

Pension Fund Risk R

Risk Group	Risk Category	Risk Ref.	Previous	Risk Description	Officer Responsible	Impact				Likelihood
						Fund	Employers	Reputation	Total	
Investment		1		That the combination of assets in the investment portfolio fails to fund the liabilities in the long term.	City Treasurer	5	4	4	13	2
Investment		2		Fund managers fail to achieve the returns agreed in their management agreements.	City Treasurer	4	3	1	8	3
Investment		3		Failure of custodian or counterparty.	City Treasurer	5	3	2	10	2
Funding		4		The level of inflation and interest rates assumed in the valuation may be inaccurate leading to higher than expected liabilities.	City Treasurer	4	2	1	7	2
Funding		5		There is insufficient cash available in the Fund to meet pension payments leading to investment assets being sold at sub-optimal prices to meet pension payments.	City Treasurer	5	4	2	11	2
Funding		6		Scheme members live longer than expected leading to higher than expected liabilities.	City Treasurer	5	3	1	9	2

Funding		7		Scheme matures more quickly than expected due to public sector spending cuts, resulting in contributions reducing and pension payments increasing.	City Treasurer	5	3	1	9	2
Regulation		8		Pensions legislation or regulation changes resulting in an increase in the cost of the scheme or increased administration.	City Treasurer and Director of People Services	4	2	1	7	2
Regulation		9		Introduction of European Directive MiFID II results in a restriction of Fund's investment options and an increase in costs		City Treasurer	4	2	1	7
Regulation		10		Loss of 'elective Professional Status' with any or all of existing Fund managers and counterparties resulting in reclassification of fund from professional to retail client status impacting Fund's investment options.	City Treasurer	4	2	2	8	2
Regulation		11		Loss of flexibility to engage with Fund Managers that the fund has not 'opted up' with regard to new products, resulting in reduced knowledge about investment opportunities that may benefit the fund. (The Fund is a retail client to counterparties unless opted up)	City Treasurer	5	2	1	8	2

Governance	12	Failure to comply with legislation leads to ultra vires actions resulting in financial loss and/or reputational damage.	City Treasurer	5	2	3	10	2
Governance	13	Committee members do not have appropriate skills or knowledge to discharge their responsibility leading to inappropriate decisions.	City Treasurer	4	3	2	9	2
Governance	14	Officers do not have appropriate skills and knowledge to perform their roles resulting in the service not being provided in line with best practice and legal requirements. Succession planning is not in place leading to reduction of knowledge when an officer leaves.	City Treasurer and Director of People Services	4	3	2	9	2
Governance	15	Inadequate, inappropriate or incomplete investment or actuarial advice is actioned leading to a financial loss or breach of legislation.	City Treasurer	5	3	2	10	2
Governance	16	London CIV has inadequate resources to monitor the implementation of investment strategy and as a consequence are unable to address underachieving fund managers.	City Treasurer	3	2	1	6	2

Funding		17		Failure of an admitted or scheduled body leads to unpaid liabilities being left in the Fund to be met by others.	City Treasurer and Director of People Services	5	3	1	9	2
Funding		18		Ill health costs may exceed "budget" allocations made by the actuary resulting in higher than expected liabilities particularly for smaller employers.	City Treasurer and Director of People Services	4	2	1	7	2
Funding		19		Transfers out increase significantly as members transfer to DC funds to access cash through new pension freedoms.	City Treasurer and Director of People Services	5	3	1	9	2
New measures ta										
Funding		28	1	Price inflation is significantly more than anticipated in the actuarial assumptions: an increase in CPI inflation by 0.1% over the assumed rate will increase the liability valuation by upwards of 1.7%		5	3	2	10	2
Funding	Health & Safe	29	2	Pensioners living longer: adding one year to life expectancy will increase the future service rate by 0.8%		5	3	1	9	2

Funding		30	3	Pay increases are significantly more than anticipated for employers within the Fund.		5	3	1	9	2
Funding		31	4	Mismatching of assets and liabilities, inappropriate long-term asset allocation or investment strategy, mistiming of investment strategy		5	3	3	11	2
Investment		32	5	Increased risk to global financial stability. Outlook deteriorates in advanced economies because of heightened uncertainty and setbacks to growth and confidence, with declines in oil and commodity prices. Leading to tightened financial conditions, reduced risk appetite and raised credit risks. Geo-political risk as a result of events and political uncertainty.		4	3	1	8	3

Investment		33	7	Investment managers fail to achieve benchmark/outperformance targets over the longer term: a shortfall of 0.1% on the investment target will result in an annual impact of 1.4m.		4	3	1	8	3
Financial	Security	34	8	Financial loss of cash investments from fraudulent activity		5	3	3	11	1
Operational	Suppliers / Pa	35	9	Financial failure of a fund manager leads to value reduction, increased costs and impairment.		5	3	2	10	1
Investment		36	10	Significant volatility and negative sentiment in global investment markets following disruptive politically inspired events in US.		5	3	1	9	2

Investment		37	11	Global investment markets fail to perform in line with expectations leading to deterioration in funding levels and increased contribution requirements from employers.		5	3	2	10	2
Funding		38	13	Impact of increases to employer contributions following the actuarial valuation		5	2	1	8	2
Governance	Reputation	39	15	Failure to take difficult decisions inhibits effective Fund management		5	3	2	10	2
Investment		40	16	Volatility caused by uncertainty with regard to the withdrawal of the UK from the European Union, lack of any trade deal struck by 29 March 2019 and the economic after effects.		5	2	1	8	3
Operational	Continuity	41	18	Insufficient attention paid to environmental, social and governance (ESG) issues, leading to reputational damage.		3	2	4	9	2
Governance		42	19	Implementation of proposed changes to the LGPS (pooling) does not conform to plan or cannot be achieved within laid down timescales		3	2	1	6	2

Operational		43	22	Failure to hold personal data securely in breach of General Data Protection Regulation (GDPR) legislation.		5	3	3	11	2
Funding		44	23	Impact of economic and political factors on the Pension Fund's employer workforce.		5	2	1	8	2
Governance	Service Deliv	45	24	Changes to LGPS regulations		3	2	1	6	2
Governance	Continuity	46	25	Change in membership of Pension Fund Committee leads to dilution of member knowledge and understanding		2	2	1	5	4
Operational		47	26	Inaccurate information in public domain leads to damage to reputation and loss of confidence		1	1	3	5	3
Operational		48	27	Financial failure of third party supplier results in service impairment and financial loss		5	4	1	10	2

Governance		49	28	That the London Collective Investment Vehicle (LCIV) disbands or the partnership fails to produce proposals/solutions deemed sufficiently ambitious		1	4	2	7	2
Governance	Continuity	50	29	Failure to comply with legislative requirements e.g. ISS, FSS, Governance Policy, Freedom of Information requests		3	3	3	9	2
Operational		51	30	Procurement processes may be challenged if seen to be non-compliant with OJEU rules. Poor specifications lead to dispute. Unsuccessful fund managers may seek compensation following non compliant process		5	3	3	11	2
Governance	Continuity	52	31	Failure to comply with recommendations from the local pension board, resulting in the matter being escalated to the scheme advisory board and/or the pensions regulator		1	3	3	7	2
Financial		53	34	Inaccurate cash flow forecasts or drawdown payments lead to shortfalls on cash levels and borrowing becomes necessary to ensure that funds are available		3	4	2	9	2

Register - Investment Risk

Total risk score	Mitigation actions	Status	Revised Likelihood	Net risk score	Reviewed on
26	Investment strategy in place and reviewed periodically. Performance is measured against a liability based benchmark. Fund performance is reviewed quarterly.		1	13	Sep-18
24	Independent monitoring of fund manager performance by custodian against targets. Investment adviser retained to keep watching brief. Fund manager performance is reviewed quarterly.		2	16	Sep-18
20	At time of appointment, ensure assets are separately registered and segregated by owner. Review of internal control reports on an annual basis. Credit rating kept under review.		1	10	Sep-18
14	Review at each triennial valuation and challenge actuary as required. Growth assets and inflation linked assets in the portfolio should rise as inflation rises.		1	7	Sep-18
22	Cashflow forecast maintained and monitored. Cashflow position reported to sub-committee quarterly. Cashflow requirement is a factor in current investment strategy review.		1	11	Sep-18
18	Review at each triennial valuation and challenge actuary as required		2	18	Sep-18

18	Review maturity of scheme at each triennial valuation. Deficit contributions specified as lump sums, rather than percentage of payroll to maintain monetary value of contributions. Cashflow position monitored monthly.			1	9	Sep-18
14	Maintain links with central government and national bodies to keep abreast of national issues. Respond to all consultations and lobby as appropriate to ensure consequences of changes to legislation are understood.			1	7	Sep-18
14	Officers are engaging with the Local Government Association and Fund Managers to understand the position better. Knowledge and Skills Policy in place for Officers and Members of the Committee. Maintain links with central government and national bodies to keep abreast of national issues.			1	7	Sep-18
16	Keep quantitative and qualitative requirements under review to ensure that they continue to meet the requirements. There is a training programme and log in place to ensure knowledge and understanding is kept up to date. Existing and new Officer appointments subject to requirements for professional qualifications and CPD.			1	8	Sep-18
16	More reliance on investment advisor to keep Officers and Committee updated. Officers are considering other financial institution outside of the current mandates to 'opt up' with. Maintaining up to date information about the fund on relevant platforms. Fund can opt up with prospective clients.			1	8	Sep-18

20	Officers maintain knowledge of legal framework for routine decisions. Eversheds retained for consultation on non-routine matters.			1	10	Sep-18
18	External professional advice is sought where required. Knowledge and skills policy in place (subject to Committee Approval)			1	9	Sep-18
18	Person specifications are used at recruitment to appoint officers with relevant skills and experience. Training plans are in place for all officers as part of the performance appraisal arrangements. Shared service nature of the pensions team provides resilience and sharing of knowledge.			1	9	Sep-18
20	At time of appointment ensure advisers have appropriate professional qualifications and quality assurance procedures in place. Committee and officers scrutinise and challenge advice provided.			2	20	Sep-18
12	Pension Fund Committee Chair is a member of the Joint member Committee responsible for the oversight of the CIV and can monitor and challenge the level of resources through that forum. Tri-Borough Director of Treasury & Pensions is a member of the officer Investment Advisory Committee which gives the Fund influence over the work of the London CIV.			2	12	Sep-18

18	Transferee admission bodies required to have bonds in place at time of signing the admission agreement. Regular monitoring of employers and follow up of expiring bonds.			1	9	Sep-18
14	Review "budgets" at each triennial valuation and challenge actuary as required. Charge capital cost of ill health retirements to admitted bodies at the time of occurring. Occupational health services provided by the Council and other large employers to address potential ill health issues early.			2	14	Sep-18
18	Monitor numbers and values of transfers out being processed. If required, commission transfer value report from Fund Actuary for application to Treasury for reduction in transfer values.			2	18	Sep-18
Taken from Surrey register						
20	TREAT- 1) The fund holds investment in index-linked bonds (RPI protection which is higher than CPI) and other real assets to mitigate CPI risk. Moreover, equities will also provide a degree of inflation protection.			1	10	Sep-18
18	TREAT - 1) Barnet Waddingham use long term longevity projections in the actuarial valuation process. In recent months, longevity has been reported to be reducing over the long term from the ever increasing heights it reached in the last two or three years.			2	18	Sep-18

18	TREAT - 1) Fund employers should monitor own experience. 2) Assumptions made on pay and price inflation (for the purposes of IAS19/FRS102 and actuarial valuations) should be long term assumptions. Any employer specific assumptions above the actuary's long term assumption would lead to further review. 3) Employers to made aware of generic impact that salary increases can have upon the final salary linked elements of LGPS benefits (accrued benefits before 1 April 2014).			2	18	Sep-18
22	TREAT- 1) Active investment strategy and asset allocation monitoring from Pension Fund Committee, officers and consultants. 2) Investment strategy review is currently underway with an approved switch from equities to fixed income. 3) Setting of Fund specific benchmark relevant to the current position of fund liabilities. 4) Fund manager targets set and based on market benchmarks or absolute return measures. Overall investment benchmark and out-performance target is fund specific.			1	11	Sep-18
24	TREAT- 1) Increased vigilance and continued dialogue with managers as to events on and over the horizon. 2) Continued investment strategy involving portfolio diversification and risk control. 3) Investment strategy review will follow post actuarial 2019 valuation.			2	16	Sep-18

24	TREAT- 1) The Investment Management Agreements (IMAs) clearly state WCC's expectations in terms of investment performance targets. 2) Investment manager performance is reviewed on a quarterly basis. 3) The Pension Fund Committee should be positioned to move quickly if it is felt that targets will not be achieved.. 4) Portfolio rebalancing is considered on a regular basis by the Pension Fund Committee. 5) The Fund's investment management structure is highly diversified, which lessens the impact of manager risk compared with less diversified structures.			2	16	Sep-18
11	TOLERATE - 1) Policies and procedures are in place which are regularly reviewed to ensure risk of investment loss is minimised. Strong governance arrangements are in place in respect of the Pension Fund. Internal Audit assist in the implementation of strong internal controls. Fund Managers have to provide annual SSAE16 and ISAE3402 or similar documentation (statement of internal controls).			1	11	Sep-18
10	TREAT - 1) Fund is reliant upon current adequate contract management activity. 2) Fund is reliant upon alternative suppliers at similar price being found promptly. 3) Fund is reliant on LGIM as transition manager. 4) Fund has the services of the London Collective Investment Vehicle (LCIV).			1	10	Sep-18
18	TREAT- 1) Continued dialogue with investment managers re management of political risk in global developed markets. 2) Investment strategy involving portfolio diversification and risk control. 3) Investment strategy review will follow post actuarial 2019 valuation.			2	18	Sep-18

20	TREAT- 1) Proportion of total asset allocation made up of equities, bonds, property funds and fixed income, limiting exposure to one asset category. 2) The investment strategy is continuously monitored and periodically reviewed to ensure optimal risk asset allocation. 3) Actuarial valuation and strategy review take place every three years post the actuarial valuation. 4) IAS19 data is received annually and provides an early warning of any potential problems. 5) The actuarial assumption regarding asset outperformance is regarded as achievable over the long term when compared with historical data.			1	10	Sep-18
16	TREAT- 1) Officers to consult and engage with employer organisations in conjunction with the actuary. 2) Actuary will assist where appropriate with stabilisation and phasing in processes.			1	8	Sep-18
20	TREAT-1) Officers ensure that governance process encourages decision making on objective empirical evidence rather than emotion. Officers ensure that the basis of decision making is grounded in the Investment Strategy Statement (ISS), Funding Strategy Statement (/FSS), Governance policy statement and Committee Terms of Reference and that appropriate advice from experts is sought			1	10	Sep-18
24	TREAT- 1) Officers to consult and engage with advisors and investment managers. 2) Future possibility of looking at move from UK to Global benchmarks on UK Equities and UK Property. 3) Possibility of hedging currency and equity index movements.			2	16	Sep-18
18	TREAT-1) Review ISS in relation to published best practice (e.g. Stewardship Code) 2) Ensure fund managers are encouraged to engage and to follow the requirements of the published ISS. 3) The Fund is a member of the Local Authority Pension Fund Forum (LAPFF), which raises awareness of ESG issues and facilitates engagement with fund managers and corporate company directors.			1	9	Sep-18
12	TREAT- 1) Officers consult and engage with MHCLG, LGPS Scheme Advisory Board, advisors, consultants, peers, various seminars and conferences. 2) Officers engage in early planning for implementation against agreed deadlines.			1	6	Sep-18

22	TREAT - 1) Data encryption technology is in place which allow the secure transmission of data to external service providers. 2) Phasing out of holding records via paper files. 3) Pensions Admin (Surrey County Council) manual records are locked daily in a secure safe. 4) WCC IT data security policy adhered to.			1	11	Sep-18
16	TREAT- 1) Barnet Waddingham uses prudent assumptions on future of employees within workforce. Employer responsibility to flag up potential for major bulk transfers outside of the Westminster Fund. The potential for a significant reduction in the workforce as a result of the public sector financial pressures may have a future impact on the Fund. 2) Need to make prudent assumptions about diminishing workforce when carrying out the triennial actuarial valuation.			2	16	Sep-18
12	TREAT - 1) Fundamental change to LGPS Regulations implemented from 1 April 2014 (change from final salary to CARE scheme). 2) Future impacts on employer contributions and cash flows will considered during the 2016 actuarial valuation process. 3) Fund will respond to consultation processes. 4) Impact of LGPS (Management of Funds) Regulations 2016 to be monitored. Impact of Regulations 8 (compulsory pooling) to be monitored.			2	12	Sep-18
20	TREAT - 1) Succession planning process in place. 2) Ongoing training of Pension Fund Committee members. 3) Pension Fund Committee new member induction programme. 4) Training to be based on the requirements of CIPFA Knowledge and Skills Framework under designated officer.			3	15	Sep-18
15	TOLERATE - 1) Ensure that all requests for information (Freedom of Information, member and public questions at Council, etc) are managed appropriately and that Part 2 Exempt items remain so. 2) Maintain constructive relationships with employer bodies to ensure that news is well managed. Stage AGM every year.			2	10	Sep-18
20	TOLERATE - 1) Performance of third parties (other than fund managers) regularly monitored. 2) Regular meetings and conversations with global custodian (Northern Trust) take place. 3) Actuarial and investment consultancies are provided by two different providers.			2	20	Sep-18

14	TOLERATE - 1) Partners for the pool have similar expertise and like-mindedness of the officers and members involved with the fund, ensuring compliance with the pooling requirements. Ensure that ongoing fund and pool proposals are comprehensive and meet government objectives. Member presence on Shareholder Committee and officer groups.			2	14	Sep-18
18	TOLERATE - 1) Publication of all documents on external website. 2) Managers expected to comply with ISS and investment manager agreements. 3) Local Pension Board is an independent scrutiny and assistance function. 4) Annual audit reviews.			1	9	Sep-18
22	TOLERATE - Ensure that assessment criteria remains robust and that full feedback is given at all stages of the procurement process.			2	22	Sep-18
14	TOLERATE - 1) Ensure that an cooperative, effective and transparent dialogue exists between the Pension Fund Committee and Local Pension Board.			1	7	Sep-18
18	TOLERATE - 1) Borrowing limits with banks are set at levels that are more than adequate should cash be required at short notice. 2) Cashflow analysis of pension fund undertaken at regular intervals.			1	9	Sep-18