



















London Borough of Hammersmith & Fulham Pension Fund Risk Register - Investment Risk													
Risk Group	Risk Ref.	Movement	Risk Description	Impact				Likelihood	Total risk score	Mitigation actions	Revised Likelihood	Net risk score	Reviewed on
				Fund	Employers	Reputation	Total						
Governance	1		The London Collective Investment Vehicle (LCIV) disbands or the partnership fails to produce proposals/solutions deemed sufficiently ambitious.	5	4	3	12	3	36	TORELATE 1) Partners for the pool have similar expertise and like-mindedness of the officers and members involved with the fund, ensuring compliance with the pooling requirements. 2) Monitor the ongoing fund and pool proposals are comprehensive and meet government objectives. 3) Monitor the ongoing staffing changes at the LCIV which include the recruitment of key roles of CIO, Head of Responsible Investment and Client Relations Director 4) Fund representation on key officer groups.	3	36	02/01/2020
Investment	2		Significant volatility and negative sentiment in global investment markets following disruptive political uncertainty caused by the conflict between the US and Iran, as well as the ongoing tradewar with China.	5	4	1	10	4	40	TREAT 1) Continued dialogue with investment managers regarding management of political risk in global developed markets. 2) Investment strategy intergrates portfolio diversification and risk management. 3) Investment strategy review will follow post actuarial 2019 valuation.	3	30	02/01/2020
Investment	3	NEW	Outbreak of the corona virus within China and the rest of the world impacting stock markets globally.	4	4	1	9	4	36	TREAT 1) Officers will continue to monitor the impact the outbreak is like to have on the fund's investments 2) The Fund holds a well diversified portfolio, which should reduce the downside risks of adverse stock market movements.	3	27	30/01/2020
Investment	4		Volatility caused by uncertainty regarding to the withdrawal of the UK from the European Union, with the likelihood of a no-deal exit increasing.	4	4	1	9	3	27	TREAT 1) Officers to consult and engage with advisors and investment managers. 2) Future possibility of looking at move from UK to Global benchmarks on UK Equities and UK Property. 3) Possibility of hedging currency and equity index movements. 4) The UK is currently still part of the EU, however a deal has now been agreed in Parliament with the UK expected to exit the EU on 31 January 2020.	3	27	02/01/2020
Governance	5		London CIV has inadequate resources to monitor the implementation of investment strategy and as a consequence are unable to address underachieving fund managers.	3	3	2	8	4	32	TREAT 1) Tri-Borough Director of Treasury & Pensions is a member of the officer Investment Advisory Committee which gives the Fund influence over the work carried out by the London CIV. 2) Officers continue to monitor the ongoing staffing issues and the quality of the performance reporting provided by the London CIV.	3	24	02/01/2020
Funding	6		There is insufficient cash available in the Fund to meet pension payments leading to investment assets being sold at sub-optimal prices to meet pension payments.	5	4	2	11	3	33	TREAT 1) Cashflow forecast maintained and monitored. Cashflow position reported to sub-committee quarterly. 2) The Fund receives quarterly income distributions from some of its investments to help meet its short term pensions obligations.	2	22	02/01/2020
Funding	7		Scheme members live longer than expected leading to higher than expected liabilities.	5	5	1	11	2	22	TOLERATE 1)The scheme's liability is reviewed at each triennial valuation and the actuary's assumptions are challenged as required. 2)The actuary's most recent longevity analysis has shown that the rate of increase in life expectancy is slowing down.	2	22	02/01/2020

Funding	8		Price inflation is significantly more than anticipated in the actuarial assumptions: an increase in CPI inflation by 0.1% over the assumed rate will increase the liability valuation by upwards of 1.7%.	5	3	2	10	3	30	TREAT 1) The fund holds investment in index-linked bonds (RPI protection which is higher than CPI) and other real assets to mitigate CPI risk. Moreover, equities will also provide a degree of inflation protection. 2) Officers continue to monitor the increases in CPI inflation on an ongoing basis.	2	20	02/01/2020
Funding	9		Transfers out of the scheme increase significantly due to members transferring their pensions to DC funds to access cash through new pension freedoms.	4	4	2	10	2	20	TOLERATE 1) Monitor numbers and values of transfers out being processed. If required, commission transfer value report from Fund Actuary for application to Treasury for reduction in transfer values. 2) Evidence has shown that members have not been transferring out of the CARE scheme at the previously anticipated rates.	2	20	02/01/2020
Funding	10		Employee pay increases are significantly more than anticipated for employers within the Fund.	4	4	2	10	2	20	TOLERATE 1) Fund employers continue to monitor own experience. 2) Assumptions made on pay and price inflation (for the purposes of IAS19/FRS102 and actuarial valuations) should be long term assumptions. Any employer specific assumptions above the actuary's long term assumption would lead to further review. 3) Employers to made aware of generic impact that salary increases can have upon the final salary linked elements of LGPS benefits (accrued benefits before 1 April 2014).	2	20	02/01/2020
Funding	11		Changes to LGPS Scheme moving from Defined Benefit to Defined Contribution	5	3	2	10	2	20	TOLERATE 1) Political power required to effect the change.	2	20	02/01/2020
Investment	12		Investment managers fail to achieve benchmark/ outperformance targets over the longer term: a shortfall of 0.1% on the investment target will result in an annual impact of £1.1m.	5	3	1	9	3	27	TREAT 1) The Investment Management Agreements (IMAs) clearly state LBHF's expectations in terms of investment performance targets. 2) Investment manager performance is reviewed on a quarterly basis. 3) The Pension Fund Committee is positioned to move quickly if it is felt that targets will not be achieved. 4) Portfolio rebalancing is considered on a regular basis by the Pension Fund Committee. 5) The Fund's investment management structure is highly diversified, which lessens the impact of manager risk compared with less diversified structures.	2	18	02/01/2020
Governance	13		Implementation of proposed changes to the LGPS (pooling) does not conform to plan or cannot be achieved within laid down timescales	3	2	1	6	3	18	TOLERATE 1) Officers consult and engage with MHCLG, LGPS Scheme Advisory Board, advisors, consultants, peers, various seminars and conferences. 2) Officers engage in early planning for implementation against agreed deadlines. 3) <u>Uncertainty surrounding new MHCLG guidance</u>	3	18	02/01/2020
Investment	14		Increased risk to global economic stability. Outlook deteriorates in advanced economies because of heightened uncertainty and setbacks to growth and confidence, with declines in oil and commodity prices. Leading to tightened financial conditions, reduced risk appetite and raised credit risks. Geo-political risk as a result of events and political uncertainty.	4	3	1	8	3	24	TREAT 1) Increased vigilance and continued dialogue with managers as to events on and over the horizon. 2) Continued investment strategy involving portfolio diversification and risk control. 3) Investment strategy review will follow post actuarial 2019 valuation.	2	16	02/01/2020

Funding	15	↔	Impact of economic and political decisions on the Pension Fund's employer workforce.	5	2	1	8	2	16	TOLERATE 1) Barnet Waddingham uses prudent assumptions on future of employees within workforce. 2) Employer responsibility to flag up potential for major bulk transfers outside of the LBHF Fund. 3) Officers to monitor the potential for a significant reduction in the workforce as a result of the public sector financial pressures.	2	16	02/01/2020
Funding	16	↔	Ill health costs may exceed "budget" allocations made by the actuary resulting in higher than expected liabilities particularly for smaller employers.	4	2	1	7	2	14	TOLERATE 1) Review "budgets" at each triennial valuation and challenge actuary as required. 2) Charge capital cost of ill health retirements to admitted bodies at the time of occurring. 3) Occupational health services provided by the Council and other large employers to address potential ill health issues early.	2	14	02/01/2020
Funding	17	↔	Impact of increases to employer contributions following the actuarial valuation	5	5	3	13	2	26	TREAT 1) Officers to consult and engage with employer organisations in conjunction with the actuary. 2) Actuary will assist where appropriate with stabilisation and phasing in processes.	1	13	02/01/2020
Governance	18	↔	Failure to take difficult decisions inhibits effective Fund management	5	3	4	12	2	24	TREAT 1) Officers ensure that governance process encourages decision making on objective empirical evidence rather than emotion. 2) Officers ensure that the basis of decision making is grounded in the Investment Strategy Statement (ISS), Funding Strategy Statement (/FSS), Governance policy statement and Committee Terms of Reference and that appropriate expert advice is sought.	1	12	02/01/2020
Governance	19	↔	Changes to LGPS Regulations	3	2	1	6	3	18	TREAT 1) Fundamental change to LGPS Regulations implemented from 1 April 2014 (change from final salary to CARE scheme). 2) Future impacts on employer contributions and cash flows will be considered during the 2019 actuarial valuation process. 3) Fund will respond to several ongoing consultation processes. 4) Impact of LGPS (Management of Funds) Regulations 2016 to be monitored. Impact of Regulations 8 (compulsory pooling) to be monitored.	2	12	02/01/2020
Investment	20	↔	Failure to keep up with the pace of change regarding economic, policy, market and technology trends relating to climate change	3	2	1	6	3	18	TREAT 1) Officers regularly receive updates on the latest ESG policy developments from the fund managers. 2) The Pensions Fund is a member of the Local Authority Pension Fund Forum (LAPFF) which engages with companies on a variety of ESG issues including climate change.	2	12	02/01/2020
Governance	21	↔	Failure by the audit committee to perform its governance, assurance and risk management duties	3	2	1	6	3	18	TREAT 1) Audit Committee performs a statutory requirement for the Pension Fund with the Pension Sub-Committee being a sub-committee of the audit committee. 2) Audit Committee meets regularly where governance issues are regularly tabled.	2	12	02/01/2020
Funding	22	↔	Mismatching of assets and liabilities, inappropriate long-term asset allocation or investment strategy, mistiming of investment strategy	5	3	3	11	2	22	TREAT 1) Active investment strategy and asset allocation monitoring from Pension Fund Committee, officers and consultants. 2) Officers, alongside the Fund's advisor, set fund specific benchmarks relevant to the current position of fund liabilities. 3) Fund manager targets set and based on market benchmarks or absolute return measures.	1	11	02/01/2020

Financial	23	↔	Financial loss of cash investments from fraudulent activity	3	3	5	11	2	22	TREAT 1) Policies and procedures are in place which are regularly reviewed to ensure risk of investment loss is minimised. 2) Strong governance arrangements and internal control are in place in respect of the Pension Fund. Internal audit assist in the implementation of strong internal controls. 3) Fund Managers have to provide annual SSAE16 and ISAE3402 or similar documentation (statement of internal controls).	1	11	02/01/2020
Operational	24	↔	Failure to hold personal data securely in breach of General Data Protection Regulation (GDPR) legislation.	3	3	5	11	2	22	TREAT 1) Data encryption technology is in place which allow the secure transmission of data to external service providers. 2) LBHF IT data security policy adhered to. 3) Implementation of GDPR	1	11	02/01/2020
Governance	25	↔	Failure to comply with legislation leads to ultra vires actions resulting in financial loss and/or reputational damage.	5	2	4	11	2	22	TREAT 1) Officers maintain knowledge of legal framework for routine decisions. 2) Eversheds retained for consultation on non-routine matters.	1	11	02/01/2020
Funding	26	↔	Failure of an admitted or scheduled body leads to unpaid liabilities being left in the Fund to be met by others.	5	3	3	11	2	22	TREAT 1) Transferee admission bodies required to have bonds in place at time of signing the admission agreement. 2) Regular monitoring of employers and follow up of expiring bonds.	1	11	02/01/2020
Governance	27	↔	Inadequate, inappropriate or incomplete investment or actuarial advice is actioned leading to a financial loss or breach of legislation.	5	3	2	10	2	20	TREAT 1) At time of appointment, the Fund ensures advisers have appropriate professional qualifications and quality assurance procedures in place. 2) Committee and officers scrutinise and challenge advice provided routinely.	1	10	02/01/2020
Operational	28	↔	Financial failure of third party supplier results in service impairment and financial loss.	5	4	1	10	2	20	TREAT 1) Performance of third party suppliers regularly monitored. 2) Regular meetings and conversations with global custodian (Northern Trust) take place. 3) Actuarial and investment consultancies are provided by two different providers.	1	10	02/01/2020
Governance	29	↔	Change in membership of Pension Fund Committee leads to dilution of member knowledge and understanding	2	2	1	5	4	20	TREAT 1) Succession planning processes are in place. 2) Ongoing training of Pension Fund Committee members. 3) Pension Fund Committee new member induction programme. 4) Training to be based on the requirements of CIPFA Knowledge and Skills Framework under designated officer.	2	10	02/01/2020
Investment	30	↔	Failure of global custodian or counterparty.	5	3	2	10	2	20	TREAT 1) At time of appointment, ensure assets are separately registered and segregated by owner. 2) Review of internal control reports on an annual basis. 3) Credit rating kept under review.	1	10	02/01/2020
Operational	31	↔	Financial failure of a fund manager leads to value reduction, increased costs and impairment.	4	3	3	10	2	20	TREAT 1) Adequate contract management and review activities are in place. 2) Fund has processes in place to appoint alternative suppliers at similar price, in the event of a failure. 3) Fund commissions the services of Legal & General Investment Management (LGIM) as transition manager. 4) Fund has the services of the London CIV.	1	10	02/01/2020

Investment	32	↔	Global investment markets fail to perform in line with expectations leading to deterioration in funding levels and increased contribution requirements from employers.	5	3	2	10	2	20	<p>TREAT</p> <p>1) Proportion of total asset allocation made up of equities, fixed income, property funds and other alternative asset funds, limiting exposure to one asset category.</p> <p>2) The investment strategy is continuously monitored and periodically reviewed to ensure optimal risk asset allocation.</p> <p>3) Actuarial valuation and strategy review take place every three years post the actuarial valuation.</p> <p>4) IAS19 data is received annually and provides an early warning of any potential problems.</p> <p>5) The actuarial assumption regarding asset outperformance is regarded as achievable over the long term when compared with historical data.</p>	1	10	02/01/2020
Governance	33	↔	Officers do not have appropriate skills and knowledge to perform their roles resulting in the service not being provided in line with best practice and legal requirements. Succession planning is not in place leading to reduction of knowledge when an officer leaves.	4	3	3	10	2	20	<p>TREAT</p> <p>1) Person specifications are used at recruitment to appoint officers with relevant skills and experience.</p> <p>2) Training plans are in place for all officers as part of the performance appraisal arrangements.</p> <p>3) Shared service nature of the pensions team provides resilience and sharing of knowledge.</p> <p>4) Officers maintain their CPD by attending training events and conferences.</p>	1	10	02/01/2020
Governance	34	↔	Failure to comply with legislative requirements e.g. ISS, FSS, Governance Policy, Freedom of Information requests	3	3	4	10	2	20	<p>TREAT</p> <p>1) Publication of all documents on external website.</p> <p>2) Officers expected to comply with ISS and investment manager agreements.</p> <p>3) Local Pension Board is an independent scrutiny and assistance function.</p> <p>4) Annual audit reviews.</p>	1	10	02/01/2020
Operational	35	↔	Inaccurate information in public domain leads to damage to reputation and loss of confidence	1	1	3	5	3	15	<p>TREAT</p> <p>1) Ensure that all requests for information (Freedom of Information, member and public questions at Council, etc) are managed appropriately and that Part 2 Exempt items remain so.</p> <p>2) Maintain constructive relationships with employer bodies to ensure that news is well managed.</p>	2	10	02/01/2020
Funding	36	↔	Scheme matures more quickly than expected due to public sector spending cuts, resulting in contributions reducing and pension payments increasing.	5	3	1	9	2	18	<p>TREAT</p> <p>1) Review maturity of scheme at each triennial valuation.</p> <p>2) Deficit contributions specified as lump sums, rather than percentage of payroll to maintain monetary value of contributions.</p> <p>3) Cashflow position monitored monthly.</p>	1	9	02/01/2020
Governance	37	↔	Committee members do not have appropriate skills or knowledge to discharge their responsibility leading to inappropriate decisions.	4	3	2	9	2	18	<p>TREAT</p> <p>1) External professional advice is sought where required. Knowledge and skills policy in place (subject to Committee Approval)</p>	1	9	02/01/2020
Operational	38	↔	Insufficient attention paid to environmental, social and governance (ESG) issues, leading to reputational damage. The Council declared a climate emergency in July 2019, the full impact of this decision is uncertain.	3	2	4	9	2	18	<p>TREAT</p> <p>1) Review ISS in relation to published best practice (e.g. Stewardship Code)</p> <p>2) The Fund currently holds investments all it passive equities in a low carbon tracker fund, and is invested in renewable infrastructure.</p> <p>3) The Fund is a member of the Local Authority Pension Fund Forum (LAPFF), which raises awareness of ESG issues and facilitates engagement with fund managers and corporate company directors.</p>	1	9	02/01/2020

Governance	39		Failure to comply with recommendations from the Local Pension Board, resulting in the matter being escalated to the scheme advisory board and/or the pensions regulator	1	3	5	9	2	18	TREAT 1) Ensure that a cooperative, effective and transparent dialogue exists between the Pension Fund Committee and Local Pension Board.	1	9	02/01/2020
Regulation	40		Loss of 'Elective Professional Status' with any Fund managers and counterparties resulting in reclassification of fund from professional to retail client status impacting Fund's investment options and ongoing engagement with the Fund managers.	4	2	2	8	2	16	TREAT 1) Keep quantitative and qualitative requirements under review to ensure that they continue to meet the requirements. 2) Training programme and log are in place to ensure knowledge and understanding is kept up to date. 3) Existing and new Officer appointments subject to requirements for professional qualifications and CPD.	1	8	02/01/2020
Operational	41		Procurement processes may be challenged if seen to be non-compliant with OJEU rules. Poor specifications lead to dispute. Unsuccessful fund managers may seek compensation following non compliant process	2	2	3	7	2	14	TREAT 1) Ensure that assessment criteria remains robust and that full feedback is given at all stages of the procurement process.	1	7	02/01/2020
Funding	42		The level of inflation and interest rates assumed in the valuation may be inaccurate leading to higher than expected liabilities.	4	2	1	7	2	14	TREAT 1) Review at each triennial valuation and challenge actuary as required. 2) Growth assets and inflation linked assets in the portfolio should rise as inflation rises.	1	7	02/01/2020
Regulation	43		Pensions legislation or regulation changes resulting in an increase in the cost of the scheme or increased administration.	4	2	1	7	2	14	TREAT 1) Maintain links with central government and national bodies to keep abreast of national issues. 2) Respond to all consultations and lobby as appropriate to ensure consequences of changes to legislation are understood.	1	7	02/01/2020