






SOUTH YORKSHIRE PENSIONS AUTHORITY RISK REGISTER AS AT 23/10/2020

Risk No	Risk Type	Risk Title	Risk Consequences	Risk Owner	Existing Control Measures	Current Score	Probability & Impact	Target Score	Probability & Impact	Risk Mitigation Action	Owner	Risk Change at Review	Last Review Date
G1	Governance	Failure to ensure that the elected Members knowledge and understanding of pensions related activities is robust and meets the statutory requirements in terms of Section 248a of the Pensions Act 2004.	Leading to Improper scrutiny and challenge by elected Members; Mistakes, errors and omissions and non-compliance with statutory requirements; Failure to ensure contributions are collected; Failure to ensure benefits are calculated properly; Failure to ensure surplus monies are properly and prudently invested; Reputational damage in terms of censure from regulators.	Clerk to the Authority	Induction training provided to new Members which comprises a three day external training course; Programme of internal seminars; Periodic awareness presentations delivered to Members; A self-assessment framework for Members and Chairs is in operation but needs refining – this should assist in identifying training requirements; Lead member for training identified; Working to the spirit of CIPFA Code of Practice (Code of Practice on Public Sector Pensions Finance, Knowledge and Skills, revised in 2013 Production of Annual Report which includes commentary on Members training activities; External training augmented by internal training.	9	I = M P = M	2	I = L P = VL	Review of Member self-assessments. Addition of the Regulator's on line toolkit as a mandatory training requirement. <i>Comment 23.10.20</i> No change to current score at this stage as continuing remote operation does enhance risks in this area. Further more active promotion of learning and development opportunities to be introduced when changes to Business Support arrangements fully implemented.	Clerk to the Authority Clerk to the Authority		23.10.2020
G2	Governance	Failure to ensure that the Local Pension Board is effective in carrying out its role.	Leading to Ineffective scrutiny of the way in which the Scheme Manager (the Authority) exercises its responsibilities Action by the Regulator.	Clerk to the Authority and Director	Induction training and commitment to an ongoing programme of learning and development for all members. Introduction of an independent element to ensure that the Board is not "officer led". Stabilisation of Board membership.	9	I=M P=M	2	I=L P=VL	Additional learning development opportunities being provided. <i>Comment 23.10.2020</i> See comment above with regard to the Authority. The work of the Board's Independent Adviser is resulting in the Board addressing the Regulator's key requirements. The target has been adjusted to mirror that relating to the Authority while the current risk score is now in line with that for the Authority.	Clerk to the Authority/ Director		23.10.2020
G3*	Governance	Disruption and reduction in the effectiveness of the control environment	Remote working makes operation of baseline control arrangements more difficult or impossible Covid 19 infections reduce the numbers of staff available so that current controls cannot be operated	Senior Management Team	Adaptation of previous control arrangements to a remote working scenario to ensure that controls continue to operate in the first instance. Electronic workflows that accommodate staff absence in dealing with sign offs Ensuring that more than one person is capable of performing any task within a control process Ongoing review of staff absences at regular SMT meetings allowing risks to be highlighted early	8	P=L I=H	6	P=M I=L	Gradual extension of the number of processes where electronic workflows are used. Identification of staff who could be trained to provide cover in areas where resilience is lower than others <i>Comment 23.10.20</i> The situation continues to be kept under review and while no new issues have emerged the feeling within the Senior Management Team is that it is not yet appropriate to reduce this score further. Internal Audit work is not highlighting any particular control issues, and while SYPA has not been hit by any Covid 19 cases clearly the risk of this happening remains.	Senior Management Team		23.10.20
I1	Investment and Funding	Failure to ensure that the Authority has appropriate access to its cash resources to meet its commitments to make payments. (Liquidity and credit risk.)	Leading to Financial loss; Negative impact on overall financial viability of the Scheme; Inability to meet pensioner payroll costs and investment commitments. Reputational damage.	Director	The Fund has immediate access to its cash holdings with the majority of cash being deposited for no longer than a week. Levels of cash holding are monitored daily. Treasury activity reviewed weekly by management and twice yearly by elected members with an annual review of limits. Treasury Management Strategy sets limits for the duration and risk profile of deposits with financial institutions. Triennial actuarial review considers contribution rates and cash flow requirements. New software available from the Actuary to assist with cashflows and funding level.	3	I = M P = VL	4	I = L P = L	Introduction of quarterly reporting of treasury activity to elected members. Consideration being given to splitting frictional cash (required for day to day purposes from cash awaiting investment). <i>Comment 23.10.2020</i> Level of cash holdings has increased following reduction in UK equity holdings. This did lead to a temporary breach in some treasury limits. Plan in place to invest current cash so as to reduce holding below £200m by March 2021 which is regarded as the prudent level given current risks and the need to maintain flexibility in the investment strategy. No change in score required.	Director		23.10.2020

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12	Investment and Funding	Failure to maintain the gains in funding levels achieved since the 2016 valuation, either as a result of falls in the market value of investments or an increase in the value of liabilities.	Leading to The need to maintain high (and possibly unaffordable) levels of deficit contributions. The need to increase future service contribution rates which may create financial difficulties for employers given the economic environment in which they operate. Critical review by the Government Actuary as part of their s 13 Valuation.	Director/ Head of Investment Strategy	The Investment Strategy already looks to shift out of more volatile "growth" assets into less volatile income earning assets.	8	I = H P = L	4	I = H P = VL	First principles review of the Investment Strategy to be undertaken alongside the triennial valuation from April 2019 for implementation from April 2020. Options for containing or reducing liabilities (e.g. a trivial commutation review) will be examined following the actuarial valuation. However, in the meantime data cleansing activity will be focussed on areas that impact the value of liabilities. <i>Comment 23.10.20</i> <i>Market conditions remain "fragile". However, funding levels have recovered from the March 20 low and remain around 100%. The major strategic shifts following the review of the investment strategy reduce the Fund's exposure to the UK which is the area presenting the greatest overall risk and volatility at present due to the combination of the pandemic and Brexit. The focus on less volatile and income generating assets also has an impact on reducing risk here.</i>	Director/ Head of Investment Strategy		23.10.2020
13	Investment and Funding	Failure to implement effective arrangements for the oversight of investment management functions being undertaken by Border to Coast Pensions Partnership.	Leading to Inability to adhere to Authority policies and potentially not be able to fulfil the Investment Strategy.	Head of Investment Strategy	Border to Coast is an FCA regulated body and as such is expected to adhere to the Stewardship Code and work within stipulated guidelines as set out in prospectus. These guidelines were set with discussion with underlying funds. Alignment of policies with underlying fund policies Ensured that Border to Coast have sub funds to allow SYPA to fulfil its strategy. Ongoing collaboration about policy. Ongoing collaboration regarding potential changes to Authority strategy. Analysis of investment performance on a monthly/quarterly basis with detailed analysis on an annual basis.	6	I = M P = L	6	I = M P = L	Border to Coast have agreed a process for the provision of controls assurance with all the audit firms involved in the LGPS. <i>Comment 23.10.20</i> <i>Following SYPA's Annual Review Exercise Border to Coast have introduced quarterly briefings on the operation of all of their products which allows a greater depth of oversight than can be achieved through paper reports. This addresses the key oversight gap identified in the Annual Review and this risk is now at its target level.</i>	Head of Investment Strategy		23.10.2020
14	Investment and Funding	Failure to secure products through Border to Coast which address the requirements of the Fund's investment strategy.	Leading to Failure to achieve required investment return. Erosion of the overall value of the Fund. Negative impact on contribution rates at valuation points.	Head of Investment Strategy	Ongoing dialogue with both Border to Coast and partner funds in order to influence product development. Monitoring of developments in the market place and where appropriate championing these within discussions with Border to Coast and partner funds.	4	I = H P = VL	3	I = M P = VL	Engagement with Border to Coast as an "implementation partner" in the development of the investment strategy. <i>Comment 23.10.2020</i> <i>There is now clarity on the totality of the range of products which Border to Coast will offer and a high degree of confidence that this will meet the requirements of SYPA's Strategic Asset Allocation. At this stage no change in the score is proposed. Any change will come following finalisation of the details of the remaining products in which SYPA is likely to invest which should occur over the next 12 months.</i>	Head of Investment Strategy		23.10.2020
15	Investment and Funding	Impact of Climate Change on the value of the Fund's investment assets and its liabilities.	Leading to An increased gap between the value of assets and liabilities. Reduction in the level of investment income as companies failing to adapt to a low carbon economy become less able to pay dividends Changes in the liability profile of the Fund.	Director and Head of Investment Strategy	Climate Change Policy in place in addition to the Responsible Investment Policy, supported by engagement activity with investee companies to encourage a planned and more rapid transition to a low carbon economy. Ongoing monitoring of the carbon intensity of equity portfolios every other year in place. Lower carbon tilt adopted within the equity portfolios and continued by Border to Coast. Investment in the extended opportunity set provided by the move to a low carbon economy targeted within the Alternatives portfolio, particularly infrastructure. Ongoing monitoring of demographic data by the actuary in place.	15	I = VH P = M	9	I = M P = M	Product from the Border to Coast Climate working party including providing more regular measurement of the carbon intensity of portfolios. Consideration of alternative investment approached as part of the Investment Strategy Review. Scenario planning within the context of the ongoing development and review of investment strategies. Adoption of a "net zero by 2050" goal together with improvements in impact	Head of Investment Strategy Head of Investment Strategy Director Director		23.10.2020

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										reporting to fully understand the scale of emissions. <i>Comment 23.10.2020</i> The adoption of a "net zero by 2030" position within the Authority's policy framework provides an additional focus on this area, and for the Authority's interaction with partners. The adoption of this goal together with improved reporting is in itself though not sufficient to move this score. Any movement will depend upon the adoption and implementation of an action plan which will take place from March 2021.			
16*	Investment and Funding	Contribution rates for employers are unaffordable due to business interruption	Employers (particularly TAB's and CAB's) unable to meet their liabilities due to not receiving income as a result of the interruption of their business due, for example, to school closures.	Head of Pension Administration	Existing assessment of employer risk and covenant identifying higher risk employers Ongoing communication and dialogue with employers and the Fund Actuary to identify possible options.	8	P=H I=L	8	P=H I=L	Identification of the applicability of the policy responses for private sector DB schemes to LGPS and engagement with the Scheme Advisory Board Implementation of new regulations allowing interim valuations and increased flexibility around exits <i>Comment 23.10.20</i> While no additional requests for deferral of contributions have come forward this does remain a risk, particularly as further lockdown measures may impact employers. Employers in the categories most likely to be affected tend to have some form of guarantee reducing the risk to the Fund overall. Given this and the passage of time without any further applications the risk has been reduced.	Head of Pension Administration		23.10.20
17*	Investment and Funding	Business continuity failures mean employers are unable to meet contribution payment deadlines.	Employers unable to submit monthly data returns on time which from April 2020 will generate the input for direct debit payments. Disruption to Fund cash flow	Head of Pension Administration and Head of Finance and Corporate Services	Ongoing dialogue with employers to identify problems early. Maintenance of significant available cash balances through the Treasury Management portfolio	9	P=M I=M	12	P=H I=M	Enhanced monitoring of contribution receipt and cash flow Redirection of Engagement Officer resource to maintain contact with employers to provide early warning of issues Focussed support to employers with the greatest difficulties, for example support with data submissions <i>Comment 23.10.20</i> The evidence to date is that employers have managed to cope with the submission of timely data and the switch to direct debit collection. At this stage no further change in the risk score is justified, although the focus of engagement is now moving to the quality as well as timeliness of data submissions.	Head of Finance and Corporate Services Head of Pension Administration Head of Pensions Administration		23.10.20

Risk No	Risk Type	Risk Title	Risk Consequences	Risk Owner	Existing Control Measures	Current Score	Probability & Impact	Target Score	Probability & Impact	Risk Mitigation Action	Owner	Risk Change at Review	Last Review Date
01	Operational	Failure to ensure the Authority protects the data it owns and the data it handles against inadvertent release and cyber-security threats.	<p>Leading to</p> <p>Loss of personal information resulting in reputational damage and censure by Information Commissioner;</p> <p>Loss of trust from partner organisations;</p> <p>Successful attacks by hackers or third parties;</p> <p>Disruption and delays.</p>	Director	<p>Data backup undertaken daily and backed up information removed from site;</p> <p>Disaster Recovery Procedures and Business Continuity Plan in place;</p> <p>External audit by third party organisations the Authority works with;</p> <p>Reporting of Incidents to Information Commissioner;</p> <p>Information Governance training included in the training programme;</p> <p>Independent Data Protection Officer established ;</p> <p>Contract management arrangements regarding the software provided by SY Pensions to third parties includes performance management consideration;</p> <p>Physical security of offices improved following relocation to Gateway Plaza</p>	8	I = H P = L	6	I = M P = L	<p>Bi Annual review of Business Continuity Plan.</p> <p>Data breaches reported to Local Pension Board quarterly for scrutiny.</p> <p>Data Protection Officer Assurance programme introduced.</p> <p>Reduction of in-house 'manual' mailing of personal data.</p> <p>Move to secure online communications with members where possible (e.g. Annual Benefit Statements).</p>	<p>IT Manager</p> <p>Head of Pensions Administration</p> <p>Head of Pensions Administration</p> <p>Head of Pensions Administration</p>		23.10.2020
			<p>Cyber risk – the risk of loss, disruption or damage to the Authority or its staff/members due to its information technology systems and processes failing. Including risks to information, data security, as well as assets and both internal risks from staff and external risks from hacking and computer misuse.</p>		<p>Cloud based email management platform including targeted threat protection against email borne threats such as malicious URL's, malware, impersonation attacks and internally generated threats;</p> <p>ICT Security Policy and an effective system of governance in place;</p> <p>Mandatory GDPR/data protection and cyber security training for all staff;</p> <p>Comprehensive Patch Management Policy covering all desktop and server hardware/software;</p> <p>Annual ICT health checks and penetration testing via a CREST certification body;</p> <p>Cyber Essentials Plus Accreditation;</p> <p>Police vetting clearance for ICT staff;</p> <p>The principle of least privilege applied to all user accounts.</p>				<p>Cyber Security training identified for all staff;</p> <p>Develop an incident response plan to deal with incidents and enable the Authority to swiftly and safely resume operations;</p> <p>Establish an Incident Response Retainer;</p> <p>Migration to advanced cloud based Anti-Virus/End Point Protection solution;</p> <p>Database encryption of sensitive data.</p> <p>Penetration testing using mock "spearfishing" attacks being undertaken</p> <p>SMT approved additional training and implementation of new password policies</p> <p><i>Comment 23.10.2020</i> Additional protective measures put in place to protect the network as well as an upgrade to the website content management system, which reduce the overall risk score.</p>	IT Manager			
02	Operational	Failure to meet statutory requirements for disclosure of information to scheme members.	<p>Leading to</p> <p>Poor customer service and reputational damage.</p> <p>Censure and potential fines from the Pensions Regulator and other statutory bodies;</p> <p>Potential for inaccurate data to flow into the 2019 actuarial valuation process and to impact the correct calculation of member benefits.</p>	Head of Pensions Admin	<p>Production of the ABS is dependent on receipt of timely returns from employers. The updated Administration Strategy from March 2018 incorporates SLA's and improves upon them in terms of fines being levied for employers who are non-compliant;</p> <p>Production process for 2018 was brought forward to ensure sufficient contingency time;</p> <p>Joiner/leaver processes configured to meet statutory disclosure requirements.</p>	12	I = M P = H	2	I = L P = VL	<p>Introduction of monthly data collection from April 2018 removes reliance on year-end returns so production process will begin in June rather than July from 2019;</p> <p>ABS's to be issued online from 2019 which further reduces the production schedule and process can be managed fully in house;</p> <p>Administration performance reporting to Authority to focus on statutory compliance.</p> <p>Data Quality Improvement Plan to be implemented.</p> <p>Review of ABS process in light of 2020 issues including the quality (as opposed to timeliness) of monthly data submissions.</p> <p><i>Comment 23.10.2020</i> Work is underway to review the issues which emerged as part of the 2020 ABS process. However, no change in the risk score is proposed until the full list of actions required has been produced and begun to be implemented.</p>	Head of Pensions Administration		23.10.2020
03	Operational	Closure of Government Guaranteed Minimum Pension service and reconciliation exercise.	<p>Leading to</p> <p>Significant under/overpayments of existing pensions in payment causing member hardship and reputational damage;</p> <p>Workload pressures of adjustment to excess volumes of member records.</p> <p>Failure to maintain adequate records going forward.</p>	Head of Pensions Admin	<p>Reputable external provider appointed to meet initial HMRC deadline of 31 October 2018;</p> <p>External provider currently handling responses finally received from HMRC to all mismatch queries raised. The final report from HMRC will allow the external provider to carry out a full final reconciliation across the database before we move to rectification. The final reconciliation is expected to be a two month project.</p>	12	I = H P = M	6	I = M P = L	<p>Liaison with LGPS funds to aim to ensure consistent approach to rectification once reconciliation finalised.</p> <p>Assurance work to be commissioned once HMRC issue final liability report</p> <p><i>Comment 23.10.2020</i> Data now received and being analysed.</p>	Head of Pensions Administration		23.10.2020

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O4*	Operational	Significant reduction in productive capacity due to impact of the virus on sickness levels	Creation of backlogs of work and potential for missing key deadlines. Potential for backlogs of retirements to result in financial hardship and large arrears payments. Potential for backlogs of death cases to result in the need to recover large overpayments. Failure to meet statutory deadlines for case processing and for issue of Annual Benefit Statements.	Senior Management Team	Monitoring of sickness levels and productivity through regular SMT Business Continuity calls. Clear criteria within which casework is prioritised. Risk of compliance failures raised with TPR at national level with request to consider flexibility if required. Annual Benefit Statement exercise to start in May rather than July to balance workloads.	12	P=H I=M	12	P=H I=M	Reassessment of priority activities to concentrate on those activities that directly impact: <ul style="list-style-type: none"> - The retirement process - Pensioner deaths and deaths in service - Payment of staff and supplier - Collection of all forms of income Redeployment of resources from support areas (Engagement, Technical UPM Team) to casework and from other corporate areas to financial processing. <i>Comment 23.10.2020</i> There has been a reduction rather than an increase in sickness levels compared to previous years. However, remote working has impacted productivity and the need to divert resources to address the data issues with RMBC monthly files also impacted processing activity. However, roughly 8-% of work continues to be processed within targets and approval has been given for additional staffing which will assist in dealing with forthcoming projects so that they do not impact core production activities.	Senior Management Team		23.10.2020
P1	People	Failure to maintain a suitably qualified and experienced workforce which reflects the community which the Authority serves.	Leading to Continuing imbalances in the Authority's workforce which create the potential for a sudden loss of a significant amount of experience. Skills gaps through a lack of succession planning. Reputational damage through criticism of the lack of diversity in the workforce. Impact on productivity and organisational resilience.	Director	A structured career grade scheme supported by highly structured and exam based training is in place for a key group within the pension administration workforce. Procedures within pension administration are well documented. Identification of potential single points of failure and production of plans to eliminate them. Production of an HR and Organisational Development Strategy targeting these issues.	9	I = M P = M	6	I = L P = M	Full implementation of the HR and Organisational Development Strategy. Formalise workforce and succession planning arrangements. Implement Management. Development Programme covering all staff with supervisory and wider management responsibilities. Identification of potential single points of failure and production of plans to eliminate them. <i>Comment 23.10.2020</i> Covid-19 is continuing to restrict progress in some aspects of this area. Staff are now being consulted on the restructure of the Finance and Corporate Services team (for implementation in the new calendar year) and some mandatory training is now planned in. However, at this stage there is no justification for a reduction in the risk score, although it is anticipated that this should be possible by the end of the financial year.	Director		23.10.2020

Key: P = Probability I = Impact

VL (1) = Very Low; L (2) = Low; M (3) = Medium; H (4) = High; VH (5) = Very High

Risk Matrix

5 Very High	5	10	15	20	25
4 High	4	8	12	16	20
3 Medium	3	6	9	12	15
2 Low	2	4	6	8	10
1 Very Low	1	2	3	4	5
	1 Very Low	2 Low	3 Medium	4 High	5 Very High

PROBABILITY

Risk Score

Risk Score	RAG Rating
0 – 5	Low
6-14	Moderate
15-25	High