PENSION FUND RISK REGISTER - KEY RISKS

APPENDIX 2

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
KEY RISKS									
	REGULATORY								
1	Changes to national pension requirements and/or HMRC rules not being implented.	The Administering Authority considers all consultation papers and new regulations and, with assistance from its advisers and suppliers, implements them as appropriate.	D2	D2	Officers monitor current developments through liaison with suppliers and specialist advisors, and participation in network discussions with peers in other LGPS funds.	Treasury and Pensions Manager	D2	ongoing	Director of Finance
	FUNDING - ASSETS AND LIABILITIES								
2	The Fund's assets are not sufficient to meet its long term liabilities. Fall in returns on Government bonds leading to rise in value placed on liabilities and an increase in deficit	Fund assets and liabilities are subject to regular assessment through triennial actuarial valuations, and monitored between those valuations. Funding Strategy Statement sets out plans / approach to ensure that assets are sufficient to meet liabilities in full over the long term (lifetime of the Fund). The Fund's investment strategy, as described in the Investment Strategy Statement, is regularly reviewed to seek to ensure that optimum returns are realised to meet its liabilities. Stabilisation modelling (to determine contribution rates) allows for the probability of the fall in returns on Government bonds within a long term context.	D2	D2	The 2022 Triennial Valuation now completed. That identified an improvement in the funding level of past service liabilities, and set employer contribution rates which are appropriate to ensure the long term solvency of the Fund. The valuation process included "stress testing" of a number of scenarios to determine whether the long term funding plan is sufficient to withstand "unexpected shocks". A further review of the Investment Strategy is underwat, to ensure that this remains appropriate going forward.	Treasury and Pensions Manager	D2	ongoing	Director of Finance
3	The relative movement in the value of the Fund's assets does not match the relative movement in the Fund's liabilities	Fund assets and liabilities are subject to regular assessment through triennial actuarial valuations. The Funding Strategy and Investment Strategy Statements are regularly reviewed in line with the triennial valuation with the objective of ensuring the long term solvency of the Fund.	D2	D2	The Fund receives quarterly updates of its valuatuion based upon a "roll forward" of data and assumptions used in the most recent triennial valuation.	Treasury and Pensions Manager	D2	ongoing	Director of Finance
4	Pay and price inflation is higher than anticipated increasing the value of liabilities	Fund assets and liabilities are subject to regular assessment through triennial actuarial valuations. The focus of the actuarial valuation is on real returns on assets, net of pay and price increases. Inter-valuation monitoring provides early warning of of adverse movements. Some investment in bonds helps to mitigate risks.	C3	C3	The Fund receives quarterly updates of its valuatuion based upon a "roll forward" of data and assumptions used in the most recent triennial valuation.	Treasury and Pensions Manager	C3	ongoing	Director of Finance

PENSION FUND RISK REGISTER - KEY RISKS

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
KEY RISKS									
5	Demographic factors change increasing the cost of Fund benefits thereby increasing liabilities.	At each triennial valuation assumptions are reviewed to ensure that they remain appropriate.	C3	C3		Treasury and Pensions Manager	C3	ongoing	Director of Finance
	FUNDING - INVESTMENT STRATEGY								
6	Long term investment strategy in relation to fund liabilities is inappropriate	External investment adviser, actuary and performance measurement consultant provide specialist guidance, including asset/liability and other modelling, to the Pension Fund Committee. Independent Advisors provide additional scrutiny, testing and validation of their work. Investment strategy options are considered as as an integral part of the funding strategy. Strategy is documented, regularly reviewed and approved by Pension Fund Committee. Strategy is in accordance with LGPS investment regulations. The Pension Fund Committee has explicitly considered its tolerance of risk and this is reflected in its asset allocation strategy.	D2	D2	The review of the Investment Strategy is in progress.	Treasury and Pensions Manager	D2	ongoing	Director of Finance
7	Significant allocation to any single asset category and its underperformance relative to expectation. Failure of individual investments to perform up to expectation	Diversified investment strategy and investment management structure minimises impact at fund level of any individual investment failure. Performance measurement consultant and investment adviser supply regular review of the performance of the portfolio as a whole and of the individual managers. Asset allocation is periodically reviewed and adjustments made if required. Fund rebalancing to benchmark allocation is considered on a quarterly basis against relevant triggers.	C3	C3		Treasury and Pensions Manager	C3	ongoing	Director of Finance
8	General fall in investment markets leading to poor performance.	The Committee, as advised by the actuary considers long term returns. Diversification between asset classes and regular monitoring of investment performance.	C2	C2		Treasury and Pensions Manager	C2	ongoing	Director of Finance

PENSION FUND RISK REGISTER - KEY RISKS

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
KEY RISKS									
9	Failure by fund managers to achieve benchmark (passive) or performance target (active)returns for their given mandates	Diversification of managers and asset classes mitigates the impact of a single manager under-performing. Managers are selected via an extensive process of "due diligence." Manager performance is reviewed by Committee at each meeting against benchmark and performance objectives and with investment adviser's report; poor performance is highlighted and addressed by the Committee and officers. Most of the Fund's investments are now managed via London CIV. LCIV monitors the underlying managers and updates client funds regularly on the outcome. Regular dialogue is maintained with the investment advisers, LCIV and "off pool" managers. The Committee meets LCIV and off pool managers periodically, and officers maintain regular contact. Procurement frameworks and adviser's advice are used to fast track the appointment of new managers if changes are required	C2	C2	As Investment pooling is progressed, the London CIV adds an additional level of monitoring and scrutiy of managers, and offers options to improve speed of implementation if changes in manager are required.	Treasury and Pensions Manager	C2	ongoing	Director of Finance
10	Fund assets fail to deliver returns in line with anticipated returns underpinning the triennial valuation	Long term returns are anticipated on a prudent basis and progress is analysed on at least a three year's basis. Assets are invested on the basis of specialist advice in a suitably diversified manner across asset classes, geographies, managers etc.	C2	C2		Treasury and Pensions Manager	C2	ongoing	Director of Finance
NEW	**CASH FLOW**								
	OPERATIONAL								
11	Concentration of knowledge in a small number of officers and risk of departure of key staff	Appoint suitably qualified staff. Ensure training and succession planning in place	D3	D2	With small teams it is in practice difficult to eliminate this risk. However, mitigating measures to improve resilience include training team members to enable coverage of key tasks to be maintained.	Treasury and Pensions Manager	D2	ongoing	Director of Finance

PENSION FUND RISK REGISTER - KEY RISKS

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
KEY RISKS									
12	Regulatory impact of court judgements creates significant administrative workload	McCloud judgement, relating to "age equality" impact of transitional arrangements for the move from the 2008 "final salary" to the 2014 "career average" scheme requires review and recalculation for a significant part of the Fund's members.	C2	C2	Discussions ongoing at national level, including with software suppliers, to set a realistic timescale for implementation of changes. Officers monitoring these discussions whilst assessing workload impacts and possible approaces to manage this.	Treasury and Pensions Manager	C3	ongoing	Director of Finance
NEW	**CASH FLOW**								
13	The Fund requires sufficient liquidity to pay pensions as these fall due. The Fund is already slightly cash flow negative - this will increase from April 2023.	The recent significant increase in inflation is likely to lead to a similar (10.1%) increase in pensions payable from April 2023, while at the same time the contributions payable by employers will decrease as a result of the long term funding position identified in the 2022 triennial valuation.	C2	C2	The Fund's strategic asset allocation means that 80% of its investments are held in funds which have high (daily or weekly) liquidity - this means that cash can be withdrawn easily when required. Now that the 2022 Triennial valuatiion is completed, a review of the Fund's Investment Strategy is in progress. The need for adequate liquidity requirements forms part of that review - to assist that work, the Fund's actuary has provided a long term cash flow forecast . A number of the Fund's current investments are in funds which are straightforward to switch from "non distributing" to "distributing share classes" should that be approptriate.	Treasury and Pensions Manager	C3	ongoing	Director of Finance