

## **Report for: Pension Fund Committee**

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<b>Date of Meeting:</b>	23 November 2022
<b>Subject:</b>	Review of Pension Fund Risk Register
<b>Responsible Officer:</b>	Dawn Calvert – Director of Finance and Assurance
<b>Exempt:</b>	No
<b>Wards affected:</b>	None
<b>Enclosures:</b>	<b>Appendix 1</b> - Risk Score Summary <b>Appendix 2</b> - Pension Fund Risk Register - Key Risks (Red or Amber rated) <b>Appendix 3</b> - Pension Fund Risk Register - Lower Risks (Green rated)

### **Section 1 – Summary and Recommendation**

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

#### **Recommendation:**

The Committee 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.

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 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 (5 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. A number of the key risks are unchanged since the last review. However, further mitigations have been identified against some of those risks shown in Appendix 2. In those cases, the changes have been shaded light green for ease of reference.
6. Since the last review, a new red risk has been identified – this relates to the Fund becoming more cash negative from 2022/23 as a result of the likely level of the increase in Pensions payable (this is linked to the Consumer Prices Index - CPI) and a reduction in the employer contributions from April 2023. In the register, the approaches to mitigating this risk by ensuring adequate liquidity in the Fund's investments are set out. These include the development of a long term cash flow model which will inform the Fund's review of its Investment Strategy. Once that work has been completed it is expected that the risk will be reduced, at least to amber. The cash flow position does not at this point impact on the long-term solvency of the Fund – this is addressed in the Triennial Valuation and will be reflected in the Funding Strategy Statement – the draft of which is elsewhere on the agenda for this meeting.
7. As previously reported, 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. They have to be tolerated whilst continuing to apply these mitigating measures appropriately.

8. 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**

9. There are no direct legal implications arising from this report.
10. The Pension Fund Committee has the following powers and duties:
  - i. to exercise on behalf of the Council, all the powers and duties of the Council in relation to its functions as Administering Authority of the LB Harrow Pension Fund (the fund), save for those matters delegated to other Committees of the Council or to an Officer;
  - ii. the determination of applications under the Local Government Superannuation Regulations and the Teachers' Superannuation Regulations;
  - iii. to administer all matters concerning the Council's pension investments in accordance with the law and Council policy;
  - iv. to establish a strategy for the disposition of the pension investment portfolio; and
  - v. to appoint and determine the investment managers' delegation of powers of management of the fund;
  - vi. to determine cases that satisfy the Early Retirement provision under Regulation 26 of the Local Government Pension Scheme Regulations 1997 (as amended), and to exercise discretion under Regulations 8 of the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 (as amended, subject to the conditions now agreed in respect of all staff, excluding Chief Officers;
  - vii. to apply the arrangements set out in (vi) above to Chief Officers where the application has been recommended by the Chief Executive, either on the grounds of redundancy, or in the interests of the efficiency of the service, and where the application was instigated by the Chief Executive in consultation with the leaders of the political groups.

## **Financial Implications**

11. 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**

12. 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**

13. Was an Equality Impact Assessment carried out? No

14. There are no direct equalities implications arising from this report.

## **Section 3 - Statutory Officer Clearance**

**Statutory Officer: Dawn Calvert**

Signed by the Chief Financial Officer

**Date: 10/11/2022**

**Statutory Officer: Sharon Clarke**

Signed on behalf of the Monitoring Officer

**Date: 09/11/2022**

**Chief Officer: Dawn Calvert**

Signed on behalf of the Chief Executive

**Date: 10/11/2022**

## **Mandatory Checks**

**Ward Councillors notified: Not Applicable**

## **Section 4 - Contact Details and Background Papers**

**Contact:** Jeremy Randall – Interim Pensions Manager  
Email: [Jeremy.randall@harrow.gov.uk](mailto:Jeremy.randall@harrow.gov.uk)  
Telephone 020 8736 6552

**Background Papers:** None