







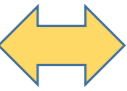




| Pension Fund Risk Register - Administration Risk |           |          |  |        |           |            |       |            |                  |   |                    |                |            |
|--|-----------|----------|--|--------|-----------|------------|-------|------------|------------------|---|--------------------|----------------|------------|
| Risk Group                                       | Risk Ref. | Movement | Risk Description   | Impact |           |            |       | Likelihood | Total risk score | Mitigation actions  | Revised Likelihood | Net risk score | Reviewed   |
|  |           |          |  | Fund   | Employers | Reputation | Total |            |                  |   |                    |                |            |
| Admin  | 1         | ↔        | Structural changes in an employer's membership or an employer fully/partially closing the scheme. Employer bodies transferring out of the pension fund or employer bodies closing to new membership. An employer ceases to exist with insufficient funding or adequacy of bond placement.  | 5      | 3         | 1          | 9     | 3          | 27               | TREAT 1) Administering Authority actively monitors prospective changes in membership. 2) Maintain knowledge of employer future plans. 3) Contributions rates and deficit recovery periods set to reflect the strength of the employer covenant. 4) Periodic reviews of the covenant strength of employers are undertaken and indemnity applied where appropriate. 5) Risk categorisation of employers planned to be part of 2019 actuarial valuation. 6) Monitoring of gilt yields for assessment of pensions deficit on a termination basis. | 2                  | 18             | 29/04/2019 |
| Admin  | 2         | ↔        | Concentration of knowledge in a small number of officers and risk of departure of key staff.   | 2      | 2         | 3          | 7     | 3          | 21               | TREAT 1) Practice notes in place. 2) Development of team members and succession planning improvements to be implemented. 3) Officers and members of the Pension Fund Committee will be mindful of the proposed CIPFA Knowledge and Skills Framework when setting objectives and establishing training needs.  | 2                  | 14             | 29/04/2019 |
| Admin  | 3         | ↔        | Administrators do not have sufficient staff or skills to manage the service leading to poor performance and complaints.  | 1      | 2         | 3          | 6     | 2          | 12               | TOLERATE 1) Surrey CC administers pensions for Surrey, East Sussex, LB Hillingdon and the Tri-Borough. Service has been excellent since this change was made.   | 2                  | 12             | 29/04/2019 |
| Admin  | 4         | ↑        | Poor reconciliation process leads to incorrect contributions.  | 2      | 1         | 1          | 4     | 2          | 8                | 1) Ensure reconciliation process notes are understood by Pension Fund team. 2) Ensure that the Pension Fund team is adequately resourced to manage the reconciliation process. 3) Contributions reconciliation is now undertaken by the pensions team following the end of the BT contract.   | 3                  | 12             | 29/04/2019 |
| Admin  | 5         | ↔        | Incorrect data due to employer error, user error or historic error leads to service disruption, inefficiency and conservative actuarial assumptions.   | 4      | 4         | 3          | 11    | 2          | 22               | TREAT 1) Update and enforce admin strategy to assure employer reporting compliance. 2) Implementation and monitoring of a Data Improvement Plan as part of the Service Specification between the Fund and Orbis. TREAT 1) Northern Trust provides 3rd party validation of performance and valuation data. Admin team and members are able to interrogate data to ensure accuracy.   | 1                  | 11             | 29/04/2019 |
| Admin  | 6         | ↓        | Loss of funds through fraud or misappropriation leading to negative impact on reputation of the Fund as well as financial loss.  | 3      | 2         | 5          | 10    | 2          | 20               | TREAT 1) Third parties regulated by the FCA and separation of duties and independent reconciliation processes are in place. 2) Review of third party internal control reports. 3) Regular reconciliations of pensions payments undertaken by Pension Finance Team. 4) Periodic internal audits of Pensions Finance and HR Teams. 5) Internal Audits during 2018/19 showed satisfactory assurance with recommendations implemented during the year.  | 1                  | 10             | 29/04/2019 |
| Admin  | 7         | ↔        | BT contract wind down could lead to problems for retirements in 18/19 where data is on two different systems. All returns must be completed prior to BT contract ceasing. The move to Hampshire CC due in December 2018 and ensuring that key working practices continue such as the pension interface will be a Key to reduce risks to members. | 1      | 2         | 2          | 5     | 2          | 10               | TREAT 1) People Services are working with HCC and BT to ensure service transfer is smooth as possible. 2) 2017/18 LGPS files were checked by People Services in June 2018. 3) 2018/19 return is being compiled  | 2                  | 10             | 29/04/2019 |
| Admin  | 8         | ↔        | Failure of fund manager or other service provider without notice resulting in a period of time without the service being provided or an alternative needing to be quickly identified and put in place.   | 5      | 2         | 2          | 9     | 2          | 18               | TREAT 1) Contract monitoring in place with all providers. 2) Procurement team send alerts whenever credit scoring for any provider changes for follow up action.  | 1                  | 9              | 29/04/2019 |
| Admin  | 9         | ↓        | Non-compliance with regulation changes relating to the pension scheme or data protection leads to fines, penalties and damage to reputation.   | 3      | 3         | 2          | 8     | 2          | 16               | TREAT 1) The Fund has generally good internal controls with regard to the management of the Fund. These controls are assessed on an annual basis by internal and external audit as well as council officers. 2) Through strong governance arrangements and the active reporting of issues, the Fund will seek to report all breaches as soon as they occur in order to allow mitigating actions to take place to limit the impact of any breaches. 3) Staff have had more time to work on the implementation of GDPR                          | 1                  | 8              | 29/04/2019 |
| Admin  | 10        | ↔        | Failure of financial system leading to lump sum payments to scheme members and supplier payments not being made and Fund accounting not being possible.  | 1      | 3         | 4          | 8     | 2          | 16               | TREAT 1) Contract in place with HCC to provide service, enabling smooth processing of supplier payments. 2) Process in place for Surrey CC to generate lump sum payments to members as they are due. 3) Officers undertaking additional testing and reconciliation work to verify accounting transactions.  | 1                  | 8              | 29/04/2019 |

|       |    |   |  |   |   |   |   |   |    |   |   |   |            |
|-------|----|---|--|---|---|---|---|---|----|---|---|---|------------|
| Admin | 11 |    | Inability to respond to a significant event leads to prolonged service disruption and damage to reputation.  | 1 | 2 | 5 | 8 | 2 | 16 | TREAT 1) Disaster recovery plan in place as part of the Service Specification between the Fund and Surrey County Council 2) Ensure system security and data security is in place 3) Business continuity plans regularly reviewed, communicated and tested 4) Internal control mechanisms ensure safe custody and security of LGPS assets. 5) Gain assurance from the Fund's custodian, Northern Trust, regarding their cyber security compliance. | 1 | 8 | 29/04/2019 |
| Admin | 12 |    | Failure of pension payroll system resulting in pensioners not being paid in a timely manner.   | 1 | 2 | 4 | 7 | 2 | 14 | TREAT 1) In the event of a pension payroll failure, we would consider submitting the previous months BACS file to pay pensioners a second time if a file could not be recovered by the pension administrators and our software suppliers.   | 1 | 7 | 29/04/2019 |
| Admin | 13 |    | Bank reconciliations no longer carried out by BT. Income processing from the bank is being brought in house, no process in place yet. HCC may take on the process but no firm guarantee in place yet. Income not being posted to the system increasing workload for the pensions finance team, potentially for errors and accounts inaccuracy. | 2 | 2 | 2 | 6 | 3 | 18 | TREAT 1) Staff working with HCC and the Tri-Borough Pensions have come up with a solution to ensure bank reconciliations and income is posted promptly and accurately.  | 1 | 6 | 29/04/2019 |
| Admin | 14 |    | Failure to pay pension benefits accurately leading to under or over payments.  | 2 | 2 | 2 | 6 | 2 | 12 | TREAT 1) There are occasional circumstances where under/over payments are identified. Where underpayments occur, arrears are paid as soon as possible, usually in the next monthly pension payment. Where an overpayment occurs, the member is contacted and the pension corrected in the next month. Repayment is requested and sometimes we collect this over a number of months.   | 1 | 6 | 29/04/2019 |
| Admin | 15 |    | Unstructured training leads to under developed workforce resulting in inefficiency.  | 2 | 2 | 2 | 6 | 2 | 12 | TREAT 1) Implementation and monitoring of a Staff Training and Competency Plan as part of the Service Specification between the Fund and Surrey County Council.   | 1 | 6 | 29/04/2019 |
| Admin | 16 |    | Failure to identify GMP liability leads to ongoing costs for the pension fund.   | 3 | 2 | 1 | 6 | 2 | 12 | TREAT 1) GMP to be identified as a Project as part of the Service Specification between the Fund and Surrey County Council.   | 1 | 6 | 29/04/2019 |
| Admin | 17 |   | Failure of pension administration system resulting in loss of records and incorrect pension benefits being paid or delays to payment.  | 1 | 1 | 1 | 3 | 3 | 9  | TREAT 1) Pension administration records are stored on the Surrey CC servers who have a disaster recovery system in place and records should be restored within 24 hours of any issue, All files are backed up daily.  | 2 | 6 | 29/04/2019 |
| Admin | 18 |  | Lack of guidance and process notes leads to inefficiency and errors.   | 2 | 2 | 1 | 5 | 2 | 10 | TREAT 1) Ensure process notes are compiled and circulated in Pension Fund and Administration teams.   | 1 | 5 | 29/04/2019 |
| Admin | 19 |  | Lack of productivity leads to impaired performance.  | 2 | 2 | 1 | 5 | 2 | 10 | TREAT 1) Regular appraisals with focused objectives for pension fund and admin staff.   | 1 | 5 | 29/04/2019 |
| Admin | 20 |  | Rise in ill health retirements impact employer organisations.  | 2 | 2 | 1 | 5 | 2 | 10 | TREAT 1) Engage with actuary re assumptions in contribution rates.  | 1 | 5 | 29/04/2019 |
| Admin | 21 |  | Rise in discretionary ill-health retirements claims adversely affecting self-insurance costs.  | 2 | 2 | 1 | 5 | 2 | 10 | TREAT 1) Pension Fund monitors ill health retirement awards which contradict IRMP recommendations.  | 1 | 5 | 29/04/2019 |