

Non-Executive Report of the: Pension Board 13 October 2020	 TOWER HAMLETS
Report of Corporate Director, Resources	Classification: Open (Unrestricted)
Quarterly Review of Risk Register	

Originating Officer(s)	Miriam Adams
Wards affected	All

Executive Summary

The Board reviewed the new Risk Register in March 2020. This report updates the Board on changes to the Fund’s Risk Register (see Appendix) since July.

Recommendations:

The Pensions Board is recommended to:

1. Note and comment on the Pension Fund Risk Register; and
2. Note amendments to existing risks.

1. **REASONS FOR THE DECISIONS**

- 1.1 Risk management is the practice of identifying, analysing and controlling in the most effective manner all threats to the achievement of the strategic objectives and operational activities of the London Borough of Tower Hamlets Pension Fund (“the Fund”). A certain level of risk is inevitable in achieving the Fund objectives, but it must be controlled.
- 1.2 A reconfiguration and review of the Risk Register took place in January 2020 to make it a more dynamic document. Risks were re-categorised and changed. Members of the Board requested that broad sections of the Risk Register are presented on a quarterly basis. Under this reconfigured version, the identification of risk is more evidence based.
- 1.3 Tower Hamlets Council, as the Fund administering authority recognises that effective risk management is an essential part of good governance in the LGPS.

2. ALTERNATIVE OPTIONS

- 2.1 There is no alternative option to the Risk Register. Not setting a policy in respect of risk management for the Pension Fund potentially exposes the Fund and the Council to action by The Pensions Regulator.
- 2.2 The aim of the Risk Register is to ensure that the Pensions Committee and Pensions Board (and other stakeholders) can easily see the risks that the Fund is exposed to, the likelihood and possible impact of these risks, what action is being taken to manage/mitigate them, and how these risks are moving over time.

3. DETAILS OF THE REPORT

- 3.1 The risk register is a tool to effectively identify, prioritise, manage and monitor risks associated with the Tower Hamlets Pension Fund. It assists the Fund by identifying managed and unmanaged risks, providing a systematic approach for managing risks, implementing effective and efficient control, identifying responsibilities, identifying risks at the planning stage and monitoring the risks helping the Fund to achieve its objectives.
- 3.2 Pensions Regulator Code of Practice 14 – Governance and administration of Public service pension scheme requires the scheme manager of a public Service pension scheme to establish and operate internal controls. These must be adequate for the purpose of securing that the scheme is administered and managed in accordance with the scheme rules and in accordance with the requirements of the law.
- 3.3 The Regulator also recommends that the scheme manager should take a holistic view to risks and understand how they are connected. The full risk register (Appendix A) is a standing agenda item at each Board meeting. This allows for constructive oversight and challenge, along with a clear process to act on feedback provided.

4. REVISIONS TO THE RISK REGISTER

- 4.1 Three new risks FI 10 and AG9 were added to the register during the June quarter in relation to covid-19. The onset of covid-19 placed significant pressures on both employers in the Fund and the Pension Administration Service. The scheme was exposed to the likelihood of Cyber Scams and Data Protection risks as staff migrated to remote working.
- 4.2 Status for Governance risk G1 has been updated as red due to expected complexity of McCloud and reliance on good data as well as the ability of the Fund to obtain data from employers who have left the scheme.
- 4.3 In line with the complexities surrounding McCloud, the impact of Funding & Investment risk F11 was revised to moderate from minor.

4.4 Risk FI 11 has been included to ensure the Fund monitors the impact of the cost of implementing the McCloud judgement while AG8 monitors the inability to meet Guaranteed Minimum Pension (GMP) reconciliation deadlines.

4.5 Target date for risk FI6 has been extended to 2023 as the Fund recognises that the London CIV pool may not in the short to medium term meet the requirements of the Fund.

5. COMMENTS OF THE CHIEF FINANCE OFFICER

6.1 There are no direct financial implications arising as a result of this report. Regular monitoring minimises the chance of financial and reputational loss occurring.

6. COMMENTS OF LEGAL SERVICES

6.1 Section 249B of the Pensions Act 2004 requires the administering authority to manage risk by establishing and operating internal controls which are adequate for the purpose of securing that the scheme is administered and managed: -

(a) in accordance with the scheme rules

(b) in accordance with the requirements of the law

6.2 The Risk Register which is the subject of this report is designed to ensure compliance with the Council's statutory duties regarding managing risk related to the administration and management of the Pension Fund.

7. ONE TOWER HAMLETS CONSIDERATIONS

7.1 Any costs associated with meeting the policy and related legal changes are immaterial in the context of the Pension Fund and any such costs are recharged to the Pension Fund.

8. BEST VALUE (BV) IMPLICATIONS

8.1 The costs of not adhering to either the legislation or indeed applying best practice could be significantly higher and pose risks to the financial management of the Pension Fund.

9. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

9.1 There is no direct Sustainable Action for a Greener Environment implication arising from this report.

10. CRIME AND DISORDER REDUCTION IMPLICATIONS

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

Linked Reports, Appendices and Background Documents

Linked Report

- There are no linked reports to this agenda item

Appendices

- Appendix – Risk Register

Local Government Act, 1972 Section 100D (As amended)

List of “Background Papers” used in the preparation of this report

- None

Officer contact details for documents:

Miriam Adams – Pensions & Investment Manager

Tel: 0207 3644248

Mulberry House, 5 Clove Crescent E14 2BG