Report to:	**Pension Committee**
Date of meeting:	**22 June 2021**
By:	**Chief Finance Officer**
Title:	**Pension Fund Risk Register**
Purpose:	**To consider the Pension Fund Risk Register**

RECOMMENDATIONS: The Pension Committee is recommended to:

1) **Review the Pension Fund Risk Register**
2) **Identify any additional risks for the Risk Register**
3) **Consider and agree the risk rating of new risks**

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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 East Sussex Pension Fund (ESPF or "the 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, where the Risk Register had been redesigned to meet expectations of the Board and Committee, officers have continued to review the Risk Register and have identified a number of areas where additional risks should be captured within the register. This has led to a number of recommendations regarding risks to be added and some changes to existing risks. Going forward there will be a further review of cyber risks, particularly around cyber resilience.

2. Supporting Information

2.1 **The Risk Register** at Appendix 1 has been updated since the last meeting for the circumstances outlined below. Changes to the report are in green text to help with identification.

2.2 Risk E3 has been added. This relates to delays in signing Admission Agreements and the impact this would have on the Fund in the event of an insolvency where no security package had been agreed. The risk notes that new template documents are being produced to aid the process and also ensure the Fund is secured against employer insolvency.

2.3 Risks A1 and A2 have been amended to expand on the risks to the Fund. The risk scoring and mitigations remain the same.

2.4 Risk A5 has been added. This risk relates to the reputational risk to the Fund of members falling victim to scam activity as a result of the Fund failing to meet best practice when reviewing Cash Equivalent Transfer Requests. A review is being undertaken of The Pensions Regulator's pledge on combatting scams, which includes a new training opportunity.

2.5 Risk A6 has been added. This risk relates to a major incident preventing assess to County Hall. The experiences during the Covid-19 pandemic has demonstrated that the Fund can operate effectively with most staff working from home, however there is a residual need to attend the office to access post.

2.6 Risk G2 has been added. This risk relates to the need for members of the Pension Board to have the required level of knowledge and understanding to fulfil their role. This risk also refers to the importance of Committee members having sufficient knowledge and understanding. With changes to the membership of the Committee, this shows the importance of monitoring this risk to ensure training can be provided as needed.

2.7 Risks G3 and G4 have had further mitigation added to update the Board and Committee on steps to be taken to reduce the chance of these risks from crystallising and the impact of the risks should that occur.

2.8 Risk I7 has been added. This relates to the need to monitor cash flow and cash requirements to ensure that sufficient cash is available to pay benefits as they fall due without the need to withdraw money from investments at potentially inopportune moments.

2.9 Risks I8 and I9 have been added. These risks relate to the damage that would be caused to the Fund by fraudulent activity from internal and external sources. It is important to monitor the risks relating to fraud because the crystallisation of such risks would lead to the loss of assets, impacting the ability of the Fund to pay benefits, along with reputational risk.

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 Further risks are likely to arise from future decisions taken by the Pension Committee, ACCESS Joint 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 Committee and Pension Board. The Committee are asked to consider the appropriateness of the new risks and consider whether further risks should be reviewed for inclusion.

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