



Havering
LONDON BOROUGH

LOCAL PENSIONS BOARD

27 February 2024

Subject Heading:

PENSION FUND RISK REGISTER

SLT Lead:

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Resources**

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Policy context:

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Financial summary:

SUMMARY

The Local Pension Board review the current Risk Register at **Appendix A**, which details the potential risks the Fund is exposed to and the controls in place to manage those risks.

RECOMMENDATIONS

The Local Pension Board:

1. Review the process for ongoing monitoring of the Risk Register
2. Recommend any updates to the Risk Register

REPORT DETAIL

1. Background

1.1 Risk management is a key responsibility of those charged with Pension Fund Governance and the need for effective risk management is reflected throughout Local Government Pension Scheme (LGPS) guidance and regulation, including:

- Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (Regulation 12(2) of the Local Government Pension Scheme
- The Pensions Regulator's Code of Practice 14 (which includes a section on internal controls and managing risks).
- The CIPFA Publication Delivering Good Governance in Local Government: Framework (2016 Edition) based upon the CIPFA/SOLACE Code of Corporate Governance and the later version Managing Risk in the Local Government Pension Scheme (2018 Edition).
- Statutory guidance under Regulation 58 of the LGPS Regulations 2013 (Regulation 56 of The Local Government Pension Scheme (Scotland) Regulations 2018).
- Preparing and Maintaining a Funding Strategy Statement in the LGPS, 2016 Edition.
- CIPFA's guidance on Investment Pooling and Governance Principles, published in 2016.

1.2 The effective management of risk is also an area which is covered within the CIPFA Knowledge and Skills framework recognising the importance that those charged with governance have an understanding of the risks that could impact on the Fund and steps taken to mitigate such risks.

1.3 It should be recognised that it may not be possible to eliminate all risks but accepting and actively managing risk is crucial to fulfilling the governance of the Fund.

1.4 The Risk Register is a 'live' document and therefore all risks are reviewed quarterly by the Local Pension Board to ensure that they remain relevant and that appropriate controls are in place to manage risks where feasible. Any recommendations for change are reported to the Pensions Committee annually.

1.5 The Fund uses a matrix to plot risk likelihood and risk impact. 'green' shaded area on the matrix show the risks where there is adequate control. Risks in the 'amber' and 'red' zones are those over which closer control is required.

1.6 The Risk Register was last reported to the Pensions Committee on the 7 November 2023, where the committee:

- a) Approved the updated Pension Fund Risk Register dated September 2023.
- b) Noted a correction in the register under risk 2.2 which should read "with the option to extend to 31 March 2026."
- c) Recommended adding a new risk concerning employer's ability to meet contribution rates as determined by the Actuary in the Valuation Rates and Adjustment certificate due to budget pressures,
- d) Change the cyber risk rating under risk 5.4 to C/2,
- e) Members asked for the matrix of risks to be reviewed and simplified and also for an independent body, such as the Council's Internal Audit team to review the post-mitigation risk assessment scores to ensure they are correct.
- f) Benchmarking be carried out against other boroughs to see how our fund compares in relation to how our risks/ risk assessment compare.

1.7 Actions taken following the 7 November Pensions Committee meeting:

- a) Risk No.2.2 - amended to reflect that the contract, which ended on 31 March 2024, has an option to extend to 31 March 2026
- b) New risk added No. 4.4 - "Employers ability to meet contribution rates determined by the Actuary in the Valuation Rates and Adjustment certificate due to budget pressures"
- c) Risk No 5.4 - Cyber Risk has been changed to C/2 (likely/serious) from D/3 (possible/moderate),
- d) The Risk matrix has been updated to include words along with letters and numbers to easily identify its risk likelihood and risk impact category without having to refer to the key at the top of the document.
- e) The amended version to reflect the above is attached as **Appendix A.**
- f) Benchmarking exercise is currently being undertaken and as part of this exercise we are also comparing how other Funds assess their risk

assessment scores. A verbal update on progress will be provided at the meeting.

IMPLICATIONS AND RISKS

Financial implications and risks:

There are no immediate direct financial consequences arising as a result of this report. However, understanding the risks that are present in the Fund and how they are managed is essential to the overall strategic management of the Fund and the governance role of the Board.

Legal implications and risks:

Ongoing review and monitoring of the Risk Register will enable the Board to meet its responsibilities in securing compliance with the LGPS regulations and other legislation relating to the governance and administration of the LGPS

Human Resources implications and risks:

None arise from this report

Equalities implications and risks:

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have due regard to:

- (i) The need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- (ii) The need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- (iii) Foster good relations between those who have protected characteristics and those who do not.

Note: 'Protected characteristics' are: age, sex, race, disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment/identity.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the

Local Pensions Board, 27 February 2024

Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants.

An EqHIA is not considered necessary regarding this matter as the protected groups are not directly or indirectly affected

BACKGROUND PAPERS

Background Papers List

None