

Appendix 1

London Borough of Barnet Pension Fund Risk Register January 2022

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% and was estimated close to 100% as at March 2021.	Major 4	Possible 3	Medium High 12	Major 4	Possible 3	Medium High 12	The investment strategy has been enhanced during 2020 and 2021 to incorporate reductions in emissions, a greater focus on ESG and costs savings through pooling. Monitoring by the investment advisor ensures the investment structure remains appropriate. The strategy will be reviewed after the outcome of the 2022 triennial valuation is known.	31-Mar-22	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	n/a - target risk levels already achieved.	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 has already altered the equity portfolio to increase the focus on ESG when selecting investments.	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 during 2022 and publish these in 2023.	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 2	Low Medium 6	Medium 3	Possible 2	Low Medium 6	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	Recent strong investment returns have improved funding levels however future returns expectations have reduced which will be factored into the 2022 triennial actuarial valuation.	31-Dec-22	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	The March 2022 valuation offers additional opportunities to stabilise contributions	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 exceeded the actuary's target with funding levels close to 100% as at 31 March 2021. The investment strategy is reviewed by the investment advisor and remains 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	With the increase in the number of employers consideration is being given to a more formal employer covenant assessment process.	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 PF Committee, Local Pension Board, officers and advisors. Training plans are developed for the PF Committee and Local Pension 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	Low	Low	Major	Low	Low	Regular Training. Local Pension Board members complete TPR Public Sector Trustee Toolkit	Ongoing	Jan-17
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