



LOCAL PENSION COMMITTEE – 3 JULY 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 (LPB) 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 LPC on the 20 March 2026.
9. 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.
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 LPB considered this report at its last meeting in April 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 2: Market returns are acceptable, but the performance achieved by the Fund is below reasonable expectations.

12. This has been updated to reflect that the Fund will not hold investment manager decisions once royal assent is completed on the pensions bill. The Fund will need to continue to engage with LGPS Central (Central) as part of 'fit for the future', mechanisms for oversight will continue to evolve as governance arrangements are reviewed and fed back to LPC as appropriate.

Risk 3: Failure to take account of ALL risks to future investment returns within the setting of asset allocation policy

13. Similarly to risk 2 reference to the appointment of investment managers has been reviewed, however, the LPC still retains its decision-making powers over the strategic asset allocation. An additional action has been included to reference internal audit undertaking a review of a sample of controls over 2026.

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

14. The Committee approved the Funding Strategy in March 2026 which included the cessation and exit values where required, this has reduced the impact of this risk therefore the score has reduced to 6 (green).

Risk 13: If immediate payments are not applied correctly, or there is human error in calculating a pension, scheme members pensions or the one-off payments could be wrong

15. Additional controls have been updated recognising there are no further controls, and it is considered business as usual, however it is still considered important to the Fund therefore will continue to be monitored as part of the risk register.

Risk 15: Failure to identify the death of a pensioner causing an overpayment, or potential fraud or other financial irregularity

16. The current controls have been updating to reflect that contracts are now in place for tracing providers and mortality screening in addition to the National Fraud Initiative Mortality Screening Service.

Risk 16: The resolution of the McCloud case and 2016 Cost Cap challenge could increase administration significantly resulting in difficulties providing the ongoing pensions administration service

17. Additional controls have been updated to reflect the status of the phased review. Phase one covers new in scope retirements and leavers is underway and will continue as scheme members retire. While phase two which focuses on existing in scope pension benefits has begun which will revise and pay any arrears as needed.

Risk 17: The implication of the national dashboard project could increase administration resulting in difficulties providing the ongoing pensions administration service

18. This risk has been updated to reflect that the Fund has either completed, or appropriate contracts in place to allow data linkage with the dashboard. However, the Fund is still awaiting the go live date for the project from Government.

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

19. Text has been updated reflecting the regulatory structure required by Government by the 1 April 2026 had been achieved by the Fund and Central. It is recognised there are a number of pieces of guidance awaited which will need to be considered. In relation to Local Government Reorganisation it is recognised a decision is expected by Government in mid July, following which officers will consider any implications and report back as appropriate.

20. There have been some light touch updates just to update wording in other risks, however no meaningful changes.

Recommendation

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

Equality Implications

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

Human Rights Implications

23. 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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