

## **RISK MANAGEMENT STRATEGY**

### **Introduction**

1. This is the Risk Management Strategy for the Nottinghamshire County Council Pension Fund. Risk Management is a key element in the Fund's overall framework of internal control and its approach to sound governance. However, it is not an end in itself, but a means of minimising the costs and disruption to the Fund caused by undesirable or unexpected events. The aim is to eliminate or reduce the frequency of risk events occurring (where possible and practicable) and minimise the severity of the consequences if they do occur.
2. Risk can be defined as any event or action which could adversely affect the Fund's ability to achieve its purpose and objectives. Risk management is the process by which:
  - risks are systematically identified
  - the potential consequences are evaluated
  - the element of risk is reduced where reasonably practicable
  - actions are taken to control the likelihood of the risk arising and reducing the impact if it does

### **Purpose and Objectives of the Fund**

3. The purpose of the Fund is to:
  - Pay pensions, lump sums and other benefits provided under the LGPS Regulations
  - Meet the costs associated in administering the Fund
  - Receive contributions, transfer values and investment income
  - Invest any Fund money not needed immediately to make payments.
4. The funding objectives are to:
  - Set levels of employer contribution that will build up a fund of assets that will be sufficient to meet all future benefit payments from the Fund
  - Build up the required assets in such a way that employer contribution rates are kept as low and stable as possible.
5. The following principles underpin the Fund's investment activity:
  - The Fund will aim to be sufficient to meet all its obligations on a continuing basis.
  - The Fund will be invested in a diversified range of assets.
  - Proper advice on the suitability of types of investment will be obtained and considered at reasonable intervals.
  - The Fund will aim to conduct its business and to use its influence in a long term responsible way.

### Key Parties

6. The key parties involved in the Fund and their responsibilities are as follows.

#### The Administering Authority

7. The Administering Authority for the Pension Fund is Nottinghamshire County Council. The main responsibilities of the Administering Authority are to:

- Collect employee and employer contributions
- Invest the Fund's assets
- Pay the benefits due to Scheme members
- Manage the actuarial valuation process in conjunction with the Fund Actuary
- Prepare and maintain the Funding Strategy Statement (FSS) and Statement of Investment Principles (SIP) after consultation with other interested parties as appropriate
- Monitor all aspects of the Fund's performance.

#### Scheme Employers

8. In addition to the Administering Authority, a number of other Scheme Employers, including Admission Bodies, participate in the Fund. The responsibilities of each Scheme Employer that participates in the Fund, including the Administering Authority, are to:

- Collect employee contributions and pay these together with their own employer contributions as certified by the Fund Actuary to the Administering Authority within the statutory timescales
- Notify the Administering Authority of any new Scheme members and any other membership changes promptly
- Exercise any discretions permitted under the Regulations
- Meet the costs of any augmentations or other additional costs in accordance with agreed policies and procedures
- Notify the Administering Authority of significant changes in the employer's structure or membership.

#### Trustees

9. The members of the Nottinghamshire Pension Fund Committee and its Sub-Committees act in a quasi-trustee capacity and are hereafter referred to as "Trustees". The main responsibilities of the Trustees are to:

- Determine the overall investment strategy, and what restrictions, if any, are to be placed on particular types and market locations of investments
- Determine the type of investment management to be used and appoint and dismiss fund managers
- Receive quarterly reports on performance from the main fund managers and question them regularly on their performance
- Receive independent reports on the performance of fund managers on a regular basis
- Be encouraged to receive suitable training to help them discharge their responsibilities and attend such training courses, conferences and meetings that deliver value for money to the Fund.

### **Fund Actuary**

10. The Fund Actuary for the Pension Fund is Barnett Waddingham LLP. The main responsibilities of the Fund Actuary are to:

- Advise interested parties on funding strategy and completion of actuarial valuations in accordance with the FSS and the Regulations
- Advise on other actuarial matters affecting the financial position of the Fund.

### **Chief Finance Officer**

11. Under the Council's constitution, the Service Director (Finance & Procurement) is designated the Council's Chief Finance Officer (also known as the Section 151 Officer). The Group Manager (Financial Management) is the deputy Section 151 Officer. Financial Regulations specify that the Section 151 Officer is responsible for arranging the investment of the Pension Fund. Operational matters falling under this responsibility are exercised by the Senior Accountant (Pensions & Treasury Management).

12. Representatives of the Service Director (Finance & Procurement) provide advice to the Trustees on investment matters and attend meetings of the Pension Fund Committees as required.

### **Service Director (HR & Customer Service)**

13. The Service Director (HR & Customer Service) is responsible for the Pensions Administration function, operated by the Pensions Office within the Business Support Centre. This function covers:

- Pensions administration and employers support
- Pensions administration systems
- Communications
- Technical/performance support

14. Representatives of the Service Director (HR & Customer Service) provide advice to the Trustees on pension administration matters and attend meetings of the Pension Fund Committees as required.

### **Independent Adviser**

15. The Fund has an Independent Adviser who attends meetings of the Pensions Investment Sub-Committee, Pensions Sub-Committee and Pensions Working Party as required.

16. The independent adviser is engaged to provide advice on:

- the objectives and policies of the fund
- investment strategy and asset allocation
- the fund's approach to responsible investment
- choice of benchmarks
- investment management methods and structures
- choice of managers and external specialists
- activity and performance of investment managers and the fund
- the risks involved with existing or proposed investments
- the fund's current property portfolio and any proposals for purchases, sales, improvement or development
- new developments and opportunities in investment theory and practice.

### Risk Management Strategy

17. The Pension Fund's Risk Management Strategy is to:
- identify key risks to the achievement of the Fund's aims
  - assess the risks for likelihood and impact
  - identify mitigating controls
  - allocate responsibility for the mitigating controls
  - maintain a risk register detailing the risk features in a)-d) above
  - review and update the risk register on an annual basis
  - report the outcome of the review to the Nottinghamshire Pension Fund Committee.
18. The Risk Register is a key part of the Risk Management Strategy as it identifies the main risks to the operation of the Fund, prioritising the risks identified and detailing the actions required to further reduce the risks involved. These actions will link to the Service Plan process currently reported to the Nottinghamshire Pension Fund Committee in accordance with the *Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom 2012*.
19. All staff involved in the Pension Fund and Members of the Nottinghamshire Pension Fund Committee and its two Sub-Committees need to have an appropriate level of understanding of risk and how risks affect the performance of the Fund. To consolidate the risk management process, the Pension Fund Committee will be asked to:-
- agree the Risk Management Strategy
  - approve the Risk Register and agreed actions
  - receive and approve the Annual Governance Statement, which will comment upon the Fund's risk management process.
20. By adopting this approach, the Pension Fund will be able to demonstrate a clear commitment, at a strategic level, to the effective management of Pension Fund risks. The Risk Management Strategy and Risk Register will be kept under review and will be revised following any material changes in policy.