

**Report to:** Pension Board

**Date of meeting:** 14 September 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) Review the Pension Fund Risk Register**
  - 2) Identify any additional risks for the Risk Register**
  - 3) Note the events that have tested the mitigations already in place**
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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 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**.

2.2 In relation to risk G3 (cyber security) Officers have commenced the creation of a data flow map. This will allow the Administering Authority to better understand all access and exit points for data to and from the Fund. In turn this will support further analysis of the security of the Fund. Additionally, the flow map will support any further mitigation that is required in support of risk G5 (compliance with GDPR).

2.3 The resignation of Cllr. Collier from the Pension Board has tested the mitigations in place as part of risk G2 (loss of Pension Committee/Board member). The main challenge was obtaining prompt responses to the request for nominees. In part, this was linked to uncertainty as to the most appropriate points of contact. Whilst a new Pension Board member, Cllr. Illingworth, was appointed in an acceptable timeframe further work will be conducted ensuring the Administering Authorities list of employer contacts is as complete and accurate as possible.

2.4 The Pensions Committee is invited to review the risk register and make further comment as it sees fit.

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

3.1 A change is recommended to risk E3 – delay in employers agreeing Admission Agreements to increase the likelihood of this occurring to an amber rating. This change comes as a result of the delay that has been seen in a number of the outstanding older admissions, which although reducing are still ongoing. In addition, some of the mitigations are in development and not yet fully implemented, so until such time as they are complete it is recommended that the risk is increased from Green to Amber post mitigation. Further details have been added to this risk with changes in Green text.

3.2 It is recommended that risk I2 - Brexit - is removed from the risk register as the EU-UK Trade and Cooperation Agreement was formally ratified and came into force on 1 May 2021. This agreement negates the risk triggers that are outlined in the risk register which were risks due to significant uncertainty in the trade deal and resulting impact on markets and legislation.

3.3 A change has been made in relation to risk I6 resulting from discussion at the June Pension Committee to split out Environmental, Social and Governance (ESG) risk and Climate change risk as they are both large risks to the Fund with different impacts and mitigations. As a result, I7 is a new risk with amended numbering to risks I8-I10 from the last report.

#### **4. Conclusion**

4.1 Monitoring of the Risk Register is an important role for the Pension Committee and Pension Board. The Board and Committee are asked to consider the appropriateness of the existing risks and recommend changes and consider whether further risks should be reviewed for inclusion.

4.2 Note the mitigations in the Risk Register for G2 (loss of Pension Committee/Board member) have been tested in the last quarter and the learning points noted by officers of the Fund.

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