



Open Report on behalf of Andrew Crookham, Executive Director - Resources

Report to:	Pensions Committee
Date:	12 October 2023
Subject:	Risk Register Annual Review

Summary:

This report presents the Pension Fund Risk Register and Risk Policy to the Committee for annual review and approval.

Recommendation(s):

That the Committee:

- 1) review and approve the risk management policy; and
- 2) review and approve the risk register.

Background

1. Committee members will understand the importance of looking at risk as part of the normal Member training that the Council provides. Given the size and importance of the Pension Fund, it is best practice to have a separate risk register considering the key risks that can impact the Fund and how they can be mitigated, if possible. The risk register is reviewed annually at this Committee, and any additional changes or updates are reported in the quarterly Fund Update reports.
2. The risk management policy, which is a formal record of the Fund's appetite for risk, its risk management structures and its approach to risk management, is attached at appendix A. There have been no changes to this policy since its review last year.
3. A full review was undertaken in 2022, working with the Council's Principal Risk Officer, to incorporate the changes on how the council records and manages risk. The focus of risk management is now on documenting risks which are a genuine threat and are being actively managed, and removing risks from the risk register that are accepted by the Pension Fund and are being managed by routine work and activities. There have been no major changes since this review in the format of the risk register.
4. The Pension Fund covers risks from all aspects of its work. These include Governance, Investment and Funding, Operational and People risks. Under each of these headings,

consideration has been given to a variety of risks and how they are managed, and any comments to assist in providing assurance or understanding. The risks on the register across each area are set out below:

Governance, covering:

- Failure to ensure that the Committee's knowledge and understanding of pensions related activities is robust and meets all statutory requirements.
- Governance of asset pooling - management of relationship with Border to Coast.

Investment and Funding, covering:

- Required returns not met due to poor strategic allocation and assets not enough to meet liabilities.
- Poor long term investment performance or non-compliance from managers.
- Asset pooling – transition of assets from existing mandates to Border to Coast.
- Failure to meet requirements as a responsible investor - across all ESG risks (including climate change and a move to a low carbon economy).
- Cashflow - not enough income to meet pension payments due.

Operational, covering:

- The administrator does not perform its functions in accordance with the agreement.
- Cyber security breach.
- Increased risk of employers exiting.
- Fraud risk not managed.
- Changes in legislation not implemented correctly.

People, covering:

- Loss of key staff and loss of knowledge and skills.

5. The current Pension Fund risk register is attached at Appendix B.
6. The Committee would need to be satisfied that the key risks have been identified, and that they are comfortable with the controls in place, understanding that there will always be some risks that cannot be fully mitigated and that some sit within business as usual in managing the Pension Fund.

Conclusion

7. It is considered best practice to have identified the high-level risks associated with managing a Pension Fund and to have put appropriate controls in place, and to set out a Risk Management Policy and Risk Register.

Consultation

a) Risks and Impact Analysis

The Pension Fund has a risk register which can be obtained by contacting the Head of Pensions.

Appendices

These are listed below and attached at the back of the report	
Appendix A	Lincolnshire Pension Fund Risk Management Policy
Appendix B	Lincolnshire Pension Fund Risk Register

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

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