

# Risk Register

# Appendix C

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
Funding	1	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 triennial 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	2	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. Actuary has scope to smooth impact for most employers.	3	12
Investment	3	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	ESG	4	4	1	4	4	16	Increasing investment diversification will allow the Fund to be better placed to withstand this type of economic instability. As a long-term investor the Fund does not have to be a forced seller of assets when they are depressed in value.	3	12
Investment	4	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	Increasing investment diversification will allow the Fund to be better placed to withstand this type of political instability. As a long-term investor the Fund does not have to be a forced seller of assets when they are depressed in value.	3	12
Investment	5	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	Increasing investment diversification will allow the Fund to be better placed to withstand this type of market class failure. As a long-term investor the Fund does not have to be a forced seller of assets when they are depressed in value.	3	12
Investment	6	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	Increasing investment diversification will allow the Fund to be better placed to withstand this type of market destabilisation event. As a long-term investor the Fund does not have to be a forced seller of assets when they are depressed in value.	3	12
TPF Resources & Skills	7	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	Two Deputy positions were created in 2018/19 (although one remains to be filled). These act to support deputise as required for the Head of Investments, Governance and Pensions.	2	8
TPF Resources & Skills	8	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 Border to Coast, the team was expanded and has a total complement of 9 staff. With a new investment strategy of passive rather than active management, investment transaction volumes have significantly reduced.	2	8
Border to Coast & Pooling	9	HIGHER THAN EXPECTED COSTS OF INVESTMENT POOLING. Higher setup and ongoing costs of Border to Coast and of the management associated with investment pooling arrangements (or lack of reduction compared to current costs).	COST	5	2	1	5	3	15	Border to Coast's budget is set annually with the agreement of at least 9 of the 12 partner funds. Expenditure is monitored and reported to the quarterly Joint Committee meetings. Tenders for on-going suppliers and staff are all now in place.	2	10
Border to Coast & Pooling	10	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 Border to Coast sub-fund asset managers and Border to Coast management to gain full clarity of performance, with training provided to TPF staff as required.	2	10

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Funding	11	UNANTICIPATED PAY RISES. Increases are significantly more than expected for employers within the Fund.	COST	4	4	1	4	3	12	1) Fund employers will monitor own experience. 2)Triennial 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	2	8
Border to Coast & Pooling	12	POOLING INVESTMENT UNDERPERFORMANCE. Investments in the investment pool not delivering the required return	PERFORMANCE	4	4	1	4	3	12	The Head of Service and Section 151 officer, will closely monitor and review Border to Coast sub-fund performance on an on-going basis, as part of a formal part of the normal Border to Coast governance, and reported upon to TPF	3	12
Border to Coast & Pooling	13	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	Appropriate due diligence is carried out regarding the structure, targets, diversification and risk approach for each sub-fund before investment. In addition, The Pensions Head of Service and Section 151 officer, will closely monitor and review Border to Coast sub-fund investment elements on an on-going basis, and reported to TPF Committee	2	8
Funding	14	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 Triennial 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 carried out of scheme specific/employer longevity	2	8
Funding	15	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) Triennial 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	2	6
Funding	16	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 process of legislative change and the actuarial valuation cycle means any such change would be flagged up well in advance. The actuary has scope to mitigate any contribution increase in respect of most Fund employers.	2	6
Funding	17	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	A mechanism exists within the regulations to resolve such disputes - this should reduce the financial impact of any such event.	2	8

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TPF Investment	18	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	19	TPF GOVERNANCE SKILLS SHORTAGE. Lack of knowledge of Committee & Board members relating to the investment arrangement and	SKILLS	4	3	1	4	3	12	Pension Fund Committee new members have an induction programme and will have subsequent training based on the requirements of CIPFA Knowledge and Skills Framework including	2	8
TPF Resources & Skills	20	INADEQUATE BORDER TO COAST OVERSIGHT. Insufficient resources to properly monitor pooling & Border to Coast	SKILLS	4	4	1	4	3	12	Sufficient resources exist within the team to oversee and monitor Border to Coast. External providers are also involved, such as Portfolio Evaluation Limited and the two independent	1	4
Funding	21	INAPPROPRIATE INVESTMENT STRATEGY. Mismatching of assets and liabilities, inappropriate long-term asset allocation or investment strategy, mistiming of investment	INVESTMENT STRATEGY	5	5	1	5	2	10	This is mitigated by the Triennial Valuation and the engagement of Two Independent Investment Advisors.	2	10
Administration	22	GDPR COMPLIANCE BREACH. Non-compliance with GDPR regulations.	DATA	3	1	1	3	3	9	Data protection privacy notices have been distributed by XPS Administration. The Council has established GDPR-compliant processes and	2	6
Administration	23	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	Administration data quality is being assessed as part of the triennial valuation process, as well as being assessed regularly in order to meet Pensions Regulator requirements on scheme data	2	6
Funding	24	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 XPS Administration employer liaison team will improve this by working closely with employers.	2	6
Administration	25	OUTSOURCED MEMBER ADMIN FAILURE. XPS Administration service fails to the point where it is unable to deliver its contractual services to employers and members	MEMBER ADMIN	1	1	4	4	2	8	XPS Administration is a well-resourced established pensions administration provider which is not in financial difficulty	2	8
Administration	26	INSECURE DATA. Failure to hold personal data securely - i.e. data stolen	DATA	3	1	4	4	2	8	XPS Administration have advised they are not aware of any attempted hacking events.	2	8
Administration	27	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
Border to Coast & Pooling	28	INADEQUATE POOLING INVESTMENT EXPERTISE. Inadequate, inappropriate or incomplete investment expertise exercised over the pooled assets	SKILLS	4	4	1	4	2	8	Border to Coast has completed recruitment of experienced and capable management team, alongside most of its final expected complement of 70 staff.	2	8

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Border to Coast & Pooling	29	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 Border to Coast to identify relevant future asset classes	2	8
Governance	30	COMMITTEE MEMBERSHIP CHANGE. Change in membership of Pension Fund Committee	GOVERNANCE	2	1	1	2	4	8	Officers and advisers provide continuity and training following changes to Committee membership	4	8
Governance	31	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	COMPLIANCE	4	1	1	4	2	8		2	8
Border to Coast & Pooling	32	INADEQUATE POOLING DATA. Inability to gather robust, quality or timely information from Border to Coast	DATA	3	1	1	3	2	6	With the pooling of investment assets TPF staff will work closely with Border to Coast sub-fund asset managers and Border to Coast management to gain full clarity and reporting of performance, with training provided to TPF staff as required.	2	6
Operational	33	ESG REPUTATIONAL DAMAGE. Insufficient attention to environmental, social and governance (ESG) leads to reputational damage	ESG	2	1	1	2	3	6	Border to Coast provides increased focus on Responsible Investment	3	6
Operational	34	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	35	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
Border to Coast & Pooling	36	ASSET POOLING TRANSITION RISK. Loss or impairment as a result of Asset transition.	TRANSITION	3	3	1	3	2	6		2	6
Governance	37	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	38	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
Border to Coast & Pooling	39	BORDER TO COAST 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	FAILURE Border to Coast	5	4	1	5	1	5		1	5
Communications	40	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	41	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

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Governance	42	DECISION MAKING FAILURES. Failure to take difficult decisions inhibits effective Fund management	DECISION MAKING	4	2	1	4	1	4		1	4
Investment	43	CASH INVESTMENT FRAUD. Financial loss of cash investments from fraudulent activity	FRAUD	4	4	1	4	1	4		1	4
Administration	44	ICT SYSTEMS FAILURE. Prolonged administration ICT systems failure	ICT	2	2	3	3	1	3		1	3
Administration	45	CONTRIBUTION COLLECTION FAILURE. Failure to collect employee/er member pension contributions	MEMBER ADMIN	1	2	1	2	1	2		1	2
Administration	46	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
Border to Coast & Pooling	47	BORDER TO COAST CESSATION. Partnership disbands or fails to produce a proposal deemed sufficiently ambitious.	FAILURE Border to Coast	2	2	1	2	1	2		1	2
Border to Coast & Pooling	48	POOLING CUSTODIAN FAILURE. Failure to ensure safe custody of assets	3RD PARTY	2	2	1	2	1	2		1	2
Administration	49	OFFICER FRAUD. Fraud by administration staff	FRAUD	4	1	1	1	1	1		1	1
Administration	50	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	51	ERRONEOUS MEMBER BENEFIT CALCS. Risk	MEMBER ADMIN	1	1	2	1	1	1		1	1
Administration	52	INADEQUATE MEMBER COMMS. Increased workload for pensions team or increased opt-outs if communications inadequate or	MEMBER ADMIN	0	1	1	1	1	1		1	1