

Pensions Board 29 January 2020

Pensions Committee 11 March 2020

Report title: Lambeth Pension Fund – Risk Register

Wards: All

Portfolio: Cabinet Member for Finance and Performance - Councillor Andrew Wilson

Report Authorised by: Strategic Director, Finance and Investment – Fiona McDermott

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Report summary

This report provides the board with details of the arrangements in place to manage risk within the Lambeth Pension Fund as shown in the Risk Register (Appendix 1).

Finance summary

There are no direct financial implications in agreeing this report outside of the on-going administration and governance of the pension fund.

Recommendations

Pensions Board

1. To note and review the Lambeth Pension Fund Risk Register and the additional actions proposed to mitigate risk.
2. To recommend any possible amendments to the Pensions Committee.

Pensions Committee

1. To note and review the Lambeth Pension Fund Risk Register and the additional actions proposed to mitigate risk.

1 CONTEXT

1.1 Effective risk management is an essential part of any governance framework as it identifies risks and the actions required to mitigate their potential impact. For a pension fund, those risks will come from a range of sources including:

- the funding position;
- investment performance;
- membership changes;
- benefits administration;
- costs;
- communications; and,
- financial systems.

1.2 The risks that have been identified are incorporated into the Fund's Risk Register.

1.3 The Pensions Board will monitor the Risk Register as part of its scrutiny role in relation to risk and compliance and forward any specific recommendations or concerns to the Pensions Committee. However, the Pensions Committee is the ultimate risk owner for the Lambeth Pension Fund and therefore an updated Risk Register is brought to the Committee on an annual basis.

2 PROPOSALS AND REASONS

2.1 The updated Risk Register, which is in line with the Corporate Risk Register format, is attached at Appendix 1 to this report.

2.2 Risks are assessed in terms of the potential impact of the risk event should it occur, and in terms of the likelihood of it occurring. These are then multiplied to produce an overall risk score which are then used to prioritise the risk rating at high, medium or low.

L I K E L I H O O D	THREAT	I M P A C T			
		Minor (1)	Significant (2)	Serious (4)	Major (8)
Very Likely (4)	4	8	16	32	
Likely (3)	3	6	12	24	
Unlikely (2)	2	4	8	16	
Very Unlikely (1)	1	2	4	8	

L I K E L I H O O D	OPPORTUNITY	I M P A C T			
		Minor (1)	Significant (2)	Serious (4)	Major (8)
Very Likely (4)	4	8	16	32	
Likely (3)	3	6	12	24	
Unlikely (2)	2	4	8	16	
Very Unlikely (1)	1	2	4	8	

2.3 There are no red rated risks and four amber rated risks. The four risks are summarised below and the mitigations are set out within Appendix 1:

- PA9 - Incorrect, failed or late employee/employer contributions payments received. Current rating is 6 and the target rating is 4.
- PA24 - Remedies relating to the McCloud judgement that need to be made in relation to the LGPS – Court of Appeal ruling that the transitional protections awarded to some scheme members were unlawful on the grounds of age discrimination and could not be justified. The current rating is 6 and the target rating is 2.
- PA25 - Guaranteed Minimum Pension (GMP) equalisation – High court ruling determination that UK defined pension schemes must compensate members for differences attributable to GMP. The current rating is 6 and the target rating is 2.
- PA26 - GMP Reconciliation – Impact of the potential adjustments to be made to members' pensions as a result of the GMP reconciliation exercise. Current rating is 6 and target rating is 2.

2.4 Further risks are likely to arise from changes in legislation and regulations or from future decisions taken by the Pensions Committee. Where such new risks arise, they will be added to the risk register, assessed, and mitigation actions identified.

2.5 The Risk Register is therefore reviewed and updated on an ongoing basis. Since the last Pension Board meeting the following changes to the Risk Register have been made.

Reference Number	Previous Rating	Current Rating	Reason for change
PA17 Actuarial Valuation – Impact of increases to employer contributions	6	4	Results of Actuarial Valuation indicate no significant adverse impact. Draft Funding Strategy Statement issued to employers for comment and Employer Forum arranged for 14 January 2020.
PA26 GMP Reconciliation – Impact of the potential adjustments to be made to members' pensions	NA	6	New Risk. Outcome of the reconciliation exercise anticipated early/mid 2020. Early signs indicate no material impact to the pension fund however pensioner members potentially identified as being in receipt of overpaid pensions will be adversely affected. There is also the potential that the resources within the pensions team will be stretched during the rectification process.

3 FINANCE

3.1 There were no financial implications in relation to the items mentioned in this report.

4 LEGAL AND DEMOCRACY

- 4.1 The Lambeth Pension Fund is run in accordance with the Local Government Pension Scheme Regulations 2013 enacted along with other Regulations under the Superannuation Act 1972 and the Public Service Pension Act 2013 and is for the benefit of Council employees and outside organisations, which have entered into an agreement with Lambeth to provide pensions for their staff.
- 4.2 The Pension Committee must be mindful of their fiduciary duty to obtain the best possible financial return on the investments it administers within the investment strategy framework.
- 4.3 There were no additional comments from Democratic Services.

5 CONSULTATION AND CO-PRODUCTION

- 5.1 Consultation with appropriate officers of the Council to establish the current risks has been undertaken. The risk register is also presented at the Pensions Committee.

6 RISK MANAGEMENT

- 6.1 The recommendations contained within the risk register are intended to mitigate financial and reputational risk where possible.

7 EQUALITIES IMPACT ASSESSMENT

- 7.1 None.

8 COMMUNITY SAFETY

- 8.1 None.

9 ORGANISATIONAL IMPLICATIONS

9.1 Environmental

None for the purpose of this report.

9.2 Staffing and accommodation

None for the purpose of this report.

9.3 Procurement

None for the purpose of this report.

9.4 Health

None for the purpose of this report.

10 TIMETABLE FOR IMPLEMENTATION

- 10.1 Not applicable.

Audit trail				
Consultation				
Name/Position	Lambeth directorate/ division or partner	Date Sent	Date Received	Comments in para:
Councillor Andrew Wilson Cabinet Member	Cabinet Member for Finance and Performance	08.01.2020	17.01.2020	
Fiona McDermott Strategic Director	Finance and Investment	08.01.2020	10.01.2020	
Christina Thompson Director of Finance and Property	Finance and Investment/Finance and Property	08.01.2020	17.01.2020	
Hamant Bharadia, Assistant Director of Finance and Property	Finance and Investment / Finance and Property	08.01.2020	14.01.2020	
Andrew Pavlou, Legal Services	Legal and Governance	08.01.2020	09.01.2020	
David Rose, Democratic Services	Legal and Governance	08.01.2020		

Report history	
Original discussion with Cabinet Member	N/A
Report deadline	16.01.2020
Date final report sent	17.01.2020
Part II Exempt from Disclosure/confidential accompanying report?	N/A
Key decision report	No
Date first appeared on forward plan	N/A
Key decision reasons	N/A
Background information	N/A
Appendices	Appendix 1 – Lambeth Pension Fund Risk Register