



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

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 26 September 2025.
9. Officers meet quarterly to discuss the risk register and there has been a handful of updates to text on four existing risks since the previously approved risk register and no changes to risk scores. These changes are highlighted below.
10. 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 Local Pension Board considered this report at its last meeting where there were no comments.
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 1: Market investment returns are consistently poor, and this causes significant upward pressure onto employer contribution rates

12. The wording has been updated to reflect as part of further actions that the next review of the strategic asset allocation which acts as a control for this risk will take place in January 2026 which will be brought to Committee for consideration.

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 further actions to reflect consideration as part of the January 2026 strategic asset allocation review which will be used to highlight any areas of concern and whether any additional oversight mechanisms are required following the Government's 'Fit for the Future' proposals.

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

14. This risk has been updated in additional controls to improve knowledge of everybody involved in decision-making and add reference to the oversight process, given Committee will no longer have control of investment implementation decision making. Reference has also been included to the training needs assessment that will take place, which will inform the 2026 training plan, alongside key areas from the Fit for the Future proposals and

any other key areas. The additional controls also recognise that an internal audit of this risk is underway, action will be taken on any recommendation and reported as appropriate.

Risk 18 Proposed changes as a result of Government propositions relating to regulations, guidance in relation to pooling and local government reorganisation/devolution.

15. The wording of this risk has been updated to include the potential risk from local government reorganisation/devolution, alongside Fit for the Future proposals which will impact on the Fund and its pooling provider.
16. The cause has also been updated to reflect a risk from the growth required from LGPS Central, which officers continue to monitor closely.
17. On the [21 November 2025](#), Government launched a consultation to assess whether its proposed statutory instruments will effectively implement the policy measures outlined in its response to the [Local Government Pension Scheme - Fit for the Future](#) consultation. This is a technical consultation with 29 questions and will close on 2 January 2026. Following consideration of the feedback received, the Government intends to finalise the draft regulations and lay them before parliament, with the aim of bringing them into force on 1 April 2026, subject to the timing of the passage of the Pension Schemes Bill.
18. In parallel, the Government is also engaging with guidance working groups to consider stakeholder feedback on draft guidance notes that will accompany the regulations.
19. Given the technical nature of the consultation and the tight timescales, it is proposed that the response is delegated to the Director of Corporate Resources, in consultation with the Chairman of the Local Pension Committee. It is recognised that concerns raised during the earlier Fit for the Future consultation have been previously considered by the Government, therefore any further comments should focus on practical implementation and ensuring that the new regulations do not create any unintended consequences.
20. As both Fit for the Future and reorganisation proposals progress Committee and Board will be kept updated on the implications as they become more tangible.

Oversight of LGPS Central

Joint Committee

21. LGPS Central Joint Committee consists of one elected member from each Council of the 8 Partner Funds, which meets twice per year. The Fund's representative the Chairman of the Local Pension Committee.

22. The role of the Joint Committee is to provide oversight of the delivery of the objectives of the Pool, the delivery of client service, the delivery against the LGPS Central business case and to deal with common investor issues.

23. The last meeting of the Joint Committee took place on 17 October 2025. Where the following items were considered:

- a. A Practitioner Advisory Forum update including its supporting working groups the Investment Working Group and the Internal Working Group noted progress against several areas including with respect to Fit for the Future, the Company's business and budget and ongoing review of pool governance.
 - i. It was noted that cost savings reported were inline with expectations, however the cost savings model, and target would need to be reviewed with new partner funds joining Central. It was queried what other measures of success to drive the Company's performance could be. IT was noted work was ongoing with an external benchmarking organisation to provide more meaningful value for money analysis.
 - ii. Noted the ongoing pool governance review that commenced in June 2025 around shareholder, client and company governance. Officers have considered initial draft reports on the shareholder and client side, with the focus continuing on working collaboratively to determine the appropriate governance changes at this stage in the Pool's development.
- b. A risk and assurance update on the Pool's risk register and the Pool's assurance framework.
 - i. From this it was noted cyber risk is a feature of overall operational risk for the Fund.
 - ii. The risk of stranded assets was raised, however it was recognised that most scenario analysts recognise that fossil fuels will remain in the "energy mix" for some time, and will remain a source of return in the meantime, so the best response to that task is to integrate environmental, social and governance factors into investment processes, rather than making sector-level decisions.
- c. LGPS Central Update which provided highlights of the year and an overview of the LGPS Asset pooling timeline since 2017, with the developments needed over the next 12 months in line with Fit for the Future. The update also included an update on investment performance and responsible investing:
 - i. In response to a query relating to investment fund performance, Central agreed to share further information about Central's approach to monitoring active investment performance,

alongside providing net and gross savings, and performance against targets as well as benchmarks for active and passive funds.

- ii. Local investing was also discussed, and it was noted that defining as a larger geographic area provided the better opportunity for appropriate local investing options achieving an appropriate risk-adjusted return. However, it was noted that there is a risk of a greater number of organisations chasing a potentially limiting set of local investing opportunities. The importance of achieving a required return was noted recognising pressures on Fund's investing locally.

24. The next meeting is scheduled to take place in spring 2026.

Pension Fund Accounts External Audit

25. Leicestershire County Council Corporate Governance Committee met on the 24 November 2025 to consider the external audit of the 2024/25 statement of accounts, including the pension fund accounts that were previously presented to the Local Pension Committee at the September meeting. It was agreed that the Director of Corporate Resources and Chairman of the Corporate Governance Committee be delegated authority to approve and sign the financial statements and letters of representation.

26. The Auditors anticipate issuing an unmodified opinion and note the strong financial sustainability position of the Fund (a funding level of 140% compared to liabilities); that governance arrangements are appropriate and that effective performance management is in place. There are no recommendations in respect of the Pension Fund.

Recommendation

27. The Local Pension Committee is asked to note the report and approve the updated risk register.

28. That the Committee delegate any response to Government's Fit for the Future – technical consultation to the Director of Corporate Resources in consultation with the Chairman of the Local Pension Committee.

Equality Implications

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

Human Rights Implications

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

Environmental Implications and Taskforce for Climate Related Financial Disclosure compliance.

31. The Fund has developed a Net Zero Climate Strategy (NZCS). This outlines the high-level approach the Fund is taking to its view on climate risk. This will align with the Fund's Responsible Investment approach as set out in the Investment Strategy Statement.
32. The risk register includes reference to managing climate risk in line with recommendations from the Taskforce for Climate Related Financial Disclosures.

Background Papers

Corporate Governance Committee 24 November 2025 - External Auditor's Annual Report and External Audit of the 2024/25 Statement of Accounts, Annual Governance Statement and Pension Fund Accounts.

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&MId=7963>

Appendix

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

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