

TEESSIDE PENSION FUND

RISK REGISTER

Risk Group	Risk Ref.	Risk Description	Risk Type	Impact			Likelihood	Total risk score	Mitigation Actions	Revised Likelihood	Net risk score	
				Fund & Reputation	Employers	Members						Total
Administration	1	OUTSOURCED MEMBER ADMIN FAILURE. Kier Service fails to the point where it is unable to deliver its contractual services to employers and members	MEMBER ADMIN	1	1	4	4	4	16	MBC strategic finance are doing a full Kier plc current financial health and their general ability to manage financial distress. In addition a contractual, and disaster recovery and business continuity reviews are being undertaken, as it is being proposed to extend their contract to 2024. It is recommended a tactical plan is in place to ensure existing outsourced services can be adequately continued for MBC, and existing contractual arrangements revised to support these tactics.	4	16
Funding	2	INFLATION. Price inflation is significantly more than anticipated: an increase in CPI inflation by X % will increase the liability valuation by Y %	FUNDING	4	4	4	4	4	16	In assessing the member liabilities, the tri-ennial Fund Actuary assumptions made for inflation are "conservatively" set based on independent economic data, and hedged against by setting higher investment performance targets.	3	12
Funding	3	UNANTICIPATED PAY RISES. Increases are significantly more than expected for employers within the Fund.	COST	4	4	1	4	4	16	1) Fund employers will monitor own experience. 2) Tri-ennial Actuarial valuation Assumptions made on pay and price inflation (for the purposes of IAS19/FRS102 and actuarial valuations) will be long term assumptions, any employer specific assumptions above the actuaries long term assumption would lead to further review. 3) Employers are made aware of generic impact that salary increases can have upon final salary linked elements of LGPS benefits.	3	12
Funding	4	ADVERSE ACTUARIAL VALUATION. Impact of increases to employer contributions following the actuarial valuation	ACTUARIAL	3	4	1	4	4	16	Interim valuations provide early warnings	3	12
Investment	5	GLOBAL FINANCIAL INSTABILITY. Outlook deteriorates in advanced economies because of heightened uncertainty and setbacks to growth and confidence, with declines in oil and commodity prices. Leading to tightened financial conditions, reduced risk appetite and raised credit risks.	ESG	4	4	1	4	4	16	On-going TPF management of the Fund, is constantly reviewing investment market volatility and other economic data to determine the imminent likelihood of a market correction. With a high market volatility and adverse economic indicators the investment asset holdings are adjusted to mitigate against the impact of a market correction.	3	12
Investment	6	POLITICAL RISK. Significant volatility and negative sentiment in investment markets following the outcome of adversely perceived political changes.	ESG	4	4	1	4	4	16	On-going TPF management of the Fund, is constantly reviewing investment market volatility and other economic data to determine the imminent likelihood of a market correction. With a high market volatility and adverse economic indicators the investment asset holdings are adjusted to protect and mitigate against the impact of a market correction due to adverse political scenarios.	3	12
Investment	7	INVESTMENT CLASS FAILURE. A specific industry investment class/market fails to perform in line with expectations leading to deterioration in funding levels and increased contribution requirements from employers.	INVESTMENT STRATEGY	4	4	1	4	4	16	On-going TPF management of the Fund, is constantly reviewing investment sector performance, volatility and other key data to determine the imminent likelihood of a sector failure, which is largely mitigated against by having a diversified investment strategy portfolio to limit the impact of class failure. With a high sector volatility and adverse indicators the investment asset holdings are reviewed and tactically adjusted to mitigate against the impact of a market class failure.	3	12
Investment	8	BREXIT DESTABILISATION. Volatility caused by uncertainty with regard to the withdrawal of the UK from the European Union and its after effects	ESG	4	3	1	4	4	16	On-going TPF management of the Fund, is constantly reviewing investment market volatility and other economic data to determine the imminent likelihood of a market correction due to Brexit. With a high market volatility and more adverse economic indicators the investment asset holdings are adjusted to mitigate against the impact of a market correction.	3	12
TPF Resources & Skills	9	KEYMAN RISK. Concentration of knowledge & skills in small number of officers and risk of departure of key staff - failure of succession planning	SKILLS	4	1	1	4	4	16	In preparation for the pooling of investment assets to BCPP, satisfactory TPF resources and staff organisation are now in place; the new organisation has in place two new Deputy positions. These act to support and be expected to deputise as required for the Head of Investments, Governance and Pensions. They will be both be filled by Summer 2018.	2	8
TPF Resources & Skills	10	INSUFFICIENT STAFF. Causes failure to have time to adopt best practice by properly developing staff and processes	SKILLS	4	4	1	4	4	16	In preparation for the pooling of investment assets to BCPP, satisfactory TPF resources and staff organisation are now in place. The new organisation has a total complement of 9 staff. With a new investment strategy of passive rather than active management, investment transaction volumes are being reduced by circa 90%.	2	8

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BCPP & Pooling	11	HIGHER THAN EXPECTED SET-UP COSTS. Higher setup and ongoing costs of BCPP and of the management associated with investment pooling arrangements (or lack of reduction compared to current costs).	COST	5	2	1	5	3	15	The LGPS partners of BCPP have governance arrangements in place, whereby the Executive Directors of BCPP have an agreed set-up budget in place to which the Executive manage against. LGPS partners monitor progress against this budget thru the monthly Joint Partnership Committee meetings. Going forward, an annual operating budget is to be set in place with agreement with the LGPS partners. Tenders for on-going suppliers and staff are all now in place.	2	10
BCPP & Pooling	12	INADEQUATE POOLING TRANSPARENCY. Lack of transparency around investment pooling arrangements	TRANSPARENCY	5	1	1	5	3	15	With the pooling of investment assets TPF staff will work closely with BCPP sub-fund asset managers and BCPP management to gain full clarity of performance, with training provided to TPF staff as required.	2	10
BCPP & Pooling	13	POOLING INVESTMENT UNDERPERFORMANCE. Investments in the investment pool not delivering the required return	PERFORMANCE	4	4	1	4	3	12	As part of the BCPP asset sub-fund due diligence, the TPF Head of Service checked the stated fund performance targets. In addition, The Head of Service and Section 151 officer, will closely monitor and review BCPP sub-fund performance on an on-going basis, as part of a formal part of the normal BCPP governance, and reported upon to TPF Committee and Panel.	3	12
BCPP & Pooling	14	POOLING SYSTEMIC RISKS. Systemic and other investment risks not being properly managed within the investment pool; for example appropriate diversification, credit, duration, liquidity and currency risks	SYSTEMS & PROCESS	4	4	1	4	3	12	As part of the BCPP asset sub-fund due diligence, the TPF Head of Service checked the stated fund targets for appropriate diversification, credit, duration, liquidity. In addition, The Pensions Head of Service and Section 151 officer, will closely monitor and review BCPP sub-fund investment elements on an on-going basis, as part of a formal part of the normal BCPP governance, and reported upon to TPF Committee and Panel.	2	8
BCPP & Pooling	15	LGPS PARTNERHIP FAILURE. Inability to reach consensus on behalf of all the administering authorities participating in the POOLING arrangements	PARTNERSHIP	4	3	1	4	3	12	The LGPS partners of BCPP, the Joint Partnership Committee, have already agreed via the Partnership Memorandum of Association and Shareholder Agreement a governance management decision process and is in place to deal with this occurring.	1	4
Funding	16	LONGEVITY. Pensioners living longer: adding one year to life expectancy will increase the future service rate by 0.8%	LONGEVITY	4	4	1	4	3	12	In assessing the member longevity and pension liabilities, the Tri-ennial Actuary assumptions made for longevity are "conservatively" set based on the latest life expectancy economic data. They are reviewed and updated at each three year Actuarial valuation. If required, further investigation can be carried out of scheme specific/employer longevity data (eg supplied by Mercer).	2	8
Funding	17	EMPLOYER FAILURE. An employer ceasing to exist with insufficient funding, or being unable to meet its financial commitments, adequacy of bond or guarantee. Any shortfall would be attributed to the fund as a whole	EMPLOYERS	2	3	3	3	4	12	1) Fund employers should monitor own experience. 2) Tri-ennial Actuarial Assumptions will account for the possibility of employer(s) failure (for the purposes of IAS19/FRS102 and actuarial valuations). Any employer specific assumptions above the actuaries long term assumption, would lead to further review. 3) Employer covenant review.	2	6
Funding	18	ADVERSE LEGISLATIVE CHANGE. Risk of changes to legislation, tax rules etc.; resulting in increases required in employer contributions	FUNDING	3	3	3	3	4	12	The Head of Investments regularly receives and reviews relevant LGPS publications advising of such potential legislative changes - this responsibility is delegated to Deputies from Summer 2018. 2) Managers are expected to comply with SIP and IMA. 3) Pension Board self-assessment to ensure awareness of all relevant documents. 4) Annual external audit highlights such changes and ensures that the Fund will become compliant with such change. 5) Kier have in place a Technical Team that participate in local and National group to review up & coming legislative change or developments and LGA announcements	2	6
Funding	19	BULK TRANSFER VALUE DISPUTE. Failure to ensure appropriate transfer is paid to protect the solvency of the fund and equivalent rights are acquired for transferring members	MEMBERS	3	4	1	4	3	12	Officers as a matter of course, are expected 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	8

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Governance	20	POOLING COMPLIANCE FAILURES. Compliance risk due to lack of understanding of guidance relating to investment pooling and/or the legislation underpinning investment pooling	COMPLIANCE	4	1	1	4	3	12	The appropriate checks have now been made by the Head of Service.	2	8
TPF Investment	21	TPF INVESTMENT UNDERPERFORMANCE. Investment Managers fail to achieve performance targets over the longer term: a shortfall of X% on the investment target will result in an annual impact of £ Y m	INVESTMENT PERFORMANCE	4	4	1	4	3	12	1) The asset allocation made up of equities, bonds, property, cash etc funds, is sufficiently diversified to limit 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) Interim valuation 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	8
TPF Resources & Skills	22	TPF OFFICER SKILLS SHORTAGE. Changes to administering authority duties as a result of POOLING, meaning employees don't have appropriate knowledge or skills	SKILLS	4	3	1	4	3	12	With the pooling of investment assets TPF staff will work closely with BCPP sub-fund asset manager, with training provided to TPF as required. In addition, TPF staff will receive additional training/skills development in non-pooled assets ie infrastructure, property.	3	12
TPF Resources & Skills	23	TPF GOVERNANCE SKILLS SHORTAGE. Lack of knowledge of Committee & Board members relating to the investment arrangement and related legislation and guidance	SKILLS	4	3	1	4	3	12	1) Succession planning process is to be implemented. 2) Ongoing training of Pension Fund Committee members to be undertaken by Officer Deputies from Summer 2018. 3) Pension Fund Committee new member have an induction programme. 4) Training is based on the requirements of CIPFA Knowledge and Skills Framework including Pooling.	2	8
TPF Resources & Skills	24	INADEQUATE BCPP OVERSIGHT. Insufficient resources to properly monitor POOLING & BCPP	SKILLS	4	4	1	4	3	12	Governance for BCPP Pooling is via The Joint LGPS Partnership Committee, with officers and Members of that Committee being 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. A key Joint Partnership Committee role, is to ensure that ongoing pooled funds and management are comprehensive and meet government and Partnership objectives.	1	4
Funding	25	INAPPROPRIATE INVESTMENT STRATEGY. Mismatching of assets and liabilities, inappropriate long-term asset allocation or investment strategy, mistiming of investment strategy	INVESTMENT STRATEGY	5	5	1	5	2	10	This is mitigated by the Tri-ennial Valuation and the engagement of Two Independent Investment Advisors.	2	10
Administration	26	GDPR COMPLIANCE BREACH. Non-compliance with GDPR regulations being introduced in 2018	DATA	3	1	1	3	3	9	Kier are currently reviewing and addressing their data protection compliance with the new GDPR 2018 regulations. Any required changes will be implemented where required. The MOU needs completing & agreement with each employer and privacy notice	2	6
Administration	27	INACCURATE DATA RECORD COLLATION. Failure to maintain proper, accurate and complete data records leading to increased errors and complaints	DATA	1	3	3	3	3	9	Kier are changing their processes to check member data much more frequently than they currently do which will highlight anomalies much earlier/	2	6
BCPP & Pooling	28	INADEQUATE POOLING DATA. Inability to gather robust, quality or timely information from BCPP	DATA	3	1	1	3	3	9	With the pooling of investment assets TPF staff will work closely with BCPP sub-fund asset managers and BCPP management to gain full clarity and reporting of performance, with training provided to TPF staff as required.	2	6
Funding	29	STRUCTURAL CHANGES TO EMPLOYER MEMBERSHIP. Risk that TPF are unaware of structural changes to an employer's membership, or changes (e.g. closing to new entrants) meaning the individual employer's contribution level becomes inappropriate	EMPLOYERS	2	3	2	3	3	9	The new Kier Employer liaison team will improve this by working closely with employers.	2	6
Operational	30	ESG REPUTATIONAL DAMAGE. Insufficient attention to environmental, social and governance (ESG) leads to reputational damage	ESG	2	1	1	2	3	6		3	6

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Operational	31	THIRD PARTY SUPPLIER FAILURE. Financial failure of third party supplier results in service impairment and financial loss	3RD PARTY	3	3	1	3	2	6		2	6
Operational	32	PROCUREMENT PROCESS CHALLENGES. 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	SYSTEMS & PROCESS	3	1	1	3	2	6		2	6
Administration	33	INSECURE DATA. Failure to hold personal data securely - i.e. data stolen	DATA	3	1	4	4	2	8	Kier have advised they are not aware of any attempted hacking events.	2	8
Administration	34	SCHEME MEMBER FRAUD. Fraud by scheme members or their relatives (e.g. identity, death of member)	FRAUD	1	1	2	2	4	8		2	4
BCPP & Pooling	35	INADEQUATE POOLING INVESTMENT EXPERTISE. Inadequate, inappropriate or incomplete investment expertise exercised over the pooled assets	SKILLS	4	4	1	4	2	8	The BCPP organisation now has in place a very experienced and capable management team and will have a full staff complement of nearly 70 staff by end of 2018.	2	8
BCPP & Pooling	36	INSUFFICIENT RANGE OF POOLING ASSET CLASSES. Insufficient range of asset classes or investment styles being available through the investment pool	RANGE	4	3	1	4	2	8	There is now in place a roll-out plan of different asset classes and engagement with BCPP to identify relevant future asset classes	2	8
Governance	37	COMMITTEE MEMBERSHIP CHANGE. Change in membership of Pension Fund Committee leads to dilution of member knowledge and understanding	GOVERNANCE	2	1	1	2	4	8	The TPF Committee have recently introduced a change that Committee members will now be in post for 4 years as opposed 1.	4	8
Governance	38	INTERNAL COMPLIANCE FAILURES. 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	COMPLIANCE	4	1	1	4	2	8		2	8
BCPP & Pooling	39	ASSET POOLING TRANSITION RISK. Loss or impairment as a result of Asset transition.	TRANSITION	3	3	1	3	2	6		2	6
Governance	40	COMPLIANCE FAILURES. Failure to comply with legislative requirements e.g. SIP, FSS, Governance Policy, Freedom of Information requests, Code of Practice 14.	COMPLIANCE	3	2	0	3	2	6		2	6
Investment	41	CUSTODY DEFAULT. The risk of losing economic rights to pension fund assets, when held in custody or when being traded. The risk might arise from missed dividends or corporate actions (e.g. rights issues) or problems arising from delays in trade settlements.	3RD PARTY	3	3	1	3	2	6		2	6
BCPP & Pooling	42	BCPP FAILURE. Failure of the operator itself, or its internal risks and controls failure of corporate governance, responsible investment, or the failure to exercise voting rights according to policy	FAILURE BCPP	5	4	1	5	1	5		1	5

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Communications	43	INACCURATE FUND INFORMATION in public domain leads to damage to reputation and loss of confidence	COMMS	2	2	1	2	2	4		2	4
Funding	44	LIQUIDITY SHORTFALLS. Risk of illiquidity due to difficulties in realising investments and paying benefits to members as they fall due.	LIQUIDITY	2	1	1	2	2	4		2	4
Governance	45	DECISION MAKING FAILURES. Failure to take difficult decisions inhibits effective Fund management	DECISION MAKING	4	2	1	4	1	4		1	4
Investment	46	CASH INVESTMENT FRAUD. Financial loss of cash investments from fraudulent activity	FRAUD	4	4	1	4	1	4		1	4
Administration	47	ICT SYSTEMS FAILURE. Prolonged administration ICT systems failure	ICT	2	2	3	3	1	3		1	3
Administration	48	CONTRIBUTION COLLECTION FAILURE. Failure to collect employee/er member pension contributions	MEMBER ADMIN	1	2	1	2	1	2		1	2
Administration	49	INADEQUATE DISPUTES RESOLUTION PROCESS. Failure to agree and implement an appropriate complaints and disputes resolution process	SYSTEMS & PROCESS	1	2	2	2	1	2		1	2
BCPP & Pooling	50	BCPP CESSATION. Partnership disbands or fails to produce a proposal deemed sufficiently ambitious.	FAILURE BCPP	2	2	1	2	1	2		1	2
BCPP & Pooling	51	POOLING CUSTODIAN FAILURE. Failure to ensure safe custody of assets	3RD PARTY	2	2	1	2	1	2		1	2
Administration	52	OFFICER FRAUD. Fraud by administration staff	FRAUD	4	1	1	1	1	1		1	1
Administration	53	EXCESSIVE ADMIN COSTS. Excessive costs of member benefit administration leads to lack of VFM and loss of reputation	MEMBER ADMIN	1	1	1	1	1	1		1	1
Administration	54	ERRONEOUS MEMBER BENEFIT CALCS. Risk of incorrect calculation of members benefits	MEMBER ADMIN	1	1	2	1	1	1		1	1
Administration	55	INADEQUATE MEMBER COMMS. Increased workload for pensions team or increased opt-outs if communications inadequate or misunderstood	MEMBER ADMIN	0	1	1	1	1	1		1	1