

**Report for: Pension Fund  
Committee**

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<b>Date of Meeting:</b>	25 November 2020
<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>	All
<b>Enclosures:</b>	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**

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

### **Recommendations:**

The Committee is requested to

1. consider the updated risk register and comment accordingly
2. approve the revised format set out in appendixes 2 and 3 and described below.

## **Section 2 – Report**

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 been reviewed regularly since 2015, most recently at the Committee's meeting on 27 November 2018. It is therefore appropriate to review the register again.
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. However, the opportunity has been taken to modify the presentation of the risks for the Committee, so that those risks whose scores equate to an "Amber" (9 risks) or "Red" rating (4 risks) are highlighted in a single list (Appendix 2). 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" (49 Risks) are shown in appendix 3. A number of these are really "business as usual" activity and are managed operationally on a day to day basis. They have currently been scored as "likelihood is very low or almost impossible", and "impact is marginal or negligible" (E3, E4 or F3). It is proposed that these risks be accordingly removed from the risk register. The risks are shown with a "strike through" formatting in appendix 3. This action would not preclude any of the items being escalated to the significant risks list should they increase in likelihood or impact in the future.
5. There are two new risks highlighted in appendix 2, as follows:
  - Risk 2 – this is a short-term risk arising from the Government's introduction of the "Public Sector Exit Cap" of £95k. It arises because the legislation (The Restriction of Public Sector Exit Payments Regulations 2020) came into effect on 4 November 2020. For staff in the LGPS, the exit cap calculation includes "strain costs" which arise from early payment of pensions. However, the LGPS Regulations currently provide for early

retirement with unreduced pension (accrued benefits) in cases of redundancy where the member of staff is aged 55 or more. In certain cases, it would not be possible to implement the exit cap regulations without contravening the LGPS Regulations and vice versa. A letter was sent by the Minister for Regional Growth and Local Government was issued to local authority Chief Executives on 28 October 2020, providing guidance that the “Exit payment Regulations 2020 take precedence”. However, the LGPS Scheme Advisory Board and the London Boroughs’ Legal Alliance have separately received legal advice on this matter, and both organisations’ QC’s have advised that this guidance does not override the requirements of the LGPS Regulations. The Government has consulted on revised LGPS regulations, and has indicated that these are being drafted with the intention that they will be enacted by the “end of the year or early in the new year”, but until these are enacted the risk remains.

- Risk 13 – this relates to the recent court judgement known as the “McCloud case”. The courts found that the transitional arrangements put in place to ease the LGPS transition from the final salary scheme to the post 2014 career average scheme for people who were within 10 years of their “normal retirement date” contravene Equalities legislation as they are “age discriminatory”. Following the judgement, draft updates to the LGPS Regulations have been published. Clearly, the judgement will have significant impacts on the workloads of administration teams, and the necessary software changes will have to be developed. Once these are in place, and we have greater clarity over the timescale for clearing this work, an appropriate resourcing plan will be implemented.
6. In addition to the two “new risks”, one risk previously scored green has been escalated to the “key risks” list (Appendix 2). This risk relates to the fact that knowledge is concentrated in a small number of individual staff members. This is inevitable with a small team, and while it is possible to mitigate the impact to some extent by having procedures properly documented and a sharing of knowledge and some succession planning, the recruitment challenges experienced following the departure of the former Treasury and Pensions Manager in 2020 highlight that this risk cannot be eliminated.
  7. The remaining risks in Appendix 1 are ones whose scores remain unchanged. Two of the red risks (numbers 9, and 11) and a number of those 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 the risks cannot be eliminated or managed down to a level where the impact is negligible, and therefore they have to be tolerated whilst continuing to apply these mitigating measures.

## **Legal Implications**

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

## **Financial Implications**

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

## **Risk Management Implications**

10. Risk Management is the subject of this report.

## **Equalities implications / Public Sector Equality Duty**

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

## **Council Priorities**

12. 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: 12 November 2020**

**Statutory Officer: Chris Cuckney**

on behalf of the Monitoring Officer

**Date: 11 November 2020**

**Statutory Officer: Charlie Stewart**

Signed by the Corporate Director

**Date: 16 November 2020**

## **Mandatory Checks**

**Ward Councillors notified: NO**

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

**Contact:** Jeremy Randall – Interim Pensions Consultant

Email: [Jeremy.randall@harrow.gov.uk](mailto:Jeremy.randall@harrow.gov.uk)

**Background Papers:** None