
Risk management policy



Introduction

The Environment Agency Pension Fund ('the fund') is committed to promoting excellence in risk management across both the Active and Closed Funds; embedding it in all decision making and sharing best practice.

The fund operates within the strategic risk framework of its principal employer, the Environment Agency, which recognises that risk is necessary to achieve our objectives and that staff should be prepared to take well-informed, well-managed risks, seizing opportunities when they arise.

'Well-informed, well-managed' in our context as a public body means understanding the consequences of our actions and making informed decisions about the level of risk we're willing to accept. It is neither economic, nor realistic to manage out all risk completely but we need to show that we understand and actively manage our risks.

This policy sets out our strategic approach to effective risk management and provides cross references to the detailed risk assessment in the principal strategy documents of the fund;

- Funding strategy statements
- Investment Strategy Statements
- Responsible investment Strategy
- Policy to Address Climate Change
- Governance policy
- Governance Compliance Statement
- Administration Strategy Statement
- Communications Plan
- Fraud policy

Risk objectives

The fund's risk objectives are to;

- Integrate risk management into the culture and day to day operations of the fund to enable it to anticipate and respond positively to change.
- Increase awareness of risk management with those connected with the delivery of the fund.
- Maintain a robust framework and processes for risk identification, analysis, assessment and management of risk, and reporting, recording, and be in line with the methodology of the Environment Agency and consistent with best practice.
- Minimize the cost of risk.

The Chief Pensions Officer ensures that these objectives are translated into a robust LGPS specific risk management framework which embeds risk management into the culture of the fund and identifies, assesses and mitigates the risks facing the fund.

Identifying and analysing operational risk

Consistent with the approach of the Environment Agency, the risks to the funds can be understood in terms of two key risks areas, integrity and delivery.

When identifying risks to the fund, we therefore consider them in terms of either our integrity as a fund, or our ability to deliver our critical pension fund services as follows:

The integrity of our fund, which could be impacted by:

- External factors, e.g. structural changes, policy changes, outsourcing of asset management to pools & a cyber attack.
- Operational factors, e.g. external service provision, poor customer service.
- Governance factors, e.g. poor control of risks, break down in trust.

The capacity for us to deliver, which could impact on:

- High profile work areas, e.g. challenging new pieces of work.
- Capability and capacity, e.g. incidence response & business continuity.
- Internal change e.g. changes across our employers.
- Financial resources, e.g. budget management, maximizing outcomes.
- Staff and effectiveness, e.g. skills, resilience and retention.
- How we do things, e.g. embedding best practice in what we do.

Evaluation and prioritisation

Once identified, risks need to be understood in terms of the likelihood of them happening and the impact if they do happen. The combination of these two aspects gives a total level of risk exposure and informs the action that should be taken.

Whilst the assessment of risk remains a judgment, the fund has adopted a standard scoring approach that supports this judgment. By using a common approach, we can compare, prioritise and allocate resource effectively. See table below.

Total

Impact Severity	5 – Very high					
	4 – High					
	3 - Medium					
	2 – Low					
	1 - very Low					
		1-Very Low	2-Low	3 - Medium	4- High	5 - Very High
		Likelihood				

Managing operational risks

Risks are managed through setting up adequate internal controls. These include:

- The arrangements and procedures to be followed in the administration and management of the scheme.
- The systems and arrangements for monitoring that administration and management.
- The arrangements and procedures to be followed for the safe custody and security of the assets of the scheme.

The effective management of risk requires clear roles and responsibilities which are defined in the risk register of the fund.

As reducing risks will often incur additional costs, it is important that we make an informed decision about how much we want to reduce the risk against how much it will cost. This decision is a judgment to be made by officers in conjunction with the Pensions Committee and its Investment sub Committee, supported by the standard risk scoring approach.

We're unlikely to be able to, or want to, eradicate all risk, but we can reduce it to a level where the remaining risk is acceptable.

Monitoring and review

Monitoring risk management is fully integrated into the day to day operations of the officers and our service providers with oversight by the Pensions Committee and its Investment sub Committee, no less than every 3 months.

An internal review of risk management, internal controls and reduction measures is undertaken at least every two years through an internal audit. On an ongoing basis, managers ensure that risks are understood at the appropriate level in the organisation and that changing situations are understood and dealt with promptly and in an appropriate way.

The risk register assists in the monitoring and management of risks as well as providing evidence of assurance and good governance. All significant risks must be documented on the risk register. Management teams should be reviewing their risk registers at least quarterly for consideration by the Pensions Committee and Investment sub committee.

The Pension Board will also include the management of risk as part of its annual review of EAPF activities.

Informing our employers

We share information on the EAPF risks with our principal employer and Natural Resources Wales. Pensions is a regular agenda item on the EA Audit and Risk Assurance (ARAC) meetings, Environment Agency Board, and where necessary the Environment Agency Directors Team. Managing the security of EAPF assets forms part of the remit of EA's Corporate Security Board.

The Environment Agency Board will in turn inform Defra to help inform a broader view of risk management across Defra.

Approved by the Pensions Committee on 22 June 2021.