



LOCAL PENSION COMMITTEE – 26 SEPTEMBER 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 Local Pension Board (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 27 June 2025.
10. Officers meet quarterly to discuss the risk register and there has been a handful of changes to three existing risks since the previously approved risk register. These changes are highlighted below, alongside broader discussions on reasoning behind some of the remaining risk scores.
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 the report on 3 September 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

Risk 2: Market Return are acceptable, but the performance achieved by the Fund is below reasonable expectations

13. Updates have been made to the text for the risk cause and further actions to reflect the ongoing risk of implementing the fit for the future recommendations. This risk remains amber and there has been no change to the risk scores at this time given continuing unknowns on potential impact to the Fund which is being closely monitored.

Risk 8: Employer and employee contributions are not paid accurately and on time.

14. Further actions have been updated to reflect the fact that the Pensions Investment Team will escalate any late payers to the Pensions Manager as required. There are no changes to the risk score as a result which remains green.

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

15. The cause of this risk has been updated to reflect the risk which could arise from system or administrative change at the Prudential. As well as updates to the list of current controls following the new contract agreed from 2025 and reflecting the Prudential having attended LPC in June, this has reduced the current risk score to 3 from 9 and changed the risk response to 'tolerate'. The Pensions Manager will continue to work closely with the Prudential to improve administrative processes such as employer data directly to the Prudential via secure link.

Risk 10 Sub-funds of individual employers are not monitored to ensure that there is the correct balance between risks to the Fund and fair treatment of the employer

16. Updates have been made to the list of current controls with previous quarters further actions/additional controls being moved across. As a result, the potential impact to the Fund has been reduced moving the current risk score to 8 from 10. In addition, the further actions now reflect that the Fund will review the security required for employers as needed.

Risk 12 - If the Pensions database system is subjected to a cyber-attack, resulting in the theft of personal data or a period of unavailability, then there may be a breach of the statutory obligations.

17. No changes to the risk score, additional text has been added to reflect that the Fund will undertake a six-monthly review of the Fund's continuity plan.

Risk 14 If transfer out checks are not completed fully there may be bad advice challenges against the Fund.

18. Text has been updated to reflect that the Fund follows Local Government Association and the Pensions Regulator national guidance and checks (e.g. £30k plus transfers require members to take professional advice and completion of required forms). Pension officers will also phone members to discuss requests to transfer out when required. There is no change to any risk score.

Risk 18 Proposed changes to LGPS regulations and guidance requires changes to the Fund's investment, pooling and governance processes.

19. As with risk 2 this is actively monitored in light of 'Fit for the Future' government consultation. While no change to risk scores has been made due to continued

uncertainty, an update to further actions has been made to reflect that careful planning of the Fund's Investment Strategy Statement to take account of member views and Fund beliefs are taken into account in the development of pooling.

Recommendation

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

Equality Implications

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

Human Rights Implications

22. 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

Simone Hines, Assistant Director Finance, Strategic Property and Commissioning

Tel: 0116 305 7066

Email: Simone.Hines@leics.gov.uk

Ian Howe, Pensions Manager

Tel: 0116 305 6945

Email: Ian.Howe@leics.gov.uk