

Report to: Pension Board

Date of meeting: 5 June 2024

By: Chief Finance Officer

Title: Pension Fund Risk Register

Purpose: To consider the Pension Fund Risk Register

RECOMMENDATIONS

The Pension Board is recommended to review and note the 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 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 Risk I3 – Regulatory Risk, has been increased due to the likelihood of additional investment regulation that is anticipated. The Department of Levelling Up, Housing and Communities has made it clear it intends to introduce new measures and legislation regarding investment governance, climate reporting and investment pooling. In addition the Economic Activity of Public Bodies (overseas matters) Bill is currently being reviewed by the House of Lords, it is currently unclear the extent of which investment decisions may be considered within the scope of Bill.

4 Items under review

4.1 Item G3 – Cyber Security, is deemed the highest risk for the Council and Fund, as a result will continue to be closely monitored. Training has been provided to both Board and Committee members with further testing of internal policies and procedures being planned.

4.2 Risk I5 – High Inflation impact on Funding level, will be monitored closely ahead of next quarter due to the recent changes in inflation, however other factors to be tracked may keep this risk at its current level.

4.3 Risk I8 – Liquidity, is being more closely monitored whilst the Fund transitions to a cashflow negative position from member activities with increases in benefits paid out following recent high inflation and the reduction in contribution rates following the last valuation. Work is being carried out to identify whether more income will be required from investments to bridge this gap or if the investment strategy is sufficient.

4.4 Risk I9 – Money Purchase Additional Voluntary Contributions is currently under active review by the Fund's advisors. Officers will be considering a number of points discussed at the February Committee and Board meeting on the suitability of investments available in order to identify any weaknesses in the current offering and ensure appropriate recommendations are made to ensure these are resolved. The risk register will be updated to reflect any findings or actions from this work.

5 Conclusion

5.1 The Pension Board is recommended to review and note the Pension Fund Risk Register.

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