

London Borough of Haringey Pension Fund Risk Register										
Risk Ref	Risk Group	Risk Description	Impact	Likelihood	Risk Score	Controls and Mitigations In Place	Further Actions	Revised Likelihood	Total Risk Score	Reviewed on
INV02	Investment Risk	Significant volatility and negative sentiment in global investment markets following disruptive geopolitical and economic uncertainty. In February 2022, Russia invaded Ukraine marking an escalation in the conflict which has been ongoing since 2014. Following this, several countries announced sanctions against major Russian banks and financial institutions including the removal of access to the SWIFT international payment system. In response, Russia has banned foreign entities from liquidating their assets.	5	5	25	<p>1) Officers are engaging with the Fund's investment managers and advisors on an ongoing basis to assess the implications of the response to the Russia-Ukraine crisis on the Fund's investment portfolio.</p> <p>2) The Fund's investment strategy integrates portfolio diversification and risk management. The Fund has a very small exposure (less than 1.00% of total fund assets) to Russian companies through its investment in an emerging markets index tracker fund.</p> <p>3) The Fund's investment consultant regularly provides advice to the PCB on the Fund's investment strategy and has produced a checklist to assist in the Fund's decision-making process.</p>	<p><b>Treat</b></p> <p>1) Officers will continue to monitor the situation as it develops, consulting with investment managers and advisors, and where necessary, making the appropriate recommendations to the Pensions Committee and Board.</p>	4	20	04/03/2022
INV13	Investment Risk	High inflation is sustained over the long term leading to investment underperformance and higher costs for the Fund. CPI inflation in January 2022 came in at 5.5% and the Bank of England expects inflation to peak at 7.25% in the spring.	5	4	20	<p>1) The Fund's liability increases at the rate of CPI inflation. Officers regularly discuss the implications of inflation the Fund's actuary which helps inform the Fund's investment strategy.</p> <p>2) Several of the Fund's investment mandates are in inflation linked strategies such as index linked gilts, property and renewable infrastructure.</p> <p>3) The Fund's investment consultant regularly provides advice to the PCB on the Fund's investment strategy including the impact of inflation on the Fund's investment performance.</p>	<p><b>Treat</b></p> <p>1) Officers will continue to monitor the situation as it develops, consulting with investment managers and advisors, and where necessary, making the appropriate recommendations to the Pensions Committee and Board.</p> <p>2) The next actuarial valuation is to be carried as at 31 March 2022. PCB members will receive training which will inform the Fund's funding strategy.</p>	3	15	04/03/2022
INV03	Investment Risk	Increased scrutiny on environmental, social and governance (ESG) issues, leading to reputational damage. It is widely anticipated that legislation and guidance will be issued on reporting and managing climate-related risks.	4	3	12	<p>1) The Fund's entire listed equity allocation is invested in low carbon strategies. The RAFI Climate Transition Fund aims to reduce carbon emissions by 7% annually in line with the Paris-Agreement.</p> <p>2) The Fund also has several investments in renewable energy infrastructure funds.</p> <p>3) The Department for Levelling Up, Housing and Communities is expected to issue its consultation on climate reporting later this year.</p>	<p><b>Treat</b></p> <p>1) Officers and the Fund's investment consultants will continue to monitor developments in legislation, investment products and reporting requires, and where necessary, making the appropriate recommendations to the Pensions Committee and Board.</p>	3	12	04/03/2022

INV08	Investment Risk	Investment managers fail to achieve benchmark/outperform targets over the longer term: a shortfall of 0.1% on the investment target will result in an annual impact of £1.7m.	5	3	15	<p>1) The Fund conducts a rigorous selection process to ensure that it appoints the most suitable investment managers based on available information during the tendering process of a new mandate.</p> <p>2) Expert professional advice is provided by the Fund's investment consultant supporting manager selection and ongoing monitoring of performance.</p> <p>3)The Fund's Custodian provides a manager monitoring service which is reported to the PCB on a quarterly basis. Recent performance shows that the Fund has outperformed the benchmark over the last year.</p>	<b>Treat</b> 1) Officers to regularly monitor the Fund's investment performance and highlight any areas of concern to the Committee and Board when they arise.	2	10	04/03/2022
INV01	Investment Risk	The ongoing global response to the COVID-19 outbreak poses economic uncertainty across the global investment markets.	4	3	12	<p>1) The Fund holds a well diversified portfolio, which should reduce the downside risks of adverse stock market movements.</p> <p>2) The Fund continually monitors and reviews its asset allocation, rebalancing where necessary and making changes as required. The Fund's asset allocation is included as part of the PCB's quarterly update report.</p>	<b>Treat</b> 1) Officers will continue to monitor the impact of any new lockdown measures on the Fund's underlying investments and wider economic environment, as a result of the discovery of a new variant.	2	8	04/03/2022
INV05	Investment Risk	The adequacy of the London CIV's resources regarding investment manager appointments and ongoing monitoring of the investment strategy implementation.	4	3	12	<p><b>Tolerate</b></p> <p>1) The LCIV has to reach consensus among its 32 member funds, meaning there is a persistent risk that the full completion of mandates in the Fund many not be replicated by the LCIV, particularly the illiquid mandates.</p> <p>2) The LCIV has recently added more resources to their team across the different mandates and shared plans to develop more illiquid mandates, with a focus on property in 2022.</p>	<b>Treat</b> 1) Officers and the Chair of the PCB regularly participate and contribute to various LCIV working groups.	2	8	04/03/2022
INV07	Investment Risk	The Pension Fund's actual asset allocations move away from the strategic benchmark.	4	3	12	<p>1) The Fund continually reviews its asset allocation and rebalances the portfolio in line with the Investment Strategy Statement. The Fund's asset allocation is included as part of the PCB's quarterly update report.</p> <p>2) The Pension Fund's passive equity investments are rebalanced by the investment manager based on pre-agreed thresholds.</p>	<b>Treat</b> 1) Officers will regularly monitor the strategic asset allocation and make recommendations for any necessary adjustments.	2	8	04/03/2022
INV09	Investment Risk	Implementation of proposed changes to the LGPS (pooling) requires the fund to adapt its investment strategy	3	2	6	1) The Department for Levelling Up, Housing and Communities (DLUHC) is expected to issue its consultation on the pooling guidance before the end of the year.	<b>Tolerate</b> 1) Officers to consult and engage with the DLUHC, LGPS Scheme Advisory Board, advisors and consultations once the consultation has been issued	2	6	04/03/2022
INV04	Investment Risk	Economic uncertainty caused by the implementation some of the post-Brexit agreements	3	3	9	<p>1) The Fund's investment portfolio is well diversified, most of the mandates have a global focus (other than property investments and the index linked gilts).</p> <p>2) A segment of the Fund's equity investments have been hedged to protect against currency movements.</p>	<b>Treat</b> 1) Officers to consult and engage with advisors and investment managers on an ongoing basis.	2	6	04/03/2022

INV10	Investment Risk	Mismatching of assets and liabilities, inappropriate long-term asset allocation or investment strategy, mistiming of investment strategy	3	3	9	<p>1) The Pension Fund's investment and funding strategy statements are regularly reviewed and discussed at the PCB meetings. As at the last funding update, the Pension Fund is well funded.</p> <p>2) The Pension Fund has appointed actuarial and investment consultants to provide advice on matters relating to investment and funding.</p> <p>3) The PCB is presented with the Pension Fund's Annual report each year.</p>	<p><b>Treat</b></p> <p>1) Officers to regularly monitor the Fund's investment performance and highlight any areas of concern to the Committee and Board when they arise.</p> <p>2) Training on investment risks and fund liabilities will be provided to members over the coming months.</p>	2	6	04/03/2022
INV11	Investment Risk	Strategic investment advice received from the investment consultants is inappropriate for the Fund	3	3	9	<p>1) The Fund has appointed Mercer, one of the largest global investment consultants, to provide strategic investment advice to the PCB. In addition to this, the fund has also engaged an experienced investment advisor to challenge/confirm investment strategy decisions. This ensures that the advice provided is subject to peer review to ensure that it is fit for purpose.</p>	<p><b>Treat</b></p> <p>1) The investment consultant's performance is reviewed on an annual basis. The next review will be provided at the next PCB meeting.</p>	2	6	04/03/2022
INV06	Investment Risk	The Fund has insufficient cash available to meet pension payments when they fall due	5	2	10	<p>1) The Fund carried out an analysis of its cash flow requirements in 2020 and several changes were made to the fund's investment strategy to increase its income from investments. The Fund receives income from its private equity, multi-asset credit and absolute return funds.</p>	<p><b>Treat</b></p> <p>1) Officers regularly monitor the Fund's cashflow position.</p> <p>2) An annual cashflow review at fund level is undertaken by the Head of Pensions and utilised to inform the Fund's investment strategy.</p>	1	5	04/03/2022
INV12	Investment Risk	Financial failure of an investment manager leads to negative financial impact on the fund	4	2	8	<p>1) Officers receive and review internal control reports from investment managers on an annual basis.</p> <p>2) The Pension Fund's investment consultants regularly reviews and assigns ratings to the Fund's investment strategies.</p>	<p><b>Treat</b></p> <p>1) Officers to continue to work closely with the investment consultants and independent advisor to monitor the financial and operational performance of investments managers.</p>	1	4	04/03/2022