



**LOCAL PENSION BOARD – 16 OCTOBER 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 6 September 2024.
  9. There have been no changes to the risk scores since the previously approved risk register. Some other minor changes 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 4: Risk to Fund assets and liabilities arising from climate change**

12. Wording has been updated in the further action column reflecting the new Net Zero Investors Framework 2.0 has been produced by the Institutional Group for Climate Change, which provides further asset class guidance which will need to be considered as part of the Fund's Net Zero Climate Strategy review in 2025.

#### **Risk 9: If the Funds In-House Additional Voluntary Contribution (AVC) provider (The Prudential) does not meet its service delivery requirements the Pension Fund is late in making payment of benefits to scheme members**

13. An update to the further action column has been made to reflect that a national procurement framework for AVC provision is now live which the Fund has signed up to. This will enable the Fund to commence a future tender to procure for a AVC provider. The Board will continue to be kept updated on this matter.

**Risk 19: Proposed changes to LGPS regulations and guidance requires changes to the Fund's investment, pooling and governance processes.**

14. The cause of the risk has been updated to reflect the ongoing pensions review with respect to potential consolidation. Given the unknowns surrounding the review and next steps no further updates have been made to the risk register yet. Committee and Board will be kept informed on related matters.

**Recommendation**

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

**Equality Implications**

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

**Human Rights Implications**

17. 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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