

Southwark Pension Fund - Revised Risk Register - July 2025

Risk ref	Risk Description	Risk Owner	Risk Category	Impact - 1 to 10 (10 highest)	Likelihood - 1 to 10 (10 highest)	PRIMARY RISK SCORE	Risk Controls (Mitigation)	RISK SCORE AFTER MITIGATIONS	Post mitigation Impact - 1 to 10 (10 highest)	Post mitigation Likelihood - 1 to 10 (10 highest)
R8	Uncertainty surrounding proposed government changes to pooling/pensions arrangements and other LGPS regulations	CW	Financial/Investment	9	9	96	<ol style="list-style-type: none"> 1. Fund officers monitor pooling and other regulatory proposals on an ongoing basis 2. Fund officers attend Pension Officer Groups to ensure the Fund is represented and kept up to date 3. Fund officers also contribute to consultations from government to ensure its priorities are reflected/represented as part of the process 4. Advice and guidance is sought from investment advisers, where required 5. The Fund has already made direct investments with LCIV, alongside pooled equity mandates which are under LCIV supervision 6. Fund is engaging proactively with LCIV to manage the requirements of the pooling mandate, including ensuring a formal transition plan is agreed. 7. Ongoing updates provided to the PAP and LPB on pooling mandate and other LGPS proposals to keep them up to date on the developments, including discussing possible impact to Fund operations and steps to manage/mitigate them 	81	6	9
R1	The Fund's long-term investment strategy is not sufficient/inappropriate	CW	Financial/Investment	9	7	89	<ol style="list-style-type: none"> 1. Review of Investment Strategy Statement (ISS) conducted following each triennial actuarial valuation to determine optimal asset allocation for the Fund. Liability profile of members taken into consideration as part of the triennial valuation. 2. Funding Strategy Statement (FSS) also reviewed every 3 years (or earlier if required) 3. Reports on the funding levels produced quarterly and discussed at PAP meetings 4. Reports on actual asset allocation including any variances to target allocation produced quarterly and discussed at PAP meetings 5. Ongoing monitoring by the Investments Team, alongside support from investment advisor, to identify potential underweight/overweight positions across asset classes within the portfolio - remedial actions taken proactively, where required 	51	6	5
R2	Poor performance of individual investment mandates compared to benchmark/target returns underpinning actuarial valuations	CW	Financial/Investment	8	7	83	<ol style="list-style-type: none"> 1. Individual manager performance monitored regularly by the Investments Team 2. PAP reviews fund manager performance quarterly against benchmark - any risks, including corrective actions, are also highlighted and discussed at PAP meetings 3. Additional review conducted by the Fund's Investment Advisers - regular reports/communication received from them with an overview of manager performance and highlighting any risks/challenges and corrective actions 4. Regular meetings with fund managers regarding performance and any other issues that might impact performance (e.g. team changes, leadership changes, etc.) 5. Regular reviews of investment strategy to ensure that the investment asset and manager allocation is appropriate and in line with the ISS and FSS to meet the future pension obligations for the Fund 6. Portfolio rebalancing is considered on a regular basis 	52	7	4
R9	Structural changes in Fund membership, leading to unforeseen cash flow implications and/or forced sale of assets	CW	Financial/Investment	8	7	83	<ol style="list-style-type: none"> 1. The Fund undertakes long term cash forecasting to identify trends in cash in/outflows which is built into a strategy to ensure suitable cash inflows to support pension benefit costs 2. A formal cash flow management policy has been adopted, which ensures officers have the ability to maintain adequate liquidity to meet obligations, whilst limiting cash balances in order to maximise investment returns 3. The Fund actively monitors prospective changes in membership 	42	6	4
R11	Inaccurate or incomplete Member/Employer data	BB	Administrative/Operational	9	5	78	<ol style="list-style-type: none"> 1. Monthly reconciliation performed against other Council/Employer systems. 2. Administration Strategy supports monitoring of Employer compliance. 3. Data matching through National Fraud Initiative (NFI) help to identify discrepancies. 4. Mortality Screening and address tracing performed frequently. 5. Data Management Plan and GDPR in place (Data Plan to be agreed). 6. UPM Pension/Payroll software has greater analysis functionality and audit tools. 7. Fund participates in DWP "Tell us Once" initiative. 8. Triennial valuation routinely uncovers data gaps/anomalies. 9. System housekeeping and reporting helps uncover data gaps/anomalies. 10. Cloud hosting and back up arrangements in place, including compliance with national cyber security standards (independent cyber security assessment undertaken every 3 years). 	52	7	4

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R10	Failure to communicate/engage with relevant stakeholders	BB	Administrative/Operational	8	6	77	<ol style="list-style-type: none"> 1. New Pension Fund website under in-house control. 2. Member information guides and national website video links on website. 3. Member/Employer training material developed and on 'My Learning Source'. 4. Meetings held regularly with HR/Council/Unions/Schools. 5. ABS/PI/Newsletters sent annually to all member categories. 6. Annual report prepared in accordance with statutory guidelines published on the website. 7. Comms Strategy reviewed at least every 3 years. 8. Plans in place to promote a full digital communication strategy to members (with some exceptions in place, pensioners, depot staff). 	42	6	4
R5	Failure of third party service providers for investment management and custodial services, including LCIV	CW	Financial/Investment	8	5	70	<ol style="list-style-type: none"> 1. Contracts with all third-party services providers are monitored and reviewed regularly 2. PAP provided with quarterly information for each manager. Where there are concerns, additional monitoring is put in place to ensure financial/operational risks are kept to an acceptable level 3. LCIV also provide an additional level of monitoring in for assets which are pooled. 4. Third parties provide Fund with an annual SAS70 (or equivalent) report which provides assurance from their auditors that adequate controls are in place and are operating effectively 5. Annual assessment of third party service providers considered in relation to key areas (e.g. cyber security) 	34	6	3
R6	Fund liquidity and/or cash flows not as expected/insufficient to meet member liabilities	CW	Financial/Investment	8	5	70	<ol style="list-style-type: none"> 1. Ongoing review and any changes to investment strategy include consideration of split between liquid and illiquid investments and optimal risk asset allocation 2. Ongoing monitoring of investments to ensure appropriate balance between liquid and illiquid investments and limit exposure to one asset category 3. The investment strategy is split across a range of asset classes and means of implementation to allow for a variety of redemption options 4. Regular cashflow forecasting allows the Fund to predict likely cashflow requirements well in advance. Enhanced cash forecasting will be implemented in 2025-26 following the onboarding of cashflow data to the council's new treasury management system. 5. Cash Management policy in place to achieve improved flexibility on how liquidity is managed, including investments in liquid money market funds, and ensuring target balances on different tiers of liquidity holdings 6. IAS19 data is received annually and provides an early warning of any potential liquidity-related problems 	42	6	4
R14	Failure of third-party service providers, including Council and outsourced Payroll providers (for schools and other external employers), affecting service delivery	CW/BB	Administrative/Operational	7	6	69	<ol style="list-style-type: none"> 1. Employer/HR function going through ongoing business transformation so Pension Fund has a dedicated officer to face off to Employers to help emphasise more robust processes and better understanding of fund requirements. 2. Admin Strategy allows employers to be fined for poor performance following an agreed escalation process. 3. Revised Admin Strategy in draft pending wider consultation process will link the Fund's Data Management and Security Policy. 4. Considerable employer engagement work in place, especially with Schools, including data workshops. 5. IDRP complaints process under review. 6. Future planned insourcing of Schools/external employer payroll services. 7. Revised Admin Strategy will clearly set out roles and responsibilities and consequences of non-compliance. 8. Regular monitoring and monthly reconciliation of contributions received from employers by pensions finance team. 9. Employers required to provide sufficient information on monthly returns to enable verification that the amounts due are correct. 10. Fund can charge interest on the late payment of contributions. 11. UPM Employer Hub allows employers to upload information to the Fund but Data/Systems team has full control over what data goes into live system. 12. Council Legal can be consulted on any employer who fails to pay over LGPS contributions, then escalated as appropriate. 13.. Contributions rates and deficit recovery periods set to reflect the strength of the employer covenant(s) 14. Periodic reviews of the covenant strength of employers are undertaken and indemnity applied where appropriate 	41	5	5

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R18	Inadequate resourcing across the Fund Investment functions (accounting, investments, and governance) and Operations functions (administrative, data management, etc.) - internal challenges due to budget constraint/limitations and external challenges due to reliance on a smaller pool of specialist staff across LGPS	CW/BB	Governance/Compliance	7	6	69	<ol style="list-style-type: none"> 1. Restructuring underway in pensions finance team to identify right team structure and resources to address increased operational complexity from regulatory changes and number of investment mandates 2. Restructuring will also consider changes in fund operations on account of pooling mandate and increasing focus on governance as part of the Good Governance project - future team structure will factor these in to enable hiring of the full-time staff with the right skill sets and in line with regulatory requirements/recommendations (e.g. more governance focused responsibilities vs investment activities) 3. Specialist temporary staffing in place to meet the requirements of treasury activity, investment mandates and the fund's focus on net zero and responsible investment 4. Pensions Services team almost fully resourced in line with the agreed structure and budget 5. Additional support obtained from investment advisers, where appropriate, to ensure ongoing management of fund requirements 6. Fund looking to hire full-time staff following the pensions investments team restructure 7. Additional training will be introduced as required to provide additional knowledge and skills to full-time/temporary staff to ensure effective delivery of responsibilities 	42	6	4
R4	Increase in inflation/interest rate exposure compared to actuarial assumptions/forecasts	CW	Financial/Investment	7	6	69	<ol style="list-style-type: none"> 1. Fund holds various assets in the portfolio that help mitigate any impact of CPI risks, e.g. direct property (with inflation-linked rental agreements), global equities (which also provide a degree of inflation protection) 2. Fund officers continue to monitor fluctuations in CPI inflation on a regular basis 3. All triennial valuations consider inflation environment - ISS and FSS are revisited to factor in any changes/impact on portfolio from high inflationary trends 	26	5	3
R7	Failure to adequately implement net-zero and wider RI policies, including due to the LGPS pooling mandate	CW	Financial/Investment	6	7	68	<ol style="list-style-type: none"> 1. Fund's investment strategy has been updated to include a net zero strategy which sets out initiatives to be implemented in the short, medium and long term, to progress net zero targets whilst maintaining acceptable levels of risk and return 2. Where possible, all individual investment mandates now include net zero/Paris-aligned milestones 3. Ongoing engagement with portfolio companies on decarbonisation and wider RI priorities through investment managers 4. Reports with progress on carbon footprint produced every quarter and discussed at PAP meetings 5. Reports on wider RI and stewardship aspects (e.g. voting & engagement) are also now discussed on an ongoing basis at PAP meetings 6. Ongoing engagement with LCIV to manage pooling requirements, including ensuring net zero and wider RI priorities are not impacted/comprised as part of pooling 7. Ongoing analysis and corresponding communication/reporting to wider stakeholders on exposure to international conflicts/geopolitical events to proactively manage FOI/member queries (on RI issues) and manage any negative reputational risk 	41	5	5
R19	Fund governance arrangements are not effective	CW	Governance/Compliance	7	5	61	<ol style="list-style-type: none"> 1. The Council's constitution delegates the functions of the administering authority for the pension fund to the S151 officer 2. Pensions Advisory Panel set up to provide support and guidance to S151 officer 3. Local Pension Board set up to provide additional oversight in relation to fund operations 4. Various policies established to ensure appropriate governance arrangements in place, including effective implementation and to achieve alignment with best practice 5. A training policy is in place which requires PAP and LPB members and fund officers to receive continuing training to keep up to speed with latest requirements and mandates 6. Advice sought from external advisers, where required, to ensure appropriate decision making 	26	5	3
R17	Pressure from unions, other stakeholders and activists to divest from investments in conflict zones. The Fund's inability to divest (due to investment in pooled funds and/or lack of alternative products) could also have a reputational risk.	CW	Governance/Compliance	6	6	60	<ol style="list-style-type: none"> 1. Relevant primarily for the equity investments in pooled mandates where investments are aligned to global indexes which will mean the fund has exposures to companies in sectors like defence, oil and gas, etc. 2. Segregated equity mandates do not include any investments in companies in controversial sectors like defence, tobacco, oil and gas, gambling, pornography, etc. 3. The Fund undertakes quarterly screening of companies flagged in the UN List with exposure to the conflict in Middle East 4. Fund is actively engaging with investment managers to discuss and seek progress on approach to investment in conflict zones 5. Fund officers actively engage with LAPFF, LCIV, etc. to understand and replicate industry initiatives (where possible) within fund operations 6. The Fund is transparent in disclosing exposure to conflicts (e.g. exposure to Middle East conflict) through responding to member queries, FOI requests, etc. 	25	4	4

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R12	Major IT failure/outage, or data corruption/cyber-attack resulting in the inability to process pensions and pay pension benefits on time	BB	Administrative/Operational	9	2	54	<ol style="list-style-type: none"> 1. Pensions staff undertake data management training as required. 2. Cyber Security Assessment routinely performed by third-party specialist. 3. UPM software has been extensively tested and secured against cyber-attack. 4. UPM access only allowed from pre-approved IP addresses, limited to the Southwark Council network and Aon. 5. Business Continuity and Disaster recovery plans in place throughout the Council. 6. Data stored in cloud servers hosted by Civica in a UK data centre. ISO certifications provide confidence that Civica operations meet the highest levels of information security, IT service management and has the Government's IL3 accreditation rating, the highest security rating available. 7. Secondary disaster recovery database is continuously running, and so in the event of cyber-attack or other downtime, the system can switch to a backup with limited loss of data. Every keystroke on the system is fully logged and audited. 8. Majority of member payments made are not reliant on monthly payroll cycles/software and paid via Single Payments system each week. 9. In the event of total IT failure/outage, the previous months BACS file can be put into payment with Bank to cover pensioner payroll. 	27	6	2
R16	Failure to comply with LGPS Regs, HMRC tax laws and the Pensions Regulator – resulting in legal sanctions, Ombudsman complaints, causing detrimental impact on Council's reputation	BB	Governance/Compliance	6	5	51	<ol style="list-style-type: none"> 1. Monitoring compliance with LGPS Regulations through weekly training, overseen by Senior Technical & Projects Manager. 2. Fund breaches policy sets out clear guidance and mechanism for the reporting of breaches by those involved in management of the Fund. 3. Robust procedures in place including appropriate internal quality assurance checking processes carried out by Senior Officers. 4. Specialist advice can be obtained from external advisers where appropriate. 	33	5	4
R20	Financial loss/impact due to investment/accounting fraud	CW	Governance/Compliance	6	5	51	<ol style="list-style-type: none"> 1. Due diligence performed on all new fund managers 2. Ongoing review and monitoring of financial transactions/dealings with fund managers in relation to capital calls/distributions, etc 3. External audit test of controls in place by independent third-parties as part of annual audit 4. Periodic checks undertaken by the council's internal audit team in relation to effectiveness of controls in place to prevent fraud 5. Authorised signatory list in place, including limits on approvals of payments by officers to ensure multiple checks in place in relation to financial transactions made by the fund 6. Ongoing implementation of any findings/recommendations from auditors to monitor and strengthen the controls in place 	25	4	4
R3	Geopolitical events/international conflicts impact scheme funding and investments/valuations	CW	Financial/Investment	6	5	51	<ol style="list-style-type: none"> 1. Ongoing monitoring of Fund performance and investment markets 2. Fund has a long term investment horizon so any volatility in short term from certain geopolitical events might not be a case of concern 3. Periodic advice obtained from investment advisers on continuing suitability of asset allocation 4. Investments held in diversified assets, reducing volatility and ensuring long term stability 5. Fund engages with other LGPS and industry forums (LAPFF, LCIV, etc.) to understand and implement best practices to mitigate/minimise potential impact of geopolitical uncertainty and international conflicts 6. Where required, standalone advice on possible impact from a geopolitical event (e.g introduction of tariffs) or international conflict sought from investment advisers to identify appropriate course of action(s) 	25	4	4
R21	Lack of specialist expertise across Fund governance roles (PAP and LPB)	CW	Governance/Compliance	5	5	41	<ol style="list-style-type: none"> 1. Risk of turnover of PAP membership following each local election 2. Employee and employer representatives on the PAP/LPB are not up for election, so remain in place providing continuity 3. Fund officers provide support on an ongoing basis to both PAP and LPB 4. Support from external advisers obtained by PAP/LPB on a needs basis 5. Formal training policy and training plan in place to help the PAP/LPB members gain appropriate knowledge and skills for effective decision making in relation to fund operations 6. Fund officers organise periodic training sessions for PAP/LPB members on relevant/current topics/general awareness 	13	3	3

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R15	Risk that McCloud Judgement is not complied with or done so incorrectly	BB	Governance/Compliance	4	6	40	<ol style="list-style-type: none"> 1. Scoping level of resources in line with SAB guidance and MCHLG consultation paper. 2. Remedy live from October 2023 but expected to take LGPS employers 24+ months to fully complete. 3. Pension Fund website regularly provides news updates to members. 4. Civica UPM provider has built/tested phase 1 McCloud software. 5. Pension Fund already performs McCloud underpin checks on all individual retirements/departures. 	25	4	4
R13	Fund members become victims of fraud and other scams (particularly pensions liberation)	BB	Administrative/Operational	8	1	36	<ol style="list-style-type: none"> 1. Promotion of routinely updated member education & awareness - regular comms on risks, scam awareness campaigns and transfer value guidance issued. 2. Robust due diligence on transfers out - red flag, risky, or suspicious schemes checked. The Fund only promotes FCA Regulated advisors. 3. Industry collaboration - maintain regular contact with FCA, Pensions Regulator, Money & Pension Service and Action Fraud to stay updated on latest scam tactics and trends. 4. Secure online measures - ensure member portals secure to protect personal and financial data, and robust identity verification procedures when processing new transfer requests. 	15	5	1