



# Powys

**CRONFA BENSIWN  
POWYS PENSION FUND  
Risk Management Policy**

x 2023

## **Introduction**

This is the Risk Management Policy for the Powys Pension Fund (the Fund) which is managed and administered by Powys County Council (the Administering Authority).

The Policy details the risk management strategy for the Fund, including:

- The approach towards risk management for the Fund, and in particular attitudes to, and appetite for risk
- how risk management is implemented
- risk management responsibilities
- the procedures that are adopted in the Fund's risk management process

The Administering Authority recognises that effective risk management is an essential element of good governance in the Local Government Pension Scheme (LGPS). By identifying and managing risks through an effective policy and risk management strategy, the Administering Authority can:

- Demonstrate best practice in governance
- Improve financial management of the fund and minimise the risk and effect of adverse conditions of the Fund
- Anticipate and respond appropriately to emerging risk and threats
- identify and maximise opportunities that may arise
- Ensure a high quality of Pensions Administration

The Fund will adopt best practice risk management, which will support a structured and focused approach to managing risks and ensure that risk management is an integral part in the governance of the Fund, at a strategic and operational level.

This policy will be implemented alongside the Powys County Council (the Council) risk management policy and approach. The Fund utilises the Council's risk management process to identify, analyse, control and monitor risk.

### **To whom this policy applies**

This Policy applies to all members of the Pensions and Investment Committee and the Local Pension Board, including scheme members and employer representatives. It also applies to senior officers involved in the management of the Fund.

Senior officers involved in the daily management of the Fund and administration of the LGPS are also integral to managing risk and will be required to have appropriate understanding of risk management relating to their roles.

Advisers and suppliers to the Fund are also expected to be aware of this Policy, and assist officers, Pension and Investment Committee members and Pension Board members as required, in meeting the objectives of this Policy.

## **Aims and Objectives**

In relation to the governance of the Fund, the Administering Authority's objectives are to:

- Act in the best interests of the Fund's members and employers
- Have robust governance arrangements in place, which facilitate informed decision making and are supported by appropriate advice, policies and strategies
- Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise
- Act with integrity and ensuring that decisions taken are robust and well documented
- Understand and monitor risk
- Strive to ensure compliance with appropriate legislation and statutory guidance and to follow best practice

To assist in achieving these objectives in the management, the Fund, the will aim to comply with appropriate legislation and guidance, which include:

- the Pensions Act 2004 and the Pensions Regulator's Code of Practice for Public Service Pension Schemes as they relate to managing risk.
- Any other guidance, such as that produced by professional bodies (for example – CIPFA).

## **Approach To Managing Risk**

The Fund recognises that it is not possible, or even desirable, to eliminate all risks. Accepting and actively managing risk is therefore a key part of the risk management strategy required for the Fund. A key determinant in selecting the action to be taken in relation to any risk, will be its potential impact on the Fund's objectives in the light of its risk appetite, particularly in relation to investment matters. Equally important is striking a balance between the cost of risk control actions against the likelihood or impact of the risk occurring.

In managing risks, the Fund will:

- Ensure that there is a proper balance between risk taking and the opportunities to be gained.
- Adopt a system that will enable the Fund to anticipate and respond positively to change.
- Minimise loss and damage to the Fund and to other stakeholders who are dependent on the benefits and services provided.
- Make sure that when embarking upon new areas of activity (new investment strategies, joint-working, framework agreements etc.), the

risks they present, their probability and potential impact are fully understood and considered in making decisions.

The Fund also recognises that risk management is not an end, nor will it remove risk from the Fund or the Administering Authority. However, it is a sound management technique that is an essential part of how the Fund is managed. The benefits of a sound risk management approach include better decision-making, improved performance and delivery of services, more effective use of resources and the protection of reputation. Additionally, there is an understanding by the decision makers of the potential risks, and required controls, that are faced by the Fund.

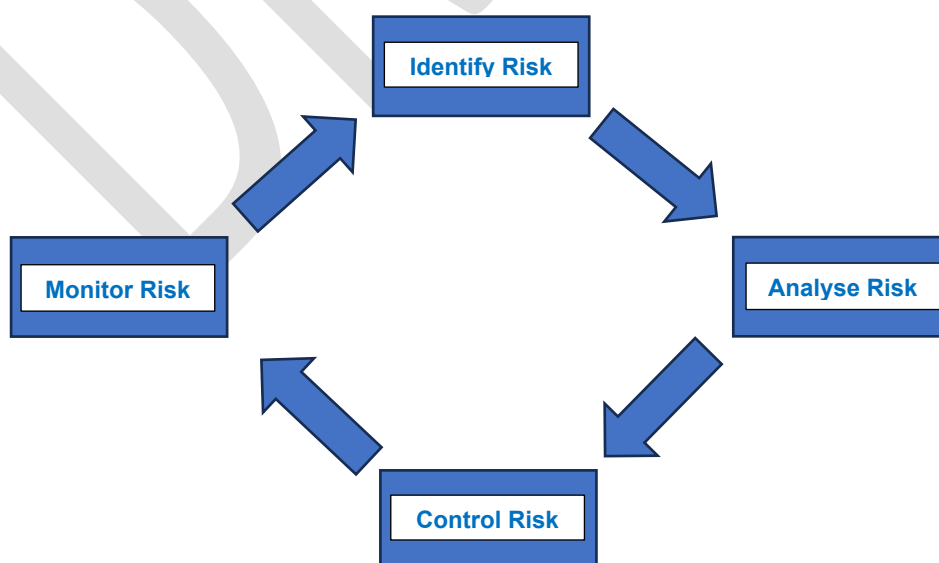
### **Responsibility**

The Administering Authority must be satisfied that risks are appropriately managed. For this purpose, Senior Officers within the Fund are responsible for ensuring the process outlined below is carried out subject to the oversight of both the Pensions and Investment Committee and Local Pensions Board.

However, it is the responsibility of everyone covered by this Policy to identify any potential risks for the Fund and ensure that they are fed into the risk management process.

### **Risk Management Policy**

The Fund's risk management process is in line with that recommended by CIPFA and is a continuous approach which systematically looks at risks surrounding the Fund's past, present and future activities. The main processes involved in risk management are identified in the figure below and detailed in the following sections.



## Identify Risk

Risk identification involves assessing risks in the context of the objectives and targets of the Fund. The risk identification process is both a proactive and reactive. It requires horizon scanning for new or emerging risks and hazards; and learning from review of how past and current risks have manifested.

Once identified, risks will be documented on the Fund's risk register, which is the primary control document for the subsequent analysis and classification, control and monitoring of those risks.

A full review of the risk register will be conducted annually, with a deeper dive into each of the Administration, Governance and Investment pillars on a more frequent basis by the Pensions Board.

New risks can emerge at any time and risk identification should include allocation of sufficient time and resource identifying these and should therefore be integral to the day-to-day management of the Fund. Such changes to the risk register will be reported to the Pensions Committee and Local Pensions Board on a quarterly basis.

## Analyse Risk

Once potential risks have been identified, the next stage of the process is to analyse and profile each risk. Risks will be assessed against the following where the score for likelihood (from one to five) will be multiplied by the score for impact (from one to five) to determine the current risk category, as set out below.

Both "likelihood" and "impact" are multiplied together to arrive at a quantified risk. The higher the number, the higher the risk. The risk evaluation criteria below set out officers assessment of each risk category and their perceived impact on the Fund.

	Insignificant Impact (1)	Minor Impact (2)	Moderate Impact (3)	Major Impact (4)	Severe Impact (5)
Almost certain likelihood (5)					
Likely (4)					
Possibly likely (3)					
Unlikely (2)					
Rare likelihood (1)					

<b>Risk Exposure</b>	<b>Impact/Likelihood</b>	<b>Control</b>
	Catastrophic consequences, almost certain to happen	Unacceptable level of risk exposure which requires immediate corrective action to be taken. Regular monitoring required, at least monthly.
	Major consequences, likely to happen	Unacceptable level of risk exposure which requires regular active monitoring (at least quarterly) and measures to be put in place to reduce exposure.
	Moderate consequences, possible occurrence	Acceptable level of risk exposure subject to regular active monitoring measures, at least quarterly.
	Insignificant consequences, almost very unlikely to happen	Acceptable level of risk subject to periodic passive monitoring measures, at least annually.

### **Control Risk**

Senior officers will review the extent to which the identified risks are covered by existing internal controls and determine whether any further action is required to control the risk, including reducing the likelihood of a risk event occurring or reducing the severity of the consequences should it occur. Before any such action can be taken, Pensions and Investment Committee approval may be required, following considerations made by the Pensions Board. The result of any change to the internal controls could result in any of the following:

TOLERATE a risk – monitor to ensure the impact and likelihood do not change.

TREAT a risk – carry out controls to reduce the likelihood/impact of the risk.

TRANSFER a risk – by insuring or passing the risk to a third party.

TERMINATE a risk – stop doing the activity.

### **Monitor Risk**

Risk monitoring is the final part of the risk management cycle and will be the ultimate responsibility of the Pensions and Investment Committee. In monitoring risk management activity, the Committee will consider whether:

- The risk controls taken achieved the desired outcomes
- The procedures adopted and information gathered for undertaking the risk assessment were appropriate
- Greater knowledge of the risk and potential outcomes would have improved the decision-making process in relation to that risk
- There are any lessons to learn for the future assessment and management of risks

## **Key Internal Controls**

Progress in managing risks will be monitored and recorded on the risk register. The risk register, including any changes to the internal controls, will be provided on a quarterly basis to the Pensions and Investment Committee and Local Pensions Board.

The Pensions and Investment Committee will also be provided with ad hoc updates in relation to any significant changes to risks.

The Pension Board will be provided with an update at each meeting and they will be able to provide comment and input to the management of risks.

The Fund will provide and encourage regular training of all those involved in managing the Fund, which includes Committee and Board members, together with officers.

The Council requires that several mandatory training courses are completed and refreshed regularly.

In order to identify whether the objectives of this Policy are being met, the Administering Authority will review the delivery of the requirements of this Policy on an annual basis taking into consideration any feedback from the Pension Board.

The risks identified on the Fund's risk register are of significant importance to the pension fund. Where a risk is identified that could be of significance to the Council, it would be included in either the key strategic risk register or the corporate risk register.

## **Key Risks To The Effective Delivery This Policy**

The key risks to the delivery of this Policy are outlined below. The Pensions and Investment Committee, with assistance from the Local Pension Board, will monitor these and other key risks and consider how to respond to them.

- Risk management becomes mechanistic, is not embodied into the day-to-day management of the Fund and consequently the objectives of the Policy are not delivered.
- Changes in Pensions and Investment Committee and/or Local Pension Board membership and/or Senior Officers mean key risks are not identified due to lack of knowledge.
- Insufficient resources being available to satisfactorily assess or take appropriate action in relation to identified risks.
- Risks are incorrectly assessed due to a lack of knowledge or understanding, leading to inappropriate levels of risk being taken without proper controls.
- Lack of engagement or awareness of external factors means key risks are not identified.

- Conflicts of interest or other factors leading to a failure to identify or assess risks appropriately.
- Overstating the effectiveness of a particular control measure and subsequently undermining the potential consequences of a given risk

### **Further Information**

If further information about anything in or related to this Risk Management Policy is required, please contact:

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