

**Report to:** Pension Board

**Date of meeting:** 8 November 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 E3 – Employer Covenant, has been increased in likelihood, moving the overall risk score to a 6. This is because an increasing number of Local Authorities are at risk of a s.114 notice and not having sufficient cash to meet their expenditure. Pension payments would be expected to continue in such circumstances but it is unclear what would happen in the event of a Local Authority not being in funds. This rationale has also seen the suggested pre-mitigation likelihood increase.

3.2 Risk G1 – Key Person Risk, has increased. A member of the Officer leadership team has recently left, it is believed there may be delays in finding a suitable candidate for the vacant position and agency support for the team has not yet been successful.

3.3 The definition of risk G5 – Data Breach, has been updated to make it clear that the risk does not just apply to GDPR, other Regulations exist which determine how data is handled and used.

3.4 Risk G6 - Fraud, has seen its likelihood being reduced. Fund Officers have not seen material cases of fraud either against the Fund or its members. Mitigations in place are believed to be effective, however, it is recommended that the risk remain on the register as both a point of good practice and the potential pre-mitigation risk level.

3.5 Risk I6 – ESG, has seen both pre and post mitigation likelihood scoring increase. There is expected to be an increase in the level of political interest in this area which will mean it is more likely further action will need to be taken by the Fund. Risk I7 – Climate Change has had its post mitigation risk increased for the same reasons.

#### **4 Items under review**

4.1 Item G3 – Cyber Security, has been noted as needing closer monitoring ahead of the next quarterly report. Training is due to be provided by the Information Technology team on the issue of cyber security. The outcomes from this training will determine future considerations of this area.

4.2 Risk I1 – Investment Returns, is under review as investments have not been performing to the same extent as the recent positive position. Currently, this is not expected to materially impact the operation of the Fund as the Fund is a long-term investor and will go through periods where return is negative or low. Quarterly reports on both funding and investment return are received and will be used to determine if a change needs to be made to the grading in the future.

4.3 Risk I5 – High Inflation impact on Funding level, may receive a reduced risk score and will be monitored closely ahead of next quarter. This is because the inflation level is expected to decrease although the potential impact on the issues around the Suez are yet to become clear.

4.4 Risk I8 – Liquidity, is being more closely monitored whilst the Fund transitions to a cashflow negative position. As the impact on using matching assets to fund the payment of contributions becomes clearer, Officers will pay increased attention to this risk.

#### **5 Conclusion**

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

**IAN GUTSELL**  
**Chief Finance Officer**

Contact Officer: Sian Kunert, Head of Pensions  
Email: Sian.Kunert@EastSussex.gov.uk