	1	d Risk Register 2021/22 Quarter 3															-
Risk group	Risk Ref.	Risk Description	Risk Owner	Fund	Imp	Inhere	Ī	À.	Total risk score	Control actions	Fund	Service	pact Leby H	lual ris	Tot	k on	Changes made during review
Funding	F1	Price inflation is significantly more or less than anticipated: an increase in CPI inflation by 0.1% would increase the liability valuation by 1.4%	Head of Accounting and Governance (Paul Titcomb (PT))	4	4	4	12	4	48	TOLERATE- 1) The discount rate used for the 2019 actuarial valuation is 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 and interest rate fluctuations TOLERATE.	4	4	4 1	2 4	48	Feb-22	'Change to risk owner to reflect new pensions team structure.
Funding	F2	Members living longer: adding one year to life expectancy would approximately increase the liability by 3-5%.	PT	4	4	1	9	5	45	IOLERATE:  1) The Fund Actuary uses long term longevity projections in the actuarial valuation process.  2) SCC has joined Club Vita, which would allow to monitor mortality rates that are employer and postcode specific.	4	4	1 !	9 5	45	Feb-22	Change to risk owner to reflect new pensions team structure.
Funding	F3	Pay increases are significantly more than anticipated for employers within the Fund.	PT	4	4	3	11	3	33	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	4	3 1	1 2	22	Feb-22	Change to risk owner to reflect new pensions team structure. Likelihood reduced from 3 to 2 due to mitigating actions
Funding	F4	Mismatching of assets and liabilities, inappropriate long-term asset allocation or investment strategy, mistiming of investment strategy.	PT	4	3	3	10	4	40	TREAT- I) Active investment strategy and asset allocation monitoring from Committee officers and consultants. 2) 2019 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.	4	3	3 1	0 1	10	Feb-22	Change to risk owner to reflect new pensions team structure.  'Likelihood reduced from 3 to 1 due to mitigating actions
Funding	F5	Impact of increases to employer contributions following the actuarial valuation	PT	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.	3	3	3 !	9 2	18	Feb-22	Change to risk owner to reflect new pensions team structure.
Funding	F6	Impact of government policy on the employer workforce.	PT	3	2	1	6	3	18	TREAT / TOLERATE-  I) The Fund actuary uses prudent assumptions on future of workforce. The fund has regular communciations with employer to allow them to flag up major changes in workforce.  2) Need to make worst case assumptions about diminishing workforce when carrying out the actuarial valuation.  TREAT / TOLERATE -	2	2	2	5 2	12	Feb-22	Change to risk owner to reflect new pensions team structure.
Funding	F7	HM Treasury and Scheme Advisory Board cost management process has a implied increase in employer contributions.	PT	2	2	2	6	4	24	ITEM TOLERALE:  1) The Fund actuary stabilises employer contribution, which reduces the impact of conditions which could otherwise produce spikes in contribution rates.  2) Communicate with employers and explore the opportunity for the strengthening of their covenant by the provision of additional security to the Fund.	1	4	3 1	3 2	16	Feb-22	Change to risk owner to reflect new pensions team structure.
Funding	F8	Additional costs as a result of the McCloud judgement.	РТ	3	3	1	7	4	28	TOLERATE / TREAT -  1) Depending on DHULC's response to the ruling, the actuary may reconsider the funding position, the investment advisers may reposition assets to compensate and the Service Delivery Team may need more resource but ultimately, it is likely to have an impact on employers' contribution rates.	3	3	1	7 3	21	Feb-22	Change to risk owner to reflect new pensions team structure.
Investment	F9	Increased risk to global financial stability. Outlook deteriorates in advanced economies because of heightened uncertainty and setbacks to growth and confidence, leading to tightened financial conditions, reduced risk appetite and raised credit risks.	Head of Investments and Stewardship (Neil Mason (NM))	4	3	3	10	5	50	INEAN TOLERA IE:  I) 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 accompany the 2022 actuarial valuation.	4	3	3 1	0 4	40	Feb-22	Change to risk owner to reflect new pensions team structure.
Investment	F10	Investment Managers fail to achieve performance targets over the longer term: a shortfail of 0.1% on the investment target will result in an annual impact of c£5m	NM	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 Bordet to Coest as an external manager facilitates a smooth transition of assets into the pool and provides an additional layer of investment due dilegence.  5) The Fund's investment management structure is highly diversified, which lessens the impact of manager risk compared with less diversified structures.	4	4	4 1	2 2	24	Feb-22	Change to risk owner to reflect new pensions team structure.
Investment	F11	Investment markets fail to perform in line with expectations leading to deterioration in funding levels and increased contribution requirements from employers.	NM	4	3	3	10	4	40	TREAT / TOLERATE-  1) Proportion of asset allocation made up of equities, bonds, property and atternatives, 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 at least every three years.  4) FRS102/MS19 data is received annually and provides an early warming of any potential problems.  5) The actuarial assumption regarding asset outperformance is a measure of CPI over gills, which is regarded as achievable over the long term when compared with historical data.	4	3	3 1	0 3	30	Feb-22	Change to risk owner to reflect new pensions team structure.
Investment	F12	Volatility caused by uncertainty with regard to the withdrawal of the UK from the European Union and its after effects.	NM NM	æ	3	2	8	3	24	TOLERATE.  1)-Officers to consult and engage with advisors  2)-Future possibility of locking at move from UK to Global benchmarks on UK  Equilies and UK Property  3) Possibility of future hedging of currency movements against Sterling	3	3	G	3 2	46	Feb-22	Investment conditions have now adapted to Brexit. Proposed to remove risk.
Investment	F13	Risk of losses through the transition of assets to Border to Coast.	NM	2	3	2	7	4	28	TREAT / TOLERATE-  1) Independent Transition manager appointed by Border to Coast.  2) Independent transition advice appointed by Partner funds.  3) Market fluctuations between original and new portfolio are impossible to predict.	2	3	2	7 2	14	Feb-22	Change to risk owner to reflect new pensions team structure.  Likelihood reduced from 3 to 2. No significant transition costs have been incurred to date, due to treatments
Investment	F14	Financial loss of cash investments from fraudulent activity.	NM	4	4	4	12	3	36	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/BCPF have to provide SAS70 or similic (statement of internal controls). 2) The pensions team is currently working to get more direct control of pension fund banking.	4	4	4 1	2 1	12	Feb-22	identified.  Change to risk owner to reflect new pensions team structure.  Likelihood reduced from 2 to 1 due to addition of an additional (2nd) treatment.
Investment	F15	Financial failure of a fund manager leads to increase costs and service impairment.	NM	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 the scale and risk management opportunity offered by BCPP.	4	3	4 1	1 2	22	Feb-22	Change to risk owner to reflect new pensions team structure.
Investment	F16	Insufficient attention to environmental, social and governance (ESG) factors leads to underperformance and reputational damage.	NM	1	1	4	6	4	24	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 BCPP Responsible livestiment 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 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.  6) Fund reviewing a responsible investment approach, assisted by a dedicated Responsible Investment sub-committee.	1	1	4	6 1	6	Feb-22	Change to risk owner to reflect new pensions team structure.  Likelihood reduced from 3 to 1 due to the significant work being undertaken by the Responsible Investment sub-committee.

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Risk group	Risk Ref.	Risk Description	Risk Owner	Fund	ER's	Inhere pact	Ī	yla M	Total risk score	Control actions	Service	Rep.u.	ct	Likely la	Total risk score	Reviewed on	Changes made during review
Investment	F17	Impact of Climate Change risk on value of Fund's investments as a result of failing to adapt to a low carbon economy, in light of IPCC's Oct 2018 report on Climate Change.	NM	2	1	3	6	4	24	TREAT.  1) Ensure fund managers are encouraged to engage and to follow the requirements of the BCPP Responsible investment Policy, more specifically its Climate Change Engagement Policy.  2) The Fund is a member of the Local Authority Pension Fund Forum (LAPFF) and all assets held within BCPP are monitored by Robeco, this facilitates engagement with companies who operate in carbon intensive industries.  3) The Fund is also part of the BCPP Climate Change Working Group.  4) Continued review of carbon exposure within current portfolio; all global indexed assets now held in the LGIM Future World Index.	1	311 33	6	1	6	Feb-22	Change to risk owner to reflect new pensions team structure. Residual likelihood reduced from 3 to 1 due to the significant work being undertaken by the Responsible Investment sub-committee and recent changes in the global indexed asset allocation.
Investment	F18	Counterparty risk within the SCC treasury management operation.	NM	2	2	2	6	2	12	5) Fund reviewing a responsible investment approach, assisted by a dedicated Responsible Investment sub-committee.  TOLERATE  1) Lending limits with approved banks and other counterparties are set at prudent levels  2 levels  2 levels (2) The pension fund treasury management strategy is based on that of SCC.	2	2 2	6	1	6	Feb-22	Change to risk owner to reflect new pensions team structure.
Investment	F19	Inaccurate cash flow forecasts or drawdown payments lead to shortfalls on cash levels and borrowing becomes necessary to ensure that funds are available.	NM	2	1	1	4	4	16	TOLERATE / TREAT-  1) Borrowing limits with banks and other counterparties are set at levels that are more than adequate should cash be required at short notice.  2) Cashflow analysis of pension fund undertaken quarterty.  3) Comply with the Pension Fund Cash Management Strategy.  4) Annual Cash flow analysis on ongoing basis.	1	1 1	4	1	4	Feb-22	Change to risk owner to reflect new pensions team structure.  Inherent likelihood increased from 2 to 4 due to chane in the asset allocation with more exposure to private market assets.
Governance	F20	Failure to take difficult decisions inhibits effective Fund management.	Head of Accounting and Governance (Paul Titcomb (PT))	3	2	4	9	3	27	TREAT.  I) Ensure activity analysis encourages decision making on objective empirical evidence rather than emotion.  I) Ensure that basis of decision making is grounded in ISS/FSS/Governance statement/Responsible investment policy and that appropriate advice is sought.  I) Ensure the Governance Matrix is made visible to all stakeholders in the pension fund enabling clear identification of roles and responsibilities.	2	2 4	9	2	18	Feb-22	Change to risk owner to reflect new pensions team structure.
Governance	F21	Implementation of proposed changes to the LGPS (pooling) does not conform to plan or cannot be achieved within time scales.	PT	1	2	4	7	4	28	TREAT / TOLERATE  1) Officers consult and engage with DHULC, 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.  4) Recent government guidance continues to endorse pooling.	2	2 4	7	3	21	Feb-22	Change to risk owner to reflect new pensions team structure.
Governance	F22	Changes to LGPS regulations.	PT	3	2	1	6	3	18	TREAT / TOLERATE- 1) Impact on contributions and cashflows will considered during the 2019 valuation process. 2) Fund will respond to consultations and statutory guidance. 3) Impact of LGPS (Management of Funds) Regulations 2016 to be monitored.	2	2 1	6	2	12	Feb-22	Change to risk owner to reflect new pensions team structure.
Governance	F23	Change in membership of Pension Fund Committee or Local Pension Board leads to dilution of member knowledge and understanding.	PT	4	2	1	7	4	28	TREAT 1) Ongoing training of Pension Fund Committee and Local Pensions Board members. 2) Pension Fund Committee and Local Pensions Board new member induction programme. 3) Enhance the training for the new and existing Pension Fund Committee and Local Board members. As each bodies members are new to their respective roles.	2	2 1	7	2	14	Feb-22	Change to risk owner to reflect new pensions team structure.
Governance	F24	That the Border to Coast Pensions Partnership disbands or the partnership fails to produce a proposal deemed sufficiently ambitious.	PT	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. 3) Engage with advisors throughout the process.  TEFAT.	2	2 4	9	1	9	Feb-22	Change to risk owner to reflect new pensions team structure.
Governance	F25	Failure to comply with legislative requirements e.g. ISS, FSS, Governance Policy, Freedom of Information requests.	PT	4	1	4	9	2	18	ITEAH:  1) Publication of relevant documents on external website.  2) Managers monitored on their compliance with ISS and IMA.  3) Pension fund committee and Local Pension Board self-assessment to ensure awareness of all relevant documents.  4) Annual audit review.  5) Pension team reorganisation has provided additional resource in this area.	- 1	1 4	9	1	9	Feb-22	Change to risk owner to reflect new pensions team structure.
Governance	F26	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.	PT	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 2) Officers to carry out annual measurement against TPR code of conduct.	1	1 4	6	1	6	Feb-22	Change to risk owner to reflect new pensions team structure.
Delivery	F27	Concentration of knowledge in small number of officers and risk of departure of key staff.	Head of Service Delivery (Colette Hollands (CH))	2	з	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 and Local Pension Board will be mindful of the proposed CIPPA Knowledge and Skills Framework and appropriate IPR Codes of Conduct when setting objectives and establishing training needs. 4) Skills Matrices completed by all staff and standardised Personal Development Plans being introduced.	3	3 2	7	3	21	Feb-22	*Change to risk owner to reflect new pensions team structure.
Delivery	F28	Failure to hold personal data securely.	NM/PT/CH	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) Plansing out of holding records via paper files.  3) Plansings Admin records are locked daily in a secure safe.  4) SCC IT data security policy adhered to.  5) SCC carry's out Security Risk Assessments.  6) Pension Fund custodian proactively and reactively identify and respond to cyber threats.	1	1 4	6	2	12	Feb-22	Change to risk owner to reflect new pensions team structure.
Delivery	F29	Inaccurate information in public domain leads to damage to reputation and loss of confidence.	NM/PT	1	1	4	6	3	18	TREAT.  I) 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.	1	1 4	6	2	12	Feb-22	Change to risk owner to reflect new pensions team structure.
Delivery	F30	Financial failure of third party supplier results in service impairment and financial loss.	PT	2	2	2	6	3	18	TOLERATE- 1) Preformance of third parties (other than fund managers) monitored. 2) Pregular meetings and conversations with Northern Trust take place. 2) Actuarial and investment consultancies are provided by two different providers.	2	2 2	6	2	12	Feb-22	Change to risk owner to reflect new pensions team structure.
Delivery	F31	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	PT	1	1	4	6	3	18	TREAT / TOLERATE -  1   Tolerand   Tolerand	1	1 4	6	1	6	Feb-22	Change to risk owner to reflect new pensions team structure.
Delivery	F33	Failure to deliver an accurate and effective pension administration service.	СН	4	3	4	11	4	44	TREAT -  1) Improve metrics to better measure performance and monitor the pension administration service.  2) The pension administration function is being thoroughly overhauled by the Turnaround Programme (April 2020).  3) Weekly meetings of the Turnaround Programme are held to monitor performance and set priorities.	3	3 4	11	3	33	Feb-22	Change to risk owner to reflect new pensions team structure.