

Pension Fund Investment Sub-Committee

Date: Monday 14 December 2020
Time: 10.00 am
Venue: Microsoft Teams

Membership

Councillor John Horner (Chair)
Councillor Bill Gifford (Vice-Chair)
Councillor Neil Dirveiks
Councillor Andy Jenns
Councillor Wallace Redford

Items on the agenda: -

1. General

(1) Apologies

(2) Members' Disclosures of Pecuniary and Non-Pecuniary Interests

Members are required to register their disclosable pecuniary interests within 28 days of their election or appointment to the Council. A member attending a meeting where a matter arises in which s/he has a disclosable pecuniary interest must (unless s/he has a dispensation):

- Declare the interest if s/he has not already registered it
- Not participate in any discussion or vote
- Must leave the meeting room until the matter has been dealt with
- Give written notice of any unregistered interest to the Monitoring Officer within 28 days of the meeting

Non-pecuniary interests must still be declared in accordance with the Code of Conduct. These should be declared at the commencement of the meeting.

(3) Minutes of the Previous Meeting

2. Forward Plan	11 - 14
3. Risk Monitoring	15 - 26
4. Reports Containing Exempt or Confidential Information To consider passing the following resolution: 'That members of the public be excluded from the meeting for the items mentioned below on the grounds that their presence would involve the disclosure of exempt information as defined in paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972'.	
5. General Activity Update	27 - 38
6. Investment and Fund Performance	39 - 80
7. LGPS Pooling	81 - 84
8. Border to Coast Presentation	85 - 124
9. Custodian Presentation - Bank of New York Mellon	125 - 146
10. Exempt Minutes of the Previous Meeting	147 - 152

Monica Fogarty
Chief Executive
Warwickshire County Council
Shire Hall, Warwick

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Disclosures of Pecuniary and Non-Pecuniary Interests

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The public reports referred to are available on the Warwickshire Web

<https://democracy.warwickshire.gov.uk/uuCoverPage.aspx?bcr=1>

Public Speaking

Any member of the public who is resident or working in Warwickshire, or who is in receipt of services from the Council, may speak at the meeting for up to three minutes on any matter within the remit of the Committee. This can be in the form of a statement or a question. If you wish to speak please notify Democratic Services in writing at least two working days before the meeting. You should give your name and address and the subject upon which you wish to speak. Full details of the public speaking scheme are set out in the Council's Standing Orders.

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Pension Fund Investment Sub-Committee

Monday 14 September 2020

Minutes

Attendance

Committee Members

Councillor John Horner

Councillor Neil Dirveiks

Councillor Bill Gifford

Councillor Wallace Redford

Officers

Neil Buxton, Technical Specialist - Pension Fund Policy and Governance

John Cole, Trainee Democratic Services Officer

Aneeta Dhoot, Senior Finance Officer

Andrew Felton, Assistant Director - Finance

Liz Firmstone, Service Manager - Transformation

Shawn Gladwin, Senior Finance Officer Pensions Investment

Deborah Moseley, Senior Democratic Services Officer

Victoria Moffett, Lead Commissioner Pensions and Investments

Chris Norton, Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk)

Jane Pollard, Legal Service Manager (Corporate)

Sukhdev Singh, Principal Accountant

Others Present

Emily Archer, HarbourVest (Item 10 only)

Carolina Espinal, HarbourVest (Item 10 only)

Emma Garrett, Hymans Robertson

Peter Jones, Independent Investment Adviser

Jennie Moore, HarbourVest (Item 10 only)

Anthony Petalas, Border to Coast (Item 11 only)

Karen Shackleton, Independent Investment Adviser

Andrew Stone, Border to Coast (Items 11 and 12 only)

Richard Warden, Hymans Robertson

1. Appointment of Chair

Councillor Bill Gifford proposed that Councillor John Horner be Chair of the Sub-Committee and was seconded by Councillor Wallace Redford.

There were no other nominations.

Resolved

That Councillor John Horner be elected Chair of the Pension Fund Investment Sub-Committee

2. General

The meeting opened with a moment of reflection on the recent passing of the late Councillor Bob Stevens, a much valued Member of the Sub-Committee.

(1) Apologies

Councillor Andy Jenns

(2) Members' Disclosures of Pecuniary and Non-Pecuniary Interests

None.

(3) Minutes of the Previous Meeting

The minutes of the previous meeting were agreed as a true and accurate record. There were no matters arising.

(4) Minutes of the Meeting held on 8 June 2020

The minutes of the meeting held on 8 June 2020 were agreed as a true and accurate record. There were no matters arising.

3. Minutes of the Local Pension Board

The minutes of the meeting held on 21 July 2020 were noted and it was acknowledged that changes to the Local Pension Board Terms of Reference would be presented to the Council for approval. It was further noted that Local Pension Board Members were invited to pension related training activities.

4. Forward Plan

Chris Norton, Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk), presented the report which set out the year ahead for the Sub-Committee. The forward plan reflected a change in approach in terms of simplification to a single investments/fund performance monitoring report each quarter and the quarterly monitoring of risk. Officers were also working towards a more formal timetable of policy review dates as it was key to good governance to ensure that policies were consciously reviewed to ensure that they remained correct by design not chance. As more work was required on the Cyber Security Policy, it was hoped to present this to the Local Pension Board meeting in October and to Staff & Pensions Committee in December.

Resolved

The Pension Fund Investment Sub-Committee noted the forward plan.

5. Risk Monitoring

Victoria Moffett, Lead Commissioner Pensions and Investment, presented the last quarter's risk registers to the Sub-Committee which included the separate general risk register and Covid risk register in one report to provide some consistency. In terms of changes, the Sub-Committee's attention was drawn to the long term asset values which had rebounded since the end of March but volatility remained high in markets which affected bonds and equities. The Scheme Actuary uses UK government bond yields to set the discount rate for measuring liabilities. As these yields went down, the expected present value of the liabilities went up.

In response to a question, it was agreed to investigate Border to Coast operational policies further and it was agreed that this warranted a line on the risk register.

The asset values as set out in the report gave a flavour as to where it was thought risks existed and why it was felt that they had not changed from the previous quarter even though changes were seen from the original February assessment.

Attention was drawn to the appendix to the report which set out the mitigation actions to each item on the risk register. In response to a question, the Sub-Committee were advised that the amber rating was considered a fair representation. In relation to the progression of the pandemic, it was considered that there was some clarity on some aspects of risk, eg the ability for the service to function with staff working from home, and fears about loss of wifi connection were mitigated by the geographical spread of staff alongside the Warwickshire County Council Business Support.

Resolved

That the Pension Fund Investment Sub Committee noted the report.

6. Reports Containing Exempt or Confidential Information

Resolved

That members of the public be excluded from the meeting for the items mentioned below on the grounds that their presence would involve the disclosure of exempt information as defined in paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972.

7. Responsible Investment

Emma Garrett, Hymans Robertson presented the report to the Committee which outlined options available for monitoring the Fund's Responsible Investment and Environmental, Social and Governance credentials. The report explained the actions the Fund would need to take to show compliance with its signatory status to the UK Stewardship Code 2020.

Resolved

That the Pension Fund Investment Sub-Committee noted the report and asked for their comments on the recommendations on page 8 to be taken forward.

8. Investment Consultant Quarterly Report

Emma Garrett, Hymans Robertson, presented the report which included the Quarterly Funding and Investment Report for the period ending 30 June 2020.

Resolved

That the Pension Fund Investment Sub-Committee:

1. Noted the attached presentations.
2. Approves the recommendations to rebalance the Fund's portfolio.
3. Delegates authority to authorise the transition of assets to the Strategic Director for Resources.

9. Investment Performance Report to 30 June 2020

Victoria Moffett, Lead Commissioner Pensions and Investment, presented this report.

Resolved

That the Pension Fund Investment Sub-Committee notes the fund value and investment performance for the first quarter of 2020/21 to 30 June 2020.

The meeting adjourned at 11.45am until 11.53am.

10. Private Equity Manager (HarbourVest) Presentation

Emily Archer, Carolina Espinal and Jennie Moore from HarbourVest attended the meeting for this item and gave a presentation which had been published at appendix 2 to the report.

Resolved

That the Pension Fund Investment Sub-committee noted the presentation.

11. Border to Coast Update

Karen Shackleton left the meeting during this item.

Andrew Stone and Anthony Petalas of Border to Coast attended to give this presentation.

Resolved

That the Pension Fund Investment Sub-committee:

1. Noted the report.
2. Formally ratifies a £75,000 one-off additional budget allowance to Border to Coast Pensions Partnership. This will be used to continue developing the UK and Global property fund propositions.

12. Pooled Fund Manager Presentation - Border to Coast Pensions Partnership (BCPP)

Councillor Wallace Redford left the meeting at the commencement of this item at 1.03pm.

Andrew Stone of Border to Coast provided an update to the Sub-Committee.

Resolved

That the Pension Fund Investment Sub-Committee noted the presentation attached to the report.

13. Exempt Minutes of the Meeting held on 8 June 2020

The exempt minutes of the previous meeting were agreed as a true and accurate record. There were no matters arising.

The meeting rose at 1.18pm

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Chair

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Pension Fund Investment Sub-Committee

Forward Plan

14th December 2020

Recommendation

1. That the Pension Fund Investment sub-committee notes and comments on the forward plan.

1. Executive Summary

- 1.1 The purpose of this report is to provide an updated forward plan for the Pension Fund Investment Sub Committee rolled forward to cover the year ahead. The plan is set out at Appendix 1.

2. Financial Implications

- 2.1 None

3. Environmental Implications

- 3.1 None

4. Supporting Information

- 4.1 None

5. Timescales associated with the decision and next steps

- 5.1 None

Appendices

1. Appendix 1

Background Papers

None

	Name	Contact Information
Report Author	Neil Buxton Victoria Moffett	neilbuxton@warwickshire.gov.uk victoriamoffett@warwickshire.gov.uk
Assistant Director	Andrew Felton	andrewfelton@warwickshire.gov.uk
Lead Director	Strategic Director for Resources	robpowell@warwickshire.gov.uk
Lead Member	Portfolio Holder for Finance and Property	peterbutlin@warwickshire.gov.uk

The report was circulated to the following members prior to publication:

Local Member(s): None

Other members: Councillors Horner & Gifford

Appendix A

Standing Items

March 2021	June 2021	September 2021	December 2021
Investment and Fund Performance			
LGPS Pooling <ul style="list-style-type: none"> • Border to Coast Attendance / Presentation • General Activity Update (including fund transfers) • 			
Forward Plan			
Risk Monitoring			
Fund Manager Presentations*			
Local Pension Board minutes of meeting			
Policy Reviews*			

*see expected breakdowns below – may alter if circumstances change.

Specific Items

March 2021	June 2021	September 2021	December 2021
2021 / 2022 Business Plan	Multi Asset Credit Transfer – Update		Training Plan
			UK Stewardship Code

Manager Presentations

March 2021	June 2021	September 2021	December 2021
Threadneedle	LGIM	SL Capital	Schroders

Policy Reviews

March 2021	June 2021	September 2021	December 2021
Review Risk Register	Voting policy		
Funding Strategy Statement	Environmental, Social and Governance / Responsible Investment / Climate Risk	Investment Strategy Statement	

Pension Fund Investment Sub-Committee

Risk Monitoring

14 December 2020

Recommendation

1. That the Pension Fund Investment Sub Committee (PFISC) notes and comments on the report.

1. Executive Summary

- 1.1 The Fund needs to be aware of risks that could impact on its ability to function as intended. This report provides an update on the risks to the Fund and actions taken to manage them. It covers both the general risk register and the COVID-19 risk register.
- 1.2 The focus is on changes, developments, and management actions.
- 1.3 The 'Warwickshire Pension Fund (WPF) risk register' has the February 2020 risk assessment as its anchoring point. The Fund has a separate risk register relating to COVID-19 due to the multi-faceted and unique nature of the pandemic as a risk event. This takes March 2020 as its anchor point.

1.4 Table 1 below summarises the 'WPF risk register' and compares how risks have changed since the original assessment in February.

Ref	Description	Original - February 2020		Change		Update - October 2020		Reasons for change
		Gross Risk	Net Risk	Gross Risk	Net Risk	Gross Risk	Net Risk	
1	Long term returns fail to be in line with assumptions	6	3	6	3	12	6	Economic impact of Covid may alter long-term expectations
2	Short term falls in asset values	6	4	3	2	9	6	Increased volatility due to: Covid, US elections, global trade, debt
3	Cashflow requirements cannot be met	12	6	-3	0	9	6	Known employer contribution prepayments for this valuation cycle. Balanced cashflow position. Plan in place
4	Poor performance of actively managed funds	6	4	3	2	9	6	Covid poses unique difficulties for investment theses
5	Failure to realise pooling benefits	6	4	0	0	6	4	
6	Fraud	6	3	3	3	9	6	Impact of Covid on controls and incentives to commit fraud
7	Liabilities increase further than assumptions	6	2	3	2	9	4	Very low long-term gilt rates. Impact of McCloud
8	Inadequate data quality	16	9	-4	-3	12	6	Successful delivery of 2019 valuation data set. Implementation of administration action plan.
9	Employer contributions not being paid	12	9	0	0	12	9	Awaiting Employer covenant review of highest risk employers
10	Fund reputation is harmed	9	6	0	0	9	6	
11	Loss of service provision due to disruption	4	3	4	3	8	6	Impact of second lockdown on staff. Greater reliance on residential Wi-Fi.
12	Lack of skills and knowledge	9	4	0	0	9	4	Officer training plan soon to commence
13	Failure to meet governance standards	12	8	-3	-2	9	6	Implementation of governance action plan, including policy reviews

Key: Low Moderate Significant

1.5 This indicates that the risk areas with net increases are:

- Risk 1 – Long term returns – sovereign debt levels globally have increased significantly. There continues to be uncertainty around the long-term outlook for global markets as the geopolitical landscape continues to change. We will continue to try and limit the impact through an investment strategy that mitigates risk and takes a long-term view.
- Risk 2 – Short term asset values – markets continue to react to news around Covid-19 e.g. discovery of a seemingly highly effective vaccine. To date, there has been no need to sell volatile assets under distress.
- Risk 4 – Active management – active managers may find it more difficult to add value through skill due to the unprecedented economic climate created by global responses to COVID-19. Equally, this may be an instance in which active managers have an increased ability to add value. The range of outcomes from displaying judgement are likely to have increased.
- Risk 6 – Fraud – Pension fund members are at higher risk of fraud from those seeking to take advantage of the uncertainty and worry of the Covid-19 pandemic.
- Risk 7 – Liabilities increase –the prospect of lower long-term government bonds (which indicate the ‘risk free rate of return’ used in valuation assumptions) means that the valuation of the Fund’s liabilities may increase. To a certain extent this is a theoretical increase if members’ longevity and benefit payments remain unchanged. However, it may impact on the Fund’s funding strategy.

The government decision to alter benefits in the period 2015 – 2022 following the recent McCloud judgement will marginally increase the Fund’s expected liabilities.

- Risk 8 – Inadequate data quality – this risk is reduced due to work implementing the fund governance and administration review plan.
- Risk 11 – Loss of service – although the service remained robust during the first lockdown, there is awareness that risks continue to be higher than ‘normal’ during the second lockdown
- Risk 13 – Governance standards – introduction of policy reviews in the governance action plan reduces this risk.

1.6 Table 2 below sets out the risks considered in the 'WPF COVID-19 risk register' and shows how the assessment has changed since March.

Ref	Description	Original - February 2020		Change		Update - October 2020		Commentary of Direction of Travel Since Original Covid Assessment
		Gross Risk	Net Risk	Gross Risk	Net Risk	Gross Risk	Net Risk	
1	Cashflow - Delayed Employer Contributions	12	12	-3	-3	9	9	Experience to date has not presented any systematic issues with employer contributions. Being kept under review during the second lockdown.
2	Cashflow - Investments Impact	16	12	0	0	16	12	Cashflow has remained relatively balanced and the cashflow strategy is working positively
3	Losses in Investment Values and Returns	16	12	-4	0	12	12	Risk remains high however the funding strategy does not assume high risk/return on investments
4	Governance Disruption	12	9	-6	0	6	9	Implementation of governance review actions.
5	Health and Safety of Members	12	6	0	0	12	6	Experience has been neutral to date but no change in risk assessment. Uncertainty about the seasonal impact on mortality.
6	Health and Safety of Staff	16	9	0	0	16	9	Dark evenings and a second lockdown mean that this risk remains high, however there is increased use of flexible working and general support.
7	Loss of continuity working with advisers, partners, fund managers, and Border to Coast	9	6	0	0	9	6	Experience to date is of resilience. May consider remote working in future contract specifications
8	Administration Service Disruption	16	9	-4	-3	12	6	Implementation of governance review actions
9	Inability to Recover	9	6	0	0	9	6	Critical operations continue effectively, and this reduces the reliance upon recovery

1.7 Based on experience over the past few months, the Fund's view is that none of the risks considered have increased relative to expectations, and several have decreased. However, there remains significant uncertainty surrounding the nature of these risks, and many risks continue to be 'significant' or 'moderate'.

Management Actions

1.8 The risk registers include management actions currently in place to mitigate risks as well as further risk mitigation actions to progress. Most actions are progressing broadly to plan, with a small number delayed or deferred.

2. Financial Implications

2.1 The actions identified will assist in mitigating financial risks to the fund.

3. Environmental Implications

3.1 Environmental concerns, including climate change, present risks to the Fund and these manifest in places in the risk register – for example having the potential to cause an impact on long term returns and an impact on the reputation of the Fund.

4. Supporting Information

4.1 The risk register scores set out above are based on the following convention:

- Gross risk – risk before mitigating actions
- Net risk – risk after mitigating actions

4.2 Risk probability and impact are classified into 4 categories as follows:

		Likelihood			
		Unlikely 1	Possible 2	Likely 3	Very Likely 4
Impact	Very High 4	4	8	12	16
	High 3	3	6	9	12
	Medium 2	2	4	6	8
	Low 4	1	2	3	4

4.3 Risk impact and likelihood are multiplied together to provide an overall risk score. Red risks are those with scores of 10 or higher, green risks have scores of 3 or lower, and the remainder are amber.

5. Timescales associated with the decision and next steps

5.1 Risks will continue to be monitored, with quarterly reporting to the PFISC.

Appendices

Appendix 1 – WPF risk register

Appendix 2 – WPF COVID-19 risk register

Background Papers

None.

	Name	Contact Information
Report Author	Victoria Moffett, Chris Norton	victoriamoffett@warwickshire.gov.uk, chrisnorton@warwickshire.gov.uk
Assistant Director	Andrew Felton	andrewfelton@warwickshire.gov.uk
Lead Director	Strategic Director for Resources	robpowell@warwickshire.gov.uk
Lead Member	Portfolio Holder for Finance and Property	peterbutlin@warwickshire.gov.uk

The report was circulated to the following members prior to publication:

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Ref	Risk	Cause	Effect	Risk Owner	Gross Risk		Risk Level	Existing Actions(In place or completed)	Net Risk		Risk Level	Further Risk Actions		
					Likelihood	Impact			Likelihood	Impact		Description	Action Owner	Review Date
1	Long term returns fail to be in line with assumptions	Inappropriate investment strategy Inflation levels exceed asset returns Climate change (e.g. causing stranded assets, causing conflicts impacting on trade, etc)	Lower funding levels than planned at future valuations Higher employer contribution rates required at future fund valuations Higher risk investment strategies required in future	Pension Investments Manager	3	4	12	Use of relatively prudent investment strategy assumptions including inflation and market performance Triennial valuations and investment strategy reviews, with more frequent investment strategy reviews when circumstances require. Use of retained actuaries and fund advisers providing an independent view on the strategy. Quarterly investment performance reports to Pension Fund Investment Sub-Committee Use of independent financial advisers and other specialist advisers as required. Investment in real assets to offer protection against inflation risk in the medium to long term Introduction of a climate change policy. Implementation of a new ISS (March 2020)	2	3	6	Participation in Border to Coast operational officer group discussions on the shape of future funds	Pension Investments Manager	Ongoing
2	Short term falls in asset values	Natural volatility in some asset classes, e.g. equities. Impact of international trade wars, Brexit, US elections, market liquidity, etc	Exposure to risk of selling assets under distress at unfavourable values Pressure to introduce volatility into employer contributions to match market fluctuations	Pension Investments Manager	3	3	9	Diversification of growth assets to provide exposure to growth whilst reducing exposure to a single market risk (e.g. listed stock market investments) Diversification between growth and income assets to mitigate the risk/need to have to sell growth assets under distress Quarterly review of Fund assets to ensure appropriate exposure to risk Performance monitoring over rolling medium term time horizons to reduce exposure to short term decision making on asset sales Long term approach to employer contribution rates including stabilisation mechanisms and long term valuation periods Ensure actual asset allocations remain within tolerances to ensure exposure to risk is as planned Cashflow planning	3	2	6	Review strategic asset allocation to ensure long term returns and short term cashflow requirements can be met.	Pension Investments Manager	Ongoing
3	Cashflow requirements cannot be met	Changing profile of membership over time moving the fund towards a cashflow negative position The probability of large early payments of pension fund contributions has reduced, and this simplifies cash management. Pooling reducing the liquidity of some assets in comparison to non-pooled assets	Sale of volatile assets under distress at low prices Sale of illiquid assets under distress at low prices and high cost Being unable to meet payment deadlines and incurring further costs or reputational damage	Pension Investments Manager	3	3	9	Design of a new ISS driven by the 2019 valuation Strategic cashflow review by fund officers and financial advisers. Provision of information to precepting authorities who may make early pension payments, ensuring appropriate notice is provided to the fund.	2	3	6			
4	Poor performance of actively managed funds	Active managers making inappropriate decisions, or taking inappropriate risks Failure to hold managers to account Higher fees of active management hinder the potential to make a positive net return Over-reliance of the Fund on fund managers simply meeting or beating a benchmark instead of delivering the target return	Long and / or short term losses in asset values Returns exceed benchmarks but miss targets	Pension Investments Manager	3	3	9	Monthly officer monitoring meetings looking at Fund performance. Routine rolling programme of meetings with fund managers to review fund activity and performance. Monthly engagement with Border to Coast Pension Partnership's fund managers and client relationship managers.	3	2	6		Pension Investments Manager	09/01/2020
5	Failure to realise pooling benefits	Inappropriate investment vehicles designed and offered by the pool Inappropriate investments made in the pool Inadequate governance arrangements for the pool Making late decisions to join new funds increasing the costs	Missed opportunities to save costs or improve risk adjusted returns Higher costs than necessary High transition costs Lack of long term cost savings	Pension Investments Manager	2	3	6	Sign up of fund managers to cost transparency guidelines. Reporting of benefits to the Pension Fund Investment Sub Committee.	2	2	4	Review of mechanisms for monitoring cost savings to ensure maximum transparency	Pension Investments Manager	12/01/2020
6	Fraud	Fraud by investment managers, custodian, or brokers Fraud within the administering authority	Loss of assets and inability to recover them	Strategy and Commissioning Manager	3	3	9	Review of signatories post-restructure.	2	3	6	Implement any recommendations arising from the 2019/20 routine internal audit of Pension Administration Approval of new signatory list.	Pensions Administration Delivery Lead Pension Investments Manager	31/3/2021 31/12/2020
7	Liabilities increase further than assumptions	Fall in discount rate leads to a higher present value of liabilities Life expectancy of membership increases Changes to regulations and benefits set by Government e.g. cost cap adjustment or McCloud remedy	Reduction in long-term valuation position Increase in long-term contributions required by employers Increase in risks required to be taken with investments Mismatch of assets and liabilities	Strategy and Commissioning Manager	3	3	9	Liaison with Border to Coast to ensure appropriate investment vehicles are available Reporting of net funding position to the Pension Investment Sub Committee	2	2	4	Review of assumptions for long-term liability assumptions Expand the extent of quarterly liabilities reporting to the Pension Fund Investment Sub Committee	Pension Investments Manager	31/03/2022

8	Inadequate data quality	Employers not aware of data provision responsibilities Employers not having the capacity or expertise to manage and provide their data Fund not supporting employers Fund not escalating data issues Fund systems or processes allowing or creating errors	Inaccurate assessment of liabilities Inaccurate setting of contribution rates requiring later correction Inaccurate setting of employer asset shares Reputational damage	Pensions Administration Delivery Lead	3	4	12	Monthly monitoring of actual and potential breaches activity Embed new protocols for co-ordination with Warwickshire County Council payroll Implementation of iConnect Implementation of Member Self Service Review/debrief of lessons learned form 2019 Valuation	2	3	6			
9	Employer contributions not being paid	Financial challenges to employer organisations Poor processes and procedures in employer organisations Lack of clarity from the Fund about expectations Lack of escalation by the Fund Lack of mechanisms available to the Fund to enforce payment Significant changes in employer funding levels or employer covenant Failure to carry out a termination valuation and failing to complete a cessation in a timely manner	Shortfalls in employer contributions Reputational risk to the Fund Risk of pension fund liabilities causing a risk to the viability of employers	Pensions Administration Delivery Lead	4	3	12	Introduction of a climate change policy. Updated and revised Administration Strategy including the facility to charge costs for late payment New staffing structure with more dedicated capacity for policy development and employer liaison	3	3	9	Covenant review of high risk employers where appropriate	Pensions Administration Delivery Lead	31/03/2021
10	Fund reputation is harmed	Poor service provided to members or employers Adverse audit reports Persistently poor investment returns compared to benchmarks Breaches of the law Data breaches Lack of regard for climate change, carbon footprint, or ESG issues	Lack of confidence in the Fund Additional costs incurred to review and fix perceived or actual issues	Strategy and Commissioning Manager	3	3	9	Restructure of the service increasing capacity to meet delivery and governance requirements Maintenance of a Fund website for member and employer communications Action plans in respect of audit recommendations Transparent reporting to pension committees and the Local Pension Board Training for committee members on ESG and RI	2	3	6	Completion of internal audit recommendations New data improvement plan stemming from review of 2019 valuation Presentations to Employers and Pension Committees on investment approach to climate change	Pension Investments Manager Pensions Administration Delivery Lead Pension Investments Manager	11/01/2021 12/01/2020 11/01/2021
11	Loss of service provision due to disruption	Fire Flood National event/ emergency Cyber Crime Systems Failure Covid infection of key staff and advisors	Inability to pay pensioners Inability to make payments into investment funds that are called by fund managers Inability to collect employer contributions Inability to keep data up to date leading to data inaccuracy and data backlogs	Pension Investments Manager	2	4	8	Data back ups stored off-site Use of scheme administrator disaster planning processes Digital imaging of records Investment data is held online by the Fund's custodian Creation of a cyber security policy Access to the scheme administrator's systems security facilities Risk register in respect of Covid risks	2	3	6	Review and update disaster recovery plan Review the position in respect of the second lockdown/wave of Covid	Pension Investments Manager	11/01/2020
12	Lack of skills and knowledge	Insufficient availability of external contract service providers Inability to recruit to permanent posts Conflicting and competing priorities and workloads in respect of the scheme administrator functions Increasing demand and complexity within the scheme Pressure to maximise efficiency and minimise costs	Deterioration in data quality Inability to make decisions in a timely way Workload backlogs Inability to meet service objectives and deadlines Adverse impact on morale Reputational damage	Strategy and Commissioning Manager	3	3	9	Use of procurement processes to maximise contracting choices Training for new staff Pro-active talent mapping and succession planning for internal staff Implementation of the new staffing structure and recruitment to new posts The implementation of a new training and development regime for staff Documentation of procedures and practices	2	2	4	The introduction of longer term workforce planning Training plan being updated drafted for officers and Members, informed by skills gap analysis Budget setting informed by cost drivers not cash limits	Strategy and Commissioning Manager Transformation Manager	31/03/2021
13	Failure to meet governance standards	Inadequate reporting to Pension Fund committees or the Local Pension Board Lack of training Out-of-date policies Not following and responding to external developments Lack of capacity to focus on planning and governance	Poor decisions taken based on inadequate information or insufficiently skilled boards, officers, or advisers Breaches of the law Decisions taken without appropriate authority	Strategy and Commissioning Manager	3	3	9	Active quarterly monitoring of fund risks by the Local Pension Board and investment sub committee Quarterly Committee and Board meetings Training plans for Pension Fund Investment Sub-Committee and Local Pension Board members Review of Terms of Reference of the Local Pension Board Comprehensive governance arrangements for the Border to Coast Pension Partnership including a Joint Committee Structural separation of governance and policy from deliver Governance review by an independent expert Pensions administration action plan Rolling forward plan of Fund policy reviews	2	3	6	Review of terms of reference of pension fund committees Updated training plan for Board, Committees and officers	Strategy and Commissioning Manager Pension Investments Manager	31/03/2021

Ref	Risk	Cause	Effect	Gross Risk		Risk Level	Existing Actions(in place or completed)	NET Risk		Risk Level	Further Risk Actions
				Likelihood	Impact			Likelihood	Impact		Description
1	Cashflow - Delayed Employer Contributions	Employers choose to delay contributions to protect their cash position. Employers cannot pay their contributions because of business continuity failure, for example systems do not work remotely, or key staff off sick. Government directives to pension funds to support employer cashflow	Negative impact on fund cashflow Fund may need to sell assets in unfavourable circumstances in order to service cashflow needs Asset weightings may move significantly out of balance, changing the risks the Fund is exposed to	3	3	9	Investments and cash reserves available to cover a period of delays in contributions Ensure cashflow management is prioritised	3	3	9	Review employer base and mitigating approaches for different employer types, prioritising employers and employer groups with weak covenants or that are more heavily impacted by Covid Review securities and guarantees from employer, and guarantor arrangements Consider longer term maximisation of contributions not short term maximisation Review options to reduce or delay contributions in certain circumstances Engage with employers on options and to understand their plans and position
2	Cashflow - Investments Impact	Significant losses in asset values Companies choosing to stop issuing dividends to protect the company cash position Government directing companies to stop paying dividends to protect company viability Reduction in yields from income generating assets as safer assets are more in demand Gating of funds at risk of mass withdrawals	Refer to Risk 1	4	4	16	Cash reserves available to cover a period of time Focus on cashflow initially Building cash balances Other related actions as per Risk 3	4	3	12	Review investments' position once cashflow position is understood and cashflow is secured
3	Losses in Investment Values and Returns	Economic shock / slowdown (US presidential election, trade wars, Brexit) Volatility in financial markets Losses in economic supply and demand and productivity / GDP globally	Funding level worsens materially Investment weightings move outside of tolerance levels Current Investment Strategy is no longer suitable Fire sale of assets	4	3	12	Maintain close liaison with Investment Consultant, Fund Managers, and Border to Coast Maintain existing strategy and asset classes unless there are very good reasons for deviating. Cashflow strategy recently reviewed	4	3	12	Look to set up fast track governance of decision making should quick decisions need to be made - see Risk 4 Prioritisation of cashflow management in the immediate term
4	Governance Disruption	Loss of existing means of governance meetings Lack of appropriate remote working hardware or software The potential need to make significant decisions very quickly	Inability to make significant decisions quickly enough - losing money or opportunities in the process Decisions being made without adequate oversight and governance Sub optimal decisions being made	2	3	6	Issue remotely of joint briefing notes to the two pension committees and the local pension board to maintain communications and transparency/assurance around pension fund activity and the response to Covid Signing/authority of decisions and transactions remotely using Surface Pro tablets instead of physical wet signatures on paper where this is possible Review and rephase project work	3	3	9	Review of options to delegate decision making to facilitate quick decisions where necessary (e.g. to s151 or to an emergency response group, etc) Complete the implementation of governance review actions but review prioritisation where necessary

Ref	Risk	Cause	Effect	Gross Risk		Risk Level	Existing Actions(in place or completed)	NET Risk		Risk Level	Further Risk Actions
				Likelihood	Impact			Likelihood	Impact		Description
5	Health and Safety of Members	Inability to pay pensions to pensioners Paper-based systems Lack of information available to members about the impact on their pension Protecting members from scams on the transfer of their pensions	Pensioners not able to buy essentials if pensions are not paid Paper-based systems causing infection transmission risk Mental health risk if members are worrying about pensions	3	4	12	Post updates on website regarding pension payments Administration actions in Risk 8	2	3	6	Review and update any communications and documentation for members Administration actions in Risk 8 Review the provision in light of the second lockdown
6	Health and Safety of Staff	Lack of adequate remote working facilities Paper-based systems Pressure to deliver business as usual whilst dealing with the crisis Lack of contact with colleagues	Paper-based systems causing infection transmission risk Mental health impact Delivery of key priorities	4	4	16	Mandatory working from home unless exceptional reason to go to office Microsoft 356, Surface Pros and ability to work from home Council flexible working policy Rapid capture and sharing of lessons learned about effective remote working	3	3	9	Share learning on working from home lessons Review the provision in light of the second lockdown
7	Loss of continuity working with advisers, partners, fund managers, and Border to Coast	Inability to operate remotely Loss of business continuity	Delays in investment operations Delays in fund launches Delays in closure of accounts	3	3	9	Liaison and meetings with external agencies have largely continued remotely, e.g. through Microsoft Teams and webex seminars Maintaining close liaison with key organisations, in particular Border to Coast, Hymans Robertson, and Bank of New York Mellon Continue to engage with BCPP, fund managers, and custodian about their continuity plans	3	2	6	Consider remote working and business continuity in future contract specifications
8	Administration Service Disruption	Lack of remote working facilities Staff lost to sickness Disruption to employer admin and payroll functions Disruption to systems and system suppliers Disruption to actuary service provision	Reduction in performance against KPIs that impact adversely on fund members and sustainability Incorrect or missing pensioner payments Data quality deterioration Delays to administration improvements e.g. iConnect	3	4	12	Remote working facilities have been set up with almost all work done from home Use of video conferencing Prepared to move resources around the team to protect the payment of pensions now Review priorities for KPIs and ensure protection of those that support the most vulnerable Engage with key contacts to plan how we work Expediting the use of IT to replace paper-based systems	2	3	6	Review activities, procedures, signatories, etc. Cross-train staff

Ref	Risk	Cause	Effect	Gross Risk		Risk Level	Existing Actions(in place or completed)	NET Risk		Risk Level	Further Risk Actions
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9	Inability to Recover	Loss of continuity in staff Loss of systems Significant gaps in data or data quality develop during the crisis Significant backlogs in data submissions develop	Poor data quality for a significant period of time Significant costs to get data back to acceptable standards Inability to review and update investments for the new circumstances, and so missing opportunities	3	3	9	Regular review of the situation, instigating a recovery group when circumstances permit Keeping recovery in mind when taking actions during the crisis	2	3	6	Review opportunities highlighted during the experience and take this forward too.

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