

Foreword

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

The introduction of new governance requirements in the LGPS in 2015, specifically the Pensions Regulator's new role and the establishment of local pension boards, reflects the increasing importance of risk management. It also reinforces the need for administering authorities to focus their risk management activities on all areas of scheme management and not just investment, noting of course that management of investment risk is rightly a fundamental concern.

In this publication, with contributions from leading actuaries and LGPS practitioners, we explore how risk manifests itself across the broad spectrum of activity that constitutes LGPS financial management and administration, and how, by using established risk management techniques, those risks can be identified, analysed and managed effectively.

The vast majority of LGPS funds have in place well developed and sophisticated risk management strategies. Our intention in preparing this publication has been to encourage administering authorities to review their approach to risk management given recent changes to the operation and governance of the scheme. As part of their governance processes funds should be regularly reporting all risks to committee and the local pension board, embedding a robust risk management approach and processes which link to all key strategic documents as well as recording risks and progress on an active risk register.

There is always a danger when explicitly reviewing risk that a more risk averse approach is adopted, almost by default. Sometimes the biggest risk is not taking any risk – the only strategy that is guaranteed to fail is not taking risk.

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Chair of the CIPFA Pensions Panel

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