



LOCAL PENSION COMMITTEE – 9 SEPTEMBER 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 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 risks are split into six different risk areas. The risk areas are.
 - Investment risk
 - Liability risk
 - Employer risk
 - Governance risk
 - Operational risk
 - Regulatory risk
5. There have been no changes to any of the risk scores since the Pensions Committee meeting in June 2022, however there are some updates on existing risks. The risk register is attached as Appendix A.
 - Risk 3 (Investments) – Failure to take account of all risks to future investment returns within the setting of asset allocation policy and/or the appointment of investment managers

The Fund is developing a Net Zero Climate Strategy to consider the risk and opportunities related to climate change.

- Risk 5 (Employers) - If the Pension Fund Fails to receive accurate and timely data from employers, scheme members pension benefits could be incorrect or late
Officers have implemented monthly posting with almost all the Fund employers. The few remaining employers (and new employers) will commence monthly posting. Officers are developing wider bulk calculations using the posted data and will develop a tracker to monitor monthly data loading.
 - Risk 8 (Governance) – If the Funds In House AVC provider does not meet its service delivery requirements the Pension Fund is late in making payment of benefits to scheme members
There has been an improved service from the Fund’s AVC provider over recent months. The same provider is used by the majority of LGPS Funds in the UK. Several Funds are meeting with the AVC provider, designed to build on the improvements, and to try and negate any future drop in service standard.
 - Risk 12 (Operational) – If the Pension Section fails to meet the information/cyber security and governance requirements there may be a breach of statutory obligations
Internal Audit are planning to carry out audit reviews of both the Good Governance Project and The Pension Regulators new code of practice.
 - Risk 14 (Operational) - If transfer out checks are not completed fully there could be future bad advice challenges brought against the Fund.
Internal Audit continue to review both transfers in and out of the Fund.
 - Risk 16 (Regulatory) - McCloud Remedy – Increased administration.
Internal Audit have reviewed progress on McCloud and plan to review McCloud again in future, to ensure guidance received is followed in relation to any members affected by the judgements. The Board will be kept informed on McCloud progress.
6. 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. The Board also supported the risk register at its meeting on 17 August 2022.

Recommendation

7. 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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