

## Risk Register Investment July 2022

Investment Risk			Portfolio	Inherent	Residual	Controls and Actions		
Risk Ref	Risk Identified	Potential Consequence	Owner			Control or Action	Status	Review Date
INVEST0007	Insolvency of an investment manager investing Pension Fund assets. <b>Latest Review:</b> 08/07/2022 Investment Consultants monitor and review	A reduction in the capital value of the Fund; a loss of liquidity as creditors agree on distribution of assets; the costs of legal representation; and, reputational damage.	Cllr David Thomas Chris Hurst	9	6	<ul style="list-style-type: none"> <li><b>diversification of investment managers, limits for individual investments mandates</b> Diversification of investment managers; adherence to the limits for individual investment mandates as set out in the LGPS investment regulations; regular meetings with investment managers undertaken by the Fund's investment consultant; Statement on Standards for Attestation Engagements No. 16 internal controls are monitored on an annual basis; due diligence by investment consultants to ensure that custodians are used by each investment manager; equity investment mandates are invested in pooled funds; and, only well respected and researched investment managers are selected in the first place.</li> <li><b>Increased investment manager diversification may be further facilitated by pooling via the Wales Pool that is currently under de</b> Increased investment manager diversification may be further facilitated by pooling via the Wales Pool that is currently under development. As agreed by P &amp; I Committee on 9th February 2017, when entering into new contractual arrangements with investment managers, contract documentation is to be referred to the Fund's legal advisers for review and appropriate due diligence.</li> </ul>	Control In Place	
INVEST0008	Pooling of Pension Fund assets with other LGPS Pension Funds. <b>Latest Review:</b> 08/04/2022 Reviewed and monitored	Investment of Fund Officer and Committee time and other resource with unknown outcomes; front loaded costs before potential savings are realised; potential loss of local accountabilities; and, the loss of the primacy of the Fund and its strategic needs.	Cllr David Thomas Chris Hurst	9	6	<ul style="list-style-type: none"> <li><b>Due diligence on all pooling proposals; full transparency of all pool proposals and costs; full participation of Pension Fund</b> Due diligence on all pooling proposals; full transparency of all pool proposals and costs; full participation of the Pension Fund in all pooling development.</li> <li><b>Pooling vehicle to be structured so that each participating Fund has full representation the pool</b> Pooling vehicle to be structured so that each participating Fund has full representation in the pool; the pool structure enables full strategic decisions to be retained by each individual Fund; and. economies of scale (based on experience to date) indicate that savings will be made by the Fund that will exceed initial costs.</li> </ul>	Control In Place	

Investment Risk			Portfolio	Inherent	Residual	Controls and Actions	
Risk Ref	Risk Identified	Potential Consequence	Owner			Control or Action	Status Review Date
INVEST0009	MIFID II ongoing compliance <b><u>Latest Review:</u></b> 10/01/2022 Current process continuing, but updated as required when new manager appointed or training needs identified.	Financial implications of not being treated as an institutional investor	<i>Cllr David Thomas</i> Chris Hurst	12	6	<ul style="list-style-type: none"> <li><b>Regular Review of MIFID Status</b> Regular Review of MIFID Status</li> </ul>	Control In Place
INVEST0011	Increased risk on Fund Employers. <b><u>Latest Review:</u></b> 04/05/2022 Employer Risk Assessment to be conducting as part of valuation work in 2022-23	Potential Failure of Participating Employer or unsustainable Employer Contributions	<i>Unassigned</i>  Jane Thomas	4	4	<ul style="list-style-type: none"> <li><b>Regular Review of Employer Covenants with Fund Actuary</b> Work with the Fund Actuary to review employer covenants on a regular basis, being conducted as part of the 2022 Valuation Work</li> </ul>	Control In Place
INVEST0006	Pay and price inflation significantly more than anticipated. <b><u>Latest Review:</u></b> 10/01/2022 Valuation work to commence April 2022	Increased employer contribution rates and deficit recovery payments.	<i>Cllr David Thomas</i> Chris Hurst	9	4	<ul style="list-style-type: none"> <li><b>Employers 'pay' for their own salary awards and are reminded of the geared effect on salary-linked pension liabilities</b> Employers 'pay' for their own salary awards and are reminded of the geared effect on salary-linked pension liabilities. Particularly where bias towards longer serving employees may be considered.</li> </ul>	Action Completed
INVEST0010	Fall in the returns on Government bonds. <b><u>Latest Review:</u></b> 10/01/2022 Considered by Consultant for each meeting	Increase to the value placed on Fund liabilities.	<i>Cllr David Thomas</i> Chris Hurst	9	4	<ul style="list-style-type: none"> <li><b>Allowing for a risk-based approach should limit the impact of short-term changes in returns on Government bonds</b> Allowing for a risk-based approach should limit the impact of short-term changes in returns on Government bonds. Some investment in bonds also helps to mitigate this risk. Monitoring (quarterly) helps to give an early warning of significant changes.</li> </ul>	Control In Place
INVEST0001	Pension Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation of liabilities over the long-term. <b><u>Latest Review:</u></b> 10/01/2022 Regularly monitored by consultant and committee	Increased employer contribution rates.	<i>Cllr David Thomas</i> Chris Hurst	6	4	<ul style="list-style-type: none"> <li><b>anticipate long-term returns on a relatively prudent basis to reduce the risk of under-performance.</b> Only anticipate long-term returns on a relatively prudent basis to reduce the risk of under-performance. Also monitors and analyses progress every three years for each employer. In addition, the Fund receives quarterly funding updates to help monitor the position.</li> </ul>	Control In Place
INVEST0005	Permitting contribution rate changes to be introduced by annual steps rather than immediately, introduces a risk that action to restore solvency is insufficient between successive measurements. <b><u>Latest Review:</u></b> 10/01/2022 Statement Approved and Published in August 2021	Increased employer contribution rates.	<i>Cllr David Thomas</i> Chris Hurst	6	4	<ul style="list-style-type: none"> <li><b>Each individual employer situation is discussed with the Pension Fund actuary, with stepping restricted to three years, or 6 years</b> Each individual employer situation is discussed with the Pension Fund actuary, with stepping restricted to three years, or 6 years, in very exceptional circumstances.</li> </ul>	Control In Place

Investment Risk			Portfolio	Inherent	Residual	Controls and Actions	
Risk Ref	Risk Identified	Potential Consequence	Owner			Control or Action	Status Review Date
INVEST0002	Inappropriate long-term investment strategy. <b><u>Latest Review:</u></b> 10/01/2022 New Strategy approved in December 2021 meeting	Failure to meet funding objectives.	Cllr David Thomas Chris Hurst	8	4	<ul style="list-style-type: none"> <li>• <b>Use of a Fund specific benchmark, as recommended by the Fund's investment consultant.</b> Use of a Fund specific benchmark, as recommended by the Fund's investment consultant.</li> </ul>	Control In Place
INVEST0003	Active investment manager under-performance relative to the benchmark. <b><u>Latest Review:</u></b> 10/01/2022 Discussed as required with consultants and Committee	Failure to meet funding objectives.	Cllr David Thomas Chris Hurst	4	2	<ul style="list-style-type: none"> <li>• <b>Short-term (quarterly) investment monitoring analyses market performance and active managers relative to their index benchmark.</b> Short-term (quarterly) investment monitoring analyses market performance and active managers relative to their index benchmark.</li> </ul>	Control In Place
INVEST0004	To permit deficits to be eliminated over a recovery period rather than immediately, introduces the risk that action to restore solvency is insufficient between successive measurements. <b><u>Latest Review:</u></b> 10/01/2022 Policy and FSS published in summer 2021	Increased employer deficit recovery payments.	Cllr David Thomas Chris Hurst	4	2	<ul style="list-style-type: none"> <li>• <b>discuss every such situation with the Pension Fund actuary, for each individual employer.</b> It is the practice to discuss every such situation with the Pension Fund actuary, for each individual employer. Moreover deficit recovery periods are generally restricted to no more than 25 years, or 40 years in very exceptional circumstances.</li> </ul>	Control In Place