

Non- Administration Risk Register - April 2021 - Investment

Risk ID	Short-risk Title	Long Description	Nature of Risk	Controls and Mitigation in Place	Residual Risk			Target Risk			Further Actions		Date Risk Identified
					Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score	Actions	Delivery Date	
Inv001	Investment Strategy	Long-term investment strategy for the Pension Fund has low chance of delivering return required to meet fully funded objectives	Strategy	The investment strategy was reviewed in 2018 and changes made increased the probability of achieving full funding in 20 years from 66% to 70%. The changes are substantially implemented. The funding level at the 2019 triennial valuation improved from 73% to 86%.	Major 5	Possible 3	High 15	Major 4	Possible 3	Medium High 12	Some modifications of the investment strategy have been made to help reduce risk.  An investment review will be conducted in early 2023 once actuarial valuation has been completed.	31-Mar-23	Initial risk
Inv002	Investment manager returns	Investment managers under perform relative to the benchmark over the medium term.	Implementation & Monitoring	Quarterly investment monitoring in place to analyse market performance against the performance of the investment manager. The most volatile asset place (equities) is mostly managed on an index tracking basis to eliminate relative performance risk. The active portfolio is highly diversified to reduce the impact of single manager performance. The planned elimination of DFG's will significantly reduce the impact of single manager underperformance	Medium 3	Possible 3	Medium 9	Major 3	Possible 3	Medium 9	As assets are pooled with the London CIV there will be enhanced scrutiny of manager capabilities	31-Dec-25	Initial risk
Inv003	ESG	The management of ESG risk is not adequate impacting on both investment returns and reputational risk.	Implementation & Monitoring	The investment portfolio is highly diversified and the active managers are expected to take into consideration all risks when selecting investments. The Pension Fund Committee is currently reviewing its approach to ESG issues and is switching equities into portfolios with a greater ESG orientation.	Major 4	Unlikely / Possible 2	Medium 8	Low / medium 2	Unlikely / Possible 2	Low 4	To meet regulations the Fund is required to establish climate related metrics and targets	31-Mar-23	Jan-20
Inv004	Rebalancing	Rebalancing of portfolios to approved asset allocations delayed due to market volatility	Implementation & Monitoring	Scheduled timetable for sale and transfer of assets to ensure transition completed in agreed timeframe	Medium 3	Possible 3	Medium 9	Medium 3	Possible 3	Medium 9	Full reporting of transition costs following significant asset transfers	ongoing	Initial risk
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Fun001	Achievement of Investment Return Assumption	Fund assets fail to deliver returns in line with actuarial assumptions	Strategic	Annual actuarial review and triennial valuation on all employers anticipate long term returns on prudent basis. However, markets are volatile and three year returns are unpredictable. Changes to investment strategy since 2018 have increased the probability of achieving full funding while protecting downside risk.	Major 4	Possible 3	Medium High 12	Major 4	Possible 3	Medium High 12	Investment strategy will be reviewed in 2023 and there may be opportunities to improve the likelihood of achieving full funding	31-Mar-23	Initial risk
Fun002	Contribution rate increases	Effect of possible increase in employer's contribution rate on service delivery and affordability for scheme employers	Cashflow	Manage impact by deficit spreading and phasing in of contributions rises. Council already has +/-1% annual change band and pooling for academies provides some stability. Rates on average held steady at 2019 valuation with increases in primary rate offset by lower secondary contributions. Upward drift of primary rates is partly due to Government action that has increased the benefit liability.	Major 4	Possible 3	Medium High 12	Medium 3	Possible 3	Medium 9	Refresh following 31 March 2022 valuation	31-Mar-23	Initial risk

Fun003	Funding level	Significant reduction in funding level following triennial actuarial valuation	Strategic	The funding level increased at the 2019 valuation from 73% to 86%. Post March 2019 returns have achieved the actuary's target. A review will be undertaken at 31 March 2021 to check progress of funding level. The investment strategy will be reviewed in 2021 to ensure that the risk level is appropriate.	Major 4	Possible 3	Medium High 12	Medium 4	Unlikely / Possible 2	Medium 8	Opportunities to increase the prudence level will be considered at the March 2022 triennial valuation	31-Mar-23	Initial risk
Fun004	Employers' covenant	Strength of covenant of employers /risk of financial loss to Pension Fund	Implementation & cashflow	Ensure Bond arrangements maintained and renewed. Pension Fund Committee monitors Admission agreements bond renewals. The Council is considered a low risk and academies have a limited Government guarantee. Other employers are monitored.	Medium 3	Unlikely 2	Low Medium 6	Medium 3	Unlikely / possible 2	Low Medium 6	Review process for monitoring non-tax raising employers following valuation	ongoing	initial risk
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Gov001	Knowledge and Understanding	Those involved in governance of the Pension Fund have insufficient knowledge and support to undertake their functions.	Training	This risk covers Pension Fund Committee, Local Pension Board, officers and advisors. Training plans are developed for the Committee and Board and members are encouraged to identify training needs. Complex agenda items are introduced via training sessions. The officer resources have recently been increased. The performance of advisors is regularly reviewed and feedback provided.	Major 4	Low 1	Low 4	Major 4	Low 1	Low 4	Regular Training. Local Pension Board members complete TPR Public Sector Trustee Toolkit  LOLA training platform available to all PFC and LPB members	Ongoing	Jan-17