

SOUTH YORKSHIRE PENSIONS AUTHORITY RISK REGISTER AS AT 26/06/2020

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 29.05.20</i> <i>See additional risks included in the Coronavirus Risk Register which are being managed. No change at this review</i> <i>Comment 26.06.20</i> <i>Given the additional risks identified in the Coronavirus risk register there is no justification for a change in score at present although a first remote meeting has been successfully held</i>	Clerk to the Authority Clerk to the Authority		29.05.2020
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 Fund 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.	12	I=H P=M	8	I=H P=L	Additional learning development opportunities being provided. <i>Comment 29.05.20</i> <i>See additional risks included in the Coronavirus Risk Register which are being managed. No change at this review. A fuller assessment will be possible after 12 months of the new arrangements</i>	Clerk to the Authority/ Fund Director		29.05.2020
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.	Fund 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 29.05.20</i> <i>Score unchanged, cash levels being maintained at a higher level than might be required long term to mitigate income and contribution risks from Covid-19</i> <i>Comment 26.06.20</i> <i>Additional cash being returned on winding up of the equity protection strategy while contribution income is being maintained cash levels are being maintained relatively high, Score unchanged.</i>	Fund Director		29.05.2020
I2	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.	Fund Director/ Head of Investment Strategy	An equity protection strategy was implemented in March 2018. The Investment Strategy already looks to shift out of more volatile “growth” assets into less volatile income earning assets.	12	I = H P = M	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 29.05.20</i> <i>Score increased in the light of Covid-19 Market events, although the 2019/20 loss in fund value has at the point of review been recovered.</i> <i>Comment 26.06.20</i> <i>Score unchanged markets remain fragile and equity markets in particular are being</i>	Fund Director/ Head of Investment Strategy		29.05.2020

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										<i>supported by central bank liquidity increasing the risk of volatility associated with any comment from a central bank.</i>			
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.	8	I = H 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 29.05.2020</i> No change at this stage. Covid-19 has caused all interaction with Border to Coast to be virtual (see Covid-19 Risk Register). Planned processes to support a comprehensive annual review are still being carried out which will allow a further reassessment of the score. <i>Comment 26.06.20</i> No change Border to Coast have successfully completed their controls assurance process.	Head of Investment Strategy		29.05.2020
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.	8	I = H P = L	3	I = M P = VL	Engagement with Border to Coast as an "implementation partner" in the development of the investment strategy. <i>Comment 29.05.20</i> No change at this stage a fuller review will be possible following the annual review process referred to under 13. <i>Comment at 26.06.20</i> No change	Head of Investment Strategy		29.05.2020
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.	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. <i>Comment 29.05.2020</i> The probability of this risk has been reconsidered in the light of comments made by elected members. However, officers consider that they have to take Governments at their word in terms of their intent to address the climate crisis which means that the neutral position implied by a medium probability remains appropriate. <i>Comment at 26.06.20</i> No change further information to inform policy debate will be available during July with the TCFD information for inclusion in the Annual report.	Head of Investment Strategy Head of Investment Strategy Fund Director		29.05.2020

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O1	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>	Fund 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>		29.05.2020
			<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><i>Comment 29.05.2020</i> Cyber Essentials Plus accreditation has been retained. No change in overall profile of the risk. See Covid-19 Risk Register for specific risks arising in this area which are being managed.</p> <p><i>Comment 26.06.20</i> No change in overall profile of the risk. A draft Cyber Security Incident Management Policy is ready for approval by the Senior Management Team.</p>	IT Manager		
O2	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>	9	I = M P = M	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 from 2019-20;</p> <p>Data Quality Improvement Plan to be implemented.</p> <p><i>Comment 29.05.2020</i> While risks in terms of ABS's are not anticipated this risk refers to a wider range of disclosure requirements and the impact of Covid-19 does increase the probability of not being able to meet these hence an increase in the risk score. The position continues to be monitored and pro-active reporting to the Pensions Regulator will be undertaken if necessary</p> <p><i>Comment 26.06.20</i> No change in the profile of the risk. Issues of this sort will be considered in the context of improving operational effectiveness through moving some staff back into the office when it is available.</p>	Head of Pensions Administration		29.05.2020

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03	Operational	Closure of Government Guaranteed Minimum Pension service and reconciliation exercise.	Leading to Significant under/overpayments of existing pensions in payment causing member hardship and reputational damage; Workload pressures of adjustment to excess volumes of member records. Failure to maintain adequate records going forward.	Head of Pensions Admin	Reputable external provider appointed to meet initial HMRC deadline of 31 October 2018; External provider currently handling responses finally received from HMRC to all mismatch queries raised and the final report of the totality of GMP liability for the Fund is expected from HMRC by 31 December 2019. Once this is received from HMRC the external provider will be engaged 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.	12	I = H P = M	6	I = M P = L	Liaison with LGPS funds to aim to ensure consistent approach to rectification once reconciliation finalised. Assurance work to be commissioned once HMRC issue final liability report <i>Comment 29.05.2020</i> <i>No change final HMRC data cut now expected in July 2020.</i> <i>Comment 26.06.20</i> <i>No change in position. Resource implications of this and McCloud being considered to allow specific proposals to be made if required.</i>	Head of Pensions Administration		29.05.2020
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.	Fund 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 29.05.2020</i> <i>No change at this review. Covid-19 is restricting progress in this area to the highest priorities.</i> <i>Comment 26.02.20</i> <i>No change</i>	Fund Director		29.05.2020

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