



Pension Board

Draft Risk Register 2020/21

Date: 20 October 2020

Key decision: No.

Class: Part 1.

Ward(s) affected: None specifically

Contributors: Director of Corporate Resources

Outline:

This paper presents the revised draft risk register for 2020/21 for feedback and comment by the Board.

Recommendation:

The Board is asked to:

1. Review and feedback on the draft 2020/21 risk register as appended to this report.

Timeline of engagement and decision-making

- Meeting of the Pension Board - 23 October 2018 – risk register first presented to the Board.
- Meeting of the Pension Board - 2 May 2019 – Aon compliance review identified the risk register as non-compliant with the Pension Regulator's Code of Practice. Action Plan drafted to review and update the register, to incorporate the recommendations of the review, for Q1 2020.

REASONS FOR URGENCY AND LATENESS

Lateness: This report was not available for the original dispatch due to staff resourcing issues.

Urgency: The Risk Register is a key Fund document and was designated as non-compliant when independently reviewed in April 2019. Originally scheduled to be revised and brought back to the Board in January 2020, it is essential that the Board now has an opportunity to review the updated

register so that it can be formally approved by the Pensions Investment Committee and become a standing item on the Board agenda going forward.

Where a report is received less than 5 clear days before the date of the meeting at which the matter is being considered, then under the Local Government Act 1972 Section 100(b),(4) the Chair of the Committee can take the matter as a matter of urgency if he is satisfied that there are special circumstances requiring it to be treated as a matter of urgency. These special circumstances have to be specified in the minutes of the meeting.

1. Summary

- 1.1. This report presents the revised and updated draft risk register as at October 2020 for Board members to review and provide feedback. It has been comprehensively redrafted following the results of the Aon compliance review undertaken in April 2019 and, once formally adopted by the Pensions Investment Committee, will be presented to the Board at every meeting to review progress against target risk scores.

2. Recommendations

- 2.1. The Board is recommended to:
 - 2.1.1. Review and feedback on the draft 2020/21 risk register as appended to this report.

3. Policy Context

- 3.1. The overriding policy context for the Pension Board are the pension regulations and legislation that governs the Local Government Pension Scheme (LGPS) and the guidance on the creation and operation of local pension boards issued by the LGPS Scheme Advisory Board.

4. Background

- 4.1. Pension Board members must be conversant with the scheme rules and documented administration policies currently in force for the scheme, as per The Pension Regulator's Code of Practice. 'Risk assessments/management and risk register policies for the scheme' is an area considered by the regulator as particularly pertinent and one in which Board members should be particularly conversant.
- 4.2. The Fund's risk register sets out the nature of the individual risks to the Fund, with an assessment of the level of risk, the controls and procedures in place to mitigate those risks, and a target level of risk. It is the responsibility of the Pensions Investment Committee (PIC) to review the register periodically to ensure risks are updated and the relevant mitigations in place are adequate. The Pensions Board can add value by carrying out additional reviews, either considering a separate area of the register at each meeting, looking at new risks as they arise, or focusing on the highest scoring risks.

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5. Risk Register

- 5.1. The draft 2020/21 risk register as at October 2020 is attached at Appendix 1; its design is based on a template provided by The Pensions Regulator and incorporates six categories of risk in line with CIPFA guidance “Managing Risk in the Local Government Pension Scheme”. It is a live document to be updated and amended as necessary by officers, to be taken to PIC annually for approval and to Pension Board as a standing item on each meeting’s agenda. Risk ratings fall into four categories:

RISK CATEGORY/ SCORE	HOW THE RISK SHOULD BE MANAGED	NUMBER OF RISKS
Red (16-25)	Immediate action required; senior management involved.	1
Amber/Red (10-15)	Bring to the attention of senior management and specify responsibility.	10
Amber/Green (5-9)	Manage by specific monitoring or response procedures.	15
Green (1-4)	Manage by routine procedures, unlikely to require specific or significant application of resources to remedy.	10

- 5.2. In the current register, one risk has been identified as requiring immediate attention, specifically relating to regulatory risk (LI 07) and the Fund’s response to the upcoming challenges in implementing the outcomes of the McCloud and Godwin judgements, as well as changes to the exit payment cap.
- 5.3. Existing controls against all risks have been identified in the register, as well additional risk mitigating processes that could be implemented to potentially improve controls. The target scores are an estimation of the measure of acceptable risk given the controls in place, and at each future review of the register a previous score and direction of travel will be assigned to each risk to measure changes either to the risks themselves or the controls that have been put in place.

6. Financial implications

- 6.1. There are no direct financial implications arising from this report.

7. Legal implications

- 7.1. The London Borough of Lewisham Pension Fund is governed by the Public Service Pensions Act 2013 and administered in accordance with the Local Government Pension Scheme Regulations 2013 and other secondary legislation (together the “Regulations”). Section 5 of the Public Service Pensions Act 2013 and Regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended) makes provision for the establishment of a Pension Board, with responsibility for assisting the scheme manager in relation to:
- Securing compliance with the scheme regulations and other legislation relating

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to the governance and administration of the scheme and any statutory pension scheme that is connected with it;

- Securing compliance with requirements imposed in relation to the scheme and any connected scheme by the Pensions Regulator; and
- Such other matters as the scheme regulations may specify.

7.2. Members must comply with the requirements of the relevant legislation in fulfilling their roles on the Board.

8. Equalities implications

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

9. Climate change and environmental implications

9.1. There are no direct climate or environmental implications arising from this report.

10. Crime and disorder implications

10.1. There are no direct crime and disorder implications arising from this report.

11. Health and wellbeing implications

11.1. There are no direct health and wellbeing implications arising from this report.

12. Background papers

12.1. The following paper is appended to this report:

- *Lewisham Pension Fund Risk Register 2020/21*

13. Report author and contact

13.1. David Austin, Director of Corporate Resources.

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