

## **London Borough of Enfield Pension Fund Risk Register**

### **1. Objectives**

The objectives of the Risk Register are to:-

- identify key risks to the achievement of the Fund's objectives
- consider the risks identified
- assess the significance of the risks

### **2. Risk Assessment**

Identified risks are assessed separately and for each the following is determined:-

- the likelihood of the risk materialising
- the severity of the impact/potential consequences if it does occur.

Risks are evaluated on a sliding scale of 1-10 with 10 the highest value i.e. highest likelihood/most severe impact/consequences. The risk evaluation tables overleaf have been used in order to assess specific risks and to introduce a measure of consistency into the risk assessment process. The overall rating for each risk is calculated by multiplying the likelihood value against the impact value to give the total score. The risk rating scores are then used to prioritise the risk rating which is shown in the register itself.

### **Summary and Prioritisation of Pension Fund Risks**

<b>Risk Ranking</b>	<b>Risk</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Risk Rating</b>
1	Investment decisions and portfolio management may not maximise client returns or be performed in accordance with instructions given by the client	3	6	18
2	Life events relating to Scheme members are not processed and recorded completely	3	5	15
3	Standing data and permanent records are not accurate	3	5	15
4	Inappropriate investment strategy is adopted	2	7	14
5	Fund assets are not sufficient to meet its obligations and liabilities	2	7	14
6	Failure to adhere to relevant statutory regulations	2	7	14
7	Those charged with governance are unable to fulfil their responsibilities effectively	2	7	14
8	Pension Fund systems and data may not be secure and appropriately maintained	2	7	14
9	Investment Manager may not have appropriate control framework in place	2	6	12
10	Pension Fund investments may not be accurately valued	3	4	12
11	An effective performance management framework is not in place	2	6	12
12	Failure to communicate adequately with all relevant stakeholders	3	3	9
13	Pension Fund objectives are not defined and agreed	1	6	6
14	Pension Fund accounts are not accurately maintained	2	3	6
15	Custody arrangement may not be sufficient to safeguard Pension Funds assets	1	6	6
16	Information may not be provided to stakeholders as required	2	3	6
17	Contributions to the Fund are not received, processed and recorded completely and accurately in accordance with the Scheme rules	1	4	4



<b>The Risk Evaluation Tables: Likelihood</b>	
<b>1</b>	<b>None</b>
<b>2</b>	<b>Negligible never happened to the Fund but has in similar Funds</b>
<b>3</b>	<b>Extremely unlikely within the next 12 months, but feasible within a 5 year cycle</b>
<b>4</b>	<b>Unlikely within the next 12 months, but probable within a 5 year cycle</b>
<b>5</b>	<b>Unlikely within the next 12 months, but expected within a 5 year cycle</b>
<b>6</b>	<b>Feasible within the next 12 months, but confidently expected within a 5 year cycle</b>
<b>7</b>	<b>Feasible within the next 12 months</b>
<b>8</b>	<b>Probable within the next 12 months</b>
<b>9</b>	<b>Confidently expected the next 12 months</b>
<b>10</b>	<b>(Almost) certain within the next 12 months</b>

<b>The Risk Evaluation Tables: Impact</b>	
<b>1</b>	<b>None</b>
<b>2</b>	<b>Negligible</b>
<b>3</b>	<b>Minor and can be contained</b>
<b>4</b>	<b>Noticeable impact</b>
<b>5</b>	<b>Reasonable impact in a single financial period or in the short-term but can be contained</b>
<b>6</b>	<b>Potentially significant – threat which could cause some damage in the short-term</b>
<b>7</b>	<b>Major – potential to cause significant damage in the short and medium without threatening the survival of the Fund</b>
<b>8</b>	<b>Could seriously weaken the survival of the Fund without threatening its short term survival</b>
<b>9</b>	<b>Significant threat to the survival of the Fund</b>
<b>10</b>	<b>Catastrophic</b>

**Pension Fund – Governance and Strategy:****Failure to manage the Fund effectively for the benefit of all stakeholders**

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13	Pension Fund objectives are not defined and agreed	2	6	12	Objectives defined in the Funding Strategy Statement and approved by the Pension Policy & Investment Committee (PPIC)	Ensure objectives and funding strategy are regularly reviewed	Pension Policy & Investment Committee (PPIC) Director of FRSC	Ongoing
4	Inappropriate investment strategy is adopted	2	7	14	<ul style="list-style-type: none"><li>➤ The Investment Strategy is in accordance with LGPS investment regulations.</li><li>➤ The Investment Strategy is documented, reviewed and approved by the PP&amp;IC</li><li>➤ The Strategy takes into account the Fund's liabilities</li><li>➤ A regular review takes place of the Fund's asset allocation strategy by the PP&amp;IC</li><li>➤ An external advisor provides specialist guidance to the PP&amp;IC on the investment strategy</li></ul>	Ensure the Asset Liability Study to be conducted by the Actuary following the 2016 valuation is considered by the Pension Board in reviewing both the Fund Strategy and asset allocation	Pension Policy & Investment Committee (PPIC) Director of FRSC	Feb 2017 will review following the 2016 valuation

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11	An effective performance management framework is not in place	2	6	12	* A performance management framework involving quarterly performance reports to the Investment Sub Committee is in place * Poor performance is highlighted and addressed directly by the PP&IC and ultimately the Pension Board	Existing arrangements are sufficient and will continue	Pension Policy & Investment Committee (PP&IC) Director of FR&SC	Ongoing
5	Fund assets are not sufficient to meet its obligations and liabilities	2	7	14	* Fund assets are kept under regular review as part of the Fund's performance management framework * Fund assets are subject to regular assessment through Actuarial valuations * The Fund's Investment Strategy is regularly reviewed to determine whether any action needs to be taken to change the Fund's asset allocation strategy	Review and respond to the proposed Asset Liability Study	Pension Policy & Investment Committee (PP&IC) Director of FRSC	Ongoing
14	Pension Fund Accounts are not accurately maintained	2	3	6	*Pension Fund management and administration processes are maintained in accordance with the IFRS & financial regulations * Regular reconciliations are carried out between in-house records and those maintained by external custodian and investment managers * Internal Audits are carried out on an annual basis * External Audit review the Pension Fund's accounts annually	Continue to respond promptly to Audit recommendations	Investments Manager  Head of Finance Pension Investment	Ongoing

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6	Failure to adhere to relevant statutory regulations including updates from LGPS	2	7	14	An established process exists to inform both the Investments and Pensions Section of statutory requirements and any changes to these Sufficient resources are in place to implement LGPS changes while continuing to administer the scheme Membership of relevant Pensions professional groups ensures any potential changes in statutory requirements are registered before the implementation dates	Continue to monitor statutory requirements via the DCLG website and Pension Groups meetings	Head of Finance Pensions Investment  Pensions Manager	Ongoing
12	Failure to communicate adequately with all relevant stakeholders	3	3	9	*A communications strategy is in place Website has been updated *Performance of the Fund is regularly reported to the PP&IC * The Pension Board contains representatives of the LBE Trade Unions employee & Scheduled Bodies. Regular communication takes place Benefit Illustrations are sent annually to contributing and deferred Fund members	Existing arrangements to be maintained	Pensions Manager	Ongoing

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7	Those charged with governance of the Fund and Scheme are unable to fulfil their responsibilities effectively	2	7	14	<p>A training policy is in place which requires Members to receive continuing training and all new Members to attend the Local Government Employers training course</p> <p>The Fund subscribes to relevant professional bodies e.g. LAPFF, NAPF and sends representatives to major conferences</p> <p>The PP&amp;IC is very experienced and knowledgeable and monitors the performance of the Fund and Scheme in a robust manner</p>	Training received to be reviewed annually as part of the approval process of the Trustee Training and Activities Budget.	Head of Finance Pensions Investment	Ongoing



**Investments: Internally and Externally Managed****Assets managed by or on behalf of the Pension Fund may not be securely held**

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15	Custody arrangements may not be sufficient to safeguard Pension Funds assets	1	6	6	Complete and authorised agreements are in place with external custodian External custodian's compliance with ICAEW's Audit and Assurance Faculty's guidance on internal controls of service organisations	Continue existing processes	Head of Finance Pensions Investment	On 1 <sup>st</sup> July The Fund change custodian to Northern Trust. Monthly reconciliation is fully in place for 17/18
9	Investment Manager may not have appropriate control framework in place to protect Pension Fund assets	3	6	18	Complete and authorised client agreements are in place Client portfolios are managed in accordance with investment objectives External custodian's compliance with ICAEW's Audit and Assurance Faculty's guidance on internal controls of service organisations Fund Managers maintain an appropriate risk management framework to minimise the level of risk to Pension Fund assets.	Potential training session for Members on Fund Manager control of Fund assets  Confirm Fund Managers' risk management arrangements	Head of Finance Pensions Investment	Ongoing

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1	Investment decisions and portfolio management may not maximise client returns or be performed in accordance with instructions given by the client	3	6	18	Daily cash settlements are made with external custodian to maximise returns on cash holdings Investment transactions are properly authorised and executed and monitored via in-house system Investment Management fees are monitored	Continue to monitor via existing processes	Investments Manager	Ongoing
13	Pension Fund investments may not be accurately valued	3	4	12	Investments are valued using current prices obtained from independent pricing sources.	Existing process is appropriate	PPIC, Investments Manager	Ongoing

## Pension Administration: Processes and Systems

**Failure to ensure that all payments due to and from the Fund are made and accounted for fully in timely manner**

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17	Contributions to the Fund are not received, processed and recorded completely and accurately in accordance with the Scheme rules	1	4	4	<p>Sufficient resources are in place, structured appropriately, to carry out the necessary transaction processing</p> <p>A procedure to identify any non payment of contributions is in place.</p> <p>A procedure for invoicing employers for augmentation payments is in place.</p> <p>Internal Audit reviews take place on a regular basis and External Audit review the Accounts annually.</p>	Report to Pension Board on effectiveness of revised arrangements	Head of Finance Pension Fund Investments	Reconciled every month to ensure timeliness of receipt. Also audit planned for payroll auditors
2	Life events relating to Scheme members e.g. joining the Scheme, transfers in and out and retirements are not processed and recorded completely in accordance with the Scheme rules	3	5	15	<p>Procedure notes describing all key processes are in place.</p> <p>Induction and training procedures are in place .</p> <p>Adequate staff resources are in post .</p> <p>An overview of pensions administration is maintained by the Pension Board</p>	Continue to monitor effectiveness of Section training programme	Pensions Manager	Ongoing

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3	Standing data and permanent records are not accurate or do not reflect changes of circumstances	3	5	15	Business processes are in place to identify changes to standing data Records are supported by appropriate documentation; input and output checks are undertaken; reconciliation occurs to source records once input Documentation is maintained in line with agreed policy Data matching exercises (National Fraud Initiative) identifies discrepancies	Continue existing processes	Pensions Manager	Ongoing
8	Pension Fund systems and data may not be secure and appropriately maintained	3	5	15	Authentication controls including regular password changes and robust user administration procedures are in place Access rights are restricted Pension system is protected against viruses and other system threats Software is regularly updated to ensure LGPS requirements are met	Continue to monitor effectiveness of existing processes	Pensions Manager	Ongoing

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	Information may not be provided to stakeholders as required	2	3	6	Process is in place for producing and distributing information to Scheme members Any complaints are dealt with promptly	Continue to monitor effectiveness of existing processes	Pensions Manager	Ongoing