

Report for: Pension Board

Date of Meeting:	28 July 2022
Subject:	Review of Pension Fund Risk Register
Responsible Officer:	Dawn Calvert – Director of Finance and Assurance
Exempt:	No
Wards affected:	None
Enclosures:	Appendix 1 - Risk Score Summary Appendix 2 - Pension Fund Risk Register - Key Risks (Red or Amber rated) Appendix 3 - Pension Fund Risk Register - Lower Risks (Green rated)

Section 1 – Summary and Recommendations

This report sets out the updated Pension Fund Risk Register for the Board to review.

Recommendations:

The Board is requested to consider the updated risk register and comment accordingly.

Section 2 – Report

Background

1. In accordance with best practice the Pension Fund has a risk register which was first considered by the Pension Fund Committee in March 2015. The risk register has since been reviewed regularly, most recently at the Committee's meeting on 9 March 2022. The Pension board reviewed the register at its meeting on 16 December 2021.

2. In reviewing the existing risk register, officers have followed the Council's standard practice and approach to the scoring of each risk (assessing the likelihood and impact on the Pension Fund) – this is set out at Appendix 1, which also indicates which risk numbers are associated with each risk score.
3. The revised presentation of the risks agreed by the Pension fund Committee in November 2020 is retained. This highlights in a single list (Appendix 2) the twelve risks whose scores equate to an "Amber" (8 risks) or "Red" rating (4 risks). It is these risks which are likely to have the biggest impact on the Fund and hence require particularly close attention.
4. Those risks which are considered lower and whose current scores equate to a "green" rating" (24 Risks) are shown in appendix 3. As agreed in November 2020, those risks which are really "business as usual" activity and managed operationally on a day-to-day basis have been removed from the risk register. Those continue to be scored as "likelihood is very low or almost impossible", and "impact is marginal or negligible" (E3, E4 or F3). This action does not preclude any of the items being escalated to the significant risks list should they increase in likelihood or impact in the future.
5. The key risks are unchanged since the last review. However, further mitigations have been identified against some of the key risks shown in Appendix 2.
6. As indicated above, there are no new risks highlighted in appendix 2. Three of the four "red risks" relate to the performance of the Fund's Investments. These, and some of those risks scored amber are linked to the impact of economic and market events which are outside of the Fund's control. Therefore, whilst the Committee puts in place a range of mitigatory measures (for example diversification between asset classes and managers, the engagement of appropriately qualified external professionals to provide investment or actuarial advice, and regular monitoring and review of the fund's investments and liabilities), ultimately these risks cannot be eliminated or managed down to a level where the impact is negligible. Therefore, they have to be tolerated whilst continuing to apply these mitigating measures appropriately.
7. The remaining red risk relates to the Regulatory impact of Court judgements, particularly the McCloud Judgement, which the Committee has previously been made aware of. Work to mitigate this risk by collecting additional historic data from employers continues. At present the Government has still not provided details of how McCloud will be implemented in the LGPS, and until this happens the precise impacts cannot be quantified.

Legal Implications

8. There are no direct legal implications arising from this report.

9. The terms of reference for the Board include assisting the Administering Authority (London Borough of Harrow) as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme.

Financial Implications

10. Whilst the performance and effective controls of the fund managers is of paramount importance in the performance of the Pension Fund, there are no specific financial implications arising from this report.

Risk Management Implications

11. Risk Management is the subject of this report – one of the key governance requirements for the Pension Fund is the appropriate management of risk and maintaining a separate a risk register helps to regulate that process effectively.

Equalities implications / Public Sector Equality Duty

12. Was an Equality Impact Assessment carried out? No
13. There are no direct equalities implications arising from this report.

Council Priorities

14. The performance of the Pension Fund directly affects the level of employer contribution which then, in turn, affects the resources available for the Council's priorities.

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert

Signed by the Chief Financial Officer

Date: 07/07/2022

Statutory Officer: Sharon Clarke

Signed on behalf of the Monitoring Officer

Date: 30/06/2022

Chief Officer: Charlie Stewart

Signed by the Corporate Director

Date: 29/06/2022

Mandatory Checks

Ward Councillors notified: Not applicable

Section 4 - Contact Details and Background Papers

Contact: Jeremy Randall – Interim Pensions Manager

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Telephone 020 8736 6552

Background Papers: None