

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

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<b>Date of Meeting:</b>	24 June 2021
<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>	List Ward(s) affected by decision. <b>NONE</b>
<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 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 25 November 2020.

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 (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 at the last meeting, 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. Since the last review, one risk (risk G2 in appendix 3) – the conflict between the LGPS Regulations and the "Public sector Exit Cap" – has been downgraded following the Government's decision to repeal the Regulations it introduced in October 2020, which removed the risk. However it should be noted that the Government plans to bring in new arrangements to limit "exit payments" later in 2021.
6. 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 also 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 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.
7. The remaining red risk relates to the Regulatory impact of Court judgements, in particular, the McCloud Judgement, which the Committee has previously been made aware of. Work to mitigate this risk by collecting additional historic data from employers. At present the Government has 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.

## **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 specific financial implications arising from this report.

## **Risk Management Implications**

10. 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**

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

## **Council Priorities**

13. 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: 04/062021**

**Statutory Officer: Caroline Eccles**

Signed on behalf of the Monitoring Officer

**Date: 08/06/2021**

**Chief Officer: Charlie Stewart**

Signed by the Corporate Director

**Date: 04/06/2021**

## **Mandatory Checks**

**Ward Councillors notified: NOT APPLICABLE**

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

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

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**Background Papers:** None