



**Report for: Pension Fund
Committee**

Date of Meeting:	31 July 2023
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 Recommendation

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 23 November 2022. The Pension Board will be considering the Risk Register on 12 July 2023 and their comments will be reported to the Committee.
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.
6. At the last review, a new red risk was identified – this relates to the Fund becoming more cash negative from 2022/23 as a result 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. The actuary has developed a long-term cash flow model which is being used to inform the Fund's review of its Investment Strategy which is currently in progress. 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 was reflected in the Funding Strategy Statement approved by the Committee at its meeting on 29 March 2023.

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;

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.

Council Priorities

15. 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: 11 July 2023

Statutory Officer: Sharon Clarke

Signed on behalf of the Monitoring Officer

Date: 4 July 2023

Chief Officer: Dawn Calvert

Signed on behalf of the Chief Executive

Date: 11 July 2023

Mandatory Checks

Ward Councillors notified: Not Applicable

Section 4 - Contact Details and Background Papers

Contact: Bola Tobun – Treasury and Pensions Manager
Email: bola.Tobun@harrow.gov.uk
Telephone 020 8420 9264

Background Papers: None