

## Risk Register

No	Risk Scenario			Current Risk Rating			Future controls	Future Risk Rating		
	Risk	Type	Existing Controls	Impact	Likelihood	Risk Factor		Impact	Likelihood	Risk Factor
1	If other scheme employers cease trading or operating for any reason the Scheme Actuary will calculate a cessation valuation of their liabilities. If that employer cannot meet that liability the Council has to make good the shortfall.	<b>Governance Risks</b>	Funding Agency, up to court enforcement action.	3	4	12	Admission, Cessation and Bulk Transfers Policies were agreed by the Committee at their meeting of 3 December 2021 which will mitigate the risk. The Fund puts measures in place such as bonds and parent company guarantees or reduces the funding time horizon to reduce the impact resulting from employer failures. These areas will be reviewed as part of the triennial valuation	2	3	6

2	The Fund's invested assets are not sufficient to meet its current or future liabilities.	<b>Funding - Assets and Liabilities Risks</b>	A formal actuarial valuation is carried out every three years, although the Government have consulted on changing this to every 4 years. This results in a Funding Strategy Statement which is regularly reviewed to ensure contribution rates and the investment strategy are set to meet the	4	3	12	Officers are looking at ways of monitoring the funding level on a more frequent basis rather than waiting for a full valuation every three years, although this needs to be done efficiently and in a cost effective manner. Officers will work with the Actuary to seek a cost efficient way of estimating changes to the funding level.	4	2	8
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			<p>long term solvency of the Fund. The Scheme Actuary's view is that there is a 75% chance that the funding target will be achieved. The current Strategy was agreed by the Committee on 17 March 2020 with updates being agreed at the Committee meeting on 25 May 2021. The Fund is current carrying out the March 22 valuation which has indicated an improvement in the funding level.</p>							
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3	Liquidity risk - A third of the Fund is held in illiquid investments. This means there is a risk that the authority might find itself with insufficient cash to meet short term and medium term liabilities without having to disinvest and thus damage the prospects of generating adequate investment returns.	<b>Funding - Assets and Liabilities Risks</b>	The Fund's contribution income is currently enough to cover the short term liabilities. This is kept under constant review. The amount of cash held by the fund has increased to 2.9% of the Fund to mitigate this risk.	3	2	6	The illiquid assets are reaching a point where distributions are higher than calls, so are generating cash. Further commitments to investments will be put on hold until a medium term cash projection has been completed.	3	2	6
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4	There is a possible risk of scheduled or admitted bodies not paying over contributions, which involves the administering authority in incurring unnecessary costs.	<b>Funding - Assets and Liabilities Risks</b>	The authority has retained legal advisors to mitigate this risk, possibly through legal channels.	3	5	15	A structured process has been introduced to monitor receipts of contributions. Contributions and schedules are chased promptly and reconciled. Improved team communications is aiding in this process. which is monitored by the Pensions Board. These measures are improving outcomes. However, they require more time to administer and resources across the governance and accounts teams are impacted. Additional staffing is in the process of being secured.	3	2	6
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6	<p>There is a risk that, under any set of circumstances, an assets will will underperform. The Fund has a significant allocation to several single asset categories - for example, equities, fixed interest, property or alternatives - which potentially leaves the Fund exposed to the possibility that a particular class of assets will underperform relative to expectation.</p>	<b>Investment Risks</b>	<p>The investment allocation mix is in a variety of uncorrelated investments designed to give a diverse portfolio, meaning any one investment class should not unduly impact on the performance of the overall portfolio if it underperforms relative to expectation</p>	3	3	9	<p>Officers with the help of the Fund's Investment Adviser will continue to assess the asset mix of the Fund to ensure it continues to meet the required returns.</p>	3	2	6
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7	The London CIV has been experiencing problems recruiting to key roles, including to the Chief Investment Officer vacancy. This raises a number of concerns, including: fund launches; progress on the ESG project; and expanded permissions from the FCA. This latter point relates to their ability to transition funds.	<b>Investment Risks</b>	Recruitment has inevitably been impacted by the lockdown but the CIV has now filled a number of key roles. This provides a degree of reassurance that fund launches and key projects should be able to proceed according to plan.	4	2	8	As the CIV becomes more established recruitment issues should become less significant.	4	2	8
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8	<p>Specific macroeconomic risks are addressed below but there is a more general, underlying risk of a global collapse in investment markets. The markets have experienced a continuous sequence of such events: Latin American sovereign debt; Black Friday crash; the Dot.com bubble; sub-prime, credit crunch and the Coronavirus pandemic. Other crises are inevitable.</p>	<p><b>Global Macroeconomic Risks</b></p>	<p>The discount rate assumption is reviewed at every valuation to ensure it gives appropriate views on future return expectations. The Fund is also well-diversified which provides a degree of protection. The diversified nature of the Fund meant that the Fund was well protected during the Coronavirus pandemic.</p>	4	3	12	<p>The asset allocation strategy will be revised during 2023/2024. Consultations with the Fund's Investment Adviser are ongoing to ensure that, so far as possible, the Fund remains conscious of these risks and is taking reasonable precautions.</p>	4	3	12
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12	<p>Cyber Security – Risk to systems including by system failure, ineffective business continuity plan and lack of adequate monitoring arrangements for third party suppliers. If adequate protections are not in place to prevent system failure working time could be affected impacting workloads and delivery of key performance indicators. If an effective business continuity plan is not in place and communicated to staff the impact of any system failure will be increased. If adequate monitor arrangements for suppliers are not implemented and reviewed service delivery may be adversely affected.</p>	<p><b>Operational Risks</b></p>	<p>Heywoods is a hosted system. They have processes in place for backing up files, storing data safely and preventing system failure. This is included in the contract we have with them. The technical team keep logs of issues and responses to monitor this. We have a business continuity plan in place should issues arise. Key suppliers, Aquila Heywood and Hymans Robertson both have ISO:270001 which is the international standard for information security management systems (ISMS).</p>	4	3	12	<p>We are currently working with Aon to strengthen our Cyber Security arrangements. We will be producing and implementing policies and processes focusing on this area.</p>	4	2	8
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13	Cyber Security - risk of unauthorised access to personal and other data including by unsafe home working practices, data access protection and levels and safe storage of data. If safe working practices are not followed devices could be lost or stolen or data could be viewed or tampered with. If data access levels are not kept up to date and set at a level appropriate	<b>Operational Risks</b>	Mandatory GDPR and Cyber Security training has been provided to all new and existing staff. There is a remote working protocol available on the staff intranet which includes guidance on working securely, in addition to a good practice guide on information management.	4	3	12	We are currently working with Aon to strengthen our Cyber Security arrangements. We will be producing and implementing policies and processes focusing on this area.	4	2	8
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	<p>for the performance of the duties of the role only, any possible misuse or error will have a more severe effect. If data held on the pension system is not backed up there is a risk of data being lost in the event of a system failure.</p>		<p>When working from home devices are encrypted and accessed via a VPN. Bit locker and passwords are required to access systems. No physical papers are taken home and staff are advised of the need to keep computers in a secure place, never to leave devices unattended and not to access systems in public locations. Appropriate data access levels to the pensions administration system are assigned by the Technical Support Team on</p>							
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			on appointment or change of role, according to the requirements of the role.							
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14	<p>McCloud Judgement. There is a risk affecting our ability to implement the requirements of the McCloud judgement post resolution. Issues include lack of historic data, appropriate resource, capacity or budget to undertake the work. This could result in legal breaches reportable to the Pensions Regulator, incorrect pension entitlements being calculated for pensioners and loss of confidence in the service by scheme members and employers.</p>	<p><b>Operational Risks</b></p>	<p>Keeping up to date with information from the Scheme Advisory Board, Local Government Association, and the Government actuary's Department. The Technical Team are ensuring that part time hours are being recorded on Altair.</p>	4	4	16	<p>Decide how gathering of data from employers will be resourced. Once regulations issued and remedies understood, ensure pension service is appropriately resourced to deal with additional workload</p>	4	3	12
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15	<p>Cyber Security – The heightened security threat level due to the Russian invasion of Ukraine could potentially result in added risks to the pension administration system.</p>	<p><b>Operational Risks</b></p>	<p>In response to the heightened threat, Heywoods have conducted focused threat simulations based upon potentially malicious email traffic, reinforced organisational awareness of the threat landscape and raised vigilance through additional staff training and blocked access/internet traffic from specific countries.</p>	4	3	12	<p>Heywoods will continue to closely monitor the cyber threat landscape, particularly threats connected with events in Ukraine. When necessary, they will take immediate action to mitigate against new threats as they emerge.</p>	4	2	8
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16	Russia has invaded Ukraine. There are global economic repercussions relating to oil and gas prices; energy markets; stock markets; and currencies. The Pension Fund will be impacted by these developments because it has exposure to these markets and geographies.	<b>Global Macroeconomic Risks</b>	The Fund's direct exposure to assets held in Russia and the Ukraine has been assessed and impact was immaterial. The diversified nature of the portfolio helps protect the Fund against the wider implications to Global markets.	3	5	15	If the conflict ends markets should recover; otherwise the financial markets will adapt. The Funds asset allocation is being reviewed to make sure it is still appropriate to keep the fund on track.	3	4	12
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17	<p>In February 2022 DLUHC issued the Levelling Up white paper requiring Funds to deploy at least an additional 5% of their capital to relevant investment opportunities in the UK. The additional requirement could be problematic for funds such as Croydon which already allocate a significant proportion of their capital to the UK in illiquid assets.</p>	<p><b>Investment Risks</b></p>	<p>It is unlikely that the Fund will be forced into a position which would mean an unacceptable imbalance in the asset allocation of the Fund. The Fund is not currently committing any further investments to its illiquid portfolio.</p>	4	2	8	<p>If the risk materialises the Fund will seek to follow the direction over a period of time in order to manage any imbalance in the portfolio.</p>	4	2	8
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18	<p>Changes in legislation affect the level of performance of the Pensions Admin Team. Scheme members experiencing delays in receipt of their pension entitlement. Statutory deadlines are not met leading to breaches of legislation and pension regulator requirements. Scheme member dissatisfaction. Reputational damage. Financial penalties. Legal action / challenge.</p>	<p><b>Operational Risks</b></p>	<p>A third party administrator contract with Hymans Robertson to provide additional resources. Key Performance Monitoring Report completed each month against legal deadlines and team targets reported to Pensions Committee and Board each meeting. Maintaining awareness of latest legislative requirements. Robust checking procedures at all stages. Staff knowledge Recruitment of staff of suitable experience Continuous training of existing staff. Currently fully resourced administrative function.</p>	4	4	16	<p>A review of the effectiveness of 3rd party arrangement on activity levels. Continue detailed planning in respect of legislative changes. Development of IT and automation. Increase to Employer engagement. Regular Performance Reporting (activity rates &amp; service KPI's) to Pensions Committee</p>	4	2	8
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19	System malfunction or interruption of our banking systems.The FCA disclosed that in the last 9 months of 2018 there were more than 300 IT failures impacting on bank customers ability to access their funds.The 6 largest banks on average experience one IT failure every 2 weeks.The risk is that one of these failures is for a sustained period of time impacting on BACS and CHAPS payments both into and out of the council.This could prevent members of the public and businesses from accessing funds,result in financial loss and /or service interruption.	<b>Operational Risks</b>	Actively review/assure in relation to bank controls. Automatic compensation paid for major interruptions	4	3	12	No future controls planned	4	3	12
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20	Risk of losing or being unable to recruit suitably experienced staff. The Head of Pensions and Treasury has retired and other positions within the Pension Team have been vacant for a while. Lack of resourcing and knowledge will have a detrimental impact on the performance of the fund.	<b>Operational Risks</b>	The Pension Team have recruited temporary resources in the Treasury Team for the immediate future and are in the process of creating two new posts in the governance team. We are working with our advisors more widely to make greater use of their resources	3	4	12	Developing inhouse knowledge and capacity will mitigate the risk of skills drain if staff leave. A review of the pensions function will assist in further developing effective service delivery.	3	3	9
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21	Liquidity risk - Inflation is currently running at 10% which will feed into pension increases and lead to pressures on cashflow. This means there is a risk that the authority might find itself with insufficient cash to meet short term and medium term liabilities without having to disinvest and thus damage the prospects of generating adequate investment returns	<b>Funding - Assets and Liabilities Risks</b>	The Fund has increased the amount of cash it holds in order to cover any potential net outflow from the Fund	3	5	15	A medium term cashflow projection will be carried out after the valuation in order to gain assurance that the fund has sufficient liquidity.	3	2	6
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22	<p>Conflicts of interest – This could lead to a lack of clarity around when it is necessary for Committee and Board members to declare / disclose interests that could impact on decisions they are taking. When acting in their capacity as Committee members their priority should be the interests of the Fund. Without appropriate scrutiny and transparency, the interests of the Fund could be compromised.</p>	<p><b>Governance Risks</b></p>	<p>There is an existing Board Conflicts of Interest Policy in place and elected members are required to disclose interests in their capacity as Councillors. A standing agenda item is included in every meeting asking if any member has an interest that they need to disclose. A member of Democratic Services attends every meeting and can provide advice on whether a disclosure is needed. The Board Chair regularly attends Committee meetings and will highlight potential items where a disclosure may be appropriate. Democratic Services keep a log of Member Interests.</p>	4	3	12	<p>A new Fund specific Conflicts of Interest Policy has been drafted and has been referred to the Monitoring Officer to take forward in line with proposed changes to the constitution. This will provide greater clarity on disclosable items and potential areas where a conflict might arise.</p>	4	2	8
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23	Climate Change- Pension funds invest over the long-term so are particularly susceptible to the impacts associated with climate change.	<b>Investment Risks</b>	When setting the funding strategy the Fund included climate scenario stress testing in the contribution modelling exercise for the Council at the 2022 valuation. The results provided some assurance that the funding strategy is resilient to climate risks	3	5	15	The investment strategy is currently being reviewed with the particular focus on climate change risks and is setting a framework to firstly establish the Fund's current carbon footprint and secondly to enable to future reporting and monitoring of the Fund's exposure to climate change risks.	1	5	5
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**Risk Matrix**

**IMPACT**

**LIKELIHOOD**

		1	2	3	4	5
		Insignificant	Minor	Moderate	Major	Catastrophic
5	Almost Certain	5	10	15	20	25
4	Likely	4	8	12	16	20
3	Possible	3	6	9	12	15
2	Unlikely	2	4	6	8	10
1	Rare	1	2	3	4	5

Impact is measured on a scale of 1 to 5.  
 A score of 1 suggests that the potential impact would be insignificant and a score of 5 would be catastrophic.

Likelihood is also measured on a scale of 1 to 5.  
 In this instance a score of 1 suggests that the occurrence will be rare and score of 5 would be almost certain to happen.

Below 10 is considered a Green Risk.

A score between 10 and 19 is an Amber Risk.

A score of 20 or above is a Red Risk.

<b>19</b>	<b>Number of Risks on Register</b>
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Current Ratings	
<b>4</b>	<b>Number of Green Risks</b>
<b>15</b>	<b>Number of Amber Risks</b>
<b>0</b>	<b>Number of Red Risks</b>

Future Ratings	
<b>15</b>	<b>Number of Green Risks</b>
<b>4</b>	<b>Number of Amber Risks</b>
<b>0</b>	<b>Number of Red Risks</b>