

| Risk Group | Risk Ref. | Previous | Risk Description | Impact | | | | Likelihood | Total risk score | Mitigation actions | Revised Likelihood | Net risk score |
|-------------|-----------|----------|--|--------|-----------|------------|-------|------------|------------------|---|--------------------|----------------|
| | | | | Fund | Employers | Reputation | Total | | | | | |
| Funding | 1 | 1 | Price inflation is significantly more or less than anticipated: an increase in CPI inflation by 0.1% will increase the liability valuation by 1.4% | 4 | 4 | 4 | 12 | 4 | 48 | TOLERATE- 1) The discount rate used for the 2016 actuarial valuation will be derived from CPI inflation, so the value of Fund liabilities will be calculated with reference to CPI. 2) The assumptions of the Fund actuary are prudent and allow for variations in inflation, interest rate fluctuations 3) The fund holds investment in index-linked bonds within a liability driven investment portfolio to mitigate risk. 3) Liability driven investment strategy implementation designed to hedge against future risk approved by Pension Fund Committee on 13 February 2016. Future trigger points for leverage will provide liability protection against inflation risk with the full protection framework in place. | 4 | 48 |
| Funding | 2 | 2 | Pensioners living longer: adding one year to life expectancy will increase the future service rate by 0.8% | 4 | 4 | 1 | 9 | 5 | 45 | TOLERATE- 1) Hymans Robertson The Fund Actuary uses long term longevity projections in the actuarial valuation process. 2) SCC has joined Club Vita, which looks at mortality rates that are employer and postcode specific. | 5 | 45 |
| Funding | 3 | 3 | Pay increases are significantly more than anticipated for employers within the Fund. | 4 | 4 | 3 | 11 | 4 | 44 | TREAT/TOLERATE- 1) Fund employers should monitor own experience. 2) Assumptions made on pay and price inflation (for the purposes of IAS19/FRS102 and actuarial valuations) should be long term assumptions, any employer specific assumptions above the actuaries long term assumption would lead to further review. 3) Employers to be made aware of generic impact that salary increases can have upon final salary linked elements of LGPS benefits. | 4 | 44 |
| Funding | 4 | 4 | Mismatching of assets and liabilities, inappropriate long-term asset allocation or investment strategy, mistiming of investment strategy | 4 | 3 | 3 | 10 | 4 | 40 | TREAT- 1) Active investment strategy and asset allocation monitoring from Committee officers and consultants. 2) 2017/18 2018/19 Investment strategy review is current. 3) Separate source of advice from Fund's independent advisor. 4) Setting of Fund specific benchmark relevant to the current position of fund liabilities. 5) Fund manager targets set and based on market benchmarks or absolute return measures. Overall investment benchmark and out-performance target is fund specific. | 3 | 30 |
| Investment | 5 | 5 | Increased risk to global financial stability. Outlook deteriorates in advanced economies because of heightened uncertainty and setbacks to growth and confidence, with declines in oil | 4 | 3 | 3 | 10 | 4 | 40 | TREAT/TOLERATE- 1) Increased vigilance and continued dialogue with managers as to events on and over the horizon. 2) Continued investment strategy involving portfolio diversification and risk control. 3) Investment strategy review will follow post accompany the 2019 actuarial valuation. | 3 | 30 |
| Investment | 6 | 7 | Investment Managers fail to achieve performance targets over the longer term: a shortfall of 0.1% on the investment target will result in an annual impact of £3.9m | 4 | 4 | 4 | 12 | 3 | 36 | TREAT- 1) The Investment Management Agreements clearly state SCC's expectations in terms of performance targets. 2) Investment manager performance is reviewed on a quarterly basis. 3) The Pension Fund Committee should be positioned to move quickly if it is felt that targets will not be met. 4) Having LGIM as a rebalancing/transition manager facilitates quick changes in the passive element of the portfolio . 5) The Fund's investment management structure is highly diversified, which lessens the impact of manager risk compared with less diversified structures. | 2 | 24 |
| Financial | 7 | 8 | Financial loss of cash investments from fraudulent activity | 4 | 4 | 4 | 12 | 3 | 36 | TREAT and TOLERATE - 1) Policies and procedures are in place which are regularly reviewed to ensure risk of investment loss is minimised. Governance arrangements are in place in respect of the Pension Fund. External advisors assist in the development of the Investment Strategy. Fund Managers/ BCPP have to provide SAS70 or similar (statement of internal controls). | 2 | 24 |
| Operational | 8 | 9 | Financial failure of a fund manager leads to increase costs and service impairment | 4 | 3 | 4 | 11 | 3 | 33 | TREAT - 1) Fund is reliant upon current adequate contract management activity. 2) Fund is reliant upon alternative suppliers at similar price being found promptly. 3) Fund is reliant on LGIM as transition manager the scale and risk management opportunity offered by BCPP . | 2 | 22 |
| Investment | 9 | 11 | Investment markets fail to perform in line with expectations leading to deterioration in funding levels and increased contribution requirements from employers | 4 | 3 | 3 | 10 | 3 | 30 | TOLERATE- 1) Proportion of asset allocation made up of equities, bonds, property funds, diversified growth funds and private equity, limiting exposure to one asset category. 2) The investment strategy is continuously monitored and periodically reviewed to ensure optimal asset allocation. 3) Actuarial valuation and asset/liability study take place automatically every three years. 4) IAS19 data is received annually and provides an early warning of any potential problems. 5) The actuarial assumption regarding asset outperformance of a measure over CPI over gilts is regarded as achievable over the long term when compared with historical data. | 2 | 20 |
| Funding | 10 | 13 | Impact of increases to employer contributions following the actuarial valuation | 3 | 3 | 3 | 9 | 3 | 27 | TREAT- 1) Officers to consult and engage with employer organisations in conjunction with the actuary. 2) Actuary will assist where appropriate with stabilisation and phasing in processes. | 2 | 18 |
| Governance | 11 | 15 | Failure to take difficult decisions inhibits effective Fund management | 3 | 2 | 4 | 9 | 3 | 27 | TREAT-1) Ensure activity analysis encourages decision making on objective empirical evidence rather than emotion. Ensure that basis of decision making is grounded in ALM Study/SIP/ISS/FSS/Governance statement/ Responsible investment policy and that appropriate advice is sought. | 2 | 18 |
| Investment | 12 | 16 | Volatility caused by uncertainty with regard to the withdrawal of the UK from the European Union and its after effects | 3 | 3 | 2 | 8 | 3 | 24 | TOLERATE- 1) Officers to consult and engage with advisors. 2) Future possibility of looking at move from UK to Global benchmarks on UK Equities and UK Property. 3) Possibility of further hedging of currency movements against Sterling. | 2 | 16 |
| Operational | 13 | 18 | Insufficient attention to environmental, social and governance (ESG) leads to reputational damage | 1 | 1 | 3 | 5 | 4 | 20 | TREAT-1) Review ISS in relation to published best practice (e.g. Stewardship Code) 2) Ensure fund managers are encouraged to engage and to follow the requirements of the published BCPP Responsible Investment Policy . 3) The Fund is a member of the Local Authority Pension Fund Forum (LAPFF) and all assets held with BCPP are monitored by Robeco, this , which raises awareness of ESG issues and facilitates engagement with fund managers. 4) The Fund has approved a Stewardship Code and a share voting policy which provides specific guidance in the voting of company resolutions. (5) The Fund complies with the BCPP Responsible Investment Policy | 3 | 15 |
| Governance | 14 | 19 | Implementation of proposed changes to the LGPS (pooling) does not conform to plan or cannot be achieved within time scales | 1 | 2 | 4 | 7 | 3 | 21 | TREAT- 1) Officers consult and engage with DGLGMHCLG , LGPS Advisory Board, BCPP OOG , consultants, peers, seminars, conferences. 2) Officers engage in early planning for implementation against agreed deadlines. 3) Participation in Cross Pool Collaboration Groups Future secondment of Surrey officers onto pooling project teams. | 2 | 14 |
| Operational | 15 | 20 | Concentration of knowledge in small number of officers and risk of departure of key staff | 2 | 3 | 2 | 7 | 3 | 21 | TREAT-1) 'How to' notes in place. 2) Development of team members & succession planning needs to be improved. 3) Officers and members of the Pension Fund Committee will be mindful of the proposed CIPFA Knowledge and Skills Framework and appropriate tPR Codes of Conduct when setting objectives and establishing training needs. | 2 | 14 |
| Operational | 16 | 22 | Failure to hold personal data securely | 1 | 1 | 4 | 6 | 3 | 18 | TREAT- 1) Data encryption technology is in place, which allow secure the sending of data to external service providers. 2) Phasing out of holding records via paper files. 3) Pensions Admin records are locked daily in a secure safe. 4) SCC IT data security policy adhered to. | 2 | 12 |
| Funding | 17 | 23 | Impact of government policy on the employer workforce | 3 | 2 | 1 | 6 | 3 | 18 | TREAT/TOLERATE- 1) Hymans Robertson The Fund actuary uses prudent assumptions on future of workforce. Employers to flag up potential for major bulk transfers. The potential for a significant reduction in the workforce as a result of the pressures that the public sector is under may have an additional impact on the Fund. 2) Need to make worst case assumptions about diminishing workforce when carrying out the actuarial valuation. | 2 | 12 |
| Governance | 18 | 24 | Changes to LGPS regulations | 3 | 2 | 1 | 6 | 3 | 18 | TREAT/TOLERATE-1) Fundamental change to LGPS regulations implemented from 1 April 2014. 2) Impact on contributions and cashflows will be considered during the 2016 valuation process. 3) Fund will respond to consultations and statutory guidance . 4) Impact of LGPS (Management of Funds) Regulations 2016 to be monitored. | 2 | 12 |
| Governance | 19 | 25 | Change in membership of Pension Fund Committee or Local Pension Board leads to dilution of member knowledge and understanding | 4 | 1 | 1 | 6 | 4 | 24 | TREAT- 1) Succession planning process to be implemented. 2) Ongoing training of Pension Fund Committee members. 3) Pension Fund Committee new member induction programme. 4) Training to be based on the requirements of CIPFA Knowledge and Skills Framework and the results of the test undertaken in 2012. New Committee members to take the test. | 2 | 12 |
| Operational | 20 | 26 | Inaccurate information in public domain leads to damage to reputation and loss of confidence | 1 | 1 | 4 | 6 | 3 | 18 | TOLERATE- 1) Ensure that all requests for information (Freedom of Information, Member & Public questions at Council, etc) are managed appropriately and that Part 2 items remain so. 2) Maintain constructive relationships with employing bodies to ensure that news is well managed. 3) Update website information as and when required and at least quarterly. | 2 | 12 |
| Operational | 21 | 27 | Financial failure of third party supplier results in service impairment and financial loss | 2 | 2 | 2 | 6 | 3 | 18 | TOLERATE-1) Performance of third parties (other than fund managers) monitored. 2) Regular meetings and conversations with Northern Trust take place. 3) Actuarial and investment consultancies are provided by two different providers. | 2 | 12 |

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| | | | | Fund | Employers | Reputation | Total | | | | | |
| Governance | 22 | 28 | That the Border to Coast Pensions Partnership disbands or the partnership fails to produce a proposal deemed sufficiently ambitious. | 3 | 2 | 4 | 9 | 1 | 9 | TOLERATE-1) Partners for the pool were chosen based upon the perceived expertise and like-mindedness of the officers and members involved with the fund to ensure compliance with the pooling requirements. 2) Ensure that ongoing fund and pool proposals are comprehensive and meet government objectives. | 1 | 9 |
| Governance | 23 | 29 | Failure to comply with legislative requirements e.g. ISS, FSS, Governance Policy, Freedom of Information requests | 4 | 1 | 4 | 9 | 2 | 18 | TOLERATE -1) Publication of all documents on external website. 2) Managers expected to comply with SIP ISS and IMA. 3) Pension Board self-assessment to ensure awareness of all relevant documents. 4) Annual audit review. | 1 | 9 |
| Operational | 24 | 30 | Procurement processes may be challenged if seen to be non-compliant with OJEU rules. Poor specifications lead to dispute. Unsuccessful fund managers may seek compensation following non compliant process | 1 | 1 | 4 | 6 | 3 | 18 | TREAT/TOLERATE - 1) Ensure that assessment criteria remains robust and that full feedback is given at all stages of the procurement process. 2) Use the National LGPS of other established procurement frameworks | 1 | 6 |
| Governance | 25 | 31 | Failure to comply with recommendations from the local pension board, resulting in the matter being escalated to the scheme advisory board and/or the pensions regulator | 1 | 1 | 4 | 6 | 1 | 6 | TOLERATE -1) Ensure that an cooperative, effective and transparent dialogue exists between the pension committee and local pension board. | 1 | 6 |
| Financial | 26 | 32 | Counterparty risk within the SCC treasury management operation | 2 | 2 | 2 | 6 | 2 | 12 | TOLERATE - 1) Lending limits with approved banks and other counterparties are set at prudent levels 2) The pension fund treasury management strategy is based on that of SCC. | 1 | 6 |