

LOCAL PENSION COMMITTEE – 14 MARCH 2025
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 Committee (LPC) 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 LPC's Terms of Reference sets out that its principal aim is to consider pension matters with a view to safeguarding the interests of all Pension Fund members.
3. This includes the specific responsibility to monitor overall performance of the pension funds in the delivery of services and financial performance, and to consider all matters in respect of the pension funds including:
 - a. to ensure an appropriate risk management strategy and risk management procedures;
 - b. ensuring appraisal of the control environment and framework of internal controls in respect of the Fund to provide reasonable assurance of effective and efficient operations and compliance with laws and regulations.

Background

4. 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 LPB and LPC agenda.
5. In order to comply with the Code, the risk register and an update on supporting activity is included on each agenda for LPC and LPB.

Risk Register

6. The 19 risks are split into six different risk areas. The risk areas are:

- Investment
 - Liability
 - Employer
 - Governance
 - Operational
 - Regulatory
7. 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**.
 8. The current and residual risk scores are tracked on a traffic light system: red (high), amber (medium), green (low).
 9. The latest version of the Fund's risk register was approved by the LPC on the 29 November 2024.
 10. There has been one new risk added, one removed and other changes to existing risks since the previously approved risk register. These changes are highlighted below.
 11. To meet Fund Governance best practice, the risk register has been shared with Internal Audit, who have considered the register and are satisfied with the current position. The LPB considered this report on 5 February 2025 and had no comments.
 12. 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

Removal of Risk 12: If the Pension Fund fails to hold all pensioner data correctly, including Guaranteed Minimum Pension (GMP) data, individual member's annual Pensions Increase results could be wrong.

13. This risk has been removed given its residual risk score was very low at 2. The Pension Section will continue to check HMRC GMP data to identify any discrepancies, and is included in Internal Audit's annual Pensions Increase result test. Checks are further run on a case-by-case basis and results are input into member records at retirement.

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

14. The wording for this risk has been updated following the recent 'Fit for the Future' proposals as part of the consultation. The Fund's response from the Director of Corporate Resources and the Chair of the LPC was included as part of the report presented at the 31 January 2025 LPC meeting. Officers will

continue to monitor the developments of the consultation, and how it may impact on the Fund and report back accordingly.

NEW: Gaps in knowledge, caused by a significant number of Pensions Section staff deciding to retire over the next five years, could emerge if succession planning is not in place.

15. This risk has been added, given the number of staff aged over 55 continues to rise within the Pensions Section (noting that minimum retirement age increases to age 57 from April 2028). Given it takes several years to be fully trained and knowledgeable in all LGPS calculations, there is otherwise a low staff turnover with colleagues generally remaining in the section until retirement. This risks loss of knowledge, and knock on effects related to delays, complains and reputational damage if not managed appropriately.
16. A number of controls are in place to manage this risk including extensive training (internal and external), using the apprentice scheme and monitoring the situation closely.

Recommendation

17. The Local Pension Committee is asked to note the report and approve the revised Pension Fund risk register.

Equality Implications

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

Human Rights Implications

19. 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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