

Report to: **Pension Committee**

Date: **24 November 2015**

By: **Chief Operating Officer**

Title: **Pension Fund Risk Register**

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

RECOMMENDATIONS – The Committee is requested to approve the Pension Fund Risk Register

1. Introduction

- 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 objectives of the Risk Register are to:
- identify key risks to the achievement of the Fund's objectives;
 - consider the risks identified and assess their significance in terms of likelihood of the risk materialising and the severity of the impact/consequences if it does occur;
 - assess the risk mitigation controls/procedures currently in place in terms of their effectiveness and consider whether further measures are required.
- 2.2 The Risk Register ([Appendix 1](#)) highlights the 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 occurs, 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 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.

3.3 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 will be an important role for the Pension Board, and future reports on the Risk Register will be taken to the Pension Board for consideration. Should the Pension Board identify specific concerns requiring policy changes, then reports will be brought to the Pension Committee for approval.

4.2. The Committee are asked to note and approve the Pension Fund Risk Register, and the actions proposed to mitigate risk.

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LOCAL MEMBERS

All

BACKGROUND DOCUMENTS

None