

Report to: Pension Committee

Date of meeting: 22 February 2023

By: Chief Finance Officer

Title: Pension Fund Risk Register

Purpose: To consider the Pension Fund Risk Register

RECOMMENDATIONS

The Pension Committee is recommended to review and note this report

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, Local Government Pension Scheme (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.

1.4 It is accepted that whilst mitigations are put in place for identified risks, it will not always be possible for all risk to be eliminated. In these cases, a level of risk is tolerated and kept under review.

2 Supporting Information

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

3 Changes to the Risk Register

3.1 The definition of risk A1, Pension Service Delivery, has been updated to better reflect the nature of the risk.

3.2 The trigger points for risk G2, Committee/Board Member, have been updated to reflect that vacancies in the Pension Board can take longer to fill than planned on occasion.

3.3 The likelihood of risk G4, Governance and Compliance, has been increased. This is due to the potentially significant changes to the membership of the Board in the forthcoming calendar year. A large number of personnel changes would increase the likelihood of the

Board not being in a position to meet its statutory obligations due to a reduction of knowledge and understanding during the induction period.

3.4 The likelihood and impact on risk I4, Investment pooling, have been increased moving this to a red risk. This is due to a number of small factors cumulatively leading to a higher rating including the current market environment which will make the transition of illiquid assets to the pool more difficult leading to potentially higher costs or longer transition plans than the Fund; the ongoing delay in consultation and guidance from central government on pooling; the uncertainty around the Link Fund Solutions company buy out, which could impact the operation of the Authorised Contractual Scheme (ACS), noting the investments are held by the depositary, so are secure; the impact on officer resources with the upcoming procurement of the operator in line with the contract period and resource requirements of other pool work and activities.

3.5 The risk triggers for risk I1, Funding risk – poor investment returns, and have been updated to add additional possible triggers.

4 Conclusion

4.1 The Pension Committee is recommended to review and note the Pension Fund Risk Register.

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