

**Report to:** Pension Board

**Date of meeting:** 5 November 2021

**By:** Chief Finance Officer

**Title:** Pension Fund Risk Register

**Purpose:** To consider the Pension Fund Risk Register

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**RECOMMENDATIONS: The Pension Board is recommended to:**

- 1) Note the new International Trade risk
  - 2) Note climate risk will be considered further once the scenario modelling is underway and producing data
  - 3) Inform Officers of any changes to the risk register it believes should be considered
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## **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, LGPS Pooling, General Data Protection Regulation (GDPR), 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.

1.3 Since the last meeting of the Pension Board and Pension Committee officers have continued to review the Risk Register. To ensure all appropriate risks and mitigations have been identified,

## **2. Supporting Information**

2.1 The Risk Register is included at **Appendix 1**.

## **3 Changes to the Risk Register**

3.1 In the meeting on 28 September 2021 the Pension Committee asked Officers to review the existing Brexit risk, which had been recommended for deletion, to update it rather than remove it entirely.

3.2 The previous recommendation to remove the risk had been made on the basis that the risk related to not knowing the likely trade agreement to be put in place between the UK and EU. The terms of that agreement are now known. Members of the Pension Committee asked Officers to consider the risks associated with wider trading issues rather than just focussing on Brexit.

3.3 Risk I2 has been added as a replacement for the previous, Brexit focussed risk. It is identified that changing relationships and agreement beyond those between the UK and EU can impact on the Fund's investments as it has global exposure. Mitigations in place are noted, such as

the regular reporting to the Pension Committee on performance and any concerning trends, the diversification of Fund assets both geographically and across varying asset classes.

#### **4 Climate risk**

4.1 During the Pension Committee meeting on 28 September 2021 there was a discuss around the impact and likelihood around risk 17, Climate change. Officers are committed to keeping this, and all other risks, under review. Further recommendations will be provided after the Climate Modelling Project is underway and producing new data.

#### **4. Conclusion**

4.1 The Pension Board is asked to note the continuing steps being taken to mitigate the risks to the Fund and to inform Officers of any new risks they have identified.

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