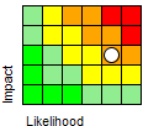

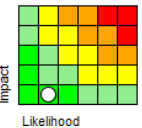

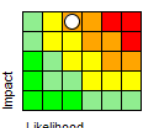

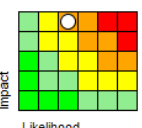



Pensions & Investments Risk Register

Report Type: Risks Report
Generated on: 05 September 2019

Risk Name	Risk Description	Current Score	Direction of Travel	Target Score	Action Name	Description	Action Progress	Risk Owner	Latest Note	Date Reviewed
BSP-P&I-01 Investment Strategy	If the investment strategy does not produce the returns as envisaged / required then funds perform worse than expected, the deficit increases, pressure on employer contributions, pressure on Council Tax and reputational pressure on the Pension Fund				BSP-P&I-01 Investment Strategy Actions	Strategy reviewed formally every 3 years Review strategy more frequently - annual refresh Action Plan where issues arise Mini-valuation undertaken annually Appointment of Investment Consultant and Committee Advisor, Investment advice analysed. A long term view is taken with regards to the Fund's investment strategy.		Julie Edwards	Investment Strategy Review due to take place early 2020.	05-Sep-2019
BSP-P&I-02 Significant Downturn in a Particular Sector	If there is a significant downturn in a particular sector / geographical location due to man made or natural disasters, then funds perform worse than expected, the deficit increases, employers contributions would need to be increased.				BSP-P&I-02 Significant Downturn in a Particular Sector Actions	Strategy reviewed every 3 years Review strategy more frequently - annual refresh Action Plan where issues arise. Managers closely monitored. Economic issues are being monitored. Closer monitoring of managers' views on Eurozone and BREXIT implications. Revised strategy implemented May 2014, investment strategy reviewed in March 2017. The Fund investments are diversified across several asset classes. Annual mini-actuarial valuation reported. Governance structures require meeting every Fund Manager on average 3 times per annum. Holistic reporting to Members - not just performance based.		Julie Edwards	Investment Strategy Review scheduled for early 2020.	05-Sep-2019
BSP-P&I-03 New Investment Vehicle Not Understood	If a new investment vehicle is not understood by the Pension Fund Committee then loss of control, limited governance exercised, poor controls / limited challenge and errors.				BSP-P&I-03 New Investment Vehicle Not Understood Actions	Ensure adequate training. Periodic training needs analysis undertaken to support annual training plan. Committee Advisor supports the Committee members understanding of asset classes and investment issues.		Julie Edwards	Asset class training plan to be scheduled in the Pension Fund Committee forward plan aligned with Brunel Pension Partnership transition plan.	05-Sep-2019

Risk Name	Risk Description	Current Score	Direction of Travel	Target Score	Action Name	Description	Action Progress	Risk Owner	Latest Note	Date Reviewed
BSP-P&I-06 Public Sector Cuts	Public sector cuts could increase the number of early retirements, increase in administration costs and impact on revenue. Public sector cuts, member opt outs, localism and outsourcing could reduce the number of active members reducing contributions income. Contributions income could bring forward the date when the Fund has to use investment income to meet benefit payments.				BSP-P&I-06 Public Sector Cuts Actions	Review in light of austerity measures and other large employer strategies. Periodic meetings held with larger employers. Factor maturity of the Fund into investment strategy decisions, review Funding Strategy Statement every three years following the actuarial valuation.		Julie Edwards	The unitary Buckinghamshire Council will be implemented on 1 April 2020, potential redundancies and role changes will impact on the administration team workloads.	05-Sep-2019

Risk Name	Risk Description	Current Score	Direction of Travel	Target Score	Action Name	Description	Action Progress	Risk Owner	Latest Note	Date Reviewed
BSP-P&I-07 Significant Changes in Government Regulations	If significant changes in government regulations occur, for example IAS19, then limited opportunities for innovation exist and resource is wasted supporting employers / members with non-value adding activities.				BSP-P&I-07 Significant Changes in Government Regulations Actions	The Investment Regulations 2016 removed some of the existing prescriptive means of securing a diversified investment strategy and placed the onus on authorities to determine the balance of their investments and take account of risk. The Secretary of State has the power to intervene to ensure the more flexible legislation is used and the guidance on pooling is adhered to.		Julie Edwards	MHCLG undertook an informal consultation on draft statutory guidance on LGPS asset pooling in the spring, updated statutory guidance is expected later this year. When the LGPS benefit structure was reformed in 2014, transitional protections were applied to certain older members close to normal retirement age. In December 2018 the Court of Appeal upheld a ruling ("McCloud/Sargeant") that transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling apply to the LGPS. Benefits accrued from 2014 may need to be enhanced so that all members, regardless of age, will benefit from the underpin. Quantifying the impact at this stage is very difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service.	05-Sep-2019
BSP-P&I-09 Poor Fund Management	If there is poor Fund management caused by poor selection, loss of key staff, change in process or not keeping up with the market then there will be poor performance, reduced assets, damage to reputation and increased deficit.				BSP-P&I-09 Poor Fund Management Actions	Fund managers' performance actively reviewed quarterly. Investment strategy reviewed March 2017. Benchmarking undertaken and research undertaken.		Julie Edwards	Investment Strategy Review scheduled early 2020.	05-Sep-2019

Risk Name	Risk Description	Current Score	Direction of Travel	Target Score	Action Name	Description	Action Progress	Risk Owner	Latest Note	Date Reviewed
BSP-P&I-10 Underestimation of Pensioner Longevity	If there is an underestimation of pensioner longevity then there will be a failure to have high enough pension contributions and increased pressure on future contributions.				BSP-P&I-10 Underestimation of Pensioner Longevity Actions	Not within the Pension Fund's control Actuaries review projection of longevity regularly. The 2013 Actuarial Valuation mortality assumptions allowed for a long term rate of improvement in mortality rates. The 2016 mortality assumptions did not allow for a long term rate of improvement in mortality rates.		Julie Edwards	The outcome of the triennial valuation as at 31 March 2019 will be reported in the autumn.	05-Sep-2019
BSP-P&I-11 Inflation	If inflation is significantly greater than currently forecast, then a combination of lower bond values and increasing pay levels will cause the deficit to widen (all else equal). If inflation is negative (deflation) for a prolonged period of time, the value of the inflation linked bonds will decrease. However, the value of the liabilities would not fall to the same extent as pay levels are unlikely to fall and pensions cannot be reduced, which will cause the deficit to widen (all else equal).				BSP-P&I-11 Inflation Actions	The strategic allocation to inflation linked bonds within the investment strategy will increase in value if inflation expectations increase (all else equal), helping to offset some of the impact on the liabilities. The Pension Fund Committee will consider the Fund's exposure to inflation linked assets when reviewing the Fund's investment strategy. Part of the inflation linked bond allocation is managed actively, and the manager has discretion to increase or decrease the allocation in anticipation of increases or decreases in inflation expectations respectively		Julie Edwards	A tick up in inflation as a result of sterling weakness and increased cost of imports from an uncertain trading relationship with the EU would push up inflation and increase the return requirement from the portfolio to meet benefit payments	05-Sep-2019
BSP-P&I-12 Loss of Confidence by Employees and Employers	If there is loss of confidence by employees and employers in the Pension Fund management then political fallout, seen as a poor performer, criticism from external audit and Public Interest Reports.				BSP-P&I-12 Loss of Confidence by Employees and Employers. Actions	Pensions Communications Officer role involves designing and delivering communications strategy. The Buckinghamshire Pension Board was established in 2015.		Julie Edwards		05-Sep-2019
BSP-P&I-13 Market Volatility	If stock market volatility exists at key points in the cycle e.g. at time of actuarial review then, deficit grows as does pressure on employer costs.				BSP-P&I-13 Market Volatility Actions	Ongoing review more intense when markets are volatile. Key decision to be made in terms of timing of changes. Actuary using 'smoothing' effect which actively seeks to mitigate risks.		Julie Edwards	The Fund's un-hedged overseas investments have benefited significantly from sterling weakness in recent years and will continue to make gains if there is further sterling depreciation. However, a Brexit with a deal or no Brexit would un-wind some of gains as sterling would be expected to appreciate.	05-Sep-2019

Risk Name	Risk Description	Current Score	Direction of Travel	Target Score	Action Name	Description	Action Progress	Risk Owner	Latest Note	Date Reviewed
BSP-P&I-14 Failure / Fraud at a Fund Management House or Nominee Company	If a failure / fraud of a fund management house or nominee company occurs, then there will be a short term performance failure, time and cost implications and a potential loss of opportunity if at the wrong moment.				BSP-P&I-14 Failure of a Fund Management House or Nominee Company Actions	Ongoing review using governance structures described previously.		Julie Edwards		05-Sep-2019
BSP-P&I-15 Policy Compliance	If officers undertake fraudulent activity or do not follow policy decision or recommend inappropriate / radical policy decision then too great an exposure in certain areas will exist leading to greater volatility, break down of trust, policy decisions slowed, loss of opportunity and reputation damage.				BSP-P&I-15 Policy Compliance Actions	Effective scrutiny of officer activity by line management, Pension Fund Committee and audit		Julie Edwards		05-Sep-2019
BSP-P&I-17 Brunel Pension Partnership	Proposals to pool the Fund's assets in the Brunel Pension Partnership are currently being implemented. If the project is not managed and the transition is ineffective or excessive in cost, then the cost benefit ratio may not be achieved. If the guidance on pooling is not adhered to, then the Secretary of State may deem it necessary to intervene in the investment function of an administering authority.				BSP-P&I-17-01 Brunel Pension Partnership Actions	Project team, Shadow Oversight Board with representatives from the Pensions Committees, Client Operations Group with officer representatives and Finance and Legal Assurance Group established. Project plan regularly reviewed to help support workstreams and keep deliverables on track.		Julie Edwards	This risk should be closed down, a new risk has been created for the transition of assets to Brunel portfolios.	05-Sep-2019