



LOCAL PENSION BOARD – 7 FEBRUARY 2024
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 Local Pension 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.

Policy Framework and Previous Decisions

2. The Local Pension Board's Terms of Reference state that the responsibility and role of the Board is to secure compliance with the LGPS Regulations and other legislation relating to the governance and administration of the LGPS; securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator; such other matters as the LGPS regulations may specify.

Background

3. 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 Local Pension Board and Local Pension Committee agenda.
4. In order to comply with the code, the risk register and an update on supporting activity is included on each agenda for this Board.

Risk Register

5. The 18 risks are split into six different risk areas. The risk areas are:
 - Investment
 - Liability
 - Employer

- Governance
 - Operational
 - Regulatory
6. Risks are viewed by impact and likelihood and the two numbers multiplied to provide the **current risk score**. Officers then include future actions and additional controls, and the impacts and likelihoods are then rescored. These numbers are multiplied to provide the **residual risk score**.
 7. The current and residual risk scores are tracked on a traffic light system: red (high), amber (medium), green (low).
 8. The latest version of the Fund's risk register was approved by the Local Pension Committee on the 1 December 2023.
 9. There have been no changes to the risk scores since the 1 December 2023 meeting however wording has been updated on risk 11 and risk 16. A new risk has also been added. These are highlighted below.
 10. 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.
 11. The risk register is attached at Appendix A and Risk Scoring Matrix and Criteria at Appendix B.

Revisions to the Risk Register

NEW: Proposed changes to LGPS regulations and guidance requires changes to the Fund's investment, pooling and governance processes.

12. A new risk has been added following Government's Autumn Statement regarding the consultation on 'Next Steps on Investment'. This followed discussion with the Local Pension Committee previously on the Fund's submitted response to the consultation in October and concerns related to centrally proposed changes that may require the Fund to make changes to its investment, pooling and governance processes.
13. Furthermore, the potential for Government's proposals to reduce pools within the LGPS may have significant impacts in the medium term which lead to increased costs and pressure on the Fund if not managed appropriately.
14. The Fund will continue to engage productively with LGPS Central at officer and member level and invest in pool products where possible and in line with the Fund's investment approach.
15. Officers will review expected guidance and regulation changes when produced by Government or relevant bodies such as the Scheme Advisory Board and continue to update Committee as needed.

Risk 11: Investment decisions are being made without sufficient expertise to properly assess the risks and potential returns.

16. Additional wording was set out in the further actions and additional controls column highlighting that Local Pension Committee members undertake training needs assessment and are issued individual training plans.
17. The wording has also been updated to reflect that all members and officers are urged to complete all modules of the Hymans Aspire Online courses, which will be supported by a review of the Fund's Training Policy and Terms of References in 2024.

Risk 16: Failure to identify the death of a pensioner causing an overpayment; or potential fraud or other financial irregularity.

18. An internal audit will take place on this item in quarter four of 2023/24 as part of the regular risk management control in this area. However, an additional control relating to an informal review of the Fund's tracing service arrangements have also been added. This follows improvement to processes by some tracing service providers, designed to improve the customer experience and improve efficiency, that Fund officers will investigate.

Recommendation

19. The Local Pension Board is asked to note the report.

Equality Implications

20. There are no equality implications arising from the recommendations in this report.

Human Rights Implications

21. There are no human rights implications arising from this report.

Background Papers

None

Appendix

Appendix A – Risk Register
Appendix B – Risk Scoring Matrix and Criteria

Officers to Contact

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