

Nottinghamshire Pension Fund

Risk Management Strategy

1. Purpose

The Fund's Risk Management Strategy aims to reduce or eliminate risks which may jeopardise the achievement of the Fund's key objectives which are to:-

- a) keep the employer contribution rates as nearly constant as possible at reasonable cost
- b) manage employers' liabilities effectively
- c) ensure that sufficient resources are available to meet all liabilities as they fall due
- d) maximise the returns from investments within reasonable parameters

2. Background

Risk can be defined as any event or action which could adversely affect the Fund's ability to achieve its objectives. Proper management of those risks 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

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 is 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 (wherever possible) and minimise the severity of the consequences if they do occur.

3. Pension Fund Risk Management Strategy: Specific Features

The Pension Fund's Risk Management Strategy is to:-

- a) identify key risks to the achievement of the Fund's objectives
- b) assess the risks for likelihood and impact
- c) identify mitigating controls
- d) allocate responsibility for the mitigating controls
- e) maintain a risk register detailing the risk features in a)-d) above
- f) review and update the risk register on a regular basis
- g) report the outcome of the review to the Pensions Committee.

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 Business Plan process currently reported to the Pensions Investment Sub Committee in accordance with the Myners Principles.

4. Roles and Responsibilities

All staff involved in the Pension Fund and Members of the Pensions 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 Pensions Committee will be asked to:-

- ❖ agree the Risk Management Strategy
- ❖ approve the Risk Register
- ❖ approve the agreed Risk Register actions
- ❖ receive regular updates as part of the Fund's Business Plan reporting process

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.