

## Risk Register

Review – 7<sup>th</sup> March 2019

Impact / Likelihood	Negligible	Marginal	Significant	Substantial
<b>Near certain</b>	Moderate A7, A9, A13, S1	High S7	Critical	Critical
<b>Probable</b>	Moderate L4	High F8, S6,	Critical	Critical
<b>Possible</b>	Minor A4, A5, A6, A8, A10, A12, F5, L5, L6, L7,	Moderate A1, A3, F1, G1, S2, S3, S9, S10, S11	High G2	Critical
<b>Improbable</b>	Minor F3, L1, L8	Minor	Moderate S12	High

## Changes at this Review

Risk		From	To	Reason
Ref	Title			
S2	The pensions processing software system is not updated in a timely manner	Marginal/ Probable (High)	Marginal/ Possible (Moderate)	<p>Civica has recently delivered the required transaction data, aggregation and recalculation modules.</p> <p>However, there needs to be caution going forward, as the delays to the cost cap calculation could result in changes to benefits which will require retrospective effect, which means manual calculations will need to take place until a system upgrade can be developed.</p> <p>Therefore, this risk may rise again in the future.</p>
S10	<p>Risk changed from</p> <p>Failure to reconcile GMP records with those of HMRC by the deadlines set by Government of October 2018</p> <p>To</p> <p>Failure to rectify the members GMP values following the GPM reconciliation process.</p>	Marginal/ Possible (Moderate)	Marginal/ Possible (Moderate)	<p>The reconciliation of records to HMRC has been completed, the exercise now moves to the rectification stage. There are no formal deadlines on this and further guidance is awaited.</p> <p>The risk has been retained at the same level until the final values are known.</p>
S11	The ongoing integration of Shared Services with Northumberland may cause additional processing problems	Marginal/ Possible (Moderate)	Deleted	The shared service arrangement is now considered to be fully bedded in and therefore this risk has been deleted.

## **Approach to Considering Risks**

1. The risk register is scored on a net basis, which means after all controls have been applied.

## **Notes on Potential Future Risks**

2. Continue to monitor the position on the new pension freedoms re DB to DC shift. The number of transfers is increasing and this may start to impact on cashflow. At this stage it is still not considered significant enough to be a separate risk. It is however, noted in cashflow risks. Recent changes to the regulations in May 18 to allow current deferreds to collect benefits (without employer approval) from 55 subject to actuarial deduction may reduce the impact of this.
3. The impact of Brexit will be considered through the risks already included in the Risk Register rather than as a separate risk in itself.
4. One potential risk from shared services and the take on of Northumberland data is in relation to the adequacy of the data quality. This cannot be properly assessed at this stage. There should be no impact on the quality of the Tyne and Wear data. The review of data quality undertaken for the regulator for 2018 suggests that the Northumberland data quality is slightly lower than Tyne and Wear but not materially. It is suggested that this potential risk will be monitored until the data quality review for 2019.
5. The move to greater electronic communication with employers and members may give rise to additional risks. A wider review of this is to be undertaken which will then inform the risk register.
6. The Scheme Advisory Board review of the role for the Administering Authority and potential separation issues has been highlighted as a potential emerging risk. Once further details are known of the outcome of this review further consideration will be given to adding this to the risk register.

## **Other Notes**

7. None.

<b>No.</b>	xxxx	<b>Ref.</b>	G1	<b>Risk Owner</b>	Pensions Committee	<b>Updated</b>	02/11/2018
<b>Risk</b>	There may be a lack of knowledge and understanding by the Committee and Local Pension Board						
<b>Impact</b>	Potential for poor decision making and lack of challenge to officers and advisors.						
<b>Controls</b>	Training Policy and Programme in place based on CIPFA Code of Practice and Knowledge and Skills Frameworks for Pensions Committees and Local Pension Boards. Diverse skills base amongst Members. Size of Committee provides protection against turnover. Annual Committee self assessment of skills base and review of governance structure. Availability of advisors and officers. Local Pension Board strengthens governance structure. A joint training policy has been agreed by the Committee and the Local Pensions Board. The Committee and the Board in 2018/19 scored themselves against the CIPFA KSF and this will be used to inform the training programme.						

<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min	Mod xxxxx	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	Moderate	<b>Strategy</b>	Treat
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<b>Action Required</b>	Continue the emphasis on development and delivery of Training Policy and Programme.
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No.	xxxx	Ref.	G2	Risk Owner	Head of Pensions	Updated	As G1
<b>Risk</b>	There will be enforced changes to the governance arrangements from proposals to pool investments across the Scheme which may lead to sub optimal decisions being taken on behalf of Tyne and Wear Pension Fund. (see A13 also)						
<b>Impact</b>	Potential for the Fund not being able to fully implement its Investment Strategy. May need to compromise on what is in the best interests of the Fund. Material short term governance burden as new arrangements are researched and put into place.						
<b>Controls</b>	Actively participate in the establishment of the governance arrangements for the pool and ensure the position of the Fund is protected. External advisors have been appointed.  Strategy and asset allocation decisions remain at the Fund level.						

Impact / Likelihood	Negligible	Marginal	Significant	Substantial
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min	Mod	High xxxxx	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	High	<b>Strategy</b>	Treat
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<b>Action Required</b>	Take forward the Committee's decision on pooling, and continue to keep Committee informed of developments. Contribute to the Pool's deliberations in this area. Officers to take an active part in all working groups at Border to Coast on each sub fund in which the Fund will invest. Liaise with Investment Advisor on these sub
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	funds.
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No.	xxxx	Ref.	G3	Risk Owner	Head of Pensions	Updated	As G1
<b>Risk</b>	Insufficient attention to environmental, social and governance (ESG ) issues can lead to reputational damage.						
<b>Impact</b>	The Fund receives criticism for not fully observing and embracing this matter from scheme members and in the press. The Fund also needs to be aware of the statutory guidance in this respect which requires the Fund to make the pursuit of financial return its predominant concern. ESG facts can and should be taken into account but only if doing so would not involve significant risk of financial detriment to the scheme and believe that scheme members would support the decision.						
<b>Controls</b>	The Fund's Investment Strategy Statement and Corporate Governance Policy cover the extent to which social, environmental and ethical considerations are taken into account in the selection, retention and realisation of investments. Member of the LAPFF. The Fund has a policy of requiring managers (including BCPP) to engage on ESG issues rather than disinvest. The Fund requires managers (inc BCPP) to consider these issues.						

Impact / Likelihood	Negligible	Marginal	Significant	Substantial
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min	Mod xxxxx	High xxxxx	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	Moderate	<b>Strategy</b>	Treat
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<b>Action Required</b>	To continue to monitor the position with managers on ESG Issues. To work with Border to Coast on their Responsible Investment Policy
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No.	xxxx	Ref.	A1	Risk Owner	Head of Pensions	Updated	As G1
<b>Risk</b>	The funding level fails to recover in accordance with the recovery plan, or worsens, due to investment returns being below the levels assumed in the triennial valuations, i.e. relative return to discount rate.						
<b>Impact</b>	Reduced investment return leading to the potential for higher employer contributions and greater volatility in level of contributions. Need to review investment and valuation strategies						
<b>Controls</b>	Valuation assumptions are discussed and agreed with the Actuary. Conservative return assumptions have been used when setting the discount assumption of 4.5% for the 2016 valuation, and 5.1% for the ALM. The actual return for the period from March 2016 to December 2018 is 10.0% annualised, which is significantly ahead of the assumptions noted above. The 2016/17 review of strategy was completed and signed off by Committee in March 2017. A risk reduction review was completed by Hymans towards the end of 2017 with no change proposed. This was agreed by Committee in November 2017.						

Impact / Likelihood	Negligible	Marginal	Significant	Substantial
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min	Mod xxxxx	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	Moderate	<b>Strategy</b>	Treat
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<b>Action Required</b>	Continue to apply appropriate funding and investment strategies. Implement outcome of strategy review.
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		Complete the review of the investment strategy on the back of the 2019 valuation exercise and look at de-risking the Fund.					
<b>No.</b>	xxxx	<b>Ref.</b>	A3	<b>Risk Owner</b>	Head of Pensions	<b>Updated</b>	As G1
<b>Risk</b>	The Fund does not have an appropriate strategic benchmark and an appropriate investment management structure.						
<b>Impact</b>	Possible reduced investment return, leading to the potential for higher employers' contributions and greater volatility in level of contributions. Possible need to devise and implement a revised strategy. Non compliance with Investment Principles.						
<b>Controls</b>	The benchmark is reviewed in depth when up to date liability data becomes available after each triennial valuation. Interim studies and analysis are carried out in intervening years, as appropriate. 2016/17 review of strategy completed and signed off by Committee in March 2017. Hymans undertook a review of de-risking in late 2017 and recommended no change. This was agreed by Committee in November 2017. The option of using an equity protection strategy and/or currency hedging strategy was discussed at Committee in March and September 2018. It was decided not to implement equity protection, but trigger levels have been adopted for currency hedging. Discussions have been held with Hymans about the early adoption of changes in 2018/19.						

<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min	Mod xxxxx	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	Moderate	<b>Strategy</b>	Treat
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<b>Action Required</b>	Continue to apply controls. Continue to monitor the position with regards to hedging and equity protection. Complete the review of the investment strategy on the back of the 2019 valuation exercise and look at de-risking the Fund.						
<b>No.</b>	xxxx	<b>Ref.</b>	A4	<b>Risk Owner</b>	Head of Pensions	<b>Updated</b>	As G1
<b>Risk</b>	There is inadequate monitoring of the performance of managers (including Border to Coast) and custodians. Failure to undertake formal reviews, if required.						
<b>Impact</b>	Possible breach of statutory duty, leading to adverse audit reports and poor publicity. Possible reduced investment return. Selection process leading to assets under care and maintenance, cost of transition of assets, assets in limbo in the case of a corporate failure. Move to pooling may result in reduced direct access to the underlying investment managers						
<b>Controls</b>	A detailed monitoring process is in place that involves the Committee, Investment Panel, Officers and the Investment Advisor. Monthly reconciliation of portfolios.  Have agreed an approach to monitoring Border to Coast.						

<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min xxxxxx	Mod	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	Minor	<b>Strategy</b>	Treat
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<b>Action Required</b>	Continue to apply existing controls.  Need to agree the approach to getting full risk and return analysis from Portfolio Evaluation on Border to Coast.
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<b>No.</b>	xxxx	<b>Ref.</b>	A5	<b>Risk Owner</b>	Principal Investment Manager	<b>Updated</b>	As G1
<b>Risk</b>	There is a failure of an investment manager's (including Border to Coast) process that significantly affects the Fund.						
<b>Impact</b>	Reduced investment return, but at a level that is unlikely to be of significance to employers' contributions. Possible need to review the affected manager's investment process. Potential for adverse publicity.						
<b>Controls</b>	Investment strategy is subject to continuous review by managers. Investment Panel and Officers review strategy quarterly. Investment structure is well diversified. Investment Advisor and others available to provide advice, market intelligence and views. Assets may need to be moved to passive until Border to Coast pooling arrangements present suitable alternatives.  It is believed that the move to Border to Coast will add some risk to the potential for asset performance in the short term, this should still be below 1% of the asset base.						

<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min xxxxx	Mod	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	Minor	<b>Strategy</b>	Treat
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<b>Action Required</b>	Continue to apply controls.
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<b>No.</b>	xxxx	<b>Ref.</b>	A6	<b>Risk Owner</b>	Principal Investment Manager	<b>Updated</b>	As G1
<b>Risk</b>	An investment, broker or stock lending counterparty fails.						
<b>Impact</b>	Trades fail, potential for assets (securities and / or cash) to be in limbo or lost.						
<b>Controls</b>	Managers review counterparties. Collateral and indemnities, custodian controls and counterparty limits in place for stock lending.						

<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min xxxxxx	Mod	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	Minor	<b>Strategy</b>	Treat
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<b>Action Required</b>	<p>Continue to apply controls</p> <p>Continue to monitor the position on MF Global recovery, which stood at 90% to December 2018. TWPF is expected to receive approximately a full settlement in due course but this is dependent on the decision of the High Court, which is managing the process. A resolution is likely to be a number of years away.</p>
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<b>No.</b>	xxxx	<b>Ref.</b>	A7	<b>Risk Owner</b>	Principal Investment Manager	<b>Updated</b>	As G1
<b>Risk</b>	An investment manager is underperforming against its investment mandate.						
<b>Impact</b>	Reduced investment return, but at a level that is unlikely to be of significance to employers' contributions. Possible need to review the affected managers' investment process. Potential for adverse publicity.						
<b>Controls</b>	Investment strategy is subject to continuous review by managers. Investment Panel and Officers review strategy quarterly. Investment structure is well diversified. Investment Advisor available to provide proactive advice. Assets may need to be moved to passive until BCPP pooling arrangements present suitable alternatives.						

<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod xxxxx	High	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min	Mod	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	Moderate	<b>Strategy</b>	Treat
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<b>Action Required</b>	Continue to apply controls. Continue to monitor underperforming managers. JPM and Janus Henderson (Total Return Mandate) are the two active managers
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		currently underperforming. Actions would have to be assessed against the future pooling arrangements.					
<b>No.</b>	xxxx	<b>Ref.</b>	A8	<b>Risk Owner</b>	Principal Investment Manager	<b>Updated</b>	As G1
<b>Risk</b>	There is an act of fraud and/or a breach of the investment guidelines by an investment manager (including Border to Coast)						
<b>Impact</b>	Reduced investment return, but at a level that is unlikely to be of significance to employers' contributions. Possible need to review the affected managers' investment process. Potential for adverse publicity.						
<b>Controls</b>	Each manager's strategy is subject to continuous review by the Investment Panel and Officers. Monthly monitoring of portfolios is in place. Investment Advisor available to provide proactive advice. Managers' internal controls. Regulatory framework. Assets may need to be moved to passive until Border to Coast pooling arrangements present suitable alternatives.						

<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min xxxxx	Mod	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	Minor	<b>Strategy</b>	Treat
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<b>Action Required</b>	Continue to apply controls. Need to review the internal control reports from Border to Coast.
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<b>No.</b>	xxxx	<b>Ref.</b>	A9	<b>Risk Owner</b>	Head of Pensions	<b>Updated</b>	As G1
<b>Risk</b>	That in the longer term the amount of cash coming into the fund reduces to a level that is not sufficient to cover outgoings. This is caused by the scheme naturally maturing. The speed at which it matures is being impacted by ER/VR programmes and employers restricting access to new members to the scheme.						
<b>Impact</b>	Decreased cash flow to rebalance structure and to meet large cash requirements such as a property purchase. Impending need to withdraw income or capital from managers in the medium term and to review the structure in the long term.						
<b>Controls</b>	Monthly monitoring of cash flow and of membership movements. ALM work undertaken to model the optimal structure. Hymans Robertson has advised that the impact is not material in near term. Report to the Local Pension Board in March 2018 showed that whilst cash flow from dealing with membership is marginally negative at present and is forecast to increase, the investment income more than covers the outgoings.						

<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod xxxxx	High	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min	Mod	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	Moderate	<b>Strategy</b>	Treat
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<b>Action Required</b>	Continue to apply controls. Update the longer term cash flow forecast in the light of the expected valuation position and change in investment structure. Monitor position on horizontal integration of funds (academies/education) as per Probation Trusts.
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	Monitor position on use of wholly owned subsidiaries by scheduled bodies. Monitor the impact of cash transfers out.
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No.	xxxx	Ref.	A10	Risk Owner	Principal Investment Manager	Updated	As G1
<b>Risk</b>	In the short term there is insufficient cash for investment requirements or other commitments.						
<b>Impact</b>	Possible forced and disorderly realisation of assets to meet commitments if the position cannot be covered by temporary borrowing.						
<b>Controls</b>	<p>System in place for weekly review of the working capital position. Power to borrow to cover certain types of shortfall. Also a monthly review of net cash flow position.</p> <p>Currently targeting holding cash in the range of 1% to 1.5% which is sufficient to cover substantial cash requirements.</p>						

Impact / Likelihood	Negligible	Marginal	Significant	Substantial
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min xxxxx	Mod	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	Minor	<b>Strategy</b>	Treat
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<b>Action Required</b>	Continue to apply controls. Monitor potential large cashflows into Private Markets and UK
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	<p>property.  Short term cash flow exercise to be undertaken on cash requirements for alternatives.  Ensure that Border to Coast has the facility to offer income producing units to the Fund when this is needed.</p>
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No.	xxxx	Ref.	A12	Risk Owner	Head of Pensions	Updated	As G1
<b>Risk</b>	The Fund is unable to properly deal with its overseas tax liabilities and meet the requirements of overseas tax authorities.						
<b>Impact</b>	Over or under recovery of tax. Failure to manage filing obligations. Penalties imposed by tax authorities.						
<b>Controls</b>	Deloitte carried out audit work in 2015/16 and provided Adequate (second highest) assurance. Controls are comparable to those at other funds. Regular discussion with managers to evaluate positions. Use of blocking structures. The Fund had advice from Deloitte in Oct 2018 on the completion of tax exemption forms.						

Impact / Likelihood	Negligible	Marginal	Significant	Substantial
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min xxxxx	Mod	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	Minor	<b>Strategy</b>	Treat
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<b>Action Required</b>	<p>Continue to apply controls.  Initially the intention was to undertake further work on this area but the responsibility for private market investments will pass to the Border to Coast. We will need to contribute to the preparation of the Pool's approach to this area.</p>
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	Develop tax manual and review tax status in overseas jurisdictions. This review is on hold at the moment as it is not considered to be a priority.
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<b>No.</b>	xxxx	<b>Ref.</b>	A13	<b>Risk Owner</b>	Head of Pensions	<b>Updated</b>	As G1
<b>Risk</b>	There will be enforced changes to the investment and governance arrangements from proposals to pool investments across the Scheme which may result in increased costs and impact on net returns. (see G2 also)						
<b>Impact</b>	Potential for lower gross and net investment returns, short term transition costs and forced sale of investments at a sub optimal price. In addition the Fund may not be able to fully implement its asset allocation choices with the sub funds available, including the active passive split and the choice of internal v external.						
<b>Controls</b>	Contribute to the Pool's deliberations in this area. Advice on transition costs received from Legal and General on behalf of the Pool. Strategy and asset allocation decisions remain at the Fund level.						

<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod xxxxxx	High	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min	Mod	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	Moderate	<b>Strategy</b>	Treat / Tolerate
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<b>Action Required</b>	Take forward the Committee’s decision on pooling, and continue to keep Committee informed of developments. Contribute to the Pool’s deliberations in this area and work with Border to Coast to ensure a robust transition process is followed. Liaise with Investment Advisor on the potential investment sub funds in the pool. Initial legal advice has been received and suggests there may be some issues regarding the ability to “share” transition costs between funds. Discussions are taking place with MHCLG on this. Monitor the funds costs and savings from pooling.
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<b>No.</b>	xxxx	<b>Ref.</b>	F1	<b>Risk Owner</b>	Head of Pensions	<b>Updated</b>	As G1
<b>Risk</b>	The funding level fails to recover in accordance with the recovery plan, or worsens, due to outturn differing from valuation assumptions.						
<b>Impact</b>	Potential for higher employer contributions and greater volatility in level of contributions. Financial strain on employers. Possibility of employer failure amongst smaller employers. Withdrawal from the Fund of non scheduled employers.						
<b>Controls</b>	Valuation assumptions are discussed and agreed with the actuary and employers. Cessation valuations for orphan liabilities have a matched strategy. Cost Management process will assist. Have considered use of inflation and interest rate protection and de-risking strategies with Hymans Robertson – no action required at present. Increased scrutiny of valuation strategies and assumptions by Scheme Advisory Board (SAB).						

<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min	Mod xxxxx	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	Moderate	<b>Strategy</b>	Treat
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<b>Action Required</b>	<p>Monitor position and keep employers advised.</p> <p>Keep valuation and investment strategies and potential derisking strategies under review.</p> <p>Undertake the 2019 Valuation.</p>
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No.	xxxx	Ref.	F3	Risk Owner	Principal Pensions Manager	Updated	As G1
<b>Risk</b>	Member data and record keeping is of poor quality due to inadequate data flows from an employer or inadequate data cleansing which leads to the Actuary adopting a more prudent approach in response to this.						
<b>Impact</b>	Failure to comply with the Public Service pensions (Record Keeping and Miscellaneous Amendment) Regulations 2014 and Pensions Regulator's guidance. Incorrect benefits could be paid causing reputational damage and fines for maladministration. In extreme cases, poor data could affect Fund valuations as the funding strategy could be inappropriate and the declared funding level incorrect. Failure to meet regulatory deadline for submission of data to GAD.						
<b>Controls</b>	The Pensions Office works with employers to obtain accurate and timely data. A Pensions Administration Strategy is in place. Comprehensive data cleansing and data checks are carried out by the Pensions Office and the Actuary. For 2019 valuation the Actuary has undertaken pre valuation data check. TPR data cleansing strategy implemented from 2014 for Common Data and Scheme Specific Data in 2018. Scores were 100% for common data and 90% for conditional data.						

Impact / Likelihood	Negligible	Marginal	Significant	Substantial
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min	Mod	High	Critical

<b>Improbable</b>	<b>Min</b> XXXXXX	Min	Mod	High
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<b>Net Risk</b>	Minor	<b>Strategy</b>	Treat
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<b>Action Required</b>	Engaging with employers and informing Committee and Board. Continue to apply planned approach on staffing, processing, move to greater electronic processing and communications and engagement with employers. A data plan is to be developed to improve the data. The Fund will also need to review its approach to the data scoring next year once the regulator provides further guidance.						
<b>No.</b>	xxxx	<b>Ref.</b>	F5	<b>Risk Owner</b>	Principal Pensions Manager	<b>Updated</b>	As G1
<b>Risk</b>	The Fund is left with a deficit when an employer leaves with inadequate provision for the deficit						
<b>Impact</b>	Financial loss to the Fund that has to be made up by a guarantor / insurer. In the absence of a guarantor, the funding gap would be met by the remaining employers in the Fund						
<b>Controls</b>	Use a valuation strategy that reduces deficits as quickly as is reasonable. Seek additional contributions when an employer is known to be leaving the Fund. Moribunds closed off as soon as identified. Obtain guarantees and bonds where possible. 2013 Regulations provide new powers to vary rates and undertake cessation valuations for scheduled bodies and moribunds and restate the approach to putting bonds in place. In house approach has been reviewed and strengthened. Deloitte audit in 2015/16 gave Substantial assurance. The regulations require the payment of a deficiency for all exiting employers. Colleges and Universities have had recovery periods reduced as part of this valuation.						

<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
	<b>Min</b>	Mod	High	Critical

<b>Possible</b>	xxxxx			
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	Minor	<b>Strategy</b>	Treat / Transfer
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<b>Action Required</b>	Continue to apply controls, including TPR Regulatory Guidance on Assessing and Monitoring the Employer Covenant issued in August 2015. Apply measures available in 2013 Regulations. Colleges and Universities are having their position reviewed as part of the 2019 valuation. Consider the position on more matched investment strategies over and above that for cessation valuations.
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No.	xxxx	Ref.	F8	Risk Owner	Principal Pensions Manager	Updated	As G1
<b>Risk</b>	Employees do not join or remain in the Fund, either for financial reasons or because their employer does not promote the scheme or structures employees away from the Scheme (scheduled and admitted bodies) or prevents membership (admitted bodies only). Fewer new starters re use of short term contracts by employers allied to the two year vesting period in the new scheme.						
<b>Impact</b>	Decreased cash flow into the Fund. Fund matures quicker than it would otherwise. Potential for increase in employers' contributions.						
<b>Controls</b>	Take action against employers who fail to comply with regulations on enrolment. Where possible, promote benefits of scheme membership, whilst recognising that this is sometimes not favoured by employers.						

Impact / Likelihood	Negligible	Marginal	Significant	Substantial
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High xxxxx	Critical	Critical
<b>Possible</b>	Min	Mod	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	High	<b>Strategy</b>	Tolerate
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<b>Action Required</b>	<p>Limited ability to manage this area. Continue to apply current approach. Consider membership campaign if agreed to by employers.</p> <p>Monitor position on impact of new pension freedoms.</p> <p>Monitor the position on consultation on Fair deal.</p>
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No.	xxxx	Ref.	L1	Risk Owner	Principal Pensions Manager	Updated	As G1
<b>Risk</b>	Failure to apply the Regulations correctly in relation to benefits.						
<b>Impact</b>	Breach of Regulations. Benefits not paid correctly to members. Risk of adverse publicity. Censure by tPR, TPAS, IDRP and Pensions Ombudsman. Risk of financial penalties						
<b>Controls</b>	Resources are applied to interpretation of Regulations. Checks are made on software at design stage. High degree of check built into system. Staff training. Cross reference opinions on regulations to other funds, the Actuary and MHCLG. Legal Services are involved in the interpretation of the Regulation.						

Impact / Likelihood	Negligible	Marginal	Significant	Substantial
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
	Min	Mod	High	Critical



<b>Possible</b>				
<b>Improbable</b>	Min xxxxxx	Min	Mod	High

<b>Net Risk</b>	Minor	<b>Strategy</b>	Treat
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<b>Action Required</b>	Apply existing controls.
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No.	xxxx	Ref.	L4	Risk Owner	Principal Pensions Manager	Updated	As G1
<b>Risk</b>	The Fund fails to comply with General Data Protection Regulations, or has a data protection breach.						
<b>Impact</b>	Enforcement action, service disruption, costs, adverse publicity						
<b>Controls</b>	Corporate procedures are followed. In addition pensions service specific controls are applied. Advice is taken from Legal Services as required. Pension Fund works under the general control environment of the Council. Audit carried out in 2012/13 received Substantial assurance. Staff reminded of requirements. GDPR Action plan produced and all key actions completed by GDPR implementation date. Internal Audit of Data Protection is has been undertaken and provided substantial assurance. The outcome will be reported to the Committee and the Board. STC has implemented an e-learning approach to GDPR.						

<b>Impact /</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
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<b>Likelihood</b>				
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod xxxxx	High	Critical	Critical
<b>Possible</b>	Min	Mod	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	Moderate	<b>Strategy</b>	Treat
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<b>Action Required</b>	The outstanding issues on the GDPR action plan (which are not considered to be material) will be actioned
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No.	xxxx	Ref.	L5	Risk Owner	Principal Pensions Manager	Updated	As G1
<b>Risk</b>	The Fund provides inappropriate or incorrect guidance to a member						
<b>Impact</b>	Inferior service to member. Risk of public censure and financial penalties imposed by regulators. Risk of requirement to pay restitution.						
<b>Controls</b>	General issues are addressed through staff training. Staff are advised that the Fund cannot give advice. System has been strengthened re mis-selling and TPR documents have been circulated. System in place re Freedom and Choice - Deloitte audit in 2015/16 gave Substantial assurance.						

<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
	Mod	High	Critical	Critical

<b>Near Certain</b>				
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min XXXXXX	Mod	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	Minor	<b>Strategy</b>	Treat
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<b>Action Required</b>	Continue to apply controls.
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No.	xxxx	Ref.	L6	Risk Owner	Principal Pensions Manager	Updated	As G1
<b>Risk</b>	Failure to manage member related tax correctly						
<b>Impact</b>	Penalties and interest payments to the fund and members. Members tax positions may be compromised						
<b>Controls</b>	Periodic audits are carried out on management of tax by audit partner. Latest audit in 2016/17 which provided Substantial Assurance. Increased awareness by staff. Information included in ABS and other member communication. A further audit on Tax allowances was undertaken in 2017/18 and a full assurance was provided.						

<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
	Mod	High	Critical	Critical

<b>Near Certain</b>				
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min xxxxx	Mod	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	Minor	<b>Strategy</b>	Treat
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<b>Action Required</b>	<p>Continue to apply controls.</p> <p>Considering correspondence with members nearing limit on Lifetime allowances.</p> <p>Review of the Annual Allowance process was undertaken following the 2018 exercise. An action plan is being developed to improve the process for 2019.</p>
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<b>No.</b>	xxxx	<b>Ref.</b>	L7	<b>Risk Owner</b>	Principal Pensions Manager	<b>Updated</b>	As G1
<b>Risk</b>	The Fund fails to identify an issue with the health and wellbeing and financial safety of members.						
<b>Impact</b>	A potential or actual safeguarding issue arises and the appropriate action is not taken. Potential negative publicity						
<b>Controls</b>	<p>Revised protocol issued to staff in March 2015. Staff are required to report issues upwards to senior management, Legal Team and to the appropriate safeguarding team in the Council and or the Police. Held a meeting with the Head of Adults and Integrated Care to review arrangements.</p> <p>Due diligence process on pensions transfers covers pension scams. This took account of the recent changes and awareness</p>						

campaign of the Pensions Regulator.
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<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min xxxxx	Mod	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	Minor	<b>Strategy</b>	Treat
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<b>Action Required</b>	Continue to monitor position and promote awareness. A review to take place of the protocol and training to be delivered.
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<b>No.</b>	xxxx	<b>Ref.</b>	L8	<b>Risk Owner</b>	Principal Pensions Manager	<b>Updated</b>	As G1
<b>Risk</b>	A transfer value is incorrectly managed, resulting in a Pensions Liberation Fraud						
<b>Impact</b>	Potential for fines by Regulator and Ombudsman, tax charges and adverse publicity						
<b>Controls</b>	Systems reviewed to alert staff and members to position. TPR practices have been adopted. Strengthened disclaimer introduced. Legal and Senior Management review of cases. System in place re Freedom and Choice. Deloitte audit in 2015/16 gave Substantial assurance.						

<b>Area</b>	Legal
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<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min	Mod	High	Critical
<b>Improbable</b>	Min xxxx	Min	Mod	High

<b>Net Risk</b>	Minor	<b>Strategy</b>	Treat
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<b>Action Required</b>	Continue to apply controls. Monitor position on pension freedoms
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<b>No.</b>	xxxx	<b>Ref.</b>	S1	<b>Risk Owner</b>	Principal Pensions Manager	<b>Updated</b>	As G1
<b>Risk</b>	Benefits and payments are accessed by individuals who are not entitled to receive them						
<b>Impact</b>	Financial loss						
<b>Controls</b>	<p>High degree of check built into system. Name, address and bank detail checks. Selective eligibility checks, e.g child's pensions paid to students. Participated in NFI programme.</p> <p>The adoption of Tell Us Once and the Scheme's National NI Database will improve control.</p>						

<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod xxxxx	High	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min	Mod	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	Moderate	<b>Strategy</b>	Treat
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<b>Action Required</b>	Continue to apply controls.  Undertake the 2018 NFI exercise which should be received in 2019. This will require a review of outstanding items.
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<b>No.</b>	xxxx	<b>Ref.</b>	S2	<b>Risk Owner</b>	Principal Pensions Manager	<b>Updated</b>	As G1
<b>Risk</b>	The pensions processing software system is not fully updated in a timely manner						
<b>Impact</b>	Unable to carry out aspects of pensions administration efficiently in line with regulations without manual intervention. Additional working costs. Service to employers and members is compromised						
<b>Controls</b>	Development of CARE largely complete. Ongoing monitoring of the performance of Civica through the use of Change Request Forms, participation in the user group and client manager						

	meetings. Take a risk based approach to implementation to new versions of the system.
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Impact / Likelihood	Negligible	Marginal	Significant	Substantial
Near Certain	Mod	High	Critical	Critical
Probable	Mod	High	Critical	Critical
Possible	Min	Mod xxxxx	High	Critical
Improbable	Min	Min	Mod	High

Net Risk	High	Strategy	Treat
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<b>Action Required</b>	Continue to update and implement development plans.  Meetings in hand with Civica and other users. Civica has attended Pensions Committee and has been required to attend further meetings.  Monitor the position on cost cap calculations.
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No.	xxxx	Ref.	S3	Risk Owner	Principal Pensions Manager	Updated	As G1
<b>Risk</b>	Failure to develop and introduce improved working practices across pensions processing, particularly increased automation and electronic processing and communication.						
<b>Impact</b>	Increased costs of processing. Additional processing backlogs arise. Statutory targets and local performance indicators are not met. Inferior service to employers and members. Risk of public censure and financial penalties imposed by regulators. Risk of requirement to pay restitution.						



<b>Controls</b>	Development plans are in place, but delayed due to high levels of workload. Monitor progress and report to Committee and Board. High level audit review undertaken 16/17 with the conclusion that the fund has robust processes. No significant concerns identified. The option of submitting data in hard copy has been removed where appropriate electronic means are available. Increased resources in the technical team.
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<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min	Mod xxxxx	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	Moderate	<b>Strategy</b>	Treat
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<b>Action Required</b>	Use consultancy time as required.  Monitor progress against service plans and continue to report to Committee.
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<b>No.</b>	xxxx	<b>Ref.</b>	S6	<b>Risk Owner</b>	Head of Pensions	<b>Updated</b>	As G1
<b>Risk</b>	Key people leave, and this places a strain on remaining resources to cover the role and responsibilities						
<b>Impact</b>	Failure to deliver an adequate service. Increased stress and pressure of working.						

<b>Controls</b>	Structure kept under review. Additional review carried out by senior managers as part of 2016/17 service planning. Training programmes in place. Manuals and service planning in place.
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<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High xxxxx	Critical	Critical
<b>Possible</b>	Min	Mod	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	High	<b>Strategy</b>	Treat
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<b>Action Required</b>	Continue with training and knowledge and task sharing programmes, as raised through SMT and elsewhere.  A review of succession planning to take place in 2019/20.
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<b>No.</b>	xxxx	<b>Ref.</b>	S7	<b>Risk Owner</b>	Principal Pensions Manager	<b>Updated</b>	As G1
<b>Risk</b>	Performance against Disclosure Regulations fails to deliver at an appropriate level.						
<b>Impact</b>	Breach of Regulations. Risk of adverse publicity. Censure by TPR, TPAS, IDRPs and Pensions Ombudsman. Risk of financial penalties.						

<b>Controls</b>	Increasing staffing resources. Liaison between Client Managers and employers. Reporting back to senior management at employer and to Committee and Board. Pensions Administration Policy in place. Training is available. (Note a strict interpretation is that 100% is required, but this will never be achieved).
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<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod	High xxxxx	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min	Mod	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	High	<b>Strategy</b>	Treat
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<b>Action Required</b>	<p>Keep staffing structure under review and fill posts. Continue to apply controls. Review working practices.</p> <p>Note that the reported position may deteriorate as the backlog is cleared, and resources are used on standardising the Northumberland data to the Tyne and Wear approach.</p> <p>Set internal performance standards in addition to the disclosure requirements.</p> <p>Formalise the number of improvement plans into one overriding plan.</p>
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<b>No.</b>	xxxx	<b>Ref.</b>	S9	<b>Risk Owner</b>	Head of Pensions	<b>Updated</b>	As G1
<b>Risk</b>	Insufficient resources creates problems in service delivery						
<b>Impact</b>	Issues with service delivery. Late receipt of Regulations and GAD Factors has led to significant backlogs building up.						

	Additional work re Pooling expected and joint working, which may impact more on staff time.
<b>Controls</b>	Monitoring structure and key person risk. Training in place. Work flexibly re staff allocation. Working overtime selectively. Temporary staff are being used.

<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min	Mod xxxxx	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	Moderate	<b>Strategy</b>	Treat
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<b>Action Required</b>	<p>Monitor workload v. capacity and position re pooling and shared services.</p> <p>Monitor position on academy creation and the workload implications of this.</p>
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<b>No.</b>	xxxx	<b>Ref.</b>	S10	<b>Risk Owner</b>	Head of Pensions	<b>Updated</b>	As G1
<b>Risk</b>	Failure to fully rectify the members GMP values following the GPM reconciliation process.						
<b>Impact</b>	Potential for payment of pensions without an entitlement. May overpay or underpay pensions increases. Additional liability for the Fund.						
<b>Controls</b>	Data received from HMRC. Software has been purchased to review this data. A report to Pensions Committee in February 2018 set out a proposed way forward and provided budget approval.  The Fund has hit the deadlines set for October 2018.						

<b>Area</b>	Service Delivery
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<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min	Mod xxxxxx	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	Moderate	<b>Strategy</b>	Treat
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<b>Action Required</b>	Need to undertake the full reconciliation and rectification thereafter
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<b>No.</b>	xxxx	<b>Ref.</b>	S12	<b>Risk Owner</b>	Head of Pensions	<b>Updated</b>	As G1
<b>Risk</b>	There is a risk of a Cyber Security attack corrupting systems and data and or stealing data. (See also L4 GDPR)						
<b>Impact</b>	There would be a service and reputational impact. Fines could be levied if inappropriate controls are considered to be in place.						
<b>Controls</b>	The Fund fits within the Councils main control environment. Business continuity plans are in place. The Council is Public Service Network compliant, with an annual test. The Pension Fund administration system has an independent penetration test. High level of staff awareness of malicious emails. Review of Business continuity plan completed, including staff workshops.						

<b>Area</b>	Service Delivery
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<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min	Mod	High	Critical
<b>Improbable</b>	Min	Min	Mod xxxxx	High

<b>Net Risk</b>	Moderate	<b>Strategy</b>	Treat
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<b>Action Required</b>	Sit on Council's Cyber Security Working Group. The Council is considering getting Cyber Essentials certification.
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