

Report to: **Pension Board**

Date: **26 June 2017**

By: **Chief Operating Officer**

Title of report: **Pension Fund Risk Register**

Purpose of report: **To consider and comment on the Pension Fund Risk Register.**

RECOMMENDATION

The Board is recommended to consider and comment on the updated Pension Fund Risk Register

1. Background

1.1 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 Pension Fund. It is not a process for avoiding or eliminating risks. A certain level of risk is inevitable in achieving the Fund objectives, but it must be controlled.

1.2 Effective risk management is an essential part of any governance framework as it identifies risks and the actions required to mitigate their potential impact. For a pension fund, those risks will come from a range of sources, including the funding position, investment performance, membership changes, benefits administration, costs, communications and financial systems. Good information is important to help ensure the complete and effective identification of significant risks and the ability to monitor those risks.

2. Risk Register

2.1 The updated Risk Register (Appendix 1) highlights key risks in relation to the East Sussex Pension Fund, the current processes in place to mitigate the risk, and the planned improvements in place to provide further assurance. This incorporates the risk register of both the Investments Team and Pension Governance and Strategy.

3. Assessment of Risk

3.1 Risks are assessed in terms of the potential impact of the risk event should it occur, and in terms of the likelihood of it occurring. These are then combined to produce an overall risk score. In terms of investment, the Fund has a diversified portfolio of assets to mitigate against downturns in individual markets, but market events may lead to a fluctuation in the Fund value, which demonstrates that if the markets as a whole crash, then there is little that mitigating actions can do.

3.2 The East Sussex Pension Fund, risk profile (Appendix 1), has been updated and additional identified risks have been added to the register. No risks have been removed. As is normal, there have been changes to control measures across the risk portfolio. Additional added risks are –

- Guaranteed Minimum Pension (GMP) reconciliation;
- ACCESS Decision making - Chairs do not agree on key decisions around asset pools/governance, etc.;

- ACCESS - Failure to have ACS in place by government deadline of 31 March 2018 due to procurement timescales;
- ACCESS - Challenge to procurement process from unsuccessful supplier.

3.3 The more substantive change from critical to major risk relates to Risk 19- Employers unable to pay increased contributions.

3.4 In addition to the current mitigation in place, further actions are planned to provide a greater level of assurance, and the level of risk will be reviewed once these additional actions have been implemented.

3.5 Further risks are likely to arise from future decisions taken by the Pension Committee, and from changes in legislation and regulations. Where such new risks arise, they will be added to the risk register, assessed, and mitigation actions identified.

4. Conclusion and reasons for recommendations

4.1 Monitoring of the Risk Register is an important role for the Pension Board, and should the Board identify specific concerns requiring policy changes, then reports will be brought to the Pension Committee for approval.

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Background Documents

None