

Non-Executive Report of the: Pensions Board Monday, 6 September 2021	 TOWER HAMLETS
Report of: Kevin Bartle, Interim Corporate Director Resources	Classification: Open (Unrestricted)
Quarterly Review of Risk Register (including LCIV)	

Originating Officer(s)	Miriam Adams
Wards affected	(All Wards)

Executive Summary

This report updates the Board on changes to the Fund’s Risk Register. 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.

Recommendations:

The Pensions Board is recommended to:

1. Note and comment on the report and detailed risk register as set out in Appendix 1
2. Note the amendments to existing risks listed in section 3 of this report; and
3. Note the London Collective Investment Vehicle (LCIV) Climate Change Policy Report Appendix 2.

1. REASONS FOR THE DECISIONS

- 1.1 The terms of reference of the Pensions Committee sets out its responsibilities with regard to risk management, namely:
 - *To review the risks inherent in the management of the Pension Fund.*
- 1.2 The Board is established by Public Sector Pensions Act 2013 and the first core function of the Board is to assist the Administering Authority in securing compliance with the Regulations, any other legislation relating to

the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator (TPR) in relation to the Scheme.

- 1.3 The consideration of the risks associated with administering the Pension Fund properly fall within the terms of reference of the Committee. Setting out of a policy recognises the importance that is placed in this area in accordance with the CIPFA guidance and recognise the increased role of the Pensions Regulator following the Public Service pensions Act 2013.
- 1.4 The risk register is presented in Appendix 1 for the Pensions Board to review and assist to demonstrate compliance with both regulations and guidance provided by CIPFA and TPR.
- 1.5 Not all risks can be eliminated, however with proper management and monitoring the impact to the Fund will be minimised. An example of this is economic down turn which the Fund has mitigated to an extent by having Equity protection in place to cover some of its equity investments from severe falls in the market.

2. ALTERNATIVE OPTIONS

- 2.1 Not reviewing the Risk Register for the Pension Fund potentially exposes the Fund and Council to action by the Pensions Regulator.

3. DETAILS OF THE REPORT

- 3.1 The Policy sets out the aims and objectives for management of risk. Not all risks can be completely eliminated but can be mitigated and managed.
- 3.2 3 new risks were introduced during the quarter in line with the recently issued Cyber Score Card by the Scheme Advisory Board and Draft Code of Practice by the Pensions Regulator.
 - G10 Failure to comply with TPR Cyber requirements for Pension Schemes
 - G11 Failure to secure and manage personal data in line with data protection requirements
 - F12 Climate Change Impact
- 3.3 All existing risks have been reviewed and updates provided against each risk in the risk register included as Appendix 1 to this report.
- 3.4 The status of the following risks was updated during the last quarter and the reasons for change included in Appendix 1 of this report. Risk F11 was downgraded from green to amber due to delay in LGPS legislation required for the remedy implementation.

Risk Number	March Position	June Position
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Governance		
AG1 - The Fund's objectives/legal responsibilities are not met or are compromised - external factors	red	amber
Funding and Investment		
F11 - McCloud Judgement	green	amber
Administration and Communication		
G1- Unable to meet legal and performance expectations due to external factors	amber	green
G3 - Unable to meet legal and performance expectations (including inaccuracies and delays and potential legal breaches) due to lack of or poor-quality data from the council and other employers	red	amber
G5 - Scheme members do not understand or appreciate their benefits and cannot make informed decisions	amber	green
G9 -Impact of covid-19 on scheme employers	amber	green

4. **EQUALITIES IMPLICATIONS**

4.1 There are no direct equalities implication arising from this report.

5. **OTHER STATUTORY IMPLICATIONS**

5.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:

- Best Value Implications,
- Consultations,
- Environmental (including air quality),
- Risk Management,
- Crime Reduction,
- Safeguarding.
- Data Protection / Privacy Impact Assessment.

Risk Management

5.2 Section 249A 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

The Risk Register, Risk Management Policy 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.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 There are no direct financial implications arising as a result of this report, other than that by implementing new Risk Register, the Fund is trying to minimise the chance of financial and reputational loss occurring.
- 6.2 There are clearly some risks which would be difficult to transfer or manage, such as the impact that increased longevity will have on the liabilities of the Pension Fund, but the understanding of such risks could well impact on the other aspects of the decision making process to lower risks elsewhere.

7. COMMENTS OF LEGAL SERVICES

- 7.1 Section 249A 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
- 7.2 The Risk Register, Risk Management Policy 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.

Linked Reports, Appendices and Background Documents

Linked Report

- List any linked reports
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- State NONE if none.

Appendices

- Risk Register (Appendix 1)

- LCIV Climate Change Policy (Appendix 2)

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

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

List any background documents not already in the public domain including officer contact information.

- These must be sent to Democratic Services with the report
- State NONE if none.

Officer contact details for documents:

Miriam Adams, Interim Head of Pensions and Treasury Ext 4248

Email: miriam.adams@towerhamlets.gov.uk

Hitesh Jolapara, Interim Divisional Director Finance Procurement & Audit

Email: Hitesh.Jolapara@towerhamlets.gov.uk