

Dyfed Pension Fund

Risk Management Policy

June 2025



Contents

Introduction	2
Objectives.....	2
Roles and Responsibilities.....	2
Risk Identification	3
Risk Control	4
Risk Monitoring.....	4
Training	4
Reporting.....	4
Wales Pension Partnership (WPP)	4
Review of the Risk Management Policy.....	5
Contact Information.....	5

Introduction

This is the Risk Management Policy of the Dyfed Pension Fund ("the Fund"), which is part of the Local Government Pension Scheme managed and administered by Carmarthenshire County Council.

The Fund recognises that it faces numerous risks which if left unmanaged can limit its ability to meet its objectives

This policy is reflective of the Fund's belief that good governance and greater transparency will improve the decision-making process and deliver superior outcomes for the Fund and its stakeholders. The Fund must endeavour to be aware of all the risks it faces and have procedures in place to manage them.

This policy applies to the Fund's pension committee, pension board, officers and external advisors. The Fund recognises that these individuals have a role to play in identifying, understanding, managing and monitoring the risks facing the Fund.

Objectives

The Fund's objectives in preparing this policy are to outline:

- how the Fund views risks, its attitude to risk and the extent to which risk is accounted for in its governance and decision-making processes.
- how risks are identified, managed and mitigated
- how the Fund will minimise the probability of negative outcomes to an appropriate level as determined by the risk appetite of the Fund

As Carmarthenshire County Council is responsible for managing the Fund, we will also have regard to the Carmarthenshire County Council Risk Management Framework and ensure that the Fund's risks are scored in a consistent manner with that Framework.

The Fund is aware that some risks cannot be fully mitigated, it recognises the need to embrace risk and ensure that it is actively and effectively managed. It is critical that prior to making decisions, the Fund understands the associated risks and considers the means by which these risks could be managed

Roles and Responsibilities

As the Administering Authority for the Fund, we must be satisfied that risks are appropriately managed. For this purpose, the Director of Corporate Services is the designated individual for ensuring adherence to the process outlined below.

Pension Committee:

- Approving changes to this policy
- Setting the appropriate level of risk appetite for the Fund
- Reviewing the Fund's risk register at each meeting

- Having oversight and responsibility of the Fund's risk management arrangements

Pension Board:

- Reviewing the Fund's risk register at each meeting
- Providing oversight and challenge on the effectiveness of the Fund's Risk Management framework, processes, and systems
- Providing oversight and challenge on the risk register

Director of Corporate Services:

The Director of Corporate Services is ultimately responsible for ensuring the requirements of this policy are adhered to including:

- Ensuring the management of risks is discussed as required to meet the objectives of this policy at pension committee and pension board
- Ensuring robust risk management in line with this policy is integrated into all aspects of the management of the Fund on a day-to-day basis
- Reviewing all changes to the Fund's risk register

Officers of the Fund:

- Identifying risks and assessing risk levels
- Ensuring appropriate controls are identified and implemented
- Reviewing existing controls to ensure they remain appropriate, and identifying new controls when applicable
- Ensuring their respective areas of the Fund's risk register are updated and reported in accordance with this policy
- Ensuring robust business continuity planning
- Ensuring the wider implications of identified risks are considered and actioned including the recording and reporting of breaches of the law
- Seeking advice and guidance from advisers and suppliers as required for the management of risks
- Seek assurance from advisers and suppliers about the management of internal controls within their organisations

Risk Identification

The Fund's risk identification is focussed on identifying existing risks and risks which may materialise in the future. A proactive approach to identifying future risk will allow the Fund to be proactive as opposed to reactive, this should ensure more efficient risk management.

The Fund uses the following to identify risks:

- A detailed risk assessment exercise carried out by officers
- Feedback and communication with pension committee and pension board
- Internal or external audit exercises

- Formulation of the Fund's Annual Business Plan

Risk Control

The Fund's risk register identifies the risks associated with the Fund along with the controls that have been implemented to mitigate these risks. The register identifies the likelihood and impact of uncontrolled risks and then subsequently highlights the likelihood and impact following the implementation of relevant controls.

Risk Monitoring

Officers will monitor risks regularly in conjunction with the pension committee and pension board. In undertaking the monitoring, officers will consider whether:

- there are any new risks which have not previously been identified
- existing controls remain appropriate
- any new controls can be implemented to further mitigate any risks
- there are any changes to already identified risks or the effectiveness of controls which impact on the risk scoring

Training

The Fund recognises that training and education is critical to achieving good outcomes and will allocate resources to ensure that it undertakes regular training and education on identifying, managing and monitoring risk. A key risk to the successful implementation of the policy is pension committee and pension board members or officers not having the necessary knowledge to effectively identify and manage risks.

Reporting

The pension committee have a responsibility for ensuring robust risk management arrangements are in place. Guidance issued by the Scheme Advisory Board suggests that the pension board could review the risk register as it relates to the scheme manager function of the Authority.

Progress in managing risks will be monitored and recorded on the Fund's risk register which will be provided to each meeting of the pension committee and pension board as part of the regular review of risks. There may be occasions, due to the timing of meetings, where the risk register will not be taken to every meeting. Officers will ensure that these occasions are minimised as far as possible.

Wales Pension Partnership (WPP)

This policy is focused solely on risks specific to the Fund. These include Governance, Funding and Investment and Operational risks and cover both the Fund's Investments, Accounting and Administration activities.

In relation to the Fund’s pooled investments, as a constituent authority of the WPP the Fund acknowledges the WPP’s risk policy and risk register.

Review of the Risk Management Policy

This policy will be formally reviewed and updated at least every three years. The next review is due in 2028 unless matters arise which require the policy to be reviewed earlier.

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