Agenda Item 8

Leicestershire County Council

LOCAL PENSION COMMITTEE – 20 MARCH 2026

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

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

- Investment
- Liability
- Employer
- Governance
- Operational
- Regulatory

4. 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**.

5. The current and residual risk scores are tracked on a traffic light system: red (high), amber (medium), green (low).

6. The latest version of the Fund's risk register was approved by the LPC on the 5 December 2025.

7. There has been one change to risk scores, alongside some changes to the contents of the risk register as highlighted below. Officers have also considered the implications of 'Fit for the Future' and how that will impact on the risk register which has been indicated.

8. 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.

9. The risk register is attached to the report at Appendix A and Risk Scoring Matrix and Criteria at Appendix B.

Fit for the Future Impact

10. It is recognised the proposals linked to 'Fit for the Future' will require a number of changes to the Fund, in relation to pooling and general Fund governance. These risks are largely captured under Risk 18, however, once changes are implemented there will be implications how the Fund considers investment risk. Changes to how the Fund considers these will be somewhat dependent on when the LGPS regulations receive royal assent and also ensuring appropriate agreements and oversight mechanisms are in place. These considerations are also set out within the business plans elsewhere on the agenda.

11. Currently, the Fund mitigates investment risk through thorough appraisal and due diligence before implementation decisions, such as, manager appointments and fund transitions. Going forward, these decisions will sit with LGPS Central. As Central assumes these responsibilities, the Fund must ensure robust oversight through regular officer meetings and updates to LPC and Investment Sub-Committee (ISC). Central has confirmed they do not intend to act unilaterally, and the relationship will remain collaborative and engaged. The LPC will continue to focus on its strategic investment role. Areas of expected change are highlighted in purple within the risk register.

12. A review of the LPC terms of reference and role of the ISC will be undertaken to ensure governance arrangements are clear and aligned to best practice.

Revisions to the Risk Register

Risk 1: Market investment returns are consistently poor, and this causes significant upward pressure onto employer contribution rates

13. This has been updated to reflect the LPC considered the latest Strategic Asset Allocation in January 2026, and will be next due for review in January 2027.

Risk 5: Assets held by the Fund are ultimately insufficient to pay benefits due to individual members

14. This risk has been updated to reflect the 2025 Fund Valuation set out the 140% funding level. As a result, this risk has reduced significantly due to reduction in likelihood. With the risk turning green (from a current risk score of 10 to 5). The risk response has been changed from treat to tolerate as a result.

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.

15. This risk has been updated to reflect that the further action related to developing a monthly tracker for employers that post data to individual member records monthly has been implemented and is included within the list of current controls.

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. An update to the risk has been made to reflect that pressure on employer financial situations are not only contribution rates, but funding challenges they may be facing more broadly. It is intended that a report will be taken to the LPC to include an approach to cessation and exits to mitigate where an individual employer is looking to leave the Fund.

Risk 19: 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.

17. Text has been added to reflect that additional funding is to be secured for two apprentice roles for the Pensions Section.

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

18. Text has been updated to reflect the Fund has responded to all consultation with regard to fit for the future. This risk remains a key pressure recognising the wait for final regulations and guidance, and the time it will take for the Fund to

implement any changes. Current fit for the future developments are detailed below.

Recommendation

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

Equality Implications

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

Human Rights Implications

21. 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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