

APPENDIX 1 - RISK REGISTER

Likelihood	1	2	3	4	Impact % of assets or liabilities	1	2	3	4	5
	>1% 1 in 100 rare	>5% 1 in 20 unlikely	>10% 1 in 10 possible	>20% 1 in 5 likely		>2%	>10%	>25%	>50%	>75%

Risk	Current controls	Likelihood	Impact	Risk factor	Action Plan to Improve and/or additional control measures	Likelihood	Impact	Risk factor	Timescale/ Review Frequency	Responsibility
1. FINANCIAL RISKS										
1. Fund assets fail to deliver returns (in-line with the anticipated returns underpinning valuation of liabilities over the long-term)	<ul style="list-style-type: none"> Only anticipate long-term return on a relatively prudent basis to reduce risk of under-performing Analyse progress at triennial valuations and review Fund's Investment Strategy and Funding Strategy accordingly Regularly benchmark assets to re-valued liabilities The Fund has recently reviewed a number of key mandates including Diversified Growth Funds (July 2019) and Fixed Income mandates (February 2019) and changed a number of managers which should improve performance The Fund has conducted a full asset liability Investment Strategy review and will receive this in July 2020 modelling how liabilities and asset classes impact on funding and Value at Risk. 	3	5	15	Investment Strategy Review July 2020 of equity and non-equity portfolio reducing equity manager risk and equity risk and examining new asset classes that link to inflation	3	5	15	Annually/ Quarterly	Pension Committee (PC)

Deleted: currently this is done by officers using a proxy made up of 80% real gilts (Index linked gilts) and 20% nominal gilts, which is in line with a typical LGPS fund). This shows that assets are meeting the long term actuarial assumptions (3.8% growth at the last valuation)

Deleted: <#>Provide a quarterly comparison of actual asset performance to projected performance based on valuation assumptions¶
<#>Su

APPENDIX 1 - RISK REGISTER

Likelihood	1	2	3	4	Impact % of assets or liabilities	1	2	3	4	5
	>1% 1 in 100 rare	>5% 1 in 20 unlikely	>10% 1 in 10 possible	>20% 1 in 5 likely		>2%	>10%	>25%	>50%	>75%

3. Inappropriate long-term investment strategy	<ul style="list-style-type: none"> Fund-specific benchmark, informed by Asset-Liability modelling Compliance with LGPS regulations <u>including consultation and production of the Investment Strategy Statement</u> The Investment strategy is reviewed at least every three years by Committee. This was last reviewed in September 2017 and included a full asset liability modelling study. The next review is scheduled for <u>July 2020</u> after the results of the Triennial Valuation are known and understood. Review of Fund Benchmarks and Targets (September 2015) Member training on Liability Driven Investment 	3	5	15	<ul style="list-style-type: none"> Monitor pay rises for all employers Changes to employer rates between valuation could be implemented Consider hedging strategies and put in place a flight path Impact of past pay rises <u>has been identified for all employer's deficits</u> as part of the triennial valuation 	3	5	15	Quarterly	PC
5. Pay and price inflation risk	<ul style="list-style-type: none"> The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases Employers pay for their own salary awards and are reminded of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees The performance report covers movements in inflation. Recently 	3	4	12	<ul style="list-style-type: none"> Monitor pay rises for all employers Changes to employer rates between valuation could be implemented Consider hedging strategies and put in place a flight path Impact of past pay rises <u>has been identified for all employer's deficits</u> as part of the triennial valuation 	3	4	12	Quarterly	PC

Deleted: November

Deleted: <#>Annual liability monitor reporting by the actuary to inform the strategy¶

Deleted: ¶

Deleted: <#>Inter-valuation monitoring, as above, gives early warning¶

Deleted: will be

Deleted: each

Deleted: 2016

Deleted: Committee have agreed in principle to invest in infrastructure)

APPENDIX 1 - RISK REGISTER

Likelihood	1	2	3	4	Impact % of assets or liabilities	1	2	3	4	5
	>1% 1 in 100 rare	>5% 1 in 20 unlikely	>10% 1 in 10 possible	>20% 1 in 5 likely		>2%	>10%	>25%	>50%	>75%

	<p>the inflationary Pension Increase for the LGPS was agreed at 2.4% for 19/20. The Bank of England expects inflation to remain around 2% in the medium to long term . The cash flow report also shows the impact of inflation on pension payments</p> <ul style="list-style-type: none"> The July 19 committee considered a report on salary growth and <u>triennial valuation</u> assumptions 											
2. Unacceptable level of investment risk (in asset allocation, use of financial instruments and leverage)	<ul style="list-style-type: none"> Agree and establish appropriate level of risk in a diversified strategy with the Investment Consultant Ensure full understanding of nature of risk in each asset class The Investment strategy is reviewed at least every three years by Committee <u>The Investment strategy is also reconsidered alongside the Council funding strategy at each actuarial valuation, to measure the risk of different strategies</u> The Independent Advisor completes due diligence on all current investment mandates Officers and the Independent Advisor hold in-depth meetings with all managers to review risks, leverage and instruments used and report any concerns to Committee 	3	3	9	<ul style="list-style-type: none"> Last Member training in June 2017 conducted by the Investment Consultant on nature of investments 	3	3	9	Annually	PC		

Deleted: will

APPENDIX 1 - RISK REGISTER

Likelihood	1	2	3	4	Impact % of assets or liabilities	1	2	3	4	5
	>1% 1 in 100 rare	>5% 1 in 20 unlikely	>10% 1 in 10 possible	>20% 1 in 5 likely		>2%	>10%	>25%	>50%	>75%

	<ul style="list-style-type: none"> The Fund has exited its Hedge Fund investments Private equity mandate appointed to and new Infrastructure mandate funded. This has reduced concentration risk 									
7. Market failure risk (e.g. in the Eurozone)	<ul style="list-style-type: none"> Limit concentration of investment in any one specific market. The 2020 investment strategy review will look at the allocation to equity and consider options to reduce reliance on these volatile assets Monitor markets constantly, and seek advice of managers, consultants and independent advisor (markets are also perceived as over-valued in the US and there is a threat of Emerging markets being dislocated by tapering in the US and growth concerns) Diversification of UK passive holding into global passive holding Fund manager controls on risk 	3	3	9	<ul style="list-style-type: none"> Funding of private equity mandate further reducing concentration on UK passive equity as capital calls dilute exposure over time Further transfers of UK to global equity over medium term 	3	3	9	Ongoing	PC / Head of Treasury

- Deleted: awaiting funding
- Deleted: 4. Liabilities rise due to fall in yields on gilts (flowing from a rise in value placed on liabilities)
- Deleted: <#>Inter-valuation monitoring, as above¶
<#>Some investment in bonds helps to mitigate this risk¶
<#>Monitor movement in funding level since the last valuation in performance report – currently estimated to be 86% funded based on a proxy estimate¶
<#>Review of fixed income investments in February 2019 to ensure continued appropriateness¶
<#>Review of liability-hedging assets such as infrastructure and property¶
- Deleted: 3
- Deleted: 3
- Deleted: 9
- Deleted: <#>Hymans Robertson modelling as part of the triennial valuation will give a better sense of whether the combination of asset returns, gilt yields and contributions will deliver good outcomes for the Fund in the long run¶
<#>Discount rate decreased from 4.6% to 3.8% as part of the triennial valuation
- Deleted: 3
- Deleted: 3
- Deleted: 9
- Deleted: Triennially
- Deleted: PC

APPENDIX 1 - RISK REGISTER

Likelihood	1	2	3	4	Impact % of assets or liabilities	1	2	3	4	5
	>1% 1 in 100 rare	>5% 1 in 20 unlikely	>10% 1 in 10 possible	>20% 1 in 5 likely		>2%	>10%	>25%	>50%	>75%

6. Investment vehicle is not understood	<ul style="list-style-type: none"> Investment Consultant and Independent Advisor feed into decisions on new asset classes Member training (especially for the new asset class of private equity and infrastructure) Appropriate due diligence carried out during searches by Investment Consultant and lawyers The Fund has exited its hedge fund exposures Pension Committee to receive a briefing on progression of the London CIV 	3	3	9	<ul style="list-style-type: none"> Further Member training on private equity. 	2	3	6	Ongoing	PC / Head of Treasury
13. Employer contribution rate increases (effect on service delivery including admitted /scheduled bodies)	<ul style="list-style-type: none"> <u>Stability mechanism for Council contribution rate, limiting increases from one year to the next. Based on Fund Actuary's modelling and in place for several valuations now</u> Seek feedback from employers on scope to absorb short-term contribution rises Mitigate impact through <u>measurement of added risk to the Fund of permitting reduced contributions</u> and possible phasing in of contribution rises Consult employers on possibility of paying more (extra administration and higher regular contributions) to enable employer-specific 	3	2	6	<ul style="list-style-type: none"> 2019 triennial valuation approach allows measure of risks/probabilities associated with different contribution levels per employer See also item 30 	3	2	6	Annually by PSC / Ongoing by officers	PC / Head of Treasury

Deleted: q

Deleted: <#>Refresher training on more complex asset classes to be provided¶

Deleted: 6

Deleted: deficit spreading

APPENDIX 1 - RISK REGISTER

Likelihood	1	2	3	4	Impact % of assets or liabilities	1	2	3	4	5
	>1% 1 in 100 rare	>5% 1 in 20 unlikely	>10% 1 in 10 possible	>20% 1 in 5 likely		>2%	>10%	>25%	>50%	>75%

	<ul style="list-style-type: none"> investment strategies to give greater certainty of cost Employer register considered annually by Pension Committee Continued dialogue between officers, actuary and employers to determine risk All employers have been visited within the last triennial valuation cycle 									
12. Investment manager under-performance (relative to target)	<ul style="list-style-type: none"> Short term (quarterly) investment monitoring analyses market performance and active managers relative to their index benchmark. The Committee has demonstrated that it can identify poor performance and tackle this with the phased withdrawal from Fidelity and disinvestment from Aberdeen (PSC Sep 14) and more recently the exit from Brevan Howard and Insight. The Committee <u>has also considered</u> the performance of DGF managers <u>and fixed income</u> within the Fund <u>during 2019</u>. Any changes to investment process, philosophy, portfolio team are reported to Pension Committee Appointment of Independent Advisor to strengthen scrutiny in this area, and due diligence conducted by her on all managers. 	3	2	6		3	2	6	Quarterly	PC

Deleted: July 2019

Deleted: will also

APPENDIX 1 - RISK REGISTER

Likelihood	1	2	3	4	Impact % of assets or liabilities	1	2	3	4	5
	>1% 1 in 100 rare	>5% 1 in 20 unlikely	>10% 1 in 10 possible	>20% 1 in 5 likely		>2%	>10%	>25%	>50%	>75%

	<ul style="list-style-type: none"> Consideration of equity managers as part of the Investment Strategy review. Report considered on appropriateness of targets taken in September 2015 Investment Manager meetings are held regularly, open to Members as well as officers and significant actions are considered at Pension Committee. 									
--	--	--	--	--	--	--	--	--	--	--

Deleted: Appointment of second active global equity manager (Harris) to reduce overreliance on Aberdeen. Option of rebalancing equity assets between managers (PSC February 2013)

Deleted:)

Deleted: ¶
Mandate review of Aberdeen culminated in termination of mandate (June 2016)

APPENDIX 1 - RISK REGISTER

Likelihood	1	2	3	4	Impact % of assets or liabilities	1	2	3	4	5
	>1% 1 in 100 rare	>5% 1 in 20 unlikely	>10% 1 in 10 possible	>20% 1 in 5 likely		>2%	>10%	>25%	>50%	>75%

<p>9. Actuarial Risk (miscalculation of liabilities or inappropriate assumptions)</p>	<ul style="list-style-type: none"> The Fund maintains close contact with its actuary Advice is delivered via formal meetings involving elected members, and recorded properly Advice is subject to professional requirements such as peer review Technical Actuarial Standards in place, which in effect impose best practice requirements on actuarial advice The Fund now has two experienced actuaries with Camden-specific knowledge (Douglas Green and Barry Dodds) advising its officers and Committee Pension Committee receives reports on the review of two key assumptions in the Triennial Valuation on Salary growth and investment return expectations (July 2019). Fund actuary is accredited under the Institute and Faculty of Actuaries (IFoA) Quality Assurance Scheme, which requires external assessment and annual submissions to IFoA 	1	5	5		1	5	5	Ongoing	PC / Officers
---	--	---	---	---	--	---	---	---	---------	---------------

Deleted: New

Deleted: since last valuation

Deleted: further

Deleted: O

Deleted: will

Deleted: Asset outperformance

Deleted:

APPENDIX 1 - RISK REGISTER

Likelihood	1	2	3	4	Impact % of assets or liabilities	1	2	3	4	5
	>1% 1 in 100 rare	>5% 1 in 20 unlikely	>10% 1 in 10 possible	>20% 1 in 5 likely		>2%	>10%	>25%	>50%	>75%

51. Sub-funds of London CIV fail to perform	<ul style="list-style-type: none"> The London CIV is well resourced and has skilled and experienced staff who can exercise appropriate due diligence Pension Committee reviews investments with the CIV and progress at the CIV quarterly 	2	2	4	<ul style="list-style-type: none"> As the Fund moves more into CIV sub-funds this will become a bigger issue. The Fund should ensure that there is appropriate monitoring rigour at the CIV 	2	2	4		
10. Geographical/ Currency risk in investments	<ul style="list-style-type: none"> Limit concentration of investment in any one specific market through manager agreements Regular review of compliance with manager agreements Monitor markets constantly, and seek advice of managers, consultants and independent advisor The Fund considered the use of a strategic currency hedge to limit risk, agreeing to delegate to individual managers (March 15) Diversification of UK passive holding into Global passive holding (Sept and Nov 15) 	2	2	4	<ul style="list-style-type: none"> Review of portfolio during Brexit negotiations to ensure any implications of UK exit from EU are understood 	2	2	4	Ongoing	PC / Head of Treasury
15. Excessive fees paid to investment managers	<ul style="list-style-type: none"> Manager fees keenly negotiated at time of appointment to achieve best result for the Fund All Fund fees and expenses are reviewed regularly by officers Participation in London CIV to achieve economies of scale and ensure optimal fee structures Regularly benchmark fees (CEM) 	2	2	4	<ul style="list-style-type: none"> Ensure Fund Managers sign up to the Scheme Advisory Board's Code of Transparency. Baillie Gifford have already done so. Move to passive mandates where outperformance on active portfolio does not justify higher fees charged 	2	2	4	Ongoing	PC / Officers

Deleted: PC -

Deleted: PC -

APPENDIX 1 - RISK REGISTER

Likelihood	1	2	3	4	Impact	1	2	3	4	5
	>1%	>5%	>10%	>20%	% of assets	>2%	>10%	>25%	>50%	>75%
	1 in 100	1 in 20	1 in 10	1 in 5	or liabilities					
	rare	unlikely	possible	likely						

	<ul style="list-style-type: none"> The Fund has exited Hedge Fund investments which have higher fees. It has also recently invested in CQS, a fixed income manager, in the CIV with lower fee structures. 				the Investment Strategy in 2020 will examine this					
16. Asset manager or bank failure	<ul style="list-style-type: none"> Detailed due diligence is carried out when new manager or custodian is appointed (financially and legally) In future this due diligence will be the responsibility of the London CIV with a wider resource base Financial stability of managers and custodian monitored by officers and Independent Advisor Investment Consultant has coverage of all investment managers Assets under management with all managers are monitored as dramatic falls are likely to place pressure on manager business models (PC Mar 16) 	1	4	4		1	4	4	Ongoing	Officers
53. Fossil Fuel linked investments suffer losses due to stranded assets and reputational damage.	<ul style="list-style-type: none"> Equity managers review ESG issues as part of investment decision, and report issues and company engagement as part of quarterly reports The Government's legislation to reduce carbon to net zero emissions by 2020 has increased the pace of change 	3	2	6	<ul style="list-style-type: none"> participation with LAPFF to engage with fossil fuel companies and boards and continue work in this area including 'aiming for A', strategic resilience resolutions, and managed decline of fossil fuel extraction 	3	2	6	Ongoing	PC/ Head of Treasury

APPENDIX 1 - RISK REGISTER

Likelihood

1
>1%
1 in 100
rare

2
>5%
1 in 20
unlikely

3
>10%
1 in 10
possible

4
>20%
1 in 5
likely

Impact
% of assets
or liabilities

1
>2%

2
>10%

3
>25%

4
>50%

5
>75%

- The Fund has reduced its proportion of the Fund invested in fossil fuels over 7 years from 7.2% of the Fund in 2012 to 4.2% (Sept 2019).
- Membership of LAPFF and appointment of corporate governance advisor providing research on companies invested
- ESG seminar arranged for Members of the Committee (May 19)

- continued engagement with Fund managers to ensure climate change and stranded asset issues are acknowledged and dealt with by boards.
- Continued use of Voting policy to support strategic resilience resolutions (with LAPFF voting alerts) and appropriate measures with respect to climate change
- The Fund conducts a carbon footprint to better understand its exposure to fossil fuels and will look to enhance this in future.
- The Fund has developed an Investor Belief Statement in the November 2019
- The Fund takes climate change seriously and uses all available opportunities to enhance its policy and practice in this area. Last year the Chair and Head of Treasury and Financial Services



Deleted: today

Deleted: will

Deleted: autumn

Deleted: Recently

APPENDIX 1 - RISK REGISTER

Likelihood	1	2	3	4	Impact % of assets or liabilities	1	2	3	4	5
	>1% 1 in 100 rare	>5% 1 in 20 unlikely	>10% 1 in 10 possible	>20% 1 in 5 likely		>2%	>10%	>25%	>50%	>75%

	can be sold or units redeemed to fund benefits.									
17. Investment manager style drift	<ul style="list-style-type: none"> Managers are monitored closely by officers and advisors, with quarterly investment reports and regular review meetings held and minuted Reasoning behind any proposed changes to investment approach are explained by the investment manager Committee has Investment Manager summaries which set out mandate key principles and provide triggers for review 	3	1	3	<ul style="list-style-type: none"> Minutes from recent Investment Manager meetings considered at next Pension Committee meeting The Fund has <u>demonstrated how it reviews managers periodically removing Aberdeen's mandate</u>. The Fund has now also terminated Insight's bond mandate. 	3	1	3	Ongoing	Officers / Advisers
18. Fraud risk	<ul style="list-style-type: none"> All investment managers required to submit audits on internal controls and summarised as part of the annual report to members. Detailed due diligence is carried out when new managers are appointed (financially and legally) Audit of the fund is carried out by competent auditors Internal audit is carried out by competent auditors to review benefit fraud and operational risks Custodian has strong internal controls including reconciliation of asset values and performance Managers able to give complete look through into underlying assets 	1	3	3	<ul style="list-style-type: none"> Explore cyber-security risks with fund managers to ensure good safekeeping employer and systems are robust and protected from hacking especially those with a more quantitative nature. 	1	3	3	Ongoing	PC / Head of Treasury

Deleted: now reviewed

Deleted: and removed them

Deleted: (PC June 15 p9)

APPENDIX 1 - RISK REGISTER

Likelihood	1	2	3	4	Impact % of assets or liabilities	1	2	3	4	5
	>1% 1 in 100 rare	>5% 1 in 20 unlikely	>10% 1 in 10 possible	>20% 1 in 5 likely		>2%	>10%	>25%	>50%	>75%

	<ul style="list-style-type: none"> Assets held in segregated accounts where possible Investment Consultant has coverage of all investment managers 									
19. Custodian Risk - creditworthiness, ability to settle trades, provide secure safekeeping and accurate and timely reporting	<ul style="list-style-type: none"> Service Level Agreement in contract Review of custodian Key Performance Indicators Regular officer meetings with custodian 	1	3	3	<ul style="list-style-type: none"> Future report to Pension Committee by custodian Future consideration of CIV Depository and role 	1	3	3	Ongoing	Officers
14. Investment counterparty risk (related to stock lending and use of derivatives)	<ul style="list-style-type: none"> Practice of stock lending and use of derivatives monitored by officers and Independent Advisor Investment Consultant has coverage of all investment managers Regular review of managers' due diligence processes at officer meetings 	1	2	2		1	2	2	Ongoing	PC / Officers
11. Illiquidity of assets - benefits cannot be paid and strategy changes become difficult	<ul style="list-style-type: none"> Periodic review of Fund assets with Investment Consultant, and officer due diligence on markets <u>reviewed as part of the Investment Strategy review (July 2020)</u> Maturity of Fund kept under review by Committee. (PC in <u>March 2020</u>). <u>These considerations were also part of the Investment Strategy review in July 2020.</u> 	1	2	2		1	2	2	Ongoing	PC / Head of Treasury

Deleted: -
Deleted: June 2015

APPENDIX 1 - RISK REGISTER

Likelihood	1	2	3	4	Impact % of assets or liabilities	1	2	3	4	5
	>1% 1 in 100 rare	>5% 1 in 20 unlikely	>10% 1 in 10 possible	>20% 1 in 5 likely		>2%	>10%	>25%	>50%	>75%

20. Environmental, Social & Governance issues not addressed (and leading to loss on investments)	<ul style="list-style-type: none"> Equity managers review ESG issues as part of investment decision, and report issues and company engagement as part of quarterly reports Membership of LAPFF and appointment of corporate governance advisor providing research on companies invested An Investment Consultant was recently appointed and the importance of Responsible Investment was highlighted and strengths established in order to support Pension Committee in this work. <u>This has been further embedded in the recent Investment Strategy Review (July 2020)</u> SRI conference arranged for Members of the Committee (Dec 15) and ESG seminar (May 19) 	1	2	2		1	2	2	Ongoing	PC / Officers
--	--	---	---	---	--	---	---	---	---------	---------------

2. DEMOGRAPHIC RISKS

21. Deteriorating active membership (due to employer savings programmes)	<ul style="list-style-type: none"> Monitoring scheme membership, and the effect on cash flows and Fund maturity, and taking appropriate strategic action. Administration reports received annually by Committee <u>(July 2020)</u> Past service adjustments <u>(secondary contributions)</u> paid as cash amounts instead of a percentage on employer rate 	2	4	8	<ul style="list-style-type: none"> Further scenario testing through modelling of staff data Impact identified by Hymans Robertson modelling as part of triennial 2019 valuation 	2	4	8	Quarterly	PC / Officers
--	--	--------------	---	--------------	---	--------------	---	--------------	-----------	---------------

Deleted: ¶

Deleted: 3

Deleted: 12

Deleted: 3

Deleted: 12

Deleted:

Deleted: 6

APPENDIX 1 - RISK REGISTER

Likelihood	1	2	3	4	Impact % of assets or liabilities	1	2	3	4	5
	>1% 1 in 100 rare	>5% 1 in 20 unlikely	>10% 1 in 10 possible	>20% 1 in 5 likely		>2%	>10%	>25%	>50%	>75%

	(which would decline with declining membership)									
23. Longevity risk (pensioners living longer)	<ul style="list-style-type: none"> The Fund actuary sets base mortality based on research carried out by Club Vita. The longevity assumptions are a bespoke set of 'VitaCurves' specifically tailored to fit the membership profile of the Fund and <u>this has been reported as part of the triennial valuation (March 2020)</u>. Fund actuary sets mortality assumptions with some allowance for future increases in life expectancy Fund actuary monitors combined experience of around 50 LGPS funds to look for early warnings of lower pension amounts ceasing than assumed in funding <u>2019 valuation included assessment of the impact of mortality experience since 2016 amongst the Fund's membership</u> ▼ 	2	5	10	<ul style="list-style-type: none"> Continue dialogue with employers Pension Committee to receive a report on mortality triennially <u>Training for members by Club Vita (July 2020) on longevity issues</u> ▼ 	2	5	10	Triennial	PC

Deleted: the Fund will know more when the

Deleted: and associated data is received this autumn

Deleted: 2016 valuation to included commentary on impact of recent high mortality experienced among national pensioner population

Deleted: <#>¶

APPENDIX 1 - RISK REGISTER

Likelihood	1	2	3	4	Impact % of assets or liabilities	1	2	3	4	5
	>1% 1 in 100 rare	>5% 1 in 20 unlikely	>10% 1 in 10 possible	>20% 1 in 5 likely		>2%	>10%	>25%	>50%	>75%

24. Substantial early retirements	<ul style="list-style-type: none"> Employers are charged the extra capital cost (strain cost) of non-ill-health retirements following each individual decision. The cash flow report shows that Strain costs have reduced over recent years. Strain cost factors were revisited following the 2019 valuation to ensure appropriate 	3	1	3	<ul style="list-style-type: none"> Strain cost factors to be revisited after each revaluation. 	3	1	3	Annually	PC
22. Substantial Ill-health retirements	<ul style="list-style-type: none"> Monitoring of each employer's ill-health experience on an ongoing basis. The employer may be charged additional contributions if this exceeds the ill-health assumptions built-in. Employers informed of ill health insurance option at Employer Forums 	1	2	2	<ul style="list-style-type: none"> The employer register will monitor this data and variances can be discussed with employers Individual employers can take out ill-health insurance to cover for strain costs. 	1	2	2	Annually	PC
3. REGULATORY RISKS										
26. Changes to regulations and Act, (e.g. more favourable benefits package, potential new entrants to scheme, part-time employees)	<ul style="list-style-type: none"> Changes due imminently as a result of the McCloud case: LGPS benefits to be improved (and backdated to 2014), with associated administrative and funding issues 	2	5	10	<ul style="list-style-type: none"> The Government is expected to make an announcement in the summer 2020. 	2	5	10	Ongoing	PC

Deleted:
Deleted: following 2019 valuation

Deleted: see above

Deleted: is is unlikely to be high on the Government's agenda.

Deleted: ¶
¶

Deleted: ¶
¶

APPENDIX 1 - RISK REGISTER

Likelihood	1	2	3	4	Impact	1	2	3	4	5
	>1%	>5%	>10%	>20%	% of assets	>2%	>10%	>25%	>50%	>75%
	1 in 100	1 in 20	1 in 10	1 in 5	or liabilities					
	rare	unlikely	possible	likely						

25. National pension scheme changes (e.g. benefits, regulation from The Pensions Regulator, and/or HM Revenue & Customs rules)	<ul style="list-style-type: none"> The Fund is alert to the potential creation of additional liabilities and administrative difficulties for employers and itself Any changes to the regulations, scheme design and benefits package should be reported to Pension Committee Scheme changes and benefits are communicated to members Opt outs are monitored as part of the Cash Flow & Administration report The result of the most recent reforms (2014 scheme) have been built into the valuation Published new Investment Strategy Statement from 1 April and new regulation issued 	3	2	6	•	3	2	6	Ongoing	PC / Pensions Manager
--	--	---	---	---	---	---	---	---	---------	-----------------------

Deleted: <#>¶

4. GOVERNANCE RISKS

50. Pool implementation – strategy deferral	<ul style="list-style-type: none"> Delay in implementing strategy due to inception of pools, on-boarding asset classes and availability of sub-funds. This Fund has demonstrated that this is not an obstacle with the award of the Private Equity mandate and removal of Aberdeen. We are also conducting an Investment Strategy Review currently. 	3	4	12	•	3	4	12	Quarterly	Chair/ Officers
---	--	---	---	----	---	---	---	----	-----------	-----------------

Deleted: ¶
¶
¶
¶

APPENDIX 1 - RISK REGISTER

Likelihood	1	2	3	4	Impact % of assets or liabilities	1	2	3	4	5
	>1% 1 in 100 rare	>5% 1 in 20 unlikely	>10% 1 in 10 possible	>20% 1 in 5 likely		>2%	>10%	>25%	>50%	>75%

	<ul style="list-style-type: none"> Continued advice from Investment Consultant and Independent investment advisor continued Membership (through the Sectoral Joint Committee) and officer engagement with London CIV to ensure they adhere to implementation schedule Investment strategy review in 2020. 									
27. Forced merger of LGPS funds	<ul style="list-style-type: none"> Participation in MHCLG consultations On-going debate with advice from Pensions experts on a national basis 	2	5	10	<ul style="list-style-type: none"> Ensure that Camden participate in any future consultation and raise concerns to the appropriate authority All 8 pools have been approved and officers nationwide are working towards inception <u>Phase III of the Good Governance project will see the SAB consider how statutory guidance can be used to put the LGPS governance framework in place, and what KPIs can be used to measure governance effectiveness.</u> 	2	5	10	TBC	PC / Officers
34. Maintaining adequate level of experience at officer level	<ul style="list-style-type: none"> Continued staff appraisal and development plan Effective personnel management and succession planning 	2	4	8	<ul style="list-style-type: none"> Ensure officers continue to undergo relevant training 	2	4	8	Ongoing	Officers

Deleted: 17

APPENDIX 1 - RISK REGISTER

Likelihood	1	2	3	4	Impact % of assets or liabilities	1	2	3	4	5
	>1% 1 in 100 rare	>5% 1 in 20 unlikely	>10% 1 in 10 possible	>20% 1 in 5 likely		>2%	>10%	>25%	>50%	>75%

	<ul style="list-style-type: none"> Independent investment advisor has run training sessions for staff new to the Pension Fund area 									
52. Risk of high transition costs of assets in pool	<ul style="list-style-type: none"> Discussion about Transition management with the London CIV 	3	2	6		3	2	6		
38. Undetected structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements).	<ul style="list-style-type: none"> The Actuary may be instructed to consider revising the Rates and Adjustments certificate to increase an employer's contributions (under Regulation 78) between triennial valuations Deficit contributions are expressed as monetary amounts 	3	2	6	<ul style="list-style-type: none"> Considered by Actuary at triennial valuation and also <u>as a result of officer liaison with employers</u>. 	3	2	6	Ongoing	Officers
28. Knowledge and Understanding deficiency (Members and officers)	<ul style="list-style-type: none"> Ensure training opportunities are shared, attended and reported on (part of the quarterly Business Plan) Develop introductory training for all new members to PC to attend – delivered in June 2018 post municipal elections Set up semi-annual member training for all Pension Committee Ensure officers go on relevant training Make sure independent is involved in training requirements 	2	3	6	<ul style="list-style-type: none"> Complete CIPFA Knowledge & Skills framework for Members and officers, to assess any knowledge gaps Under MiFID II Investment managers could take away our opted up status if new members are not adequately trained. A structured programme of training has been put in place for new members and the semi-annual training for members will continue. 	2	3	6	Ongoing	PC / Head of Treasury

Deleted: (to lesser extent) when completing annual accounting exercise

APPENDIX 1 - RISK REGISTER

Likelihood	1	2	3	4	Impact % of assets or liabilities	1	2	3	4	5
	>1% 1 in 100 rare	>5% 1 in 20 unlikely	>10% 1 in 10 possible	>20% 1 in 5 likely		>2%	>10%	>25%	>50%	>75%

30. Employer risk (bankruptcy)	<ul style="list-style-type: none"> Seeking a funding guarantee from another scheme employer, or external body, where ever possible Work done as part of the 2019 valuation results in alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice Vetting prospective employers before admission requiring a bond to protect the scheme from the extra cost of early retirements on redundancy if the employer fails regular bond reviews Annual review of the employer register (March 2020) Dialogue with (potential) employers during the tender process and subsequently to ensure risks are understood and managed, such as at Employers Forum and meetings with employers to ensure they understand their obligations , liabilities and funding position Engage with employers during the triennial valuation (Employer Forum run in October 2019) 	3	2	6	<ul style="list-style-type: none"> Additional forward looking measures put in place in employer register received each November Seek potential security from employers where restrictions on contribution affordability and/or higher perceived business risk (see also item 13) 	3	2	6	Annually	PC
32. Actuarial or investment advice is not sought, or is not heeded, or proves to be deficient in some way	<ul style="list-style-type: none"> The Administering Authority maintains close contact with its advisers and takes decisions in public 	1	5	5		1	5	5	Ongoing	PC / Officers

Deleted: 3

Deleted: next received in

Deleted: 2018 and the last one before the cut of data for the next triennial valuation

Deleted: Nov 15

APPENDIX 1 - RISK REGISTER

Likelihood	1	2	3	4	Impact % of assets or liabilities	1	2	3	4	5
	>1% 1 in 100 rare	>5% 1 in 20 unlikely	>10% 1 in 10 possible	>20% 1 in 5 likely		>2%	>10%	>25%	>50%	>75%

	<ul style="list-style-type: none"> Advice is delivered via formal meetings involving elected members, and recorded properly Advice is subject to professional requirements such as peer review Members and officers with suitable skills, knowledge and understanding to discharge their roles 									
29. Forced disinvestment (from active managers and Fund of Fund vehicles)	<ul style="list-style-type: none"> MHCLG is not currently considering this possibility On-going debate with advice from Pensions experts on a national basis. 	2	2	4	<ul style="list-style-type: none"> Participate in consultation and raise concerns to the appropriate authority 	2	2	4	TBC	PC / Officers
31. Reputational risk from unaddressed ESG (Environmental, Social & Governance) issues	<ul style="list-style-type: none"> Membership of LAPFF providing active corporate engagement and championing of ESG issues Corporate Governance advisor, PIRC, provides company research and ensures Camden voting policy executed on shareholdings is best in class Members and officers aware of fiduciary responsibilities, acting in the long-term interest of the Fund and taxpayers become a signatory to the Stewardship code – awarded tier one status. 	2	2	4	<ul style="list-style-type: none"> The independent advisor led training on the spectrum of capital in preparation for an item at Committee on agreeing an Investor belief statement (November 2019) 	2	2	4	Ongoing	PC / Officers

Deleted: <#>¶

Deleted: ¶

APPENDIX 1 - RISK REGISTER

Likelihood	1	2	3	4	Impact % of assets or liabilities	1	2	3	4	5
	>1% 1 in 100 rare	>5% 1 in 20 unlikely	>10% 1 in 10 possible	>20% 1 in 5 likely		>2%	>10%	>25%	>50%	>75%

33. Employer cessation not identified (due to closing to new entrants)	<ul style="list-style-type: none"> Employer Register is maintained and reviewed annually by Committee (each November) 	2	2	4	<ul style="list-style-type: none"> Continued dialogue with employers to ensure risks are understood and managed 	2	2	4	Ongoing	PC / Pensions Manager
35. Legislative risk - failure to comply with legislation, statutory regulation and formal guidance	<ul style="list-style-type: none"> Officers seek guidance and advice from independent sources as appropriate Advisers proactively raise issues and keep Officers aware of relevant issues Officers receive regular training and attend appropriate LGPS events 	1	4	4		1	4	4	Ongoing	Officers
36. Conflict of interests (elected members, officers and advisers)	<ul style="list-style-type: none"> Officers/ Committee seeks guidance and advice from independent sources as appropriate Officers and members receive regular training and attend LGPS events, at which conflict issues will be raised as appropriate Members are required to declare conflicts of interest at the start of meetings and at the point in a meeting when a conflict arises Pension Board have their own conflicts of interest policy <u>Conflicts management plan in place with Hymans</u> 	1	3	3	<ul style="list-style-type: none"> <u>Requirements and/or best practice may change as a result of the Good Governance initiative in the LGPS</u> 	1	3	3	Ongoing	PC / Officers

Deleted: <#>New actuarial professional standards came into effect in 2013 explicitly address conflict of interest issues in the LGPS, and will require a conflict management plan to be drawn up (which Hymans are drafting)¶

APPENDIX 1 - RISK REGISTER

Likelihood	1	2	3	4	Impact % of assets or liabilities	1	2	3	4	5	Status	Responsible Parties			
	>1% 1 in 100 rare	>5% 1 in 20 unlikely	>10% 1 in 10 possible	>20% 1 in 5 likely		>2%	>10%	>25%	>50%	>75%					
37. Mandate burden - number of investment mandates inhibits Committee in its governance of investments					2	1	2				2	1	2	Ongoing	PC / Officers
39. Termination valuation not undertaken – missed opportunity to call in a debt.					2	1	2				2	1	2	Ongoing	Officers

Deleted: New

APPENDIX 1 - RISK REGISTER

Likelihood	1	2	3	4	Impact % of assets or liabilities	1	2	3	4	5
	>1% 1 in 100 rare	>5% 1 in 20 unlikely	>10% 1 in 10 possible	>20% 1 in 5 likely		>2%	>10%	>25%	>50%	>75%

40. Lack of delegation arrangements	<ul style="list-style-type: none"> Detailed scheme of delegation adopted for Council officers, and reviewed annually Decisions to delegate specific activities from Committee to Executive Director Corporate Services agreed and documented at Committee meetings 	1	2	2				1	2	2	Ongoing / As Necessary	Officers / PC
-------------------------------------	--	---	---	---	--	--	--	---	---	---	------------------------	---------------

5. ADMINISTRATION RISKS

44. Adequate level of administration officer knowledge and skills (Pension shared service)	<ul style="list-style-type: none"> Effective personnel management and succession planning Induction and knowledge sharing on local issues and requirements for new officers 	2	3	6	<ul style="list-style-type: none"> Ensure audit takes place post current restructure 			2	3	6	Ongoing	Pensions Manager
42. Changes to scheme members (starters, leavers, retirements etc.) are not processed properly	<ul style="list-style-type: none"> Scheme regulations are followed Pensions team are well trained Induction of new pensions administrators 	2	2	4	<ul style="list-style-type: none"> Actuary reviews application of scheme rules 			2	2	4	Ongoing	Pensions Manager
46. Data and records are not accurate <u>or accessible during lockdown</u>	<ul style="list-style-type: none"> Records have correct supporting documentation Input and output checks are performed Data matching exercises identify discrepancies (National Fraud Initiative) Reliance provided by internal audit <u>The shared service have been fully operational during the COVID 19 pandemic and available to members and employers.</u> 	2	2	4	<ul style="list-style-type: none"> Reconciliations are performed between payroll and pensions systems <u>Data quality is of the highest order at the Pension Shared Service to ensure valuation results are as accurate as possible.</u> <u>Actuary reviews and reports as part of formal valuation</u> 			2	2	4	Ongoing	Pensions Manager

Deleted: <#>¶

APPENDIX 1 - RISK REGISTER

Likelihood	1	2	3	4	Impact % of assets or liabilities	1	2	3	4	5
	>1% 1 in 100 rare	>5% 1 in 20 unlikely	>10% 1 in 10 possible	>20% 1 in 5 likely		>2%	>10%	>25%	>50%	>75%

47. Employer Contributions not received or recorded properly	<ul style="list-style-type: none"> Pensions team dedicates appropriate time and resource to managing contributions Reconciliations are carried out monthly 	2	2	4		2	2	4	Monthly	Pensions Manager
41. Added complexity of scheme benefits (following introduction of LGPS 2014 impacting officer time and risk of miscalculation)	<ul style="list-style-type: none"> Scheme regulations are followed Pensions team are well trained 	1	3	3	<ul style="list-style-type: none"> Audit to be carried out to review compliance with new regulations <u>Impending McCloud retrospective changes will make administration of the benefits more complex</u> 	1	3	3	Ongoing	Pensions Manager
45. Systems are not secure and well maintained	<ul style="list-style-type: none"> Internal audit of system setup and security Systems administrator well trained Data is backed up daily System is protected from viruses and hacking System is up to date and latest features of the software are used Council clients the software provider and ensures issues are raised and addressed in latest releases 	1	3	3		1	3	3	Ongoing	Pensions Manager
43. Employers data inaccurate	<ul style="list-style-type: none"> Liaison with schools, Supporting People directorate and out-sourced payroll providers to ensure accurate and timely data is received 	3	1	3	<ul style="list-style-type: none"> Audit exercise planned to review outsourced school payroll data Introduction of i-connect employer module with Pension administration software at Pension Shared Service <u>has improved data accuracy. All employers in</u> 	3	1	3	Ongoing	Pensions Manager

Deleted: in autumn 2018

Deleted: will

