



LOCAL PENSION COMMITTEE – 10 SEPTEMBER 2021

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

RISK MANAGEMENT AND INTERNAL CONTROLS

Purpose of the Report

1. The purpose of this report is to inform the Committee of any changes relating to the risk management and internal controls of the Pension Fund, as stipulated in the Pension Regulator's Code of Practice.

Background

2. The Pension Regulator's (TPR) code of practice on governance and administration of public service pension schemes requires that administrators need to record, and members be kept aware of 'risk management and internal controls. The code states this should be a standing item on each Pension Board and Pension Committee agenda.
3. In order to comply with the code the risk register and an update on supporting activity is included on each agenda.

Risk Register

4. The updated risk register has been attached as an appendix to this report. There are no new risks, and there was a reduction to the risk score on:
 - Risk 4 – Missing data is being received from the employers for the McCloud exercise.
 - Risk 8 – The Prudential are actively working with Fund Officers to implement improvements and this is progressing positively.
5. To meet Fund Governance best practise, the risk register has been shared with Internal Audit. Internal Audit have considered the register and are satisfied with the current position.
6. The Local Pension Board met on the 23rd August and were pleased with the Fund's position in relation to risk management.

Pensioner Overpayment

7. During the quarter a spouse's pensioner overpayment was discovered. A summary of the case is as follows;
- Mr X retired from Leicester City Council in 2005
 - Mr X died in 2019, leaving a spouse Mrs X
 - Mrs X was entitled to a short-term pension of £1,138.00 payable for 3 months (August to October 2019) followed by a long-term pension of £551.00 per month, payable for life
 - Mrs X died in 2021
 - During work to close Mrs X's pension, it was identified the short-term pension had continued to be paid, and the long-term pension had not started
 - At Mrs X's passing, no other pension payments were due to the family and an overpayment of £11,200 had occurred
8. Fund Officers have investigated the case, and the timing of events in this case were unfortunate. Mrs X's pension started in 2019 when the process was as follows;
9. A Pension Team Manager would check the spouse's pension figures, and then the case would be passed back to an Officer to adjust payroll (which was missed in this case). This process was changed when Pensions implemented immediate payments in 2020, and the system amended, to allow Officers to input figures "as pending" until they were checked by the Team Manager. Therefore, this situation should not occur again.
10. Officers have run reports to check, if other ongoing short-term pension payments had occurred in error, and none have been identified.
11. Officers are looking at additional controls that can be introduced as a further security checks to reduce risk and improve the process. Officers are also liaising with the pension system provider to try and identify an increased level of automation between the pensions and payroll ends of the administration system.
12. The only mitigation is Officers wrote to Mrs X in 2019 detailing the value of her short-term and long-term pension so it could be argued she should have noticed when her pension did not reduce in November 2019, but it's likely she was still coming to terms with the passing of her husband and inadvertently did not notice this.
13. Given the overpayment has been caused by human error in the Pension Section, the value of the overpayment, both Mr X and Mrs X have died, and no further money is due to the family, the Pension Manager has liaised with the City Council (as the originating pensioners previous employer), the Chair of the Local Pensions Board, The Director of Resources and Chair of the Pensions Committee, who all approve write-off of the £11,200 overpayment.

Recommendation

14. It is recommended that the Committee approve the revised risk register of the Pension Fund.

Equality and Human Rights Implications

None

Appendix

Appendix - Risk Register

Officers to Contact

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