

Warwickshire Local Pension Board

2 February 2022

Risk Monitoring

Recommendation(s)

That the Local Pension Board notes and comments on the report.

1. Executive Summary

- 1.1 This report provides an update on the risks facing the fund and management actions to address them.
- 1.2 A risk appetite is now in operation for the Fund and this is reproduced for reference at Appendix 1. In summary the Fund has a relatively higher appetite for risk in respect of certain investment objectives where exposure to risk is required in order to access exposure to certain investment outcomes, and has a lower appetite for risk for example in terms of regulatory, data, and administration matters.
- 1.3 Fund officers have reviewed the risks facing the fund, and have updated the risk register with actions and revisions as appropriate. Appendix 2 and 3 reproduce the criteria for scoring risks, Appendix 4 provides an updated risk register. Any updates to the commentary in the risk register since the previous report to the Local Pension Board are presented in red font.
- 1.4 The net risks facing the Fund after having regard to existing management actions are summarised in a new pictorial format in Chart 1 on the following page. This follows feedback received on the Quarter 1 risk report. Comments are invited on this format.
- 1.5 The arrows highlight where risk scores have been amended since the previous report. The changes are:
 - 1.5.1 Long term investment risk likelihood is higher due to developments and uncertainties around inflation.
 - 1.5.2 Covid administration and people risk is lower in light of experience of managing Covid.

Chart 1 – Net Risk Summary

Impact	Catastrophic	3. Financial mismatch				
	Major			9. Cyber security	1. Long term market risk 10. Climate change	
	Moderate	5. Pooling objectives not met 8 Business interruption 12. Fraud	6b. Covid (administration and people related) 13. Governance failure	6a. Covid (investment related) 7. Inability to meet demand for activity		
	Minor	11. Data quality	2. Short term market risk 4. Employer risk			
	Insignificant					
		Highly Unlikely	Unlikely	Possible	Probable	Very Likely
		Likelihood				

1.6 Management action updates include:

1.6.1 Activities to increase capacity: tendering for the second independent investment advisor contract and progressing a business case regarding internal investment and accountancy capacity.

1.6.2 Activities relating to cyber security: testing our systems and planning audit activity.

1.6.3 Completed recruiting to the Local Pension Board vacancy.

2. Financial Implications

2.1 None.

3. Environmental Implications

3.1 Climate risk is identified as a key risk (Risk 10).

4. Supporting Information

4.1 None.

5. Timescales associated with the decision and next steps

5.1 This iteration of the risk register will also be reported to the next Local Pension Board for review.

Appendices

1. Appendix 1 – Risk Appetite
2. Appendix 2 – Risk Scoring Convention and Likelihood Definitions
3. Appendix 3 – Risk Impact Definitions
4. Appendix 4 – Risk Register

Background Papers

1. None.

	Name	Contact Information
Report Author	Daniel Lynch, Victoria Moffett, Chris Norton	daniellynch@warwickshire.gov.uk, victoriamoffett@warwickshire.gov.uk, chrishnorton@warwickshire.gov.u
Assistant Director	Andrew Felton	andrewfelton@warwickshire.gov.uk
Strategic Director	Rob Powell	robpowell@warwickshire.gov.uk
Portfolio Holder	Peter Butlin	peterbutlin@warwickshire.gov.uk

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

Local Member(s): n/a

Other members: n/a