

PENSIONS COMMITTEE 24 MARCH 2021

PENSIONS BOARD 14 APRIL 2021

Report title: Lambeth Pension Fund – Risk Register

Wards: All

Portfolio: Cabinet Member for Finance and Performance: Councillor Andy Wilson

Report Authorised by: Fiona McDermott: Strategic Director for Finance and Investment

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REPORT SUMMARY

This report provides the Board with details of the arrangements in place to manage the risks within the Lambeth Pension Fund as set out 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 Committee

1. To note and review the Lambeth Pension Fund Risk Register and the additional actions proposed to mitigate risk.
2. To consider the recommendations submitted by the Board.

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.

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 at least once a year

2 PROPOSALS AND REASONS

2.1 The updated Risk Register, which is in line with Lambeth Council's Corporate Risk Register format, is attached in Appendix One.

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

- PA9 – Incorrect, failed, or late receipt of employee/employer contribution payments. Current rating is 6 and the target rating is 4. The situation regarding ML Community’s contribution arrears is nearing resolution; however, the PLT arrears remain outstanding.
- 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. It is the government’s intention for legislation to be in place by April 2022 and therefore the risk status is unlikely to change for some time.
- 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. HMT announced in their consultation that the final GMP conversion remedy for public service pensions is unlikely to be implemented until April 2024 at the earliest. Therefore, the risk status is unlikely to change for some time.
- PA26 – GMP Reconciliation & Rectification – 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. A final report detailing the adjustments is due to be issued in early 2021 so the rating could potentially change at that point.

2.4 The Risk Register is reviewed regularly to ensure that any new and emerging risks are identified and captured on the risk, together with appropriate mitigations and managements. Since the last Pension Board meeting on 13 January 2021, the following change to the Risk Register rating has been made.

Reference Number	Previous Rating	Current Rating	Reason for change
PA30 Exit Pay Reform	6	NA	The treasury recently laid before Parliament the necessary statutory instrument which revokes the exit pay regulations. No remedies are necessary as the exit cap did not apply to any Lambeth Pension Fund members who retired between 4 November to date.

PA21 Insufficient attention to social, ethical & environmental risks	1	4	Further to the Pension Board recommendation to the Pension Committee to increase the risk rating.
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3 FINANCE

3.1 There are no financial implications arising from the recommendations of 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 are 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 for the purposes of this report.

8 COMMUNITY SAFETY

8.1 None for the purposes of this report.

9 ORGANISATIONAL IMPLICATIONS

Environmental

9.1 None for the purposes of this report.

Health

9.2 None for the purposes of this report.

Corporate Parenting

9.3 None for the purposes of this report.

Staffing and accommodation

9.4 None for the purposes of this report.

Responsible Procurement

9.5 None for the purposes 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	Finance and Performance	04.03.2021	05.03.2021	None
Fiona McDermott, Strategic Director	Finance and Investment	03.03.2021	04.03.2021	None
Christina Thompson, Director of Finance	Finance and Investment/ Finance and Property	03.03.2021	04.03.2021	None
Hamant Bharadia, Assistant Director of Finance	Finance and Investment/ Finance and Property	03.03.2021	03.03.2021	None
Andrew Pavlou, Legal Services	Legal and Democratic Services	03.03.2021	04.03.2021	None
Marianna Ritchie, Democratic Services	Legal and Democratic Services	03.03.2021	04.03.2021	None

REPORT HISTORY	
Original discussion with Cabinet Member	N/A
Report deadline	3 March 2021
Date final report sent	11 March 2021
Part II Exempt from Disclosure/confidential accompanying report?	No
Key decision report	No
Date first appeared on forward plan	N/A
Key decision reasons	N/A
Background information	N/A
Appendices	<ul style="list-style-type: none"> Appendix One – Lambeth Pension Fund Risk Register