

Risk	Assigned to	Existing Controls	Impact	Likelihood	Risk factor		Impact	Likelihood	Risk Factor	
Governance Risks										
1	There is a current risk that academies are not abiding by their statutory responsibilities as Scheme employers. This involves not transmitting information about staff, which means that pension benefits cannot be accurately calculated.	Governance and Compliance Manager	Employers returns are monitored on a monthly basis. This has proved to be an effective strategy.	3	3	9	Consistent monitoring and a robust approach should ensure that relationships and therefore also the effectiveness of communications will improve.	3	3	9
2	If other scheme employers cease trading or operating for any reason the Scheme Actuary will calculate a cessation valuation of their liabilities. If that employer cannot meet that liability the Council has to make good the shortfall.	Governance and Compliance Manager	Employers contributions are monitored on a monthly basis. Council officers rely on good communications to identify any problems at the earliest stage. The range of remedies includes reporting to the Pensions Regulator, involving other statutory bodies, such as the Education Funding Agency, up to court enforcement action.	3	5	15	The team are currently putting in place an employer risk strategy, which will lead to the early identification of employers at risk.	3	4	12
3	Pending a comprehensive review of the governance arrangements for the Scheme and Fund there is a risk that the authority will not be compliant with the current regulatory framework. This could result in sanctions or reputational damage.	Governance and Compliance Manager	A review of the current governance arrangements has been commissioned which should highlight any areas of concern.	3	3	9	Implement the findings of the governance review.	3	2	6
Funding - Assets and Liabilities										
4	The Fund's invested assets are not sufficient to meet its current or future liabilities.	Head of Pensions and Treasury	A formal actuarial valuation is carried out every three years. This results in a Funding Strategy Statement which is regularly reviewed to ensure contribution rates and the investment strategy are set to meet the long term solvency of the Fund. The Scheme Actuary's view is that there is a 75% chance that the funding target will be achieved.	4	3	12	Officers are looking at ways of monitoring the funding level on a more frequent basis rather than waiting for a full valuation every three years. However this needs to be done efficiently and in a cost effective manner.	4	2	8
5	Between a quarter and a third of the Fund is held in illiquid investments. This means there is a risk that the authority might find itself with insufficient cash to meet short term and medium term liabilities without having to disinvest and thus damage the prospects of generating adequate investment returns.	Pension Fund Investment Manager	The Fund's contribution income is currently not quite enough to cover the short term liabilities. This is kept under constant review and Officers monitor the cashflow carefully on a monthly basis. The Council is currently forward funding the Pension Fund which means that in the latter part of the valuation cycle cash is short. In the short run the cash flow solution is to disinvest from overweight equity positions.	3	4	12	Officers have identified a potential cash shortfall due to the changing investment strategy towards alternatives and are in the process of amending the current policy of reinvesting dividend income to make up the shortfall. Investments have been identified that are dividend yielding.	3	2	6

6	There is a current risk that academies are not paying over contributions, which involves the administering authority in incurring unnecessary costs.	Governance and Compliance Manager	The authority has retained legal advisors to mitigate this risk, possibly through legal channels. The most significant case, in terms of contributions due, is currently being considered by the Pensions Ombudsman.	3 5 15	This is likely to be an issue requiring attention for some time.	3 5 15
7	Under the S.13 reporting regime, the Government Actuary Department, (GAD), form a view of the viability of LGPS funds. Using GAD assumptions, rather than the Scheme Actuary's, this fund is in the bottom decile for funding. There is a risk that the Government may intervene in the investment of the fund.	Head of Pensions and Treasury	The current Scheme Actuary has indicated that there is a 75% likelihood that the Scheme will be fully funded in 22 years.	4 3 12	The authority will revisit the funding position at the next triennial valuation and can adjust contribution levels.	4 2 8
Investment Risks						
8	There is a risk that, under any set of circumstances, an asset class will underperform. The Fund has a significant allocation to several single asset categories - for example, equities, fixed interest, property or alternates - which potentially leaves the Fund exposed to the possibility that class of assets will underperform relative to expectation.	Pension Fund Investment Manager	The investment allocation mix is in a variety of uncorrelated investments designed to give a diverse portfolio, meaning any one investment class should not unduly impact on the performance of the overall portfolio, if it underperforms relative to expectation. It is recognised that the portfolio is currently overweight equities. An asset allocation review is underway and this will inform future investment decisions.	4 4 16	A new asset allocation will be agreed in 2019.	5 2 10

9	The London CIV is experiencing a pro-longed period of turmoil around staffing. The third Chief Executive has now been appointed, a number of more junior roles are still vacant and the CIO position is vacant. This situation would be considered a matter for grave concern for a fund manager. The risk is that, without appropriate leadership, the CIV will fail to deliver adequate returns and cost savings.	Head of Pensions and Treasury	The new Chief Executive has extensive local government experience and should provide a stabilising influence. The continued lack of a CIO is a serious deficiency. The CIV's CEO has stated: 'Although we will move the CIO recruitment process forward at a sensible pace, it may be some months before a suitable candidate is able to join us. We therefore also aim to appoint an interim CIO to add capacity to the investment team in the short-term and support the existing heavy workload on fund launches, etc. '	4	3	12	Filling these vacancies with good candidates should significantly reduce the risk of failing to meet stakeholders expectations.	4	2	8
10	The London CIV does not have a transition team. Moreover it does not appear to have permission from the FCA to perform standard transition activities. This leaves investors exposed to significant risks when transferring assets into, from or within the CIV.	Head of Pensions and Treasury	Croydon Council retain the services of an external consultant to assess the efficacy of transitions. This is a backward looking review and the Council does not have visibility of the process when the transition is happening or when the Fund is out of the market.	4	3	12	In the future the CIV should build a proper transition team. The CIV recognise this issue and are building capacity.	3	2	6
11	Specific macro-economic risks are addressed below but there is a more general, underlying risk of a global collapse in investment markets. The markets have experienced a continuous sequence of such events: Latin American sovereign debt; Black Friday crash; the Dot.com bubble; sub-prime and credit crunch. Other crises are inevitable.	Pension Fund Investment Manager	The discount rate assumption is reviewed at every valuation to ensure it gives appropriate views on future return expectations. The Fund is also well-diversified which provides a degree of protection.	4	3	12	Existing controls deemed adequate. Reviewed 31/12/2018. Next review 31/12/19.	4	3	12
12	There is a risk that a 'Hard Brexit' will result in disruption to the way that fund managers can operate and this will have a deleterious impact on the Fund.	Head of Pensions and Treasury.	The government has rolled out a temporary permissions regime and EU27 governments are introducing mirror regimes. So far Holland, France, Italy, Germany, Finland and Luxembourg have introduced regulations to allow existing arrangements to continue. However, a long-term solution to passporting has not been agreed.	3	4	12	There will be unresolved problems for a number of years due to the scale and complexity of this issue.	3	3	9

13	<p>There are a number of current specific geopolitical risks. The administration of US President Trump can be considered an unknown factor in so far as its impact on the US economy. To date this has been largely benign and the US markets have reacted positively. Other ongoing concerns include the impact of Brexit, the Euro crisis, the growth of the Chinese economy and the impact of populist movements.</p>	Pension Fund Investment Manager	<p>Equities have performed well to the extent that the Fund is currently over-weight in the asset class. This is being addressed by moving cash into alternate asset classes. Currency hedging is an option to address potential volatility as is some form of synthetic hedging.</p>	<p>4 3 12</p>	<p>By 2019 the overweight position in equities should have been invested in alternate asset classes thus reducing this risk.</p>	<p>3 2 6</p>
Operational Risks						
14	<p>Cyber risk: the risk of loss, disruption or damage to the scheme or its members as a result of the failure of IT systems and processes.</p>	Pensions administration manager	<p>IT infrastructure and security should be sufficient for the work undertaken. There should be multiple layers of security put around systems in line with the Information Commissioner's Office's guidance. Physical and virtual access to systems and data should be controlled. Critical systems and data should be regularly backed up. 13. There should be a range of policies and processes in place around: acceptable use of devices; passwords; home and mobile working; and data access and protection. Training should be appropriate. Systems and networks should be monitored.</p>	<p>3 3 9</p>	<p>It seems likely, even with these controls in place, that some sort of attack will take place, impacting on the scheme, the fund, a counter-party or another scheme employer.</p>	<p>3 4 12</p>

Key

Below 10 is considered a Green Risk.

A score between 10 and 19 is an Amber Risk.

A score of 20 or above is a Red Risk.