of their discretions or lack of policy.	Minor	Unlikely		😊 Current likelihood 1 too high				Lucy Patchell	31/07/2021	16/07/2020
6	Poor delivery of administration service	Risk that third party administrator does not deliver in accordance with contractual requirements	A1-A5	Major	Possible		1 - Strict service standards and SLAs in place 2 - Appointment through robust procurement exercise 3 - Expert contract management team in place 4 - Regular monitoring of KPIs 5 - Regular service review meetings 6 - Pensions Administration Strategy sets out expected service levels	Major	Unlikely		☹️ Current likelihood 1 too high	01/12/2018	Sep 2021	1 - Ensure a process is in place for early identification and escalation of issues	Lucy Patchell	31/07/2021	01/03/2021
7	External factors including regulatory changes impact the administration of the Fund	Major changes to the administration of the Fund are required (e.g. changes required as a result of the public sector exit payments cap)	A1-A5	Major	Likely		1 - Advice and guidance from professional advisors 2 - Attendance at regular LGPS national events/groups	Moderate	Possible		😊 Current impact 1 too high Current likelihood 1 too high	16/07/2020	Mar 2022	1 - Continue to keep abreast of proposed changes and their implications (MH/LP)	Michael Honeysett / Lucy Patchell	31/07/2021	01/03/2021
8	Regulatory changes resulting from the McCloud case impact the quality/timeliness of administration of the Fund (both BAU and McCloud specific)	Regulatory changes that must be reflected in future benefit calculations and historic benefit calculations must be revisited, resulting in: - large amount of additional administrative work for EQ/Hackney which may result in backlogs etc - data back to 2014 being requested from employers which may be missing/not provided	A1-A5	Major	Almost certain		1 - Programme management - Programme planning for McCloud has already started and will continue until end of project 2 - Employers engaged with and data collection commenced	Minor	Almost certain		😊 Current impact 2 too high	01/03/2021	Mar 2022	1 - Ensure project management for McCloud continues (LP) 2 - Ensure Equiniti have the resources required to undertake review of historic calculations/carry out data processing 3 - Ensure Equiniti have made required software changes to Compensia and have adequately trained administrators to correctly apply regulatory changes when made (LP)	Lucy Patchell	31/07/2021	01/03/2021