

SUFFOLK PENSION FUND RISK MANAGEMENT STRATEGY 2023-24



Suffolk Pension Fund Risk Management Strategy

The Suffolk Pension Fund has fiduciary duties and responsibilities towards pension scheme members and participating employers to pay future benefits when they fall due.

The Pension Fund cannot eliminate risk but can manage risk through the Funding, Investment, Communication, Governance and Administration policies and strategies.

This strategy sets out how the Suffolk Pension Fund embeds and manages risk across the scheme incorporating it into the policies and strategies and decision-making processes.

Strategy

Vision

To embed risk awareness and management into the decisions and processes of the Suffolk Pension Fund to ensure that the Fund's objectives are met.

Objectives

- To establish and maintain a robust framework for the identification, assessment and management of risk.
- To minimise the cost of risk
- To enable the Pension Fund Committee to make informed decisions.
- To reassure stakeholders.

Achieved through:

- Elimination risk as far as possible, within scheme administration and governance.
- Balance of risk and return within investment activity.



Risk Management Framework

Format

The risk management process is a continuous cycle of:

- risk identification and recording,
- analysis and assessment,
- response to risk,
- implementation of risk management and
- monitoring and reporting.

The risk management strategy sets out how each of these elements of the process are identified and addressed.



Identification of Risk and Recording

This is the process of recognising risks that may have an impact upon the Suffolk Pension Fund. This involves anticipating new and emerging risks and reviewing how past and current risks have manifested.

An integral part of the development of any new strategy or investment proposal is the consideration and identification of any risks that may impact delivery.

Principle source for identifying risks:

- risk register,
- internal audit reports,
- external audit reports,
- performance monitoring and review
- professional advice from actuarial, investment and legal consultants
- reports and risk register of the ACCESS Pool
- publications from the Pensions Regulator, Local Government Pensions Committee, CIPFA and Scheme Advisory Board.
- Participation in industry networks such as Pensions & Lifetime Savings Association.

Once identified, risks are recorded on the risk register which is the primary document, providing a mechanism to analyse, monitor and report.

The risk register records:

- risk description
- risk consequences
- risk scores and rating
- movement in score assessment
- owner
- strategy
- risk control measures



Analyse and Assess Risk

This is the process of analysing and profiling each risk using the following matrix:

		Impact			
		Minor (1)	Moderate (2)	Major (3)	Critical (4)
Probability	Unlikely (1)	Low (1)	Low (2)	Low (3)	Medium (4)
	Possible (2)	Low (2)	Medium (4)	Medium (6)	High (8)
	Probable (3)	Low (3)	Medium (6)	High (9)	Elevated (12)
	Almost Certain (4)	Medium (4)	High (8)	Elevated (12)	Elevated (16)

The product of these provides the risk ranking

Risk Response

Risks will be treated, tolerated, transferred, or terminated. Control mechanisms will vary depending on the type of risk and activity involved.

- **Treat** – continue with activity and introduce controls and mitigating actions to reduce the likelihood and impact.
- **Tolerate** – accept that the risk exists but it is either unlikely to happen or the opportunities are greater than the risk.
- **Terminate** – cease the activity as even with control measures the risk is either still unacceptable or the cost to implement control measures is unacceptable.
- **Transfer** – transfer part or all of the risk to a third party to deliver the service.

Controls for each risk are described in the risk register and reviewed regularly.

Implement Risk Management

Implementation of risk management is an integral part of the strategic and operational planning and management of the Pension Fund. Consideration of risk and how to mitigate and manage it forms part of the established routines for monitoring and development of the Fund.

Risk Monitoring and Reporting

Regular reviewing of the risk register is central to risk monitoring to ensure that the risk control remains effective. The Pension Fund Committee reviews the full risk register at least annually and a summary version more regularly.

As part of the review consideration is given whether:

- the nature of the risk has changed
- the control environment has changed
- the probability of the risk occurring has changed
- the impact of the risk has changed
- new risks which need to be considered



Risk Categories

The principal risk categories and specific types of risk are as follows:

- Asset & Investment
- Funding & Liabilities
- Employer
- Resource & Skill
- Administration and Communication
- Reputational
- Regulatory & Compliance