

# Risk Register

## All Fund Risk Heat Map and Summary of Governance Risks



## Risk Register - Governance Risks

### Objectives extracted from Business Plan 2023-26

- G1 Aim to act in the best interests of the Fund's members and employers
- G2 Have robust governance arrangements in place, to facilitate informed decision making in a transparent manner, supported by appropriate advice, policies and strategies
- G3 Ensure that the London Borough of Hackney Pension Fund is appropriately managed and that its services are delivered by people who have the requisite knowledge and skills
- G4 Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based
- G5 Understand and monitor risk
- G6 Strive to ensure compliance with the appropriate legislation and statutory guidance, and to act in the spirit of other relevant guidelines and best practice guidance
- G7 Clearly articulate our objectives and how we intend to achieve those objectives through business planning, and we will continually measure and monitor success
- G8 Ensure the confidentiality, integrity and accessibility of the Fund's data, systems and services are protected and preserved

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 both within the Fund and within the third party administrator	Lack of knowledge within those charged with Fund management leading to failure to make appropriate decisions Potential to impact on member and stakeholder experience.	G1-G8	Moderate	Likely	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 5 - Implementation of good governance recommendations	Moderate	Unlikely	Green	☹️ Current likelihood 2 too high	01/12/2018	Mar 2024	1 - Develop succession planning approach (JM/RC/LP) 2 - Further development of training programme - increase focus on mid level staff (RC/LP) 3 - ensure all vacancies are filled as soon as possible (RC/LP)	Lucy Patchell / Rachel Cowburn	01/03/2024	26/01/2024
2	Knowledge and Skills - insufficient knowledge and skills amongst those charged with Fund Management (including Committee, Board members and officers)	Potential to make inappropriate decisions (impacted by continuity of members and officers)	G1-G8	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	Mar 2024	1 - Review training programme and requirements (JM/RC) 2 - Ensure timely induction training elections for new Committee members (RC) 3 - Training needs analysis to be carried out in 2023 (RC)	Rachel Cowburn	01/03/2024	26/01/2024
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	G2, G3, G4	Minor	Possible	Green	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 1 too high Current likelihood 1 too high	16/07/2020	Mar 2024	1 - Further training for committee and board members (RC) 2 - Broaden register of conflicts (RC) 3 - Consider management of advisor conflicts (RC)	Rachel Cowburn	01/03/2024	26/01/2024
4	Fraud - financial loss resulting from actions of employee or third party	Pensions team or third party involved with the management of significant financial resources	G1, G4, G6, G8	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	😊				Rachel Cowburn	01/03/2024	26/01/2024
5	Data Protection - failure to adequately protect data	Non-compliance with the GDPR results in potential financial or personal impact on members	G8	Moderate	Possible	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 1 too high	01/12/2018	Mar 2024	1 - Ensure all pensions team staff fully trained on GDPR and that this is regularly updated (RC) 2 - Roll out employer portal to ensure more user friendly secure data transmission (LP) 3 - Obtain regular third party reassurance on GDPR measures (RC/LP) 4 - Ensure other cyber strategy elements are delivered (RC)	Lucy Patchell / Rachel Cowburn	01/03/2024	26/01/2024
6	Failure of external systems	Potential impact on accessibility of Fund's assets, systems or data Insufficient security controls and heavy reliance on Host Authority and external systems including Cedar (accounting), HSBCnet (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	G8	Major	Possible	Yellow	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 1 too high	01/12/2018	Mar 2024	1 - Understand Council's approach to cybercrime prevention (RC) 2 - Receive written assurances from all suppliers re: management of cybercrime (RC/LP) 3 - Implement pension fund cybercrime strategy requirements (RC)	Lucy Patchell / Rachel Cowburn	01/03/2024	26/01/2024
7	Business continuity failure	Fund or third parties unable to carry out business as usual	G6, G8	Moderate	Unlikely	Green	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	16/07/2020	Mar 2024	1 - Regular Review of business continuity procedures	Rachel Cowburn	01/03/2024	26/01/2024
8	External factors including regulatory changes impact the governance of the Fund (e.g. changes introduced by TPR and SAB Good Governance review)	Fund or third parties unable to implement the changes in a timely manner resulting in poor practices and governance	G6	Moderate	Possible	Yellow	1 - Advice and guidance from professional advisors 2 - Attendance at regular LGPS national events/groups	Moderate	Possible	Yellow	😊			1 - Continue to keep abreast of proposed changes and their implications (RC/LP)	Rachel Cowburn / Lucy Patchell	01/03/2024	26/01/2024
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 - G6	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	😊				Rachel Cowburn	01/03/2024	26/01/2024
10	Cybercrime attack	The Fund's assets or data become compromised	G8	Major	Likely	Red	1 - Cyber security policy in place 2 - Cyber training as part of Committee and Board member induction 3 - Regular cyber assessments of key Fund suppliers 4 - Periodic social engineering exercises to test the Fund's internal response plans	Major	Possible	Yellow	☹️ Current likelihood 1 too high	01/10/2022	Mar 2024	1. Continual training and monitoring against internal controls (RC)	Rachel Cowburn	01/03/2024	26/01/2024
11	Material breaches requiring reporting to the Pensions Regulator	Reputational damage, loss of confidence from stakeholders and potential requirement to put in place improvement plans	G5, G6	Major	Possible	Yellow	1 - Breaches reporting in place and taken to each Committee and Board meeting 2 - Breaches training as part of Committee and Board member induction	Major	Possible	Yellow	😊				Rachel Cowburn	01/03/2024	26/01/2024

## Risk Register - Funding & Investment Risks (includes accounting and audit)

### Objectives extracted from the Business Plan 2023-26

- F1 Take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants  
 F2 Use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency  
 F3 Where appropriate, ensure stable employer contribution rates  
 F4 Reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy  
 F5 Use reasonable measures to reduce the risk of an employer defaulting on its pension obligations  
 I1 Set an appropriate investment strategy so as to: achieve an expected return in excess of the return required by the Fund's triennial valuation and funding strategy statement; achieve a VaR 95 of <13.5%; and ensure expected liability outflows are broadly covered by asset income. See business plan for more details on these points  
 I2 Aim to achieve net zero emissions by 2040 and set appropriate interim targets to assist in achieving this  
 I3 Increase local or 'levelling-up' investments to 5% over time  
 I4 Aim to implement asset allocation decisions via the London CIV (the Fund's asset pool) where appropriate and will monitor the proportion of Fund assets invested via the pool accordingly  
 I5 Monitor the funding level through the triennial valuation and ongoing monitoring processes  
 I6 Ensure that the Fund continues to invest responsibly taking account of environmental, social and governance issues, whilst adhering to its overarching fiduciary duties. Specifically to ensure that the beliefs set out in the Business Plan are incorporated into the Committee's decision-making.

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	Strategy 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-I4, I6	Major	Possible	Yellow	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	😊			1 - Ongoing monitoring (RC)	Rachel Cowburn	01/03/2024	26/01/2024
2	Funding experience - current 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	Yellow	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	Yellow	😊			1 - Ongoing monitoring (RC)	Rachel Cowburn	01/03/2024	26/01/2024
3	Implementation - external providers or asset pool prevent Fund achieving objectives	Other provider risks include: Transition risk - unexpected/excessive costs in relation to the transition of assets Custody risk - losing economic rights to Fund assets Credit default - default of a counterparty 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-I4, I6	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 - Pensions Committee has the power to replace a provider should serious concerns exist 5 - 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. 6 - 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. 7 - Planning for transition considered as part of Investment Strategy development to ensure assets are transitioned efficiently and within the required timeframes. 8 - Pensions Committee Chair and S151 officer members of Shareholder Committee 9 - Oversight and engagement of existing investment managers 10 - active engagement with managers to understand sources of RI risk	Major	Unlikely	Yellow	😐 Current likelihood 1 too high	01/12/2018	Mar 2024	1 - Transition planning for upcoming transitions (RC) 2 - Management of relationship with Northern Trust as transition phase moves to Business As Usual (RC) 3 - Maintain relationships with senior LCIV staff (JM/RC) 4 - Ensure LCIV aware of Hackney investment priorities and objectives to understand timing requirements (JM/RC)	Rachel Cowburn	01/03/2024	26/01/2024
4	External Factor/Regulatory Risk	The risk that external (e.g. geopolitical) factors or the introduction of new regulations requires major changes to the operation of the Fund (e.g. McCloud, cost cap).	F1, I1, I6	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 3 - Monitoring and analysis of impact, taking advice from advisors where appropriate 4 - Adding items to business plan when appropriate	Major	Unlikely	Yellow	😐 Current likelihood 1 too high	01/12/2018	Mar 2024	1 - Ensure business plan kept up to date	Rachel Cowburn	01/03/2024	26/01/2024
5	Employer Covenant/Affordability risks	Employer Covenant and Affordability risks include: Employer default Rapidly increasing employer contribution rates Ability of employer to pay Substantial deficit or credit on termination	F4, F5	Minor	Unlikely	Green	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	Green	😊			1 - Implement default pass through policy for small employers 2 - Robust review process to be developed	Rachel Cowburn	01/03/2024	26/01/2024
6	Cashflow	Employer contributions are insufficient to meet the cost of benefits in the short term	F1, F3	Major	Possible	Yellow	1 - Ensure sufficient liquid assets are available if needed 2 - Contribution rates assessed by actuary as having a low likelihood of not meeting objectives 3 - Actuary sets evidence-based assumptions using analysis of experience	Moderate	Unlikely	Green	😐 Current impact 1 too high Current likelihood 1 too high	01/09/2022	Mar 2024	1 - Ongoing monitoring (RC)	Rachel Cowburn	01/03/2024	26/01/2024
7	Increase in inflation	Prolonged high inflation erodes asset value causing cashflow issues and affects employer affordability.	F1, I1, I5	Major	Likely	Red	1 - planning within funding assumptions 2 - ensuring high level of inflation-sensitive assets held 3 - inflation hedging 4 - robust treasury management policy	Moderate	Possible	Yellow	😐 Current impact 1 too high Current likelihood 1 too high	01/09/2022	Mar 2024	1. Implementation of 5% allocation Multi Asset Credit (RC) 2. Reduce equity overweight in favour of income producing assets (RC)	Rachel Cowburn	01/03/2024	26/01/2024

## Risk Register - Administration & Communication Risks

### Objectives extracted from the Business Plan 2023-26

- 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 uses 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

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1	Poor delivery of administration service/third party administrator not delivering in accordance with contract requirements	Poor member experience and/or breaches of legislation including inaccurate payments and failing to meet Service Level Agreements	A1-A6	Major	Likely	High	1 - Strict service standards and SLAs in place 2 - Appointment through robust procurement exercise 3 - Expert contract management team in place 4 - Regular service review meetings 5 - Pensions Administration Strategy sets out expected service levels	Major	Unlikely	Low	☹️ Current likelihood 2 too high	01/12/2018	Mar 2024	1 - Ensure a process is in place for early identification and escalation of issues (LP) 2 - Ensure Equiniti's proposals to improve quality/service delivery are delivered (LP)	Lucy Patchell	01/03/2024	26/01/2024
2	Poor Membership Data	Poor financial and reputational risks, actuary 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, A2, A4	Moderate	Likely	High	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 5 - Increased use of Employer Self Service to drive through data quality	Moderate	Possible	Low	☹️ Current likelihood 1 too high	01/12/2018	Mar 2024	1 - Liaison with payroll team to prioritise completion of development work on interface (MH/LP) 2 - Roll out employer portal to all employers (LP) 3 - Develop and roll out data improvement plan (LP/RC) 4 - Ensure Equiniti roll out employer strategy in line with contract (LP) 5 - Speak to Equiniti to understand monitoring carried out (see internal controls) (RC)	Lucy Patchell / Rachel Cowburn	01/03/2024	26/01/2024
3	Poor Employer Engagement	Financial and reputational risks. Incorrect or late data (see above) and/or member dissatisfaction.	A2, A3, A4	Moderate	Likely	High	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 5 - Increased use of Employer Self Service to support employer engagement and accurate provision of data 6 - Ensuring all employers have a published and approved employer discretions policy and ensuring that they are aware of the additional costs that could arise from the exercise of their discretions or lack of policy.	Moderate	Possible	Low	☹️ Current likelihood 1 too high	01/12/2018	Mar 2024	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	01/03/2024	26/01/2024
4	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. Potential for the current cost of living crisis to have an impact on decisions members may make (i.e. opting out)	A1, A4, C1-C3	Moderate	Possible	High	1 - Provision of annual benefit statements and newsletters 2 - Member website with information about benefits and the Fund 3 - Monitoring and reporting on opt out rates	Moderate	Possible	Low	☹️			1 - Continue roll out of Member Self Service (LP) 2 - Carry out regular member surveys (LP) 3 - Report on opt out rates (LP)	Lucy Patchell	01/03/2024	26/01/2024
5	Incorrect payments (either overpayments or underpayments)	Financial and reputational consequences. Increased costs through failure to cease pension payments arising as a result of non-notification of death, re-employment, or ceasing education	A2	Minor	Rare	Low	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 3 - Administration review of third party administrators processes and benefit calculations	Minor	Rare	Low	☺️				Lucy Patchell	01/03/2024	26/01/2024
6	Unknown 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-A6, C1-C5	Moderate	Possible	High	1 - Advice and guidance from professional advisors 2 - Attendance at regular LGPS national events/groups	Moderate	Possible	Low	☹️			1. Continue to keep abreast of proposed changes and their implications (LP)	Lucy Patchell	01/03/2024	26/01/2024
7	Known regulatory changes resulting from the McCloud case and pension dashboards	McCloud: May impact the quality/timeliness of administration of the Fund (both BAU and McCloud specific) 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 Dashboards: Requirement to match data within set timescales - potential for breaches (in particular where there are administrative backlogs)	A1-A6	Major	Almost certain	High	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 3 - engaging with Equiniti re dashboard reporting	Minor	Almost certain	High	☹️ Current impact 2 too high	01/03/2021	Mar 2024	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 (LP) 3 - Ensure Equiniti have made required software changes to Compendia and have adequately trained administrators to correctly apply regulatory changes when made (LP)	Lucy Patchell	01/03/2024	26/01/2024
8	Poor member communications and resources (including website, standard letters and online services) and communications not sent in a timely manner and/or not considering Diversity & Inclusion effectively	Disengaged members with the potential to make poor decisions Potential breaches of disclosure legislation	C1-C5	Major	Possible	High	1- Standard communications covered under contract requirements 2- SLAs reported on monthly to identify any patterns/trends relating to timeliness of communications linked to processes 3- External administration review underway	Major	Unlikely	Low	☹️ Current likelihood 1 too high	01/11/2022	Mar 2024	1- Ensure outcomes of external administration review are actioned (LP) 2- All letter/factsheets/website updates to be signed off by LBH (LP) 3- Regular sample checking of standard letters used by third party administrator (LP)	Lucy Patchell	01/03/2024	26/01/2024
9	Service interruption due to administration system upgrade	Poor administration and/or service delivery to members. Risk of inaccurate calculations, processes and communications	A1, A2, A4	Major	Likely	High	1- Revised contract to cover Compendia Touch migration 2- Project team within Equiniti to manage the deliverables including implementation timeframes	Major	Possible	Low	☹️ Current likelihood 1 too high	TBC	Mar 2024	1- Ensure a project team is in place to effectively manage the transition (LP/RC)	Lucy Patchell / Rachel Cowburn	01/03/2024	26/01/2024