



LOCAL PENSION BOARD – 31 JULY 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 19 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 19 June 2024.
 9. There has been one change to the risk scores since the 19 June 2024 and some other minor changes which are highlighted below.
 10. To meet Fund Governance best practice, 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 to the report at Appendix A and Risk Scoring Matrix and Criteria at Appendix B.

Revisions to the Risk Register

Risk 6: If the pensions fund fails to receive accurate and timely data from employers, scheme members pension benefits could be incorrect or late. This includes data at year end.

12. The risk scores have remained the same however an update has been made to reflect the additional control of monitoring employers that change payroll systems.

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

13. Following the Local Pension Committee's approval of the revised Training Policy on 19 November the list of current controls has been updated to reflect Members must complete Hymans Aspire Online Training within six months of appointment. In reflecting some turnover of membership, the risk scores have remained the same.

Risk 15: If transfer out checks are not completed fully there may be bad advice challenges against the Fund. There are some challenges being lodged from Claims Management Companies on historic transfers out.

14. This has been updated to reflect further risk causation through the manual calculation of transfer values as a result of McCloud. As a result the likelihood of the risk has increased to four, increasing the current risk score to 8 (Amber) and changing the risk response from tolerate to treat.

15. To mitigate for the risk some McCloud calculations can be completed using a Local Government Association template, keeping the residual risk score at six (Green).

Recommendation

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

Equality Implications

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

Human Rights Implications

15. 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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