

| Risk No. | Risk Description | Risk Identification | | Inherent Risk Scoring | | | Existing Risk Controls | Residual Risk Scoring | | | Further Risk Controls |
|----------|------------------------|--|--|-----------------------|--------|------------|--|-----------------------|--------|------------|---|
| | | Risk Causes | Risk Consequences (Effect) | Likelihood | Impact | Risk Score | | Likelihood | Impact | Risk Score | |
| 1 | Long term market risk | <ul style="list-style-type: none"> • Inappropriate strategic asset allocation • Inability to implement strategic asset allocation • Poor fund manager performance • Fundamental long-term events e.g. climate change, systemic risk, inflation • Covid-19 • Inappropriate products developed by the Border to Coast Pension Partnership • Inappropriate (too high) expectations | <ul style="list-style-type: none"> • Asset values do not meet expectations • Employer contributions forced to increase above expectations or by a large amount at short notice • Investment risk is forced to increase • Future benefits cannot be paid by the Fund out of existing assets • Positive inflation would increase liabilities and potentially asset values | 4.00 | 5.00 | 25.00 | <ul style="list-style-type: none"> • BAU policy and governance arrangements including the setting of an appropriate investment strategy and funding strategy, the use of professional staff, consultants, and advisers, quarterly reporting to committee, appropriate asset allocation. • Only anticipate long-term returns on a relatively prudent basis to reduce risk of under-performing • Engagement with Border to Coast - developing funds and monitoring fund performance. • Appropriate monitoring of investment behaviour and performance. • Introduction of a climate risk policy in 2020/21 • Inflation is a key feature of investment strategy review and monthly monitoring of the portfolio • Strategic Asset Allocation reviewed as at March 2022 | 4.00 | 4.00 | 20.00 | <ul style="list-style-type: none"> • Review climate risk and responsible investment policy and evaluate exposure to climate risk and other Environmental, Social and Governance factors. • Regular review of Strategic Asset Allocation |
| 2 | Short term market risk | <ul style="list-style-type: none"> • Significant reductions in asset values • Active management (BCPP) • Rapid changes in the economic environment • Inappropriate asset allocation • Poor fund manager performance • Covid-19 • Global political and trade tensions • Brexit • Asset bubbles • Poor fund development and procurement • Natural fund and market volatility • Possibility of market values reducing to the long-term average | <ul style="list-style-type: none"> • Asset values do not meet expectations • Cashflow requirements cannot be met efficiently or effectively • Being unable to meet payment deadlines • Being forced to sell assets under distress • Being unable to pay benefits to members due to liquidity constraints • Introducing volatility to employer contributions or those employers close to exit | 5.00 | 3.00 | 18.00 | <ul style="list-style-type: none"> • Diversification of assets • Regular committee and officer monitoring of investment asset allocations and fund manager performance relative to benchmarks and absolute. • Cashflow planning to avoid selling assets under distress • Maintain sufficient allocation to liquid assets. • Long term approach to employer contributions, promoting their stability • Rota of fund manager presentations to the investment subcommittee. | 3.00 | 2.00 | 8.00 | <ul style="list-style-type: none"> • Regular review of Strategic Asset Allocation. |
| 3 | Financial mismatch | <ul style="list-style-type: none"> • Fund assets fail to grow in line with the developing cost of meeting liabilities • Inadequate contributions asked of employers • Employers do not pay contributions required • Investment returns lower than expected • Inflation risk • Inappropriate funding assumptions used • Actual membership experience materially different from expectations • Incorrect membership or cashflow data used to determine funding strategy • Cashflow negative | <ul style="list-style-type: none"> • Funding level deteriorates • Higher investment risks being taken • Employer contributions increasing • Being unable to pay benefits to members out of fund assets | 2.00 | 5.00 | 15.00 | <ul style="list-style-type: none"> • Fund valuation process driving an updated Investment Strategy and Funding Strategy on a periodic basis. • Triennial valuations for all employers • 6-monthly reporting on funding evolution to Committee, using rolled-forward liabilities. • Annual monitoring of longevity risk via Club Vita participation. • Use of professional advisors to support setting of appropriate funding assumptions. • Asset liability modelling focuses on probability of success and level of downside risk | 1.00 | 5.00 | 10.00 | <ul style="list-style-type: none"> • 2022 revaluation preparedness review during 2021/22 • Understand the assumptions used in any analysis and modelling. Compare these with own views and risk levels. • Annual data quality review |

| | | | | | | | | | | | |
|----|--|--|--|------|------|-------|--|------|------|-------|--|
| 4 | Employer risk | <ul style="list-style-type: none"> Orphaned employers Covid-19 General economic / financial pressure on employers Deterioration in employer financial positions Deterioration in quality of employer administration function Inadequate support from the Fund to employers Inadequate monitoring of employers by the Fund Admissions agreements inadequate or not agreed Employer contribution rates higher than deemed affordable Some significant changes in employer base (e.g. large staff transfers between employers, and a large number of further academy conversions expected in the next year) | <ul style="list-style-type: none"> Employers cannot pay the required contributions because contribution requirements increase too quickly or too far Employers cannot pay the required contributions because employer financial viability reduces Increased administration costs Reputational damage to the Fund and to employers Paying employers having to pick up costs of non paying employers Liabilities falling back to underwriting employers Overly cautious investment strategy requiring higher contribution rates | 3.00 | 3.00 | 12.00 | <ul style="list-style-type: none"> Cessation debt or security/guarantor Spread pro-rata among all employers Employer covenant review Stabilisation mechanism to limit sudden increases in contributions Breaches monitoring Employer training day Fund AGM Admissions and Terminations Policy Cashflow planning to provide cashflow resilience if contributions reduce FSS having appropriate regard to risk and meeting the Funds objectives | 3.00 | 2.00 | 8.00 | <ul style="list-style-type: none"> Review and enhance breaches monitoring Additional liaison with known future employers on pension fund matters iConnect implementation |
| 5 | Pooling objectives not met | <ul style="list-style-type: none"> Failure to monitor the delivery of pooling benefits. Failure to assess benefits when making pooling decisions. Failure to influence fund design discussions Partner funds not collectively holding the pool to account Pool fails to deliver on objectives Pool does not deliver further alternatives products at pace or implement existing commitments at pace Staff turnover and recruitment challenges | <ul style="list-style-type: none"> Lack of appropriate products for the Fund to invest in Investment in products that do not meet the objectives of the Fund Persistent and unaddressed fund performance issues | 3.00 | 3.00 | 12.00 | <ul style="list-style-type: none"> Engagement at Joint Committee, Section 151 meetings, and operational officer groups Exercising shareholder rights and responsibilities Engaging with other partner funds in the pool Pooling decisions made by Investment Sub-Committee Border to Coast attendance at and performance reporting to investment subcommittee meetings Independent due diligence of funds offered, and ongoing monitoring of the Pool | 3.00 | 3.00 | 12.00 | <ul style="list-style-type: none"> Input into the development of new products - in particular property, alternatives, and products having regard to RI and climate change Documentation of the Fund's position on product developments |
| 6a | Covid Pandemic (Investment Related) | <ul style="list-style-type: none"> Covid-19 pandemic (financial pressure on individuals and institutions, and more transactions being made online) Further restrictive lockdowns Staffing capacity impacted by both short- and long-term health implications of infection Risk of a new unrelated pandemic | <ul style="list-style-type: none"> | 5.00 | 5.00 | 30.00 | <ul style="list-style-type: none"> IT systems supporting remote and flexible working Fund policies that account for the scenario experienced Higher profile for cashflow management, and retain cash buffer to mitigate liquidity risk Maintain diversified portfolio of assets, and regularly monitor performance of assets and wider market | 4.00 | 3.00 | 15.00 | <ul style="list-style-type: none"> Use of extraordinary committee or board meetings where necessary Continue to develop flexible and remote working practices Review electronic signatory processes |
| 6b | Covid Pandemic (Administration and People Related) | <ul style="list-style-type: none"> Covid-19 pandemic (financial pressure on individuals and institutions, and more transactions being made online) Further restrictive lockdowns Staffing capacity impacted by both short- and long-term health implications of Infection Risk of differing views (at the level of individuals and organisations) about how to manage risks post-lockdown, for example whether to hold physical or virtual meetings Risk of a new unrelated pandemic | <ul style="list-style-type: none"> Members do not receive a high-quality service Business interruption High costs in order to maintain service resilience Staff health, wellbeing and productivity Impairment of the financial situation of employers Inability to make quick decisions in an emergency | 5.00 | 5.00 | 30.00 | <ul style="list-style-type: none"> Office presence for processes that require it (e.g., physical post) IT systems supporting remote and flexible working Flexible working policies for staff Health and safety protocols for staff Fund policies that account for the scenario experienced | 3.00 | 3.00 | 12.00 | <ul style="list-style-type: none"> Use of extraordinary committee or board meetings where necessary Continue to develop flexible and remote working practices Review electronic signatory processes |

| | | | | | | | | | | | |
|----|---------------------------------------|--|--|------|------|-------|---|------|------|-------|---|
| 7 | Inability to meet demand for activity | <ul style="list-style-type: none"> • Growth in membership numbers • Growth in employer numbers • Growth in complexity and difficulty of employer issues • New and complex LGPS regulations (e.g. McCloud, £95k exit cap) • Increasing value of fund investments • Increasing complexity of fund investments • Erosion of staff capacity/resilience due to long term remote working • Inability to recruit / retain appropriately skilled staff • Inability of the Fund officers to keep up with demand (capacity or skills) • Persistently increasing customer expectations • Unpopular government decisions impacting on LGPS • Inability to secure agreement to increasing resources • Capacity at contract / service providers | <ul style="list-style-type: none"> • Quality of services reduces • Governance failures • Key administration performance measures not met • Sub optimal investment decisions made | 5.00 | 3.00 | 18.00 | <ul style="list-style-type: none"> • Medium term forecasting of demand and planning for the capacity and resources required • Investing in quality and productivity of staff through training and development • Investing in systems development • Use of management information to monitor and manage performance • Succession planning • Procuring appropriate services through contracts • KPI and workload monitoring for administration team • staff training • Data quality reviewed annually • Maintenance of governance arrangements and actions • Responding to Government consultations • Independent Pensions Specialist tender being progressed - Post now filled | 4.00 | 3.00 | 15.00 | <ul style="list-style-type: none"> • McCloud project (already commenced) • 2022 Revaluation preparedness review during 2021/22 • Introduction of medium term resource planning (Admin and investment) - - - Implementation of Member Self Service (MSS) • Investing in systems development and systems thinking |
| 8 | Business interruption | <ul style="list-style-type: none"> • Covid-19 • Industrial action • Small specialist teams with single person risks • Significant changes in adviser and consultant personnel • Further high impact Covid events (e.g. infection waves, lockdowns) • Lack of systems maintenance • Systems failure • Covid impact on Fund staff • Disaster event - fire, flood, etc • Lack of remote working facilities • Risk of another pandemic unrelated to Covid | <ul style="list-style-type: none"> • Delays in decisions or their implementation • Failure to meet performance targets • Reputational damage • Data quality deterioration • Workload backlogs • Significant restoration costs • Asset allocation drifts off target • Fund investment risks and performance cannot be monitored | 3.00 | 4.00 | 16.00 | <ul style="list-style-type: none"> • Building resilience requirements into service contracts • Digital record keeping • Storing data backups off site • Custodian holding investment data • Maintaining close links with advisers, consultants, and external organisations. • Use of IT systems to work remotely | 2.00 | 3.00 | 9.00 | <ul style="list-style-type: none"> • Implementation of Cyber Security policy • Review and update disaster recovery plan • Completion of documentation of investment practices • Business continuity planning session with consultants |
| 9 | Cyber Security | <ul style="list-style-type: none"> • Systemic cybersecurity events (e.g. taking down financial trading institutions globally) • Local cyber security events (e.g. targeting the Council) • Personal cyber security events (e.g. phishing emails targeting staff) • Inadequate system security • Inadequate staff training and staff vigilance | <ul style="list-style-type: none"> • Loss of data and/or data disruption • Reputational damage • Breaches of the law • Fines • Costs of fixing issues • Business interruption | 4.00 | 5.00 | 25.00 | <ul style="list-style-type: none"> • Use of scheme administrator systems and system security • Staff training • Bespoke Fund Cyber security policy | 3.00 | 4.00 | 16.00 | <ul style="list-style-type: none"> • Implementation of Cyber security policy • Arrange for IT to test our systems • Arrange for an audit once Member Self Service is live |
| 10 | Climate Change | <ul style="list-style-type: none"> • Net global carbon production in excess of Paris Agreement 2 degree target • Policy responses and actions globally and nationally to combat climate change or to build resilience to it • Fund actions or inactions exacerbating climate change and its impact | <ul style="list-style-type: none"> • Expected transition to a low-carbon economy • Impact on the value of assets held, for example stranded/obsolete assets, or impact on the productivity and profitability of certain sectors, companies, etc | 5.00 | 5.00 | 30.00 | <ul style="list-style-type: none"> • Fund considers this when allocating assets and appointing Fund Managers • Global, national and industry regulations • Climate Risk Strategy • ESG Policy • Regular training on Climate Risk and mitigation actions • BCPP sign up to net zero carbon by 2050 | 4.00 | 4.00 | 20.00 | <ul style="list-style-type: none"> • Review and update climate risk policy • Review 2020 UK Stewardship Code requirements and take steps to become a signatory • Develop Fund actions and response to Task |

| | | | | | | | | | | | |
|----|--------------------|---|---|------|------|-------|---|------|------|--|---|
| | | | <ul style="list-style-type: none"> Impact on future quality of life and life experience (e.g. longevity) of members Impact on future inflation and value of benefits paid to members | | | | | | | <ul style="list-style-type: none"> Force on Climate Related Financial Disclosures (TCFD) requirements Develop robust reporting metrics and set targets for driving change. | |
| 11 | Data Quality | <ul style="list-style-type: none"> McCloud impact Persistently increasing customer service expectations Covid impact on member health and wellbeing - increasing the adverse impact of any problems with pensions Member benefits paid incorrectly Employer contributions higher than deemed affordable or thought necessary Inadequate data quality Inadequate administration systems and processes Poor data provided by employers | <ul style="list-style-type: none"> Inadequate payroll services Overly cautious investment strategy requiring higher employer contributions Incorrect benefit payments to scheme members Complaints and disputes from scheme members Negative reputational impact | 3.00 | 3.00 | 12.00 | <ul style="list-style-type: none"> Administration governance review actions and maintenance of those standards SLA with Council payroll service Maintenance of Fund website Funding Strategy having appropriate regard to risk and the meeting of Fund objectives Data quality scores and reviews Staff training Performance monitoring of employer data quality Performance monitoring of administration team KPIs iConnect implemented | 2.00 | 2.00 | 6.00 | <ul style="list-style-type: none"> UK Stewardship Code 2020 Member Self Service project Light review of compliance with Code of Practice 14 |
| 12 | Fraud | <ul style="list-style-type: none"> Covid-19 impact on the application of controls in the Fund or with employers Increased financial pressure on individuals due to Covid-19 and its impact on the economy and jobs The passing of time since any previous targeted review of Fraud risk Fraud instigated by any Fund stakeholders, e.g. members, private financial advisers (scams), officers, fund managers, custodian, and employers. | <ul style="list-style-type: none"> Members lose benefits to fraudsters Reputational risk Time spent unpicking the fraud Fraudulent members gain benefits they are not entitled to Fund incurs costs to recover losses Investment assets lost to fraud or irregularity Investment losses not reported if covered up | 3.00 | 3.00 | 12.00 | <ul style="list-style-type: none"> Application of Administering Authority code of conduct to fund officers, fraud strategy, and whistleblowing policy Application of division of duties and signatory processes for financial transactions and administration Periodic independent internal audit reviews of administration and investment activity and controls Annual external audit reviews Financial industry regulatory regimes governing fund manager conduct and processes Fraud, Bribery and Corruption Framework Employer's fines | 2.00 | 3.00 | 9.00 | <ul style="list-style-type: none"> Internal audit of fraud arrangements Fraud risk review in 2021/22 Test payments to ensure that the bank details provided are appropriate |
| 13 | Governance Failure | <ul style="list-style-type: none"> Lack of capacity to service governance requirements Lack of training Lack of continuity in staffing, advisers, or committee / board members Inadequate checking/review of standards compared to requirements and best practice Complacency in light of recent governance improvements Out of date policies and contracts Local government elections impact on committee continuity Covid-19 - impact on officer, adviser, and committee/board personnel health and availability Uncertainty around overall governance structure and responsibility for decision | <ul style="list-style-type: none"> Adverse impact on Fund reputation Exposure to unplanned risks or poor administration and investment performance Breaches of the law Poor decisions Decisions that are not appropriately authorised Customer dissatisfaction | 3.00 | 4.00 | 16.00 | <ul style="list-style-type: none"> Training plans for committees, Board, and staff Quarterly committee and Board meeting cycles Training needs analysis All training provision to be made available to all committee and Board members Management of a Contracts register Management of a Fund policy schedule Quarterly risk monitoring at committee and board Quarterly monitoring of Business Plan delivery at board Use of digital technology - remote working and remote meetings Responding to government consultations Recruitment to Local Pension Board vacancy | 3.00 | 3.00 | 12.00 | <ul style="list-style-type: none"> Signing up to UK Stewardship Code 2020 Light review of compliance with Code of Practice 14 Use of National Knowledge Assessment to inform training plan Simplification of governance to a single action plan and single risk register Review of committee arrangements and Terms of Reference Review capacity to support Fund Governance requirements Review account reporting timescales |

| | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|
| | | making and actions • Unpopular government decisions impacting on LGPS Inability to sign off pension fund accounts | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|