

LPF Risk Register

LPF group wide risks.

Last updated: Risk Management Committee (RMC) meeting 30 October 2024



Risk Ref	Level 1 Risk	Level 2 Risk	Risk name	Risk Description	Entity	Existing key controls	Current Risk	Previous Risk Rating
7	Governance Legal & Compliance	Governance	Discharge of responsibilities and accountabilities	Pension Committee or Board don't effectively discharge their responsibilities and accountabilities to the fund and decisions are taken against sound advice, beyond delegated authorities, on political grounds or due to lack of knowledge or attendance	LPF	<ul style="list-style-type: none"> LPF Code of Conduct signed on appointment to Pension Committee and Board Training and Attendance policy supported by monitoring and regular reporting Role of Independent professional observer appointed to pension committee provides objective subject matter expertise. Induction and ongoing training plan for new and existing members of committee and board. Pension Board provides external scrutiny of pension committee. 	↑	
13	Business Operations	Third Party	Supplier performance and oversight	Sub-optimal service performance/delivery, management and oversight of third party suppliers could lead to lack of resiliency and/or material errors and breaches	All	<p>LPF Supplier Management Framework sets out supplier management oversight and governance arrangements across supplier lifecycle stages</p> <p>LPF relationship owners manage third party supplier relationships according to tiering classification and oversee their performance in relation to contract terms and service agreements</p> <p>SMEs are key stakeholders in new supplier approvals</p> <p>Proportional due diligence informed by risk assessments is undertaken</p> <p>General training is provided to all staff, with tier one supplier relationship owners receiving more comprehensive training</p> <p>Oversight of the framework and service delivery performance of tier 1 suppliers is provided on a quarterly basis to the RMC</p>	↑	
17	People & Culture	People & Culture	Resources	Key person dependencies (particularly in significant roles or small teams) and resourcing could affect LPF's ability to meet strategic objectives and legal and regulatory requirements and expectations	All	<ul style="list-style-type: none"> Operating procedures and policies where appropriate are maintained and reviewed on a regular basis. Appropriate HR policies in place and job descriptions reviewed on an ongoing basis to ensure fit for purpose and aligned to group strategy. Resource planning ongoing Targeted recruitment and talent and succession planning in place. Regular review of headcount structure and resource levels within SLC. Potential opportunities to improve knowledge coverage and capabilities identified through performance management process 	↔	
25	Governance Legal & Compliance	Governance	Best practice governance	Failure to operate within corporate governance best practice and principles could impact strategic decision making and may lead to project failure, increased costs, poor morale and/or regulatory censure	All	<ul style="list-style-type: none"> Agenda plans and Governance report are approved on an annual basis Corporate Board and Pension committee training Independent professional observer appointed to pension committee. LPFI & LPFE Board made-up of minimum two independent non-executive directors Procedural Standing Orders for pension committee are maintained A Training and Attendance policy sets out the training requirements for Pension committee members. Professionally staffed LPF Company Secretariat team Statements of Responsibility in place for those LPFI board members required to have one under the FCA Senior Managers and Certification Regime 	↑	
28	Governance Legal & Compliance	Regulatory Compliance	Conflicts of Interest	Conflicts of interest in relation to the Fund or the group companies are not adequately raised or managed and could impact operational or strategic decision making	All	<p>Conflicts of Interest (COI) Policy sets out the procedures for identifying, disclosing, and managing conflicts of interest</p> <p>R&C maintain and update a centralised Conflicts Register, which includes detail of action taken to mitigate or prevent conflicts</p> <p>Conflicts of interest training is provided to all employees as part of the annual training plan</p> <p>Pension Committee, Pension Board and Corporate Board members are requested to disclose any potential or actual Col upon appointment and must disclose declaration of interests at each meeting</p>	↑	

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16	People & Culture	People & Culture	Recruitment & retention	Ability to attract, recruit, engage and retain talent leading to workforce capability gaps could affect LPF's ability to meet strategic objectives and legal and regulatory requirements and expectations	All	<ul style="list-style-type: none"> • Staff surveys and action plan to identify and address issues at early stage. - twice yearly • Clear job descriptions • Recruitment strategy in place. • Developing individuals to provide cover and development opportunities. • Established performance management process in place • Pay review completed annually with a remuneration policy and variable pay strategy in place • Robust staff training and development in place, including staff training and development policies./mandatory learning annual plan • EPFE Board oversight of remuneration strategy and senior succession planning 	↓	
2	Information Security IT & Data	Data	Data Management	Mis-management or poor maintenance and protection of data could lead to operational errors, regulatory breaches/fines or reputational damage	All	<ul style="list-style-type: none"> • Data protection and handling policies published on sharepoint and supported by regular and ad hoc training and communications • Data protection and Cyber Security training provided to new employees as part of induction training and to all employees on an annual basis • LPF and CEC DPO have quarterly meeting to ensure oversight by DPO of data protection operations at LPF • Data Protection Assessment process is in place, to assess data risks for any new systems or services • Data breach reporting process via incident reports. All potential data breaches are assessed by CEC • Information Asset Register in place, with each asset assigned an individual owner • System register records which third party suppliers store LPF data • Records retained in line with retention schedule, and any record destructions follow an approval process 	↑	
4	Governance Legal & Compliance	Regulatory Compliance	Regulatory breach	LPF do not meet regulatory obligations leading to enforcement action or fines and reputational damage	All	<ul style="list-style-type: none"> • R&C policies reviewed on a regular basis and are published for all staff on sharepoint. • R&C induction, routine, ad hoc and bespoke training to staff on various risk and regulatory topics and Training modules on regulatory topics are part of the mandatory training suite provided on the online training platform • External consultants BDO are engaged to provide monitoring services for LPFI. • R&C undertake a routine monitoring program covering requirements set by tPR, ICO and other relevant regulations as well as Themed reviews and spot checks • Incidents are reported and tracked to closure with any trends or themes identified. • Membership of various industry forums and bodies by R&C, and attendance at seminars and conferences, provides access to relevant and timeous information and collateral of emerging and pending regulatory changes. • Internal/external advice sought as and when required. • Oversight of critical suppliers performance and ongoing due diligence • AML and Client Categorisation/Suitability Checks on LPFI clients • Regulatory horizon scanning for upcoming changes 	↑	
18	Strategy	Climate	Responsible Investing & Climate Change	LPF doesn't address the financial, investment, regulatory and operational risks of responsible investing, in particular, climate change which could lead to financial loss and reputational or stakeholder damage or missed opportunities	All	<p>LPF:</p> <ul style="list-style-type: none"> • Monitoring economic, investment and longevity developments and models as part of funding and investment strategies <p>LPF/LPFI:</p> <ul style="list-style-type: none"> • Climate change risk is embedded into investment strategy through the Statement of Investment Principles and Statement of Responsible Investment Principles, integrated into investment operations through investment decisions, company and portfolio monitoring and client reporting • Engaging with Pensions Committee, Joint Investment Forum, clients and Scottish LGPS Advisory Board • Evaluation and monitoring of investment and longevity risk to the Fund and subsequent incorporation of results in funding and investment strategies • Approach takes into account and adheres with FCA regulatory requirements and obligations of FRC 2020 Stewardship Code <p>All:</p> <ul style="list-style-type: none"> • Physical and staff risks are considered on at least an annual basis 	↔	
9	Business Operations	Business Continuity	Business Interruption	Significant and/or extended business interruption (including third party suppliers) leading to a failure or inability to complete key LPF processes	All	<ul style="list-style-type: none"> • Business Continuity Plans, including disaster recovery, in place and recently updated (including scenario testing). • Emergency contact call tree regularly reviewed and disseminated • Key systems - Investment, pensions administration and custody services - accessed remotely and hosted by providers. • Oversight and due diligence for any new systems goes via ITOG. • Cloud based data back-ups daily. • Critical LPF system suppliers have their own business continuity plans and systems are backed up on daily basis • Regular LPF access to key KPI and system testing updates for CGI, reviewed at monthly oversight committee. • Pensions Administration 'procedure version control' spreadsheet (used to control and authorise all amendments to the Altair system). • Redbox call recording upgraded and is tested every two months, but not currently operating on mobiles (re COVID-19). • Service Introduction template in place to ensure all new services are onboarded correctly with appropriate controls. • Home working facility in place by virtue of standard hybrid model. 	↔	

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11	Information Security IT & Data	Information Security & Cyber	Cybersecurity	Inadequate cyber and data security arrangements to protect LPF from information security threats and cyber-attacks could prevent key operational processes from being undertaken and lead to financial losses and reputational damage	All	<ul style="list-style-type: none"> • Oversight by the Fund's Head of IT & Change. • Compliance procedures. • Third party supplier management process. • Staff comms and engagement including ongoing cyber training • Mapping of National Cyber Security cloud security principles included in security assurance reviews. • Annual penetration testing • Microsoft Secure Score assessment 	↔	
10	Information Security IT & Data	Technology	IT systems	LPF's IT does not meet operational requirements due to inadequate IT hardware or software leading to material or extended service delivery issues	All	<ul style="list-style-type: none"> • Quarterly reporting to SLC with exception escalation to SLT between SLC meetings to track ICT governance and security progress and issues. • Central IT help and change report portal. • KPIs in place and reviewed by Head of IT & Change for IT services provider, including ticket resolution • Oversight and due diligence for any new systems goes via SLC. • IT security assessment carried out for new systems and suppliers before introduction • Annual staff training on information security via Access. 	↔	
29	Strategic	Strategy	Unplanned Expenditure	Absence of budgetary control leading to significant unplanned expenditure	LPF	<ul style="list-style-type: none"> • Strategic planning and budget process with SLC, corporate boards and pensions committee engagement and approval • Finance undertake quarterly review of expenditure and commitments with SLT members/cost owners • Finance report on regular basis to SLC, corporate boards and pensions committee • Project and change framework / methodology in place 	↔	
24	Information Security IT & Data	Data	Data integrity and quality	Data used to fulfil member, employer, client, regulatory or reporting requirements, and trigger actions or inform decision making, comes from multiple sources and systems and may contain errors	All	<ul style="list-style-type: none"> • Data quality strategy for member data • Records Management Policy communicated to all employees and sets standards for creating and maintaining records • Investment information is reconciled between front office system and custodian to ensure accuracy • Member information updates supplied by employers is validated and reconciled 	↔	
6	Business Operations	Processing & Execution	Investment operations errors	Material or systemic investment operational errors impacting LPF and/or LPFI clients (such as trading errors) could result in operational losses, regulatory breaches or reputational damage	LPF & LPFI	<ul style="list-style-type: none"> • Front Office system pre- and post- trade checks and monitoring help identify errors or deviances before or very soon after they occur • Ongoing Portfolio asset allocation monitoring • Investment Oversight Group meets fortnightly to discuss operational and oversight matters • Investment Operations team provide ongoing operational and oversight support to PMs • Trade Errors Policy set out consistent approach to identifying, reporting and correcting errors 	↔	
19	Investment Management	Investment Management	Investment Strategy	Investment strategy does not deliver investment objectives due to incorrect implementation, investments falling outside agreed risk parameters or inadequate JISP governance. This could lead to a fall in funding levels and inability to meet liabilities.	LPF and LPFI	<ul style="list-style-type: none"> • Joint investment Forum with other LGPS client funds meets quarterly and provides advice and input on strategy • Independent advisors in place on joint panel • Formal review of strategy and investment assumptions as part of triennial actuarial valuation. • Asset liability studies. • Asset Allocation Group meets on a monthly basis to review allocation decisions • Investment Groups for each asset type meet on a monthly basis to review investment activity 	↔	
21	Strategy	Strategic	Strategic Goals	Strategic goals are unclearly defined and/or inconsistently implemented	All	<ul style="list-style-type: none"> • Preparation and consultation each year to prepare, approve and communicate a strategy and business plan. • Additional director insights / blue sky thinking day to test options, alignment and understanding. • CEO 1-1's with directors, committee members and CEC officers to ensure clear lines of communication and understanding. 	↔	
1	Investment Management	Investment Management	Investment Performance	Investment returns are less than expected due to fall in fair price of securities including equities, bonds, real assets could impact value of the fund and consequently funding levels and liabilities	LPF & LPFI	<ul style="list-style-type: none"> • Regular monitoring and reporting on performance of internally and externally managed portfolios, to Investment Groups, SLC, JIF, LPFI Board and Pensions Committee • Quarterly performance and funding level assessment by JIF 	↔	
27	Business Operations	Processing & Execution	Operational errors	Material or systemic operational errors, in relation to members, employees or clients (such as pension payment errors) could result in operational losses, regulatory breaches or reputational damage	LPF	<ul style="list-style-type: none"> • *Procedural instructions are documented, and training provided as appropriate. • Development and retention of knowledge supported through regular assessments across a range of themed focussed activities • Member payment timetable is set out and contingency measures are in place which will ensure payment is made should Altair or BACS fail. • Peer review, cross-checking and/or Manager oversight for key transactional processes. • * New coach roles providing additional training and coaching to help minimise errors in operational processing • Reconciliations undertaken between data and/or systems for key transactional processes • Heywood contract-KPI on accuracy of pension calculations methodology agreed in contract addendum. 	↔	

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8	Business Operations	Processing & Execution	Investment services delivery	Delivery of LPFI's investment services and client communications do not meet client expectations or requirements or regulatory obligations	LPFI	<ul style="list-style-type: none"> Monthly meetings held between LPFI and LGPS Clients to cover investment strategy and investment service matters Annual Service Review meeting held between LPFI and LGPS Clients to review client's strategic objectives and satisfaction, including Client Satisfaction Survey Ad hoc meetings or calls between LPF and LGPS clients as required Letter of Engagement in place regarding strategic advisory services and/or private market services including T&Cs Investment Management Agreements in place with those clients who receive investment management services Annual client information and management checks including KYC, professional client status and service suitability 	↔	
5	Scheme	Employer Contributions	Employer failure	Failure of an employer with a deficit, or failure to pay required contributions, or failure to fulfil a funding agreement on cessation may lead to the balance to be met by higher contributions from remaining employers	LPF	<ul style="list-style-type: none"> Admissions Policy, including use of guarantees. Regular and dedicated contact management with employers. Education to improve understanding, including grant funding implications. Annual employer covenant review, and quarterly membership monitoring. Funding Strategy Statement includes alignment of higher risk employers to Councils as appropriate. Funding agreements in place for payment of cessation debt and security sought where appropriate. Affordability confirmation built into Funding Strategy Statement. Staff reminded of internal reporting procedures regarding late payments to enable prompt action from the Fund. Employer site visits undertaken by LPF to understand employers proposals 	↔	
20	Business Operations	Communication & Digitalisation	Communications	Increasing engagement from members and other stakeholders regarding LPF investment strategy could elevate operational and reputational risks if queries are not effectively coordinated and handled proportionately and timeously ensuring responses are appropriate, accurate and consistent	All	<ul style="list-style-type: none"> All press releases, interviews, member comms, and social media activity subject to communications team review and approval Appropriate LPF resources are mobilised on a case by case basis to deal with specific requests as appropriate 	↑	
12	Business Operations	Business Change	Project and change activities	Ability to deliver internal, legal or regulatory change in line with strategic or legal/regulatory expectations could overwhelm business areas through pressure on BAU processes, causing delivery delays or failures, and/or change fatigue and impacting organisational culture	All	<ul style="list-style-type: none"> SLC meet regularly with standing agenda items on project and change activities Project and change framework / methodology in place CEO 1-1s with SLT members highlights relevant activities Legal and regulatory horizon scanning helps identify upcoming and emerging changes 	↔	
14	Business Operations	Internal Fraud	Fraud by LPF staff or relating to members	Challenges due to general cost of living increases could drive both employees and members to attempt to acquire assets or monies not belonging or due to them	All	<ul style="list-style-type: none"> Controls and segregation of duties in place. No input and authorising by same person allowed. Manual intervention required to enable/disable checkers. Policy refresher and reinforcement through new performance review process. Employee code of conduct and policy sign-off. Mortality screening of pensioners with monthly results provided, address tracing including ongoing use of second provider Twice yearly tracing exercise for members marked 'Gone Away' National Fraud Initiative checks. Increased member and transferee diligence on transfers out of the funds. Detailed pensions liberation fraud procedures. Western Union overseas pensioner existence check service in place - [Is this still in place - I thought we were using another provider). UK bank account validation service in place. Weekly administrator checks via Altair/excel reporting. Enhanced oversight of Private Market Capital Call procedure SLT meetings consider AML risk as a standing agenda item. Annual MLRO reporting to LPFI board. 	↔	
23	Scheme	Funding	Unexpected drop in funding	Unexpected drop in funding levels may require higher employer contributions which may be unaffordable to employers	LPF	<ul style="list-style-type: none"> Triennial valuation process Contribution stability mechanism and testing Funding strategy statement Investment strategy and monitoring 	↔	

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22	Scheme	Funding	Meeting liabilities or capital requirements	Insufficient funds and liquid assets to meet liabilities or capital requirements which may arise through contribution payment failure by employers, unexpected employers exits, shortfall in expected investment income, unexpected investment calls and failure or delays of creditors and receivables	All	<p>LPF</p> <ul style="list-style-type: none"> - Target allocation to cash (and cash equivalents (Gilts,etc) now 4% (c£400m) • Quarterly review of financial performance highlights financial position of Fund and subsidiaries by Financial Controller (FC) and CFO. This will highlight current cash position of fund. • Regular review of cash position by FC also highlights if significant depletion of RBS No2 (operating account). • Action is then taken by FC to recall funds from Treasury activities. <p>LPFI:</p> <ul style="list-style-type: none"> - Capital and Liquidity Management Policy in place. Sets limits/thresholds and actions required upon any breach - Quarterly review of Capital and Liquidity by FC and CFO - both actual and forecast to next Quarter end. this compares liquid resources to requirements. Action taken by FC to manage inter-company positions if depletion in liquid resources. If insufficient liquid resources forecast then escalate to board. 	↔	
15	Business Operations	Communication & Digitalisation	Member engagement, servicing and reporting	Member engagement, servicing and reporting, including unclear, misleading or out of date communications, does not meet LPF's expected standards and corporate values contributing to operating inefficiencies, member dissatisfaction or complaints, regulatory and reputational damage	LPF	<ul style="list-style-type: none"> • Internal reviews. • Formal checking and sign-off process implemented. • Participation in LGA Communications Working Group • Potential for legal input to reviews, if required • Monitoring LGA updates. • Website updated as required • Special comms with employers and members. 	↔	
3	Conduct	Conduct	Unauthorised activity or poor conduct	Unauthorised activity or poor conduct behaviours by employees representing themselves or the firm could fall short of legal and regulatory standards and requirements	All	<ul style="list-style-type: none"> • Gifts & Entertainment approval and declaration procedures • FCA Conduct Rules training for all LPFI-seconded employees, during onboarding and refreshed on an annual basis • Disciplinary log maintained by People • Fit & Proper assessments completed annually for all certification and SMF roles • All new employees sign LPF Code of Conduct, and declaration refreshed on an annual basis • Conflicts of Interest training and reporting mechanism for employee to declare outside business activities • Procedures and restricted access registers for personal investments and insiders. • Trading approval processes • Market Conduct policy and monitoring • Personal Account Dealing policy in place, including disclosure of securities and preapproval of trades • All employees complete annual declaration that they are aware of and understand key compliance policy obligations. • Whistleblowing hotline is in place 	↔	