



CARDIFF & VALE OF GLAMORGAN PENSION FUND

LOCAL PENSION BOARD MEETING:

07 NOVEMBER 2022

RISK REGISTER OCTOBER 2022

REPORT OF THE CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 4

Reason for this Report

1. To review the current Risk Register for the Pension Fund before it is submitted to the Pension Committee.

Background

2. A Risk Register for the Pension Fund is maintained as part of the Council's Corporate Risk Management process. A review of the Register is a regular item for consideration at Board meetings before it is considered by the Pension Committee.

Issues

3. The Risk Register was previously presented to the joint meeting of the Pension Committee and the Local Pension Board on 11 July 2022. In advance of this meeting Pension Fund Officers have reviewed the Risk Register and significant changes are referenced in the paragraphs that follow in this report. The current Risk Register is attached as Appendix 1 and the standard Risk Matrix is attached as Appendix 2.
4. For this review particular attention has been given to the consideration of "Investment" Risks given the recent news coverage about the falling price of UK Government Gilts following the mini-budget and the associated liquidity issues facing Pension Funds that required market intervention from the Bank of England. The issue arose with (Corporate) Pension Funds

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specifically in their use of Liability Driven Investments (LDI). As the price of UK Gilts fell these Funds were forced to sell assets to maintain leverage levels which as these Funds were holding large quantities of UK Gilts resulted in the price of Gilts falling further resulting in the Bank of England's commitment to buy long dated UK Gilts. The exposure of the Fund to this recent Gilts related issue was limited :

- The Fund does not hold any LDI assets so the "liquidity crisis" had no impact on the Fund
 - It's investments in Government Gilts are through a Global Government Bond Fund which has limited exposure to UK Gilts. As at the end of June this Fund's holding in UK Gilts was 2.2% of this sub-fund which represented a value of £5.1m but this was 0.2% of the total Fund value of £2,529 million at that date. As at 30 September the proportion of the Global Government Bond Fund held in the UK had dropped to 0.6% of the sub-fund value.
 - Current Cash Flow for the Fund is positive and as a long term investor there has been no requirement to sell assets to maintain liquidity.
5. The other Investment related issue to be considered concerns the on-going investigation by the Financial Conduct Authority (FCA) into Link FS role with the Woodford Equity Fund and the potential takeover of the parent company for the Link Group. Neither of these issues are resolved but the risk to the Fund is not considered significant as the Fund investment are held with the Custodian and not Link. The risk to the Fund, and wider WPP, would be from the administrative resources required to undertake the procurement of a new operator and that this may be undertaken in a market that is not fully competitive.
6. With regard to the other incremental changes the following changes are included in the attached Risk Register
- P1 : The Proposed Improvement Actions have been extended to reflect the on-going discussions with Aon (the Fund Actuary) as to how the recent increase in inflation can be incorporated into the 31 March 2022 tri-annual valuation.
 - P2 : Proposed Improvement Actions has been updated to record that Russell Investments have presented updates on their portfolio to the Investment Panel in 2022 (June and October meetings).
 - P3 : Proposed Improvement Actions include enhanced Fund diversification with the forthcoming investments into the WPP Private Credit and Open-ended Infrastructure sub-funds.
 - P9 : Completion of MSS roll-out to Active Members for Employers using iConnect is now a Current Control.
 - P14 : Current Controls now reflect that MoU has been sent to Employees
 - P15 : Waiting for an update from Mercer on their timeline for completing the GMP Reconciliation exercise.
 - P20 : Proposed improvement Actions provides an update on the on-going recruitment process.

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- P21 : Proposed Improvement Actions include update on with progress with the introduction of the WPP Sustainable Equity Fund and submission of WPP Stewardship code 2022 report.

Recommendation

7. That the Board reviews the Risk Register and considers the risks it would like to be covered in depth at the next meeting of the Board, scheduled for January 2023.

CHRISTOPHER LEE
CORPORATE DIRECTOR RESOURCES

Appendices

Appendix 1 Risk Register October 2022
Appendix 2 Risk Matrix