# APPENDIX 1 - RISK REGISTER

| **Likelihood** | 1<br>>1%<br>**1 in 100<br>rare** | 2<br>>5%<br>**1 in 20<br>unlikely** | 3<br>>10%<br>**1 in 10<br>possible** | 4<br>>20%<br>**1 in 5<br>likely** | **Impact**<br>% of assets or liabilities | 1<br>**>2%** | 2<br>**>10%** | 3<br>**>25%** | 4<br>**>50%** | 5<br>**>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) | • Only anticipate long-term return on a relatively prudent basis to reduce risk of under-performing<br>• Analyse progress at triennial valuations and review Fund's Investment Strategy and Funding Strategy accordingly<br>• Regularly benchmark assets to re-valued liabilities<br>• 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<br>• The Fund has conducted a full asset liability Investment Strategy review and received this in July 2020 modelling how liabilities and asset classes impact on funding and Value at Risk.<br>• Investment Strategy Review July 2020 of equity and non-equity portfolio reducing equity manager risk and equity risk and examining | 3 | 5 | 15 | • Trim equity from 65% to 50% in line with July 2021 rebalancing reports<br>• Invest in new Baillie Gifford DGF (diversified growth fund)<br>• Invest in inflation plus fund<br>• Add to index linked bonds | 3 | 4~~5~~ | 12~~5~~ | Annually/ Quarterly | Pension Committee (PC) |

**APPENDIX 1 - RISK REGISTER**

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

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | new asset classes that link to inflation<br>• Review of asset allocation with rebalancing plan after IDeA Substitution of funds and Barings redemption – July 2021 | | | | | | | | | |
| 3. **Inappropriate long-term investment strategy** | • Fund-specific benchmark, informed by Asset-Liability modelling<br>• Compliance with LGPS regulations including consultation and production of the Investment Strategy Statement<br>• The Investment strategy is reviewed at least every three years by Committee. This was last reviewed in ~~September~~ July 2020~~17~~ and included a full asset liability modelling study. ~~The next review is scheduled for July 2020 after the results of the Triennial Valuation are known and understood.~~<br>• The addition of the independent investment advisor gives the Fund better market insight and will shape the strategy with greater frequency via performance reports and market intelligence | 3 | 5 | 15 | • | 3 | 5 | 15 | Quarterly | PC |

## APPENDIX 1 - RISK REGISTER

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

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | • Review of Fund Benchmarks and Targets (September 2015)<br>• Member training on Liability Driven Investment linking investment strategy to maturity and liquidity considerations and growth assumptions in the triennial valuation | | | | | | | | | |
| 5**. Pay and price inflation** risk | • The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases<br>• Maintain investment in index-linked bonds to help mitigate this risk. The recent rebalancing report identified that investment in gilts was only 2.3% and made recommendations to add £57m to this mandate to increase inflation protection. The recent addition of Infrastructure will also help to counteract inflationary pressures (February 2019).<br>• 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<br>• The performance report covers movements in inflation. Recently the inflationary Pension Increase for | 3 | 4 | 12 | • Future pay and price inflation assumptions to be considered as part of 2022 triennial valuation process<br>• Impact of RPI reform to be considered as part of 2022 triennial valuation process | 3 | 4 | **12** | Quarterly | PC |

## APPENDIX 1 - RISK REGISTER

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

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | the LGPS was agreed at 0.5~~2.4~~% from April 2021 ~~or 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<br>• The July 19 committee considered a report on salary growth and triennial valuation assumptions. . An updated analysis on these assumptions will be considered as part of the upcoming 2022 valuation process.<br>• Monitor pay rises for all employers<br>• Changes to employer rates between valuations could be implemented if necessary<br>• Consider hedging strategies and put in place a flight path<br>• Impact of past pay rises has been identified for all employer's deficits as part of the triennial valuation and will be identified again as part of the upcoming 2022 triennial valuation process<br>• There is a potential impact of RPI reform on future assumed long-term inflation expectations (RPI is expected to align with CPIH from 2030 onwards). This impact will be considered as part of the 2022 triennial valuation process.<br>• | | | | | | | | | |

# APPENDIX 1 - RISK REGISTER

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

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 2. **Unacceptable level of investment risk** (in asset allocation, use of financial instruments and leverage) | • Agree and establish appropriate level of risk in a diversified strategy with the Investment Consultant<br>• Ensure full understanding of nature of risk in each asset class<br>• The Investment strategy is reviewed at least every three years by Committee (July 2020 and July 2021)<br>• The Investment strategy is also reconsidered alongside the Council funding strategy at each actuarial valuation, to measure the risk of different strategies<br>• The Independent Advisor completes due diligence on all current investment mandates<br>• Officers and the Independent Advisor hold in-depth quarterly investment manager meetings with all managers to review risks, leverage and instruments used and report any concerns to Committee<br>• ~~The Fund has exited its Hedge Fund investments~~<br>• Private equity mandate appointed to and new Infrastructure mandate funded. This has reduced concentration risk<br>• Last Member training in June 2017 conducted by the Investment Consultant on nature of investments | 3 | 3 | 9 | | 3 | 3 | 9 | Annually | PC |

## APPENDIX 1 - RISK REGISTER

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

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 7. **Market failure risk** (e.g. in the Eurozone) | • Limit concentration of investment in any one specific market. The 2020 investment strategy review and July 2021 rebalancing reports looked ~~will look~~ at the allocation to equity and considered options to reduce reliance on these volatile assets<br>• 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)<br>• Funding of private equity mandate further reducing concentration on UK passive equity as capital calls dilute exposure over time<br>• Diversification of UK passive holding into global passive holding – which occurred February to July with all UK assets transferring to the L&G Future World fund<br>• Fund manager controls on risk | 3 | 3 | 9 | • ~~Further transfers of UK to global equity over medium term~~ | 3 | 2~~3~~ | ~~9~~6 | Ongoing | PC / Head of Treasury |
| 6. **Investment vehicle is not understood** | • Investment Consultant and Independent Advisor feed into decisions on new asset classes<br>• Member training (especially for the new asset class of private equity and infrastructure) | 3 | 3 | 9 | • Further Member training on private equity.<br>• We have the option to partner with other Funds in the Pension Shared Service and sign up to the Hyman's online training platform for Pension Committee, Local | 2 | 3 | 6 | Ongoing | PC / Head of Treasury |

# APPENDIX 1 - RISK REGISTER

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

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | • Appropriate due diligence carried out during searches by Investment Consultant and lawyers<br>• The Fund has exited its hedge fund exposures<br>• Pension Committee to receive a briefing on progression of the London CIV | | | | Pension Board Members and Officers | | | | | |
| 13. **Employer contribution rate increases** (effect on service delivery including admitted /scheduled bodies) | • 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<br>• Seek feedback from employers on scope to absorb short-term contribution rises<br>• Mitigate impact through measurement of added risk to the Fund of permitting reduced contributions and possible phasing in of contribution rises<br>• Consult employers on possibility of paying more (extra administration and higher regular contributions) to enable employer-specific investment strategies to give greater certainty of cost<br>• Employer register considered annually by Pension Committee<br>• Continued dialogue between officers, actuary and employers to determine risk | 3 | 2 | 6 | • New Funding Strategy Statement agreed in July 2021 allows for deferred debt agreements, exit credit policy and review of contributions between triennial contributions<br>• The departure of IDeA means employer risk is significantly reduced as they make up a large proportion of the liabilities excluding the Council | 3 | ~~2~~1 | 3~~6~~ | Annually by PSC / Ongoing by officers | PC / Head of Treasury |

## APPENDIX 1 - RISK REGISTER

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

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | • All employers have been visited within the last triennial valuation cycle<br>• 2019 triennial valuation approach allows measure of risks/probabilities associated with different contribution levels per employer. . This approach will continue for the 2022 triennial valuation.<br><br>• See also item 30 | | | | | | | | | |
| 12. **Investment manager under-performance** (relative to target) | • Short term (quarterly) investment monitoring analyses market performance and active managers relative to their index benchmark.<br>• 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 has also considered the performance of DGF managers and fixed income within the Fund during 2019.<br>• Any changes to investment process, philosophy, portfolio team are reported to Pension Committee<br>• Appointment of Independent Advisor to strengthen scrutiny in this area, and due diligence conducted by her on all managers. | **3** | 2 | 6 | • The Committee has had Harris' performance under close scrutiny but recently this manager has significantly improved<br>• The Fund will rebalance its overweight position to equity (65% to 50%) over the coming months which will reduce this risk<br>• The Fund has also monitored its absolute return bond manager (Insight) closely and taken a decision to replace them with the CIV's multi asset credit fund | **3** | 2 | 6 | Quarterly | 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** | | | | | | |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | • Consideration of equity managers as part of the Investment Strategy review.<br>• Report considered on appropriateness of targets taken in September 2015<br>• Investment Manager meetings are held regularly, open to Members as well as officers and significant actions are considered at Pension Committee | | | | | | | | | |

## APPENDIX 1 - RISK REGISTER

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

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 9. **Actuarial Risk** (miscalculation of liabilities or inappropriate assumptions) | • The Fund maintains close contact with its actuary<br>• Advice is delivered via formal meetings involving elected members, and recorded properly<br>• Advice is subject to professional requirements such as peer review<br>• Technical Actuarial Standards in place, which in effect impose best practice requirements on actuarial advice<br>• The Fund now has two experienced actuaries with Camden-specific knowledge (Douglas Green and Barry Dodds) advising its officers and Committee<br>• Pension Committee receives reports on the review of two key assumptions in the Triennial Valuation on Salary growth and investment return expectations (July 2019). The same approach will be used as part of the upcoming 2022 triennial valuation.<br>•<br>• 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 | • The committee will review the funding progress since the 2019 triennial valuation mid term in November 2021<br>• Assumptions made about the future (financial and demographic) will be reassessed as part of the upcoming 2022 triennial valuation | 1 | 5 | 5 | Ongoing | PC / Officers |

## APPENDIX 1 - RISK REGISTER

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

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 51. **Sub-funds of London CIV fail to perform** | • The London CIV is well resourced and has skilled and experienced staff who can exercise appropriate due diligence<br>• Pension Committee reviews investments with the CIV and progress at the CIV quarterly<br>• 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 | • The CIV has evolved in to a more stable pool with appointment of key officers filled<br>• The CIV has worked through a live case study with a manager who was under review (CQS) and demonstrated how they can work towards a blended offer with a complimentary manager<br>• the CIV now holds quarterly meetings with independent advisers to provide an update on any performance issues in the underlying sub funds | 2 | 2 | 4 | | |
| 10. **Geographical/ Currency risk** in investments | • Limit concentration of investment in any one specific market through manager agreements<br>• Regular review of compliance with manager agreements<br>• Monitor markets constantly, and seek advice of managers, consultants and independent advisor<br>• The Fund considered the use of a strategic currency hedge to limit risk, agreeing to delegate to individual managers (March 15) | 2 | 2 | 4 | • ~~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 |

# APPENDIX 1 - RISK REGISTER

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

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | • Diversification of UK passive holding into Global passive holding (Sept and Nov 15) | | | | | | | | | |
| 15. **Excessive fees paid** to investment managers | • Manager fees keenly negotiated at time of appointment to achieve best result for the Fund<br>• All Fund fees and expenses are reviewed regularly by officers<br>• Participation in London CIV to achieve economies of scale and ensure optimal fee structures<br>• Regularly benchmark fees (CEM)<br>• 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. | 2 | 2 | 4 | • Ensure Fund Managers sign up to the Scheme Advisory Board's Code of Transparency. Baillie Gifford have already done so.<br>• Move to passive mandates where outperformance on active portfolio does not justify higher fees charged – the Investment Strategy in 2020 will examine this | 2 | 2 | 4 | Ongoing | PC / Officers |
| 16. **Asset manager** or bank **failure** | • Detailed due diligence is carried out when new manager or custodian is appointed (financially and legally)<br>• In future this due diligence will be the responsibility of the London CIV with a wider resource base<br>• Financial stability of managers and custodian monitored by officers and Independent Advisor<br>• Investment Consultant has coverage of all investment managers | 1 | 4 | 4 | | 1 | 4 | 4 | Ongoing | Officers |

**APPENDIX 1 - RISK REGISTER**

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

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | • Assets under management with all managers are monitored as dramatic falls are likely to place pressure on manager business models (PC Mar 16) | | | | | | | | | |
| 53. **Fossil Fuel linked investments suffer losses** due to stranded assets and reputational damage. | • Equity managers review ESG issues as part of investment decision, and report issues and company engagement as part of quarterly reports<br>• The Government's legislation to reduce carbon to net zero emissions has increased the pace of change<br>• 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 3~~4.2~~% (July 2021~~Sept 2019~~).<br>• Membership of LAPFF and appointment of corporate governance advisor providing research on companies invested<br>• ESG seminar ~~arranged~~ for Members of the Committee (May 19)<br>• 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 | | 3 | 2 | 6 | Ongoing | PC/ Head of Treasury |

# APPENDIX 1 - RISK REGISTER

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

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | • continued engagement with Fund managers to ensure climate change and stranded asset issues are acknowledged and dealt with by boards.<br>• Continued use of Voting policy to support strategic resilience resolutions (with LAPFF voting alerts) and appropriate measures with respect to climate change<br>• The Fund conducts a carbon footprint to better understand its exposure to fossil fuels and will look to enhance this in future.<br>• The Fund has developed an Investor Belief Statement in November 2019<br>• 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 attended an industry wide roundtable with the DWP Minister to discuss progress.<br>• The Fund monitors progress of companies within the portfolio to the<br>• Task Force on Climate-related Financial Disclosures (TCFD)<br>• The Fund has invested in a infrastructure manager with a minimum of 25% renewable energy investments (this was increased | | | | | | | | |

# APPENDIX 1 - RISK REGISTER

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

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | from 20% after discussions with London Pension Funds)<br>• The Fund commissioned and received a report on climate change modelling from its actuary, in November 2019. An update to this modelling will be provided as part of the upcoming 2022 triennial valuation<br>• Investment in Legal and General Future World Fund which has a lower carbon footprint<br>• Agreement to move funds in the Baillie Gifford Fund to a variant which is Paris aligned and has a 43% lower carbon intensity than the current fund. | | | | | | | | | |
| 8. **Forced selling of assets** in falling market due to cash flow requirements | • Monitoring of cash flows and Fund maturity, and taking appropriate strategic action (as above)<br>• Dividends can be used to fund benefit payments.<br>• Additionally redeemable structures with most managers mean assets can be sold or units redeemed to fund benefits.<br>• July 2020 Investment Strategy review used an Asset Liability modelling approach which will ensure assets are appropriate for liabilities (and hence cash flow) | 1 | 3 | 3 | • Reviewed Fund's requirements in view of requirement to sell £190m to fund the IDeA substitution of Funds in the July 2021 committee | 1 | 2~~3~~ | 2~~3~~ | Ongoing | PC / Officers |

## APPENDIX 1 - RISK REGISTER

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

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 17. **Investment manager style drift** | • Managers are monitored closely by officers and advisors, with quarterly investment reports and regular review meetings held and minuted<br>• Reasoning behind any proposed changes to investment approach are explained by the investment manager<br>• Committee has Investment Manager summaries which set out mandate key principles and provide triggers for review<br>• Minutes from recent Investment Manager meetings considered at next Pension Committee meeting<br>• The Fund has demonstrated how it reviews managers periodically removing Aberdeen's mandate. The Fund has now also terminated Insight's bond mandate. | 3 | 1 | 3 | | 3 | 1 | 3 | Ongoing | Officers / Advisers |
| 18. Fraud risk | • All investment managers required to submit audits on internal controls and summarised as part of the annual report to members<br>• Detailed due diligence is carried out when new managers are appointed (financially and legally)<br>• Audit of the fund is carried out by competent auditors<br>• Internal audit is carried out by competent auditors to review benefit fraud and operational risks | 1 | 3 | 3 | • 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. | 2~~1~~ | 3 | 6~~3~~ | Ongoing | PC / Head of Treasury |

# APPENDIX 1 - RISK REGISTER

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

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | • Custodian has strong internal controls including reconciliation of asset values and performance<br>• Managers able to give complete look through into underlying assets<br>• Assets held in segregated accounts where possible<br>• Investment Consultant has coverage of all investment managers | | | | | | | | | |
| 19. **Custodian Risk** - creditworthiness, ability to settle trades, provide secure safekeeping and accurate and timely reporting | • Service Level Agreement in contract<br>• Review of custodian Key Performance Indicators<br>• Regular officer meetings with custodian<br>• Future report to Pension Committee by custodian<br>• Future consideration of CIV Depositary and role | 1 | 3 | 3 | • Assets managed directly by our custodian have reduced over the years (only with Harris and CBRE) with most other funds being pooled funds | 1 | 3 | 3 | Ongoing | Officers |
| 14. **Investment counterparty risk** (related to stock lending and use of derivatives) | • Practice of stock lending and use of derivatives monitored by officers and Independent Advisor<br>• Investment Consultant has coverage of all investment managers<br>• Regular review of managers' due diligence processes at officer meetings | 1 | 2 | 2 | | 1 | 2 | 2 | Ongoing | PC / Officers |

**APPENDIX 1 - RISK REGISTER**

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

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 11. **Illiquidity of assets** - benefits cannot be paid and strategy changes become difficult | • Periodic review of Fund assets with Investment Consultant, and officer due diligence on markets reviewed as part of the Investment Strategy review (July 2020)<br>• Maturity of Fund kept under review by Committee. (PC – March 2020). These considerations were also part of the Investment Strategy review in July 2020. | 1 | 2 | 2 | | 1 | 2 | 2 | Ongoing | PC / Head of Treasury |
| 20. **Environmental, Social & Governance issues** not addressed (and leading to loss on investments) | • Equity managers review ESG issues as part of investment decision, and report issues and company engagement as part of quarterly reports<br>• Membership of LAPFF and appointment of corporate governance advisor providing research on companies invested<br>• 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. This has been further embedded in the recent Investment Strategy Review (July 2020)<br>• SRI conference arranged for Members of the Committee (Dec 15) and ESG seminar (May 19)<br>• Investor Belief Statement agreed (November 2019) | 1 | 2 | 2 | | 1 | 2 | 2 | Ongoing | PC / Officers |

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

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | • Officers, committee members and independent adviser proactively challenge managers on ESG issues at the quarterly fund manager meetings. | | | | | | | | | |
| 2. | **DEMOGRAPHIC RISKS** | | | | | | | | | | |
| | 21. **Deteriorating active membership** (due to employer savings programmes) | • Monitoring scheme membership, and the effect on cash flows and Fund maturity, and taking appropriate strategic action**.** Administration reports received annually by Committee (July 2020)<br>• Impact identified by Hymans Robertson modelling as part of triennial 2019 valuation<br>•<br>• Past service adjustments (secondary contributions) paid as cash amounts instead of a percentage on employer rate (which would decline with declining membership) | **2** | 4 | **8** | • Further scenario testing through modelling of staff data<br>• Impact will again be identified by Hymans Robertson modelling as part of upcoming triennial ~~2019~~ valuation in 2022 | **2** | 4 | **8** | Quarterly | PC / Officers |
| | 23. **Longevity risk** (pensioners living longer) | • 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 | 2 | 5 | 10 | • Continue dialogue with employers<br>• Pension Committee to receive a report on mortality triennially | 2 | 5 | 10 | Triennial | PC |

## APPENDIX 1 - RISK REGISTER

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

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Fund and this has been reported as part of the triennial valuation (March 2020)<br>• Fund actuary sets mortality assumptions with some allowance for future increases in life expectancy<br>• Fund actuary monitors combined experience of around 50 LGPS funds to look for early warnings of lower pension amounts ceasing than assumed in funding<br>• 2019 valuation included assessment of the impact of mortality experience since 2016 amongst the Fund's membership<br>• Administering Authority encourages any employers concerned at costs to promote later retirement culture. Each 1 year rise in the average age at retirement would save roughly 5% of pension costs | | | | • Training for members by Club Vita (July 2020) on longevity issues<br>• Fund actuary will use latest Club Vita analysis during 2022 triennial valuation to determine appropriate longevity assumptions, including allowance for any emerging data on the long-term health impact of Covid-19 | | | | | |
| 24. **Substantial early retirements** | • 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.<br>• Strain cost factors were revisited following the 2019 valuation to ensure appropriate | 3 | 1 | 3 | • Strain cost factors to be revisited after each triennial ~~re~~valuation | 3 | 1 | 3 | Annually | PC |

# APPENDIX 1 - RISK REGISTER

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

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 22.**Substantial Ill-health retirements** | • 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.<br>• Employers informed of ill health insurance option at Employer Forums | 1 | 2 | 2 | • The employer register will monitor this data and variances can be discussed with employers<br>• 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 legislation**, (e.g. more favourable benefits package, potential new entrants to scheme, part-time employees) | • Changes due imminently as a result of the McCloud and Goodwin cases: LGPS benefits to be improved (and backdated to 2014), with associated administrative and funding issues | 2 | 5 | 10 | • An allowance for the impact of the McCloud case will be made at the 2022 triennial valuation. The impact of the Goodwin case is expected to be minimal. Where the data is available, this will also be allowed for at the 2022 triennial valuation.<br>• ~~The Government is expected to make an announcement in the summer 2020.~~ | 2 | 5 | 10 | Ongoing | PC |

## APPENDIX 1 - RISK REGISTER

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

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 25. **National pension scheme changes** (e.g. benefits, regulation from The Pensions Regulator, and/or HM Revenue & Customs rules) | • The Fund is alert to the potential creation of additional liabilities and administrative difficulties for employers and itself<br>• Any changes to the regulations, scheme design and benefits package should be reported to Pension Committee<br>• Scheme changes and benefits are communicated to members<br>• Opt outs are monitored as part of the Cash Flow & Administration report<br>• The result of the most recent reforms (2014 scheme) are ~~have been~~ built into each triennial ~~the~~ valuation<br>• Published new Investment Strategy Statement from 1 April and new regulation issued<br>• New 2018 and 2020 regulations permit exiting employers to recover surpluses built up with the fund (previously known as trapped surpluses) and the Fund now has an Exit credit policy (July 2021) | 3 | 2 | 6 | • | 3 | 2 | 6 | Ongoing | PC / Pensions Manager |

**4. GOVERNANCE RISKS**

## APPENDIX 1 - RISK REGISTER

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

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 50. Pool implementation – **strategy deferral** | • 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.<br>• Continued advice from Investment Consultant and Independent investment advisor<br>• continued Membership (through the Sectoral Joint Committee) and officer engagement with London CIV to ensure they adhere to implementation schedule<br>• Investment strategy review in 2020 | 3 | 4 | 12 | • There is no imminent property offer and the Fund will consider re investing with Partners in their 2021 Fund at the November committee | 2~~3~~ | 4 | ~~12~~8 | Quarterly | Chair/ Officers |
| 27. **Forced merger** of LGPS funds | • Participation in MHCLG consultations<br>• On-going debate with advice from Pensions experts on a national basis | 2 | 5 | 10 | • Ensure that Camden participate in any future consultation and raise concerns to the appropriate authority<br>• All 8 pools have been approved and officers nationwide are working towards inception<br>• Phase III of the Good Governance project will see the SAB consider how | 2 | 5 | 10 | TBC | PC / Officers |

**APPENDIX 1 - RISK REGISTER**

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

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | statutory guidance can be used to put the LGPS governance framework in place, and what KPIs can be used to measure governance effectiveness.<br>• The Fund continues to allocate to CIV funds where the investment objective can be met – i.e. the CIV inflation plus fund - £95m and the Baillie Gifford DGF £95m also. | | | | | |
| 34. Maintaining **adequate level of experience** at officer level | • Continued staff appraisal and development plan<br>• Effective personnel management and succession planning<br>• Independent investment advisor has run training sessions for staff new to the Pension Fund area | 2 | 4 | 8 | • Ensure officers continue to undergo relevant training<br>• Consideration of joining the Hymans LGPS Online Learning Academy | 2 | 4 | 8 | Ongoing | Officers |
| 52. Risk of **high transition costs** of assets in pool | • 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). | • 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<br>• Deficit contributions are expressed as monetary amounts | 3 | 2 | 6 | • Considered by Actuary at triennial valuation and also as a result of officer liaison with employers<br>• The Fund has worked closely with the Improvement and Development Agency to facilitate its substitution of funds to Merseyside Fund | 3 | 2 | 6 | Ongoing | Officers |

## APPENDIX 1 - RISK REGISTER

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

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 28. **Knowledge and Understanding** deficiency (Members and officers) | • Ensure training opportunities are shared, attended and reported on (part of the quarterly Business Plan)<br>• ~~Develop~~ introductory training for all new members to PC to attend – delivered in June 2018 post municipal elections<br>• Set up semi-annual member training for all Pension Committee<br>• Ensure officers go on relevant training<br>• Make sure independent is involved in training requirements | 2 | **3** | 6 | • Complete CIPFA Knowledge & Skills framework for Members and officers, to assess any knowledge gaps<br>• 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 |
| 30. **Employer risk** (bankruptcy) | • Seeking a funding guarantee from another scheme employer, or external body, where ever possible<br>• 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<br>• Vetting prospective employers before admission<br>• requiring a bond to protect the scheme from the extra cost of early retirements on redundancy if the employer fails<br>• regular bond reviews<br>• Annual review of the employer register (March 2020)<br>• Dialogue with (potential) employers during the tender process and | 3 | 2 | 6 | • Additional forward looking measures put in place in employer register received each November<br>• Seek potential security from employers where restrictions on contribution affordability and/or higher perceived business risk<br>• (see also item 13)<br>• Make use of deferred debt agreements agreed as part of the revised Funding Strategy Statement and Exit Credit Policy (July 2021) | 3 | 2 | 6 | Annually | PC |

## APPENDIX 1 - RISK REGISTER

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

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 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<br>• Engage with employers during the triennial valuation (Employer Forum run in October 2019) | | | | | | | | | |
| 32. **Actuarial or investment advice** is not sought, or is not heeded, or proves to be deficient in some way | • The Administering Authority maintains close contact with its advisers and takes decisions in public – Part II agenda items are kept to an absolute minimum<br>• Advice is delivered via formal meetings involving elected members, and recorded properly<br>• Advice is subject to professional requirements such as peer review<br>• Members and officers with suitable skills, knowledge and understanding to discharge their roles | 1 | 5 | 5 | | 1 | 5 | 5 | Ongoing | PC / Officers |
| 29. **Forced disinvestment** (from active managers and Fund of Fund vehicles) | • MHCLG is not currently considering this possibility<br>• On-going debate with advice from Pensions experts on a national basis. | 2 | 2 | 4 | • Participate in consultation and raise concerns to the appropriate authority | 2 | 2 | 4 | **TBC** | **PC / Officers** |
| 31. **Reputational risk** from unaddressed **ESG** | • Membership of LAPFF providing active corporate | 2 | 2 | 4 | • engage with Divest Camden and other interested parties | 2 | 2 | 4 | Ongoing | PC / Officers |

# APPENDIX 1 - RISK REGISTER

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

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| (Environmental, Social & Governance) issues | engagement and championing of ESG issues<br>• Corporate Governance advisor, PIRC, provides company research and ensures Camden voting policy executed on shareholdings is best in class<br>• Members and officers aware of fiduciary responsibilities, acting in the long-term interest of the Fund and taxpayers<br>• become a signatory to the Stewardship code – awarded tier one status | | | | on the transition to the low carbon economy<br>• 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) | | | | | |
| 33. **Employer cessation** not identified (due to closing to new entrants) | • Employer Register is maintained and reviewed annually by Committee (each November) | 2 | 2 | 4 | • 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 | • Officers seek guidance and advice from independent sources as appropriate<br>• Advisers proactively raise issues and keep Officers aware of relevant issues<br>• 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) | • Officers/ Committee seeks guidance and advice from independent sources as appropriate<br>• Officers and members receive regular training and attend LGPS events, at which conflict issues will be raised as appropriate | 1 | 3 | 3 | • The Pensions Regulator's role in the LGPS include governance and conflict issues, and guidance and training will be forthcoming on these topics<br>• Requirements and/or best practice may change as a | 1 | 3 | 3 | Ongoing | PC / Officers |

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

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | • Members are required to declare conflicts of interest at the start of meetings and at the point in a meeting when a conflict arises<br>• Pension Board have their own conflicts of interest policy<br>• Conflicts management plan in place with Hymans | | | | result of the Good Governance initiative in the LGPS | | | | | |
| 37. **Mandate burden** - number of investment mandates inhibits Committee in its governance of investments | • Performance and relevant information of investment mandates reported to Committee as part of quarterly Performance Report<br>• Committee provides clear delegation to Executive Director Corporate Services as and when required<br>• Officers and Members meet regularly with investment managers outside of Committee time and feed back minutes of meetings<br>• Independent investment advisor conducts separate monitoring meetings with managers as appropriate<br>• Investment managers to be brought to Committee or London CIV (where their sub-fund is used) for targeted discussion where appropriate | 2 | 1 | 2 | | 2 | 1 | 2 | Ongoing | PC / Officers |

## APPENDIX 1 - RISK REGISTER

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

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 39. **Termination valuation** not undertaken – missed opportunity to call in a debt. | • Admission Bodies are required to notify the Administering authority of termination and it requires employers with Best Value contractors to inform it of forthcoming changes. | 2 | 1 | 2 | • Regulations permit retrospective cessation valuation | 2 | 1 | 2 | Ongoing | Officers |
| | 40. **Lack of delegation arrangements** | • Detailed scheme of delegation adopted for Council officers, and reviewed annually<br>• 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) | • Effective personnel management and succession planning<br>• Induction and knowledge sharing on local issues and requirements for new officers | 2 | 3 | 6 | • 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 | • Scheme regulations are followed<br>• Pensions team are well trained<br>• Induction of new pensions administrators | 2 | 2 | 4 | • Actuary reviews application of scheme rules | 2 | 2 | 4 | Ongoing | Pensions Manager |

## APPENDIX 1 - RISK REGISTER

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

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 46. **Data** and records are **not accurate** or accessible during lockdown | • Records have correct supporting documentation<br>• Input and output checks are performed<br>• Data matching exercises identify discrepancies (National Fraud Initiative)<br>• Reliance provided by internal audit<br>• The shared service have been fully operational during the COVID 19 pandemic and available to members and employers. | 2 | 2 | 4 | • Reconciliations are performed between payroll and pensions systems<br>• Data quality is of the highest order at the Pension Shared Service to ensure valuation results are as accurate as possible.<br>• Actuary reviews and reports as part of formal valuation<br>• Additional scrutiny from Government Actuary's Department , MHCLG, Scheme Advisory Board, and the Pension Regulator | 2 | 2 | 4 | Ongoing | Pensions Manager |
| 47. **Employer Contributions not received** or recorded properly | • Pensions team dedicates appropriate time and resource to managing contributions<br>• 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) | • Scheme regulations are followed<br>• Pensions team are well trained | 1 | 3 | 3 | • Audit to be carried out to review compliance with new regulations<br>• Impending McCloud retrospective changes will make administration of the benefits more complex | 1 | 3 | 3 | Ongoing | Pensions Manager |

**APPENDIX 1 - RISK REGISTER**

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

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 45. **Systems are not secure** and well maintained | • Internal audit of system setup and security<br>• Systems administrator well trained<br>• Data is backed up daily<br>• System is protected from viruses and hacking<br>• System is up to date and latest features of the software are used<br>• 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** | • Liaison with schools, Supporting People directorate and out-sourced payroll providers to ensure accurate and timely data is received | 3 | 1 | 3 | • Audit exercise planned to review outsourced school payroll data<br>• Introduction of i-connect employer module with Pension administration software at Pension Shared Service has improved data accuracy. All employers in the Camden Fund have gone live or engaging with the Shared Service to move to I Connect. | 3 | 1 | 3 | Ongoing | Pensions Manager |
| 48. Incorrect benefits paid | • Pensions team are well trained<br>• Payments have correct supporting documentation<br>• Management check performed on benefit payments before processing | 1 | 2 | 2 | | 1 | 2 | 2 | Ongoing | Pensions Manager |

**APPENDIX 1 - RISK REGISTER**

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

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 49. Audit fail to undertake proper checks | • Audit plan work to get reasonable expectation of detecting control weaknesses | 2 | 1 | 2 | | 2 | 1 | 2 | Annually | Pensions Manager |