



Pension Fund Committee

10 November 2022

Title	Risk Management Review
Report of	Executive Director of Strategy and Resources (S151 officer)
Wards	N/A
Status	Public
Urgent	No
Key	No
Enclosures	Appendix A – Pensions Administration Risk Register: November 2022 Appendix B – Non-Administration Risk Register: November 2022
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Summary	
The Pensions Fund risk register details the risks associated with the management of the scheme, including current assessment and planned actions and targets.	

Recommendations

The Pension Fund Committee is invited to review the completeness of the risks identified and whether additional mitigating actions should be considered. The Committee is also invited to agree to the recommendation of a more fundamental review of the non-administration risk register following the 31 March 2022 valuation (as set out in paragraph 1.5.9).

1. WHY THIS REPORT IS NEEDED

- 1.1 It is important that the Council maintain the Pension Fund Risk Register to help protect employers and scheme members of the LGPS.
- 1.2 The most recent Pensions Administration Risk Register can be found in Appendix A, with non-Administration risks at Appendix B. An update on several risks where there have been recent updates are discussed below.
- 1.3 Administration risks are measured against impact on scheme members, breaches of regulations and reputational risk. Although an administration failure may have minimal financial impact on the fund if it leads to a breach of regulations, incorrect payments to members or poor data that will impact on future service levels it can be rated as high.
- 1.4 Investment and funding risks are looked at in monetary terms e.g. changes in fund value or increases in required contribution from employers.

Administration Risks

- 1.5.1 **PB002** – West Yorkshire Pension Fund (WYPF) provided Hymans Robertson with data to complete the 2022 triennial valuation in July 2022. Following a review of the data, and subsequently a small number of corrections, Hymans confirmed that the data was of sufficient quality for them to start work on the valuation.

However, work continues by WYPF to correct an update other missing data, and as such, the risk score remains at 10 (as in the previous update to the Committee).

- 1.5.2 **PB005** – New Admitted Bodies are now asked to commence paying contributions (at a notional rate) before the Admission Agreement has been signed.

This ensures that the Fund receives money from the employer whilst the Admission Agreement is finalised. Any adjustments to the amount paid are made when the contribution rate is known.

The risk score remains at 4 (which is the same as the score when the register was previously reviewed by the Committee).

- 1.5.3 **PB010** – The LBB Pensions Team now have access to a Hymans modeller, which allows the Team to calculate the employer's contribution rate, thus speeding up the admission process.

The risk score remains at 10 (which is the same as the score when the register was previously reviewed by the Committee).

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- 1.5.4 **PB011** – The risk score has reduced from 10 (from the last review by the Committee) to 4, as WYPF being part of a local authority, will not go out of business.

If they decide to cease providing third party admin services, this will likely be over a reasonable period. This will enable the LBB Pensions Team enough time to find an alternative provider. This can be done by using the National LGPS Framework.

- 1.5.5 **PB013** – The risk score has reduced from 8 (at the last review by the Committee) to 4, as Officers feel the likelihood of “negative media exposure and member experience” has reduced following the appointment of WYPF and the experiences with them over the last two years.

- 1.5.6 **PB015** - WYPF have provided to the LBB Pensions Team with a copy of their recent Cyber Security review which shows that WYPF have sufficient controls in place to minimise the risk of a cyber-incident occurring.

As a result, the risk score has reduced to 5 (from 10 on the last report to the Committee).

- 1.5.7 **PB017** – This is a new risk identified since the last Committee review of the administration risk register. This risk details how the changes in pensions legislation will have an effect on the Barnet Fund and members’ benefits.

The LBB Pensions Team, along with WYPF and Hymans Robertson monitor and review updates to pensions legislation to determine the impact on members benefits.

This ensures that proactive steps are taken when legislation changes, and appropriate communications are provided to members.

The risk score is set as 8.

Non-Administration Risks

- 1.5.8 Risks have been updated to reflect the forthcoming investment review in 2023 and LOLA training programme.

- 1.5.9 Officers recommend a more fundamental review of the non-administration risk register following the 31 March 2022 valuation to reflect:

- Outcome of 31 March 2022 actuarial valuation
- Fundamental shift in economic environment (e.g. inflation / interest rates
- Outcome of RI day
- Considerations around covenant visibility and maturation of obligations for some employers

- 1.5.10 The review will also be an opportunity to consider how the document can be more useful to Officers and Pension Fund Committee members from an operational perspective.

2. REASONS FOR RECOMMENDATIONS

- 2.1.1 Management of risk is critical to avoiding unfavourable outcomes.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 The methods in which the risks are to be managed and mitigated are set out above and in the attached appendices. If the risks were not managed, this could lead to major implications to the Fund in terms of financial and reputational loss.

4. POST DECISION IMPLEMENTATION

- 4.1 It is intended that the Committee are satisfied that Officers are satisfactorily identifying and managing the risk associated with the Fund.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 Good risk management of the Pension Fund will ensure that risk and issues affecting the Fund are controlled and mitigated will have minimal reputational and financial damage to the Council. This means that the Council can be focused on its priorities as set out in the Council's Corporate Plan for 2019-2024.

The current corporate plan (Barnet Plan 2021-2025) was adopted in March 2021. Following the May 2022 elections, the council now has a new administration and a new corporate plan, consistent with the new administration's priorities will be brought forward shortly

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

- 5.2.1 Risks that are not mitigated or managed can have a financial penalty to the Fund.

5.3 Social Value

- 5.3.1 Not applicable in the context of this report.

5.4 Legal and Constitutional References

- 5.4.1 The Council's Constitution – Article 7 – includes within the responsibilities of the Pension Fund Committee to consider approval and act in accordance with statutory Pension Fund documents.

5.4.2 Risk Management is a tool that can assist the Committee in fulfilling these responsibilities.

5.5 Risk Management

5.5.1 Risk management is central to the LGPS. LGPS pension funds are in themselves risk management tools, managing the risk that future employer income streams will be able to meet future pensions liabilities by creating a reserve from which future liabilities will be met. Good governance is essential to managing the risks of the pension fund.

5.6 Equalities and Diversity

5.6.1 Pursuant to the Equality Act 2010, the Council is under an obligation to have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and fostering good relations between persons who share a relevant 'protected characteristic' and persons who do not share it. The 'protected characteristics' are: age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation. The Council also has regard to the additional protected characteristic of marriage and civil partnership even though this does not apply to the public sector equality duty.

5.6.2 The rules governing admission to and participation in the Pension Fund are in keeping with the public sector equality duty. The Public Sector Equality Duty requires public authorities in carrying out their functions, to have due regard to the need to achieve the objectives set out under s149 of the Equality Act 2010. Good governance arrangements will benefit everyone who contributes to the fund.

5.7 Corporate Parenting

5.7.1 Not applicable in the context of this report.

5.8 Consultation and Engagement

5.8.1 Not applicable.

5.9 Insight

5.9.1 Not applicable

6 ENVIRONMENTAL IMPACT

6.1 None

7. BACKGROUND PAPERS

7.1 None