

Pension Fund Committee

Meeting to be held on Friday, 17 June 2022

Electoral Division affected: (All Divisions);
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Lancashire County Pension Fund Risk Management Framework (Appendix 'A' refers)

Contact for further information:

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Executive Summary

The Risk Management Framework is designed to embed risk management into the culture of the Lancashire County Pension Fund ensuring that the Fund is administered and managed in accordance with the scheme rules and with the requirements of the law. It was first presented to the Pension Fund Committee in June 2019. The document has been reviewed and updated to reflect recent developments on the risk management arrangements for the Fund.

The framework sets out all the key processes and responsibilities for effective risk management and thereby ensuring compliance against all relevant scheme guidance, regulation, and legislation.

Recommendation

The Committee is asked to note the updated Lancashire County Pension Fund Risk Management Framework as set out at Appendix 'A'.

Background and Advice

Effective risk management stands at the heart of sound corporate governance across all organisations and functions and the Local Government Pension Scheme is no exception.

The Risk Management Framework forms part of the internal controls for the purpose of ensuring that the Fund is administered and managed in accordance with the scheme rules and with the requirements of the law.

The Risk Management Framework primarily aims to:

- Integrate risk management into the culture and day-to-day activities of the Fund;

- Raise awareness of the need for risk management by all those connected with the management of the Fund;
- Establish and maintain a robust framework and procedures for identification, analysis, assessment and management of risk;
- Ensure consistent application of risk management across the Fund; and
- Comply with guidance, regulation, and legislation:
 - CIPFA – Managing Risk in the LGPS (2018);
 - Pensions Act 2004;
 - The Public Service Pensions Act 2013 and LGPS Regulations 2013;
 - The Pensions Regulator's Code of Practice 14. (Due to be replaced by the Single Code of Practice).

A copy of the updated LCPF Risk Management Framework is set out at Appendix A. This document is a revised version of the current Risk Framework with updated content is indicated in red text and highlighted in yellow.

A summary of the key updates is:

- The addition of a new section 'Risk Appetite/tolerance' which briefly sets out the amount and type of risk that the Fund is willing to accept or tolerate.
- Reference to the Investment Risk Framework, a document that is reviewed by the Investment Panel and monitors risks against four key investment and funding areas.
- Reference to the recent risk management developments made by the Fund, which include risk templates and a heat map.

At the last meeting of the Local Pension Board, the Board was presented with the updated Risk Management Framework. The Board acknowledged that the updated document was comprehensive, with clearly stated roles and responsibilities. The Board noted the updated version of the Framework, which is being presented to the Committee.

Consultations

Local Pension Board

Implications:

This item has the following implications, as indicated:

Risk management

The Lancashire Local Pension Board provide scrutiny and support to the Pension Fund Committee, in relation to their responsibility to ensure there is effective risk management over the Pension Fund operations.

**Local Government (Access to Information) Act 1985
List of Background Papers**

Paper	Date	Contact/Tel
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N/A

Reason for inclusion in Part II, if appropriate

N/A