

Notes on the Risk Register
<ol style="list-style-type: none"> 1. The full Pension Fund Risk Register is set out in the table below. 2. Risk assessment criteria are shown in the table on the right. 3. Significant changes to the risk register are highlighted in the column on the far right along with any outstanding actions to mitigate the risk.

Factor & Description		Financial impact	Likelihood
5	Critical	Over £15m	Highly Probable – more than once a year
4	Major	£5m - £15m	Probable – once a year
3	Moderate	£1m - £5m	Possible – every 1-3 years
2	Minor	£0.5m - £1m	Unlikely – every 3-5 years
1	Insignificant	£0.5m	Remote – over 5 years

Ref	Risk (and type)	Potential Impact	Gross Risk Score			Mitigating Controls	Net Risk Score		
			Gross Total Impact Score	Gross Likelihood Score	Gross Risk Score		Net Total Impact Score	Net Likelihood Score	Net Risk Score
1	The pension fund assets may fail to grow in line with the developing cost of pension fund liabilities, leading to an adverse financial impact on the pension fund (Asset & Investment Risk).	Financial	5	5	25	<ol style="list-style-type: none"> 1. Investment Strategy Statement (ISS) Approach to Risk. 2. ISS Counterparty Risk Acceptability. 3. Adoption of Myners Principles of Investment Decision Making and Disclosure. 4. Local Pension Board reviews activity of the Pension Committee. 5. Professional advice from Investment Consultants & Independent Advisor. 6. Extensive due diligence before any investment manager appointment. 7. Range of underlying investment managers to spread risk. 8. Diversified allocation of assets. 9. Investment in both public and private markets. 10. Investment advisor reviews the portfolios of the investment managers on a regular basis. 11. Performance monitoring. 12. Regular cashflow monitoring. 13. Regular monitoring to ensure that funding objectives are achieved. 14. Investment Advisors reports to Pension Fund Committee quarterly. 15. Quarterly performance figures of the investment managers are reported and challenged at the Pension Fund Committee. 16. Investing in assets which produce cashflows or withdrawing cash from fund managers. 17. Triennial assessment of liabilities by Fund Actuary. 	5	2	10

2	A counterparty may default in meeting its obligations, leading to an adverse financial impact on the pension fund (Asset & Investment Risk).	Financial	5	3	15	<ol style="list-style-type: none"> 1. Spreading of investments across different counter parties reduces risk of defaults being material. 2. Investments made through Treasury Management (TM) Team are done in line with TM strategy and policy. 3. Due diligence before appointing counterparty. 4. Appointment of pension fund custodian. 5. Cash balances are invested in line with the Council's Treasury Management Strategy. This sets out the maximum principal sums which can be invested and the maximum time limits which can be placed with each financial institution. 6. The TM team reviews and monitors the Council's TM Strategy and updates counterparties in line with information supplied by the Council's TM Advisers. 7. Uninvested cash held by custodian retained in segregated account. Tier 1 capital requirements for custodian. 	5	1	5
3	Inappropriate investment in breach of the Fund's environmental, social or governance (ESG) principles , leading to reputational damage (Asset & Investment Risk).	Financial and reputational	5	5	25	<ol style="list-style-type: none"> 1. Environmental, Social & Governance Policy through the fund's Investment Strategy Statement. 2. Environmental, Social & Governance factors form part of asset manager selection rationale. 3. Reporting from current investment managers includes details of voting activity. BCPP Ltd publish voting activity quarterly. 4. Responsible Investment Policy agreed with BCPP Ltd and jointly owned with partner funds. 	5	2	10

4	Risk that the amount of money needed to meet the fund's liabilities turns out to be greater than expected, leading to an adverse financial impact on the pension fund (Liability Risk).	Financial	5	4	20	<ol style="list-style-type: none"> 1. Investment in a range of assets. 2. Inflation linked income, subject to a tolerable level of volatility. 3. Actuary takes a long -term view. 4. Ongoing liaison with the actuary. 5. Regular liaison with affected employers. 6. Investing in assets which produce cashflows or withdrawing cash from fund managers. 7. Regular cashflow monitoring. 8. Quarterly reporting to Pension Fund Committee. 9. Targeting returns in excess of the discount rate. 	5	2	10
5	Scheme employers may not meet their contribution requirements as they fall due, leading to an adverse financial impact on the pension fund (Employer Risk).	Financial	3	4	12	<ol style="list-style-type: none"> 1. Annual returns reconciled to monthly payments. 2. As part of the process for the actuary's triennial valuation, bodies have opportunity to discuss funding. 3. Use of bonds and guarantees. 4. The Fund considers admittance of admitted bodies, following process to manage risk of each admission. 5. Actuary calculation of the bond options (with DCC making final choice). 6. DfE guarantee regards Academy participation 7. Subsumption guarantee from biggest participating employer for a number of smaller participants. 	3	2	6

6	Scheme employers may fail to administer the scheme efficiently , leading to disruption to the discharge of administering authority functions (Employer Risk).	Service delivery	1	5	5	<ol style="list-style-type: none"> 1. Clear communication of requirements to scheme employers. 2. Electronic processing offered to all employers improving efficiency and ease of administration. 3. As part of the process for the actuary's triennial valuation, bodies have opportunity to discuss funding. 4. The Fund considers admittance of admitted bodies, following process to manage risk of each admission. 	1	3	3
7	Potential lack of resources / skills , leading to disruption to the discharge of administering authority functions (Resource and Skill Risk).	Service delivery	2	4	8	<ol style="list-style-type: none"> 1. Training for Pension Fund Committee and Local Pension Board. 2. Appropriately qualified staff in key roles. 3. Segregation of duties among pensions staff. 4. Fit for purpose staffing structure in place. 5. Training budget in place. 6. Greater collaboration with Border to Coast Partner Funds and pool's 2030 strategy 	2	2	4
8	Risks associated with asset pooling through Border to Coast	Financial	5	3	15	<ol style="list-style-type: none"> 1. BCPP Ltd is a Financial-Conduct Authority regulated operator and alternative investment fund manager. 2. Delay transition of assets during set up period, until necessary conditions for investment are met. 3. PF Committee consider risks of investment and approve transitions into BCPP Ltd. 4. Due diligence on sub-funds in conjunction with investment consultants. 5. Part owners/control – fund represented on BCPP Joint Committee by Pension Fund Committee Chair, statutory officer groups, senior pension officer groups and AGM. 6. Transitions managed by externally appointed Transitions Manager. 7. Continued availability of external management within BCPP investment offerings (linked to control 5). 	5	2	10

9	A serious ICT failure , leading to disruption to the discharge of administering authority functions (Administrative Risk).	Service delivery	4	4	16	<ol style="list-style-type: none"> 1. Universal Pensions Management computer database system and ResourceLink system (pension payments) are supported by DCC ICT service for systems security. 2. UPM computer database system and ResourceLink system (pension payments) are covered by the Resources BCP. 3. Back up data centre is in place. 4. Extensive Corporate controls. 5. Business Continuity Plans in place for pension fund's administration and accounting functions. 	2	2	4
10	Poor standards of data quality , leading to disruption to the discharge of administering authority functions (Administrative Risk).	Service delivery	3	5	12	<ol style="list-style-type: none"> 1. Actuary gets annual reports and checks the figures against these. 2. Collection of member data through automated monthly process for large employers. 3. Internal checking and validation procedures. 4. Checking and validation by the Actuary. 5. Annual data quality report to regulator 	2	4	8
11	Serious breach of law regarding management of data/information , including an unauthorised release requiring notification to ICO, leading to disruption to the discharge of administering authority functions (Administrative Risk).	Service delivery and reputational	5	5	25	<ol style="list-style-type: none"> 1. Corporate Information Governance Group oversees policies, procedures & activities. 2. Comprehensive training to officers and members. 3. Data breach procedure in place. 4. Formal appointment of Senior Information Risk Owner to provide senior authority on information governance. 5. Assurance obtained from third party suppliers & contractors on compliance with relevant legislation. 6. Data Protection Officer appointed as required by the GDPR legislation. 7. Access levels in system set up for individual users. 8. Secure data exchange for transmission of data with actuary. 	4	2	8

12	A successful cyberattack , leading to disruption to the discharge of administering authority functions (Administrative Risk).	Service delivery	4	4	16	<ol style="list-style-type: none"> 1. The LGPS application is hosted on premise at the Council's Data Centre and is covered by corporate cyber security measures. 2. Strategic co-ordination of IT - business continuity incident management ensures clear system recovery priorities and staff redeployment. 3. User awareness of social engineering and telephone -based cybercrime. 4. Staff training and awareness. 5. Software support agreements in place. 6. Anti-Virus, Anti-spam, Spyware software protection in place. 7. Regular Intrusion Detection test. 8. Firewalls. 9. Password protection. 10. Email scanning for known phishing exploits and staged phishing exercises. 11. Cyber Security Steering Group. 	4	2	8
13	Serious incident of fraud / corruption in the administration function, leading to an adverse financial impact on the pension fund (Administrative Risk).	Financial	3	3	9	<ol style="list-style-type: none"> 1. Segregation of duties among administering authority staff. 2. Monthly reconciliations. 3. Fraud awareness training. 4. Participate in National Fraud Initiative data matching exercises. 5. Rigorous checks of supporting documentation (e.g., death certificate). 6. Pre-employment checks. 	3	1	3

14	<p>Material non-compliance with some elements of pensions legislation may result in specific penalties or sanctions, leading to an adverse financial impact on the pension fund (Regulatory and Compliance).</p>	Financial and reputational	3	4	12	<ol style="list-style-type: none"> 1. Participation in regional Pension Officer forums. 2. Subscription to Local Government Association circulars. 3. Professional advice taken from the Fund's Actuary and investment consultants, as well as the admin authority's Legal team. 4. Staff training. 5. Subscription to providers' legislative updates. 	2	2	4
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