



## **LOCAL PENSION BOARD – 16 FEBRUARY 2022**

### **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 Board 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. Following the Local Pension Board meeting on the 8 November 2021, and subsequent developments, the Board's requested changes to the register are incorporated below. All four changes do not change the overall risk scores. In addition, there is a new risk (risk 10).

- Risk 2 - If the Pension Fund Fails to receive accurate and timely data from employers, scheme members pension benefits could be incorrect or late.

Failure in this area is low and controls are already in place and work well. However, to improve this area further the Pensions Manager is investigating great use of bulk processes to enable greater automation and less requirement from the Fund employers for certain types of leavers, relying on the IConnect monthly submissions. Improved changes will be made working with Internal Audit.

- Risk 4 - McCloud Remedy – Increased administration.

The Board identified the 2016 Cost Cap challenge could result in the Pension Section potentially revising certain scheme member benefits. Because revising member benefits is already within the McCloud resolution, the Board suggested the 2016 Cost Cap is incorporated into the McCloud risk, given the increased administration.

- Risk 7 - If transfer out checks are not completed fully there could be future bad advice challenges brought against the Fund.

The Board suggested the current “no win no fee” challenges the Fund is receiving from Claims Management Companies on historic transfers out should be incorporated into the current transfer risk. The Fund is currently mitigating this risk working closely with an external Legal Company that specialise in this pensions area.

- Risk 9 - Failure to identify the death of a pensioner causing an overpayment, or potential fraud or other financial irregularity.

Following the recent Internal Audit and National Fraud Initiative (NFI) work, the Pensions Manager has implemented a change to how often overseas NFI checks are completed. This will now take place twice a year, rather than once every two years.

- Risk 10 - Human error in the Pension Section when calculating and paying a pension.

Following the overpayment of a pension where the widows short term pension continued in error, the Pensions Manager has introduced a new risk to the Fund risk register. Officers have developed a new over and underpayment policy that was approved by the Local Pension Committee on the 21 January 2022. Officers are developing a detailed report, using the new Insights product, to identify discrepancies between the administration and payroll sides of the pensions administration system more quickly.

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.

### **Recommendation**

6. It is recommended that the Board notes the revised risk register of the Pension Fund.

### **Equality and Human Rights Implications**

None

**Appendix**

Appendix - Risk Register

**Officers to Contact**

Mr C Tambini, Director of Corporate Resources

Tel: 0116 305 6199      Email: [Chris.Tambini@leics.gov.uk](mailto:Chris.Tambini@leics.gov.uk)

Mr D Keegan, Assistant Director Strategic Finance and Property

Tel: 0116 305 7668      Email: [Declan.Keegan@leics.gov.uk](mailto:Declan.Keegan@leics.gov.uk)

Mr I Howe, Pensions Manager

Tel: 0116 305 6945      Email: [Ian.Howe@leics.gov.uk](mailto:Ian.Howe@leics.gov.uk)

This page is intentionally left blank