



LOCAL PENSION COMMITTEE - 26 NOVEMBER 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 is one new risk, and there was a small increase to the risk score on McCloud.
 - i. A new risk is included (number 9). This regards the failure to identify the death of a pensioner causing an overpayment, or potential fraud or other financial irregularity.

Failure in this area is low and controls are already in place and work well. However, tracing overseas pensioners can be more difficult than UK based pensioners. The Faraday monthly reporting of deaths only covers UK registered deaths. Following an internal review by Officers, consideration is being taken to increase the frequency of the National Fraud mortality screening for overseas pensioners. This currently takes place once every two years and could be changed to twice each year. A targeted review of pensioners where the Fund does not hold the current address is taking place.

- ii. McCloud risk (number 4) has increased in score from a residual score of 4 to 6.

The increase is in relation to the Fund's system provider adding new warnings to the system data load process, whereby members hours are loaded into the pensions administration system, needed for the McCloud remedy. The Fund has loaded one employer's hours, and the process corrupted a small number of member's records. These records have subsequently been corrected manually. However, until a system fix is provided by the supplier, no further data loads will commence. This is impacting on several Fund's throughout the UK. Officers are monitoring the situation and will reassess the risk over the coming months.

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 8 November, arising from the discussion a number of suggestions were made which included
 - Inclusion of the 2016 cost cap within the McCloud risk as both exercises may require revision of some members benefits, thereby potentially increasing Fund administration.
 - Addition of the Claims Management Companies to the existing risk regarding transfers out of the scheme.
7. The Pension Manager agreed to consider the points raised and update Members as part of a later Risk Management and Internal Control report.

Recommendation

8. 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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