

Report for: Pension Board

Date of Meeting:	1 December 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, and will be reviewed by the Pension Fund Committee at its meeting on 23 November 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 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 (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 terms of reference for the Board include the Board's role as set out in the following paragraphs.
11. The role of the Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013, is to assist 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 (LGPS) including:
 - securing compliance with the LGPS regulations and other legislation relating to the governance and administration of the LGPS;
 - securing compliance with requirements imposed in relation to the LGPS by the Pensions Regulator; and
 - such other matters the LGPS regulations may specify.
12. The Administering Authority retains ultimate responsibility for the administration and governance of the scheme. The role of the Board is to support the Administering Authority to fulfil that responsibility.
13. In its role, The Board will have oversight of the administration of the fund including:
 - a. The effectiveness of the decision-making process
 - b. The direction of the Fund and its overall objectives
 - c. The level of transparency in the conduct of the Fund's activities
 - d. The administration of benefits and contributions
14. The Board will provide the Scheme Manager with such information as it requires to ensure that any Member of the Board or person to be appointed to the Board does not have a conflict of interest.
15. The Board will ensure it effectively and efficiently complies with the Code of Practice on the Governance and Administration of Public Service Pension Schemes issued by the Pensions Regulator. It will help to ensure that the Fund is managed in the same way.

16. The Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively.

Financial Implications

17. 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

18. 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

19. Was an Equality Impact Assessment carried out? No

20. 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: 22/11/2022

Statutory Officer: Sharon Clarke

Signed on behalf of the Monitoring Officer

Date: 22/11/2022

Chief Officer: Dawn Calvert

Signed on behalf of the Chief Executive

Date: 22/11/2022

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
Telephone 020 8736 6552

Background Papers: None