

PENSIONS COMMITTEE 06 OCTOBER 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 Committee with details of the arrangements in place to manage the risks within the Lambeth Pension Fund as set out in the Risk Register (Appendix One).

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.

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.

| LIKELIHOOD | 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 | |

2.3 There are no red rated risks and three amber rated risks. The three 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.
- PA26 – Guaranteed Minimum Pension (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. The adjustments were recently uploaded onto the pensions system and affected pensioners are currently being notified of the under/overpayment of their pension which may result in a number of member complaints.

2.4 The Risk Register is reviewed regularly to ensure that any new and emerging risks are identified and captured on the risk register, together with appropriate mitigations and managements. Since the risk register was last presented to the Pensions Committee meeting on 24 March 2021, the following changes to the Risk Register ratings have been made.

| Reference Number | Previous Rating | Current Rating | Reason for change |
|---|-----------------|----------------|---|
| PA 21 Insufficient attention to ESG risks | 1 | 4 | Further to the Pension Board recommendation to the Pension Committee to increase the risk rating. |
| PA25 GMP Equalisation | 6 | 2 | Central government has dropped GMP conversion for public sector organisations in favour for full indexation, which is a current business as usual process. |
| PA30 Increase in employer liabilities | NA | 4 | New Risk - Employer failure with insufficient or no form of guarantee or security. All new employer bodies need to have a suitable guarantee/covenant in place as part of being admitted into the Lambeth Pension Fund. |

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 every meeting of the Pensions Board.

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 | 20.09.2021 | 23.09.2021 | |
| Fiona McDermott, Strategic Director | Finance and Investment | 20.09.2021 | 23.09.2021 | |
| Christina Thompson, Director of Finance | Finance and Investment/ Finance and Property | 20.09.2021 | 20.09.2021 | |
| Hamant Bharadia, Assistant Director of Finance | Finance and Investment/ Finance and Property | 20.09.2021 | 23.09.2021 | |
| Andrew Pavlou, Legal Services | Legal and Democratic Services | 20.09.2021 | 21.09.2021 | |
| Marianna Ritchie, Democratic Services | Legal and Democratic Services | 20.09.2021 | 21.09.2021 | |

| REPORT HISTORY | |
|---|---|
| Original discussion with Cabinet Member | N/A |
| Report deadline | 15 September 2021 |
| Date final report sent | 23 September 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 |

