

Committee: Pensions Committee	Dated: 29 November 2022
Subject: Risk Register for the Pensions Committee	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	All
Does this proposal require extra revenue and/or capital spending?	No
If so, how much?	N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain's Department?	N/A
Report of: The Chamberlain	For Decision
Report author: Amanda Luk – Chamberlain's Department	

Summary

This report reviews the Risk Register for the Pensions Committee. The Risk Register details the key risks that have been identified alongside a risk score which indicates the likelihood of a risk being realised together with the potential impact to the organisation and the appropriate mitigations.

The risks are an amalgamation of the risks that were on the Local Government Pensions Board Risk Register and relevant risks that were on the Financial Investment Board Risk Register. When reviewing the risks, the Pensions Committee should be aware that some similar/generic risks are also included in the (CoL) Police Pension Board or the Financial Investment Board (FIB) Risk Registers: risks CHB Pensions 009 McCloud Remedy, 007 Cyber security and 005 Fraud are on the CoL Police Pensions Board Risk Register and risk CHB Pensions 013 (Responsible Investment Duties) is on the FIB Risk Register.

Following feedback from Members at its meeting on 27 September 2022, 3 new risks have been added and 2 amendments to risks have been made. The narrative "risk update" and "latest note" on associated actions has been amended where necessary.

The Risk Register is included at Appendix 2 and Members of the Committee are asked to review the risks and actions and confirm that appropriate measures are in place.

Recommendations

Members are asked to:

- review the existing risks and actions present on the Pensions Committee's Risk Register, and confirm that appropriate control measures are in place; and
- confirm that there are no further risks relating to the services overseen by the Pensions Committee.

Main Report









Background

1. Prior to the formation of the Pensions Committee, responsibility for the CoL Corporation Pension Fund fell to a number of different Committees, most notably the Financial Investment Board (FIB) around investments. In addition to this, the Local Government Pensions Board (LGP Board), which scrutinises/oversees the operation of the Pension Fund, instigated its own Risk Register.
2. Now that the Pensions Committee has been established and is responsible for all matters relating to pensions, it is logical that the LGP Board's Risk Register forms the basis of the Pensions Committee Risk Register with relevant investment risks moving across from the FIB Risk Register. At the first meeting of the Pensions Committee on 11 July 2022, Members determined they wished to review the Risk Register at each meeting for the coming year.
3. At its meeting on 27 September 2022, the Pensions Committee agreed further consideration was needed to agree precise wording of certain risks, ensuring key administration related risks were being fully captured. Officers were asked to incorporate several changes to the Risk Register following feedback from Members. 3 new risks have been added and 2 amendments to current risks have been made.

Review of Risks

4. The method of assessing risk reflects the City of London's standard approach to risk assessment as set out in its Risk Management Strategy approved by the Audit and Risk Management Committee in May 2014. The City of London Corporation risk matrix, which explains how risks are assessed and scored, is attached at **Appendix 1** of this report. Risk scores range from one, being lowest risk, to the highest risk score of thirty-two. These scores are summarised into 3 broad groups, each with increasing risk, and categorised "green", "amber" or "red".
5. The Risk Register to be reviewed is set out in **Appendix 2**.

Table 1: Risk Summary

Risk code	Risk title	Current Risk Score	Current Risk Score Indicator
CHB Pensions 009	McCloud Remedy	16	
CHB Pensions 001	Insufficient assets - Pensions Fund	8	
CHB Pensions 010	Targeted returns – Pension Fund	6	
CHB Pensions 006	Employer Insolvency	4	
CHB Pensions 007	Cyber Security	4	
CHB Pensions 011	Service provider failure	4	
CHB Pensions 012	Governance/Legislative Compliance	4	
CHB Pensions 013	Failure to discharge responsible investment duties	4	

Risk code	Risk title	Current Risk Score	Current Risk Score Indicator
CHB Pensions 003	Short term Cash flow (new)	4	✓
CHB Pensions 004	Breach of GDPR/Data Protection regulations (new)	4	✓
CHB Pensions 008	Pension Scheme Administration (new)	4	✓
CHB Pensions 005	Fraud	2	✓
CHB Pensions 002	Actuarial Valuation	1	✓

6. The Risk Register contains thirteen risks which are summarised above. In the table, “Current Risk Score indicator” displays the current “RAG” rating for each risk. Each risk presented in the Risk Register is accompanied by one or more “action(s)” which reflect how the risk is managed and mitigated. A “due date” for required completion is set against each action. Due to the nature of the risks overseen by the Committee, in many cases it is impossible to entirely eliminate a risk, and therefore corresponding actions will always remain live. These ongoing actions are necessary in order to maintain the current risk score. Where this is the case the Risk Register includes an annual due date, which will be renewed each year.

Amendments and New Risks

7. Following the resolutions made at the Committee meeting on 27 September 2022, the following 2 amendments have been made and 3 new risks have been introduced as detailed below.
- a. **CHB Pensions 005 (Fraud) – Amendment:** this risk has been expanded to more accurately capture that fraud is not limited to unreported deaths and can cover risks including pension transfer scams and theft of assets. Risk actions have been added around ensuring members are aware of potential transfer scams, ensuring Administration staff are aware of guidance, and that robust identity verification processes are in place. The risk score has remained at 2.
 - b. **CHB Pensions 010 (Targeted Returns) – Amendment:** this risk has been adapted to include the London CIV. The London CIV is a pooling vehicle in which the Pension Fund is a shareholder; currently 20% of the Pension Fund is invested in the London CIV and the monitoring of performance of this fund manager is just as necessary to ensure long-term targets are met. The risk score has remained at 6.
 - c. **CHB Pensions 003 (Short term Cash flow) – New risk:** this has been created to acknowledge the importance of cash flow planning and monitoring. This will ensure the Pension fund can meet any immediate and longer term cash flow requirements including drawdown requirements without disinvesting assets or delaying the settling of benefits. The risk score has been set at 4.
 - d. **CHB Pensions 004 (Breach of GDPR/Data Protection regulations) – New risk:** the development of this risk is due to the importance of procedures to ensure personal data is not accidentally released to a third party. Risk actions

have been added to ensure Pension Administration staff are aware of corporate policies, and that any data sent electronically is sent securely keeping in line with GDPR and Data protection legislation. The risk score has been set at 4.

- e. **CHB Pensions 008 (Pension Scheme Administration) - New risk:** this risk has been added to reflect the need for appropriately trained Administration staff to ensure the accuracy of data. Training and succession plans for Administration Staff ensures they all have the necessary skills and knowledge needed so benefits are calculated accurately and paid on time. This ensures no financial penalties are imposed. The risk score has been set at 4.
8. The scores of other risks have been maintained at their previous levels and each of these has been reviewed and updated where necessary in the Register itself. Updates to the Risk Register are underlined throughout.

Conclusion

9. The risks overseen by the Pensions Committee are primarily of low likelihood but represent substantial impact, particularly with regards to financial loss and reputational damage. There is one red risk around the McCloud remedy (CHB Pensions 009). Whilst the Public Services and Judicial Offices Act 2022 has received Royal Assent, its main purpose is to support the implementation of the McCloud remedy, however further guidance and legislation is required before it can be applied to the Local Government Pension Scheme. Once this guidance and legislation is issued, the risk rating and score is expected to decrease substantially.
10. The Pensions Committee is requested to review the risks and confirm that appropriate control measures are in place for these risks and that there are no other risks that should be added to the Risk Register.

Appendices

- Appendix 1 – City of London Corporation Risk Matrix
- Appendix 2 – Pensions Committee Risk Register

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