

Croydon Council

For General Release

REPORT TO:	Local Pension Board 14 January 2021
SUBJECT:	Review of Risk Register
LEAD OFFICER:	Nigel Cook Head of Pensions and Treasury

1. RECOMMENDATIONS

The Board is asked to:

Note the contents of the Risk Register and to comment as appropriate.

2. EXECUTIVE SUMMARY

- 2.1 To follow best practice it is recommended that the Pension Board should maintain a risk register covering the most significant risks faced by the Fund. This report presents the current register (Appendix A) for the Board's consideration.

3. DETAIL

- 3.1 Best practice recommends that a risk register is maintained by the Pension Board recording relevant risk scenarios, together with an assessment of their likelihood and impact and appropriate mitigations. This report discusses the most significant risks relating to governance, funding, assets and liabilities and operational matters. Appendix A details these risks and the mitigations put in place for the current period and for future years.
- 3.2 The Register is divided into sections: Governance Risks (1 risk); Funding - Assets and Liabilities Risks (4); Investment Risks (2); Global Macro-economic Risks (4); and Operational Risks (5). 2 Risks are rated on a scale of 1 to 5 on the likelihood of the risk occurring and its impact if it does. This allows a range of potential scores of between 1 and 25.
- 3.3 The majority of these risks are shared by LGPS administering authorities across the country, to a greater or lesser extent, and the mitigations are well understood. For example the Actuarial Valuation process, portfolio construction and the importance of diversification and access to professional advisors. However there are several new concerns which deserve closer scrutiny, including the impact of the post-Brexit trading arrangements, the impact of the COVID 19 Pandemic, the McCloud judgment and the impact of the 95K Cap

and Exit Payment Reforms., and the effect of the issuance of the S.114 Notice by Croydon's Section 151 Officer.

- 3.4 Arguably the markets appear to be considering both Brexit and the pandemic as macro-economic events and reacting as such; for instance rallying with news of a COVID vaccine and reacting earlier to news of delays in the trade talks. In the background though there are major headwinds that will have an adverse impact on returns. The impact of these events on other Scheme Employers is currently less well understood. Changes to the regulations governing the LGPS have introduced more uncertainty though, for instance in respect of staff recruitment and retention, the impact of strain costs, and the assessment of the Scheme's liabilities. Almost certainly these issues will play out over the months and years to come and the best response will be to monitor their impact on the Scheme closely.
- 3.5 The Board is asked to note the contents of the Pension Fund Risk register and are invited to comment as appropriate.

4. DATA PROTECTION IMPLICATIONS

- 4.1 WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?

NO

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BACKGROUND DOCUMENTS: None

APPENDICES: Appendix A Risk Register