


| PENSION FUND RISKS   |  | Q1            | Q2               | Q3                | Q4               | Target | DOT | CORPORATE RISK PROFILE<br>(Risk Score = Likelihood x Impact)  |  |                    |            |               |            |                  |                  |  |  |  |  |  |             |  |     |     |  |  |               |  |     |                  |     |     |               |  |               |                  |                   |  |                    |  |  |  |     |     |
|----------------------|--|---------------|------------------|-------------------|------------------|--------|-----|---|--|--------------------|------------|---------------|------------|------------------|------------------|--|--|--|--|--|-------------|--|-----|-----|--|--|---------------|--|-----|------------------|-----|-----|---------------|--|---------------|------------------|-------------------|--|--------------------|--|--|--|-----|-----|
| 1                    | 1.1. Information security arrangements       | 15            | 15               | 15                | 15               | 15     | →   | <table border="1"> <tr> <th>Impact<br/>Likelihood</th> <th>1<br/>Insignificant</th> <th>2<br/>Minor</th> <th>3<br/>Moderate</th> <th>4<br/>Major</th> <th>5<br/>Most severe</th> </tr> <tr> <th>5<br/>Very Likely</th> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <th>4<br/>Likely</th> <td></td> <td>2.4</td> <td>1.6</td> <td></td> <td></td> </tr> <tr> <th>3<br/>Possible</th> <td></td> <td>2.3</td> <td>1.2; 3.3;<br/>3.4</td> <td>3.5</td> <td>1.1</td> </tr> <tr> <th>2<br/>Unlikely</th> <td></td> <td>1.3; 1.7; 2.5</td> <td>1.4; 3.2;<br/>2.7</td> <td>1.5; 2.2;<br/>3.1;</td> <td></td> </tr> <tr> <th>1<br/>Very unlikely</th> <td></td> <td></td> <td></td> <td>2.6</td> <td>2.1</td> </tr> </table>  | Impact<br>Likelihood   | 1<br>Insignificant | 2<br>Minor | 3<br>Moderate | 4<br>Major | 5<br>Most severe | 5<br>Very Likely |  |  |  |  |  | 4<br>Likely |  | 2.4 | 1.6 |  |  | 3<br>Possible |  | 2.3 | 1.2; 3.3;<br>3.4 | 3.5 | 1.1 | 2<br>Unlikely |  | 1.3; 1.7; 2.5 | 1.4; 3.2;<br>2.7 | 1.5; 2.2;<br>3.1; |  | 1<br>Very unlikely |  |  |  | 2.6 | 2.1 |
| Impact<br>Likelihood | 1<br>Insignificant                           | 2<br>Minor    | 3<br>Moderate    | 4<br>Major        | 5<br>Most severe |        |     |   |  |                    |            |               |            |                  |                  |  |  |  |  |  |             |  |     |     |  |  |               |  |     |                  |     |     |               |  |               |                  |                   |  |                    |  |  |  |     |     |
| 5<br>Very Likely     |  |               |                  |                   |                  |        |     |   |  |                    |            |               |            |                  |                  |  |  |  |  |  |             |  |     |     |  |  |               |  |     |                  |     |     |               |  |               |                  |                   |  |                    |  |  |  |     |     |
| 4<br>Likely          |  | 2.4           | 1.6              |                   |                  |        |     |   |  |                    |            |               |            |                  |                  |  |  |  |  |  |             |  |     |     |  |  |               |  |     |                  |     |     |               |  |               |                  |                   |  |                    |  |  |  |     |     |
| 3<br>Possible        |  | 2.3           | 1.2; 3.3;<br>3.4 | 3.5               | 1.1              |        |     |   |  |                    |            |               |            |                  |                  |  |  |  |  |  |             |  |     |     |  |  |               |  |     |                  |     |     |               |  |               |                  |                   |  |                    |  |  |  |     |     |
| 2<br>Unlikely        |  | 1.3; 1.7; 2.5 | 1.4; 3.2;<br>2.7 | 1.5; 2.2;<br>3.1; |                  |        |     |   |  |                    |            |               |            |                  |                  |  |  |  |  |  |             |  |     |     |  |  |               |  |     |                  |     |     |               |  |               |                  |                   |  |                    |  |  |  |     |     |
| 1<br>Very unlikely   |  |               |                  | 2.6               | 2.1              |        |     |   |  |                    |            |               |            |                  |                  |  |  |  |  |  |             |  |     |     |  |  |               |  |     |                  |     |     |               |  |               |                  |                   |  |                    |  |  |  |     |     |
| 2                    | 1.2. Pensions administration processes       | 6             | 6                | 6                 | 9                | 6      | ↑   |   |  |                    |            |               |            |                  |                  |  |  |  |  |  |             |  |     |     |  |  |               |  |     |                  |     |     |               |  |               |                  |                   |  |                    |  |  |  |     |     |
| 3                    | 1.3. Scheme member communication             | 4             | 4                | 4                 | 4                | 4      | →   |   |  |                    |            |               |            |                  |                  |  |  |  |  |  |             |  |     |     |  |  |               |  |     |                  |     |     |               |  |               |                  |                   |  |                    |  |  |  |     |     |
| 4                    | 1.4. Data quality                            | 6             | 6                | 6                 | 6                | 3      | →   |   |  |                    |            |               |            |                  |                  |  |  |  |  |  |             |  |     |     |  |  |               |  |     |                  |     |     |               |  |               |                  |                   |  |                    |  |  |  |     |     |
| 5                    | 1.5. Payment of contributions                | 8             | 8                | 8                 | 8                | 8      | →   |   |  |                    |            |               |            |                  |                  |  |  |  |  |  |             |  |     |     |  |  |               |  |     |                  |     |     |               |  |               |                  |                   |  |                    |  |  |  |     |     |
| 6                    | 1.6. McCloud Judgement                       | 12            | 12               | 12                | 12               | 9      | →   |   |  |                    |            |               |            |                  |                  |  |  |  |  |  |             |  |     |     |  |  |               |  |     |                  |     |     |               |  |               |                  |                   |  |                    |  |  |  |     |     |
| 7                    | 1.7 Scam Detection & Prevention              | 4             | 4                | 4                 | 4                | 4      | →   |   |  |                    |            |               |            |                  |                  |  |  |  |  |  |             |  |     |     |  |  |               |  |     |                  |     |     |               |  |               |                  |                   |  |                    |  |  |  |     |     |
| 8                    | 2.1. Risk of significant regulatory breach   | 5             | 5                | 5                 | 5                | 5      | →   |   |  |                    |            |               |            |                  |                  |  |  |  |  |  |             |  |     |     |  |  |               |  |     |                  |     |     |               |  |               |                  |                   |  |                    |  |  |  |     |     |
| 9                    | 2.2. Regulatory changes                      | 8             | 8                | 8                 | 8                | 8      | →   | <p><b>Summary of risk changes since last report to Pensions Committee</b></p>   | <p><b>Emerging Risks</b></p>   |                    |            |               |            |                  |                  |  |  |  |  |  |             |  |     |     |  |  |               |  |     |                  |     |     |               |  |               |                  |                   |  |                    |  |  |  |     |     |
| 10                   | 2.3. Financial irregularity                  | 6             | 6                | 6                 | 6                | 6      | →   |   |  |                    |            |               |            |                  |                  |  |  |  |  |  |             |  |     |     |  |  |               |  |     |                  |     |     |               |  |               |                  |                   |  |                    |  |  |  |     |     |
| 11                   | 2.4 Loss of key personnel                    | 4             | 4                | 8                 | 8                | 4      | →   | <p><b>New risks added in Q4:</b></p> <ul style="list-style-type: none"> <li>No new risks have been added to the risk register in Q4.</li> </ul> <p><b>Risks removed in Q4:</b></p> <ul style="list-style-type: none"> <li>No risks have been removed from the register in Q4.</li> </ul> <p><b>Risk Score Changes in Q4:</b></p> <ul style="list-style-type: none"> <li>The risk score associated with Pensions Administration Processes (Risk 1.2) has been increased to reflect the performance of LPPA. Whilst the service improved in Q3 (see section 5.1 of the report) Officers will continue with enhanced monitoring and challenge of LPPA until improvements are sustained. Consequently the likelihood score has been increased from 2 “unlikely” to 3 “possible”.</li> </ul> | <ul style="list-style-type: none"> <li><b>Biodiversity loss:</b> refers to the decline or disappearance of biological diversity, understood as the variety of living things that inhabit the planet and it can have direct human health impacts, affecting livelihoods, income and local migration. Biodiversity loss is considered to be caused by five primary drivers: habitat loss, invasive species, overexploitation (hunting/fishing), pollution and climate change associated with global warming. Although the scale and extent is not yet clear and could be influenced by many factors including future regulatory changes, the Cumbria Pension Fund recognise that biodiversity loss should be acknowledged as a key emerging risk.</li> </ul> |                    |            |               |            |                  |                  |  |  |  |  |  |             |  |     |     |  |  |               |  |     |                  |     |     |               |  |               |                  |                   |  |                    |  |  |  |     |     |
| 12                   | 2.5. Conflicts of Interest                   | 4             | 4                | 4                 | 4                | 4      | →   |   |  |                    |            |               |            |                  |                  |  |  |  |  |  |             |  |     |     |  |  |               |  |     |                  |     |     |               |  |               |                  |                   |  |                    |  |  |  |     |     |
| 13                   | 2.6 Operational interruption                 | 4             | 4                | 4                 | 4                | 4      | →   |   |  |                    |            |               |            |                  |                  |  |  |  |  |  |             |  |     |     |  |  |               |  |     |                  |     |     |               |  |               |                  |                   |  |                    |  |  |  |     |     |
| 14                   | 2.7 Local Government Reorganisation          | 6             | 6                | 6                 | 6                | 6      | →   |   |  |                    |            |               |            |                  |                  |  |  |  |  |  |             |  |     |     |  |  |               |  |     |                  |     |     |               |  |               |                  |                   |  |                    |  |  |  |     |     |
| 15                   | 3.1 Investment performance                   | 8             | 8                | 8                 | 8                | 8      | →   |   |  |                    |            |               |            |                  |                  |  |  |  |  |  |             |  |     |     |  |  |               |  |     |                  |     |     |               |  |               |                  |                   |  |                    |  |  |  |     |     |
| 16                   | 3.2 Availability of investment opportunities | 6             | 6                | 6                 | 6                | 6      | →   |   |  |                    |            |               |            |                  |                  |  |  |  |  |  |             |  |     |     |  |  |               |  |     |                  |     |     |               |  |               |                  |                   |  |                    |  |  |  |     |     |
| 17                   | 3.3 Russian invasion of Ukraine              | 9             | 9                | 9                 | 9                | 9      | →   |   |  |                    |            |               |            |                  |                  |  |  |  |  |  |             |  |     |     |  |  |               |  |     |                  |     |     |               |  |               |                  |                   |  |                    |  |  |  |     |     |
| 18                   | 3.4 Inflation                                | 9             | 9                | 9                 | 9                | 9      | →   |   |  |                    |            |               |            |                  |                  |  |  |  |  |  |             |  |     |     |  |  |               |  |     |                  |     |     |               |  |               |                  |                   |  |                    |  |  |  |     |     |
| 19                   | 3.5 Climate Change                           | n/a           | n/a              | 12                | 12               | 12     | →   |   |  |                    |            |               |            |                  |                  |  |  |  |  |  |             |  |     |     |  |  |               |  |     |                  |     |     |               |  |               |                  |                   |  |                    |  |  |  |     |     |

## CUMBRIA LGPS & PENSION BOARD RISK REGISTER (March 2023)

### 1. Scheme Administration

| Risk Ref | Risk Owner                        | Risk Title & Description   | Current Risk Score DOT   | Target Score              | Current Controls & Measures in Place   | Planned Improvements to controls and measures to manage the risk   |
|----------|-----------------------------------|--|--|---------------------------|--|--|
|          |                                   |  | (Impact x Likelihood)  |                           |  |  |
| 1.1      | Fund & LPPA<br><br>Senior Manager | <p><b>Information Security Arrangements</b></p> <p>There is a risk that the Council will experience a significant information security incident.</p> <p>Caused by a concerted cyber attack on Council or LPPA systems, inadequate information security arrangements, lack of training, awareness or human error.</p> <p>Resulting in partial or total interruption to service delivery to scheme members, scheme employers, Fund Officers or LPPA.</p> <p>Disclosure of personal data or a data breach leading to financial penalties, liability claims and reputational damage.</p> | <b>15</b><br><b>(5x3)</b><br><br><b>DOT</b><br><br> | <b>15</b><br><b>(5x3)</b> | <p><b>Cumbria Pension Fund :</b></p> <ul style="list-style-type: none"> <li>The County Council maintains a detailed Corporate Risk Register including the risk associated with Information Security Arrangements. The Fund adheres to the controls and measures in place detailed within the Corporate Risk Register.</li> <li>All staff within the team have completed the Information Security and Data Protection e-learning training which is renewed on an annual basis. All Members have received training on information security.</li> <li>The Fund is compliant with the requirements of the Data Protection Act 2018 (DPA18).</li> <li>Any data breaches by officers within the Fund are reported through the Council's data breach processes and also recorded on the Fund's breach register.</li> </ul> <p><b>Cumbria County Council (CCC) – Corporate Risk</b></p> <ul style="list-style-type: none"> <li>In the event of systems being interrupted, the Council will implement the relevant Business Continuity Plan to ensure service continuity in a timely manner.</li> <li>Information security controls within the Council have strengthened and have been independently assessed in the following areas: <ul style="list-style-type: none"> <li>GDPR: 'Substantial Assurance' Internal Audit opinion Jun 2019</li> <li>Cyber Security: 'Reasonable Assurance' Internal Audit opinion Jun 2019</li> </ul> </li> </ul> | <p><b>Cumbria Pension Fund:</b></p> <ul style="list-style-type: none"> <li>All staff, elected Members and Pension Board members are required to complete on-line data security training with a new module launched for 2022/23.</li> <li>AON have undertaken a review of the Fund's cyber security and its readiness for a cyber incident and an action plan developed to address the findings from the review to further enhance cyber security arrangements.</li> </ul> <p><b>Cumbria County Council:</b></p> <ul style="list-style-type: none"> <li>After 1 April 2023, ICT Services for the Fund will be hosted by Cumberland Council with a seamless continuation of information security / cyber security controls.</li> <li>Annual Public Sector Network submission has been completed and the Council awaits the assessment and outcomes of this submission.</li> <li>The annual ICT Health check commenced in November 2022.</li> </ul> |

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|----------|------------|--------------------------|------------------------|--------------|---|--|
|          |            |                          | (Impact x Likelihood)  |              |   |  |
|          |            |                          |                        |              | <ul style="list-style-type: none"> <li>• PSN: Annual independent PSN Accreditation confirmed on 5 May 2022</li> <li>• Air gapped (i.e. disconnected network) backup solution fully implemented.</li> <li>• All National Cyber Security Centre (NCSC) configuration guidance is adhered to where appropriate and assured as part of the PSN process.</li> <li>• All NCSC cyber monitoring tools are implemented.</li> <li>• In the event of a Cyber Attack the Administering Authority will notify the appropriate government agencies (including Action Fraud, National Cyber Security Centre (NCSC) and the Department for Levelling Up, Housing and Communities (DLUHC)) and their guidance will be adhered to. The Fund would never make any payment to a third party claiming responsibility for breaching the Fund's security arrangements.</li> </ul> <p><b><u>Local Pension Partnership Administration (LPPA):</u></b></p> <ul style="list-style-type: none"> <li>• Cyber security risks and controls in place</li> <li>• Services backed up to tape every night and held off site. Disaster recovery plan is tested twice yearly.</li> <li>• Networks protected by fire walls to prevent unauthorised access. Intrusion Prevention Systems are in place and penetration tests are completed annually.</li> <li>• LPPA's Cyber Essentials certification has been refreshed.</li> <li>• LPPA's 'Secure-Score' has been implemented primarily delivered through:               <ul style="list-style-type: none"> <li>• Increased monitoring alerts and notifications of cyber security events,</li> </ul> </li> </ul> |  |

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|----------|-----------------------------------|--|--|--|--|---|
|          |                                   |  | (Impact x Likelihood)  |  |  |   |
|          |                                   |  |  |  | <p>through use of Microsoft Identity monitoring &amp; Cloud Application Security tooling.</p> <ul style="list-style-type: none"> <li>• Introduction of control policies which manage detection of unsanctioned applications.</li> <li>• Reviews of administrative privileges &amp; compliance to Multi Factor Authentication (MFA) Policies.</li> </ul>  |   |
| 1.2      | Fund & LPPA<br><br>Senior Manager | <p><b>Pensions' Administration Processes</b></p> <p>There is a risk of delays in scheme members entering into pension or receiving other services from the Fund in an untimely manner.</p> <p>Caused by organisational restructure within LPPA, personnel changes and the need for retraining or reduced staffing levels.</p> <p>Resulting in customer dissatisfaction with the service, reputational damage and breaches of law or regulations.</p> | <p style="text-align: center;"><b>9</b><br/><b>(3x3)</b></p> <p style="text-align: center;"><b>DOT</b></p> <p style="text-align: center;">↑</p> <p style="text-align: center;"><b>Was:</b><br/><b>6</b><br/><b>(3x2)</b></p> | <p style="text-align: center;"><b>6</b><br/><b>(3x2)</b></p> | <p>Formal agreement in place with Lancashire County Council for the discharge of pension administration functions through Local Pensions Partnership Administration (LPPA). This confirms Lancashire will exercise the same skill, care and diligence they would apply to the discharge of their own functions in relation to the administration of pensions. A similar arrangement is currently being developed for agreement between Westmorland &amp; Furness Council and Lancashire County Council such that the existing arrangements continue after LGR vesting date.</p> <p>Formal quarterly meetings of LPPA and Cumbria LGPS officers to review and consider standards of service provision against LPPA internal performance targets. The Fund is currently undertaking enhanced monitoring due to the current poor performance against the agreed performance targets and in the period during and following the transition between pension administration software within LPPA. This poor performance has resulted in the "likelihood" risk score being increased in Q4 from 2 ("unlikely") to 3 ("possible").</p> <p>Regular (at least quarterly meeting) of operational group and ongoing dialogue with officers at LPPA throughout the year. LPPA host an annual Client</p> | <p>Officers continue to closely review LPPA performance specifically with regard to the experience received by scheme members. Officers are giving specific consideration to LPPA's transition to a new software provider for pension administration services ("Project PACE") implemented for Cumbria Pension Fund on 5 December 2022. The Local Pension Board received a specific presentation on Project PACE from the Managing Director of LPPA in January 2022 with further updates being provided at each Board meeting.</p> <p>Regular meetings are currently being held between the Fund and LPPA to understand the risks that Project PACE may bring and how these are mitigated. In recognition of the risk 1.1 - Information Security Arrangements, Officers have requested further information on the security of data through the data transition from the current to the new pensions administration system.</p> <p>In recognition of the increased risk associated with pension administration processes, senior officers will take a more active role in managing the relationship between the Fund and LPPA.</p> |

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|----------|-----------------------------------|--|--|--------------|---|---|
|          |                                   |  | (Impact x Likelihood)                      |              |   |   |
|          |                                   |  |  |              | <p>Forum providing officers the opportunity to engage with representatives from other Funds. Next meeting scheduled for 28 February 2023.</p> <p>A Senior Manager from LPPA attends all Cumbria Local Pension Board meetings and provides an update on performance and areas for development.</p> <p>Internal audit assurance is provided annually by Lancashire County Council that internal controls with LPPA over the operation and administration of the pension fund's data are adequate and effective.</p> <p>LPPA also maintains its own internal audit programme and advise Officers of the findings of these reports.</p> |   |
| 1.3      | Fund & LPPA<br><br>Senior Manager | <p><b>Scheme Member Communication</b></p> <p>There is a risk that scheme members will not receive adequate and timely communication from the Fund.</p> <p>Caused by not having an effective Communication Strategy in place or engagement strategy or inaccurate / incomplete data</p> <p>Resulting in customer dissatisfaction with the service, reputational damage and breaches of law or regulations (e.g. the Pension Regulator's Code of Practice 14).</p> | <p>4<br/>(2x2)<br/><br/>DOT<br/><br/>➔</p> | 4<br>(2x2)   | <p>The Fund's Communication Policy details the process by which it will communicate with members of the Scheme. This policy is reviewed at least annually.</p> <p>The PensionPoint portal (previously 'My Pension Online' - MPO) is a key mechanism through which LPPA communicates with members and work is ongoing to increase the percentage of members signing up to this.</p> <p>LPPA have confirmed that 100% of 2022 Annual Benefit Statements were issued in advance of the statutory deadline of 31 August 2022.</p>   | <p>LPPA produce annual newsletters for active, deferred and pensioner members including details of the pension scheme and specific information of relevance to members.</p> <p>PensionPoint is being promoted by LPPA, the Fund and some Scheme employers to encourage take up of this online self-serve pensions tool.</p> <p>The Fund, with assistance from LPPA, will be writing to members during Q1 of 2023 to inform them how Local Government Reorganisation in Cumbria will affect them. The communications will be to active, deferred and pensioner members.</p> <p>Cumbria Pension Fund now has its own dedicated website which went live in November 2022. It contains information on the LGPS, as well as how the Fund is managed in Cumbria. Up to date</p> |

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|----------|--|---|---|-------------------------|---|--|
|          |  |   | (Impact x Likelihood)                       |                         |   |  |
|          |  |   |   |                         |   | member news is also provided, as well as documents for members to download and links to useful websites such as LPPA.  |
| 1.4      | Employers and Fund<br><br>Senior Manager | <p><b>Data Quality</b></p> <p>There is a risk that member data is incomplete or inaccurate.</p> <p>This could be caused by poor internal controls within the Fund and scheme employers with information not being passed to LPPA in a timely manner.</p> <p>This could result in having an adverse impact for scheme members such as through the late / inaccurate production of Annual Benefit Statements and may lead to increased complaints and appeals. Additionally this risk could impact upon estimates used within the Triennial Valuation of the Fund which then impacts onto employer contributions.</p> | <p>6</p> <p>(3 x 2)</p> <p>DOT</p> <p>➔</p> | <p>3</p> <p>(3 x 1)</p> | <p>Internal audit work undertaken on LPPA controls to provide assurance that internal controls over the operation and administration Cumbria's data are adequate and effective (annually).</p> <p>Monthly reconciliation by Officers of employer contributions to data submitted by employers.</p> <p>Quarterly LPPA key performance indicators include measures of timeliness of update of records.</p> <p>Employer responsibilities are set out in the Administration Policy and this is regularly reinforced by officers through a range of communication channels.</p> <p>Regular (quarterly) review of the Pensions Regulator's Common Data and Conditional Data scores as included within LPPA's quarterly report presented to each Pensions Committee and Local Pension Board.</p> | <p>Planned improvements to data quality are reviewed and scrutinised on a quarterly basis by the Local Pension Board as requested by the Pensions Committee.</p> <p>The data cut for the 2022 valuation of the Fund (which determines the employer contribution rates for April 2023 to March 2026) was taken as at the end of June 2022 as planned and employers received their schedules detailing future employer contributions rates in November 2022.</p> |
| 1.5      | Employers & Fund<br><br>Senior Manager   | <p><b>Payment of contributions</b></p> <p>There is a risk that employers fail to pay contributions (or the correct level of contributions) into the scheme.</p> <p>This could be caused by employer error, business failure</p>   | <p>8</p> <p>(4 x 2)</p> <p>DOT</p> <p>➔</p> | <p>8</p> <p>(4 x 2)</p> | <p>Monthly monitoring of contribution payments by employer to ensure contributions received are timely and accurate. This reconciliation is considered as part of the annual audit process.</p> <p>Late payments are reported to Pensions Committee and the Local Pension Board at each quarterly meeting.</p>  | <p>Monitoring and reconciliation of contributions continue to be undertaken monthly and a full reconciliation is completed and checked as part of the year end process.</p> <p>Where appropriate, guarantees will be called in to ensure all contributions are appropriately collected by the Fund.</p>  |

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|----------|--|---|--|-------------------------|--|--|
|          |  |   | (Impact x Likelihood)                        |                         |  |  |
|          |  | <p>or the general impact of increases in employer contribution rates</p> <p>This could result in a financial loss the Fund which may impact on all other employers, and may constitute a breach reportable to the Pensions Regulator.</p>   |  |                         | <p>New admission bodies to the Fund are required to be backed by a guarantee or a bond to secure both pension contributions and any net liabilities should an admitted body enter into bankruptcy or be otherwise unable to fulfil their obligations to the Fund.</p>  |  |
| 1.6      | Employers & Fund<br><br>Senior Manager | <p><b>McCloud Judgement</b></p> <p>There is a risk that the Fund is unable to adequately comply with required administration processes arising from the resolution of the McCloud judgement.</p> <p>This could be caused by employers not having historic employment data for affected members; LPPA not having appropriate resource to undertake the work; the Fund having insufficiently capacity to adequately review the results; or insufficient budget to fund the required project work.</p> <p>This could result in legal breaches reportable to the Pensions Regulator; incorrect pension entitlements being calculated for pensioners; and loss of credibility with scheme members and employers.</p> | <p>12</p> <p>(3 x 4)</p> <p>DOT</p> <p>➔</p> | <p>9</p> <p>(3 x 3)</p> | <p>A consultation on the proposed resolution to the McCloud judgment was issued by MHCLG in July 2020. A consultation on further draft amendments to the LGPS Regulations is expected early in 2023 with the revised regulations scheduled to come into effect from 1 October 2023.</p> <p>The Fund is reviewing this risk with LPPA through its usual monitoring meetings and is making preparations for managing the additional workloads.</p> <p>The draft 2023/24 budget recommended to Pensions Committee includes an allowance for the additional cost associated with implementing McCloud. Associated software enhancements for McCloud have been paid for during 2022/23.</p> | <p>The Fund will continue to ensure employers are appropriately briefed as to any additional information required from them and will be working closely with LPPA to identify what additional workload is required.</p> <p>Planned improvements will be reported to Pensions Committee and the Local Pension Board when there is greater clarity as to what is required from the Fund.</p> |



| Risk Ref | Risk Owner                             | Risk Title & Description   | Current Risk Score DOT             | Target Score         | Current Controls & Measures in Place  | Planned Improvements to controls and measures to manage the risk   |
|----------|--|--|------------------------------------|----------------------|---|--|
|          |  |  | (Impact x Likelihood)              |                      |   |  |
| 1.7      | Employers & Fund<br><br>Senior Manager | <p><b>Scam Detection &amp; Prevention</b></p> <p>There is a risk that a Scheme Member could be the victim of fraud.</p> <p>This could be caused by the Scheme Member being exploited into transferring their pension from the LGPS to a bogus or unsuitable pension scheme.</p> <p>This could result in the Scheme Member losing their pension or being at financial loss. This could also result in the Regulator finding against the Fund and requiring it to make good the losses experienced by the Scheme Member.</p> | <p>4<br/>(2 x 2)<br/>DOT<br/>➔</p> | <p>4<br/>(2 x 2)</p> | <p>The Fund complies with the Code of Good Practice and the Pensions Regulator’s guidance.</p> <p>Pension transfers requests are reviewed against a “Safe list” of pension providers, known to be legitimate, whilst ensuring the transfer is not to a cloned company.</p> <p>Due diligence checks and forms provided by the Local Government Association are used to request detailed due diligence for pension providers not on the Safe List.</p> <p>Where necessary LPPA will undertake further checks at Companies House, HMRC, checking the receiving pension provider’s Scheme rules.</p> <p>LPPA was the first organisation to join the Pension Scams Industry Group’s (PSIG’s) Pension Scams Industry Forum (PSIF). The forum is held on a monthly basis to share knowledge of schemes, companies and individuals of concern, and forms a “crucial part” of the work undertaken by PSIG. The forum is used to help identify and track the techniques and approaches of scammers and how they are evolving. Findings from the forum are shared with regulators and the police through representation on Project Bloom.</p> <p>The Fund’s annual newsletter to scheme members included specific sections on scam awareness and cyber security.</p> | <p>The existing procedures are considered appropriate to mitigate the risk of a scheme member being the victim of fraud through the transfer out of their pension.</p> |



2. Governance & Regulation

| Risk Ref | Risk Owner             | Risk Title & Description   | Current Risk Score DOT           | Target Score         | Current Controls & Measures in Place   | Planned Improvements to controls and measures to manage the risk   |
|----------|------------------------|--|----------------------------------|----------------------|--|--|
|          |                        |  | (Impact x Likelihood)            |                      |  |  |
| 2.1      | Fund<br>Senior Manager | <p><b>Risk of Significant Regulatory Breach</b></p> <p>There is a risk that the Fund commits a serious regulatory breach.</p> <p>This could be caused by the Fund failing to advise the Regulator of regulatory matter (e.g. reporting a breach, submitting the Scheme Return) or failing to implement new regulations.</p> <p>This could result in intervention by the Pensions Regulator and a detrimental effect to the service being provided to scheme members and employers. It could also result in serious reputational implications for the Fund and potentially a financial penalty.</p> | <p>5<br/>(5x1)<br/>DOT<br/>➔</p> | <p>5<br/>(5x1)</p>   | <p>The Fund is appropriately resourced with well trained and knowledgeable staff who understand their regulatory obligations to the Pensions Regulator and other statutory bodies.</p> <p>Key processes are documented mitigating the risk of loss of knowledge from key staff leaving or being unavailable.</p> <p>The Senior Manager ensures that staff take the time to consider upcoming deadlines and prioritise workloads accordingly.</p> <p>The Fund has good contacts with other LGPS Funds, the LGA, CIPFA and other bodies to ensure that it is aware of changing regulations and their impact to the Fund.</p> <p>The Pensions Committee and Local Pension Board are advised on new regulations and emerging issues at each meeting.</p> | <p>Officers will continue to “horizon scan” to understand emerging issues that may have an impact on the future of the Fund. Where appropriate, the Pensions Committee and Local Pension Board will continue to be appraised of any emerging issues.</p> <p>Earlier in 2022, the Fund undertook its annual assessment of training needs for each Member. The results of this assessment informed the 2022/23 Training Plan for the Fund approved by Pensions Committee in March 2022 and the Local Pension Board in April 2022.</p> <p>Officers will arrange for training to be available to all members (including substitutes) of the Pensions Committee and Local Pension Board throughout the year to ensure that Members have the appropriate skills and knowledge to take informed decisions at each meeting.</p> <p>This will also be included in a training package offered to all elected Members of Cumberland Council and Westmorland &amp; Furness Council in February/March 2023. The training plan for 2023/24 will be further developed once the new Committee is agreed and training needs are identified.</p> |
| 2.2      | Fund<br>Senior Manager | <p><b>Regulatory Changes</b></p> <p>There is a risk that the LGPS is mandated to invest in particular markets or risks that may otherwise impact onto the sovereignty of the Fund.</p>   | <p>8<br/>(4 x 2)</p>             | <p>8<br/>(4 x 2)</p> | <p>Officers of the Fund respond to government consultations where relevant to help influence policy.</p> <p>Where relevant, the Fund will support lobbying or lobby directly to ensure that its voice is heard in the</p>  | <p>Officers of the Fund will continue to monitor the LGPS environment to be aware of any potential changes to the scheme.</p> <p>Where appropriate, officers will draft responses to consultations affecting the Fund and, where</p>   |

| Risk Ref | Risk Owner                 | Risk Title & Description   | Current Risk Score DOT                      | Target Score            | Current Controls & Measures in Place   | Planned Improvements to controls and measures to manage the risk  |
|----------|----------------------------|--|---|-------------------------|--|---|
|          |                            |  | (Impact x Likelihood)                       |                         |  |   |
|          |                            | <p>This may be caused by government policy or amendments to regulations.</p> <p>This may result in the funding level of the Fund being affected which could materially impact employer contributions.</p>  | <p>DOT</p> <p>➔</p>                         |                         | <p>development of national policy.</p> <p>Officers within the Fund ensure that they are aware of impending amendments to regulations and advise Pensions Committee and the Local Pension Board (and, where relevant, employers and scheme members) in a timely way as to any amendments and their impact to the Fund.</p>  | <p>possible, consult with the Chair of the Pensions Committee before submission.</p>  |
| 2.3      | Fund<br><br>Senior Manager | <p><b>Financial Irregularity</b></p> <p>There is a risk of fraud, fraudulent behaviour, or unintentional overpayments. Additionally, there is the risk of financial loss due to corporate activities in companies that the Fund has equity holdings in.</p> <p>This may be caused by fraudulent activity unintentional overpayments, or misunderstanding.</p> <p>Failure to address financial irregularity may result in a financial loss to the Fund and scheme employers, as well as reputational damage to the Council.</p> | <p>6</p> <p>(2 x 3)</p> <p>DOT</p> <p>➔</p> | <p>6</p> <p>(2 x 3)</p> | <p><b>Fraudulent Activity</b> – Active participation in the National Fraud Initiative (NFI) reduces likelihood of unidentified deaths and fraudulent pension claims.</p> <p>Segregation of duties and a delegated scheme of authority minimises the risk of fraud within the Fund.</p> <p><b>Unintentional overpayments</b> – The NFI activity may identify overpayments where no fraudulent activity has arisen, but a benefactor has unintentionally benefited from the Fund, e.g. payments continuing to be made to a widow(er) following the death of their partner. In such instances, officers act compassionately whilst still protecting the assets of the Fund.</p> <p><b>Tax and class action recoveries</b> – Fund has specialist providers for key recovery areas such as tax and class actions.</p> | <p>In January 2023, Officers were advised through the NFI of 20 cases of the death of scheme members that were not previously known to the Fund. These cases are currently being reviewed by LPPA.</p> <p>Note: cases identified through the NFI do not necessarily constitute a fraud, but do represent areas where there is a discrepancy between the Fund's information and data from the government agencies.</p> |
| 2.4      | Fund<br><br>Senior Manager | <p><b>Loss of key personnel</b></p> <p>There is a risk that the Fund may lose key personnel.</p>   | <p>8</p> <p>(2 x 4)</p>                     | <p>4</p> <p>(2 x 2)</p> | <p>The Fund is appropriately resourced and has effective arrangements in place to cover for short term absence. Managers consider succession planning for key staff within the team.</p>   | <p>Council staff have been allocated to their new employer with effect from 1 April 2023. All staff working on the Pensions Fund will TUPE transfer to Westmorland &amp; Furness (the new Administering</p>   |

| Risk Ref | Risk Owner                 | Risk Title & Description   | Current Risk Score DOT                    | Target Score         | Current Controls & Measures in Place  | Planned Improvements to controls and measures to manage the risk  |
|----------|----------------------------|--|---|----------------------|---|---|
|          |                            |  | (Impact x Likelihood)                     |                      |   |   |
|          |                            | <p>This risk could be caused by staff retiring, moving on or otherwise being on long-term absence. Similarly the risk could be impacted by turnover with Committee and Board membership.</p> <p>This could result in an erosion of skills and knowledge within the Fund</p>  | <p>DOT<br/>↑<br/>Formerly<br/>(2 x 2)</p> |                      | <p>A comprehensive skills needs assessment is undertaken each year for all Officers and members of the Pensions Committee and Local Pension Board and a training plan is developed to address any areas for improvement.</p> <p>Key processes are documented mitigating the risk of loss of knowledge from key staff leaving or being unavailable.</p> <p>The Fund has recourse to the independent expertise of two advisors and has the resource to procure additional external support as required.</p> | <p>Authority for the Fund) and continue with their existing role from vesting date. Westmorland &amp; Furness Council has agreed that existing working arrangements will continue and has agreed office sharing with Cumberland Council. This greater level of certainty about future employer and working arrangements help mitigate the risk of loss of staff of the Fund.</p> <p>There will be significant turnover in the Pensions Committee and some turnover in the Board membership on vesting day. It is possible that the new membership will have limited knowledge of the LGPS or wider pensions experience. The scoring of this risk was increased in Q3 to reflects this. To help mitigate this risk a detailed training plan has been developed to ensure new members have the skills to make informed decisions for the Pensions Fund. This training plan will be reviewed once the membership of the Committee is identified. It is therefore anticipated that the scoring for this risk will be adjusted downwards once the training is materially complete.</p> |
| 2.5      | Fund<br><br>Senior Manager | <p><b>Conflicts of interest</b></p> <p>There is a risk that conflicts of interest in the governance of the Fund may detrimentally affect decision making.</p> <p>This could be caused by those involved with the governance of the Fund being influenced by interests outside of the Fund.</p> <p>This could result in decisions</p> | <p>4<br/>(2 x 2)<br/><br/>DOT<br/>→</p>   | <p>4<br/>(2 x 2)</p> | <p><b>Pensions Committee:</b> All Committee members with voting rights have signed up to the Council's Code of Conduct which covers registration of interests. Disclosure of interests is a standing item on the Pensions Committee agenda.</p> <p><b>Local Pension Board:</b> all members have signed up to the Board's Code of Conduct and Conflicts of interest policy (which are aligned to those of the Council). At each meeting, members are asked to disclose any changes to their situation.</p> | <p>The existing procedures are considered appropriate to mitigate the risk of conflicts of interest but this position will be kept under review.</p> <p>Any potential conflicts of interest are declared at the commencement of each meeting and these are declarations are included in the minutes of each meeting.</p> <p>All members of the Local Pension Board and Pensions Committee are aware of how to manage potential conflicts. If there is doubt members of the</p>  |

| Risk Ref | Risk Owner                        | Risk Title & Description  | Current Risk Score DOT                   | Target Score            | Current Controls & Measures in Place   | Planned Improvements to controls and measures to manage the risk  |
|----------|-----------------------------------|---|--|-------------------------|--|---|
|          |                                   |   | (Impact x Likelihood)                    |                         |  |   |
|          |                                   | being taken that are detrimental to the Fund and/or financial loss, legal challenge or reputational damage.   |  |                         | <p>All interests are recorded and published on the Council's website.</p> <p>If appropriate, legal advice can be sought as to any potential conflicts of interest within the Fund.</p>   | <p>Board and Committee may seek advice from the respective Chair or the Council's Monitoring Officer.</p> <p>The Fund will review statutory guidance or amended Regulations arising from the Good Governance Review to ensure it continues to fully comply with its obligations to report on potential conflicts within the Fund.</p> |
| 2.6      | Fund & LPPA<br><br>Senior Manager | <p><b>Operational Interruption</b></p> <p>There is a risk that an operational interruption may impact onto the Fund.</p> <p>This could be caused by IT failure / fire / flood / extreme weather events significant staff absence etc.</p> <p>This could result in the Fund not being able to operate effectively.</p>             | <p>4</p> <p>(4 x 1)</p> <p>DOT<br/>→</p> | <p>4</p> <p>(4 x 1)</p> | <p><b>CCC:</b> Business continuity procedures are in place for the scheme manager (CCC). These are tested corporately in accordance with CCC policies and procedures.</p> <p><b>Administration (LPPA):</b><br/>LPPA have business continuity procedures in place for Pensions administration. These are reviewed by Lancashire County Council's emergency planning services which provide a QA function by in respect of individual service plans.</p>   | <p>The existing procedures are considered appropriate to mitigate the risk of conflicts of interest but this position will be kept under review. Where weaknesses are identified, these will be addressed to improve the Fund's preparedness for operational interruption.</p>  |
| 2.7      | Senior Manager                    | <p><b>Local Government Reorganisation (LGR)</b></p> <p>There is a risk that LGR could have a significant impact on the sustained quality provision of the Cumbria Pension Fund until 31 March 2023.</p> <p>This could be caused by increased workload pressures on key staff with key areas of work including identifying and</p> | <p>6</p> <p>(3 x 2)</p> <p>→</p>         | <p>6</p> <p>(3 x 2)</p> | <p>Throughout the LGR process, the Fund is focussed on ensuring high quality provision is maintained through its most important services of:</p> <ul style="list-style-type: none"> <li>• Paying pensions;</li> <li>• Collecting contributions;</li> <li>• Appropriate investment of Fund assets; and</li> <li>• Adhering to regulatory requirements.</li> </ul> <p>Some non-essential activities e.g. responding to some consultations, have been scaled back whilst key staff are engaged in LGR activities.</p> | <p>The existing procedures are considered appropriate to mitigate the risk of LGR having a significant impact on the quality of of the Cumbria Pension Fund.</p> <p>This position will be kept under review as vesting date approaches being particularly mindful as to the impact on workloads for key staff.</p>                    |

| Risk Ref | Risk Owner | Risk Title & Description  | Current Risk Score DOT | Target Score | Current Controls & Measures in Place  | Planned Improvements to controls and measures to manage the risk |
|----------|------------|---|------------------------|--------------|---|--|
|          |            |   | (Impact x Likelihood)  |              |   |  |
|          |            | <p>assessing options for the governance arrangements for the Fund post vesting date; and ensuring arrangements are in place for the continuation of key externally provided services e.g. banking and pensions administration.</p> <p>This could result in reduced or non-delivery of services impacting on service users</p> |                        |              | <p>Work is ongoing to ensure that Pensions Committee members in the new Administering Authority have the appropriate skills to understand the Fund and make informed decisions.</p> <p>Furthermore, the Constitution for Westmorland &amp; Furness Council - which sets out the role of the Pensions Committee and other governance arrangements affecting the Fund – was agreed by the Shadow Council on 23<sup>rd</sup> January 2023.</p> <p>Westmorland &amp; Furness Shadow Council have approved the delegation of functions arrangement with Lancashire County Council (LCC) for pensions administration services. LCC then arrange for these services to be provided to the Fund by LPPA. This arrangement is broadly similar to that currently between Cumbria County Council (as the current Administering Authority) and LCC.</p> |  |

3. Investments

| Risk Ref | Risk Owner                 | Risk Title & Description   | Current Risk Score DOT             | Target Score         | Current Controls & Measures in Place   | Planned Improvements to controls and measures to manage the risk   |
|----------|----------------------------|--|------------------------------------|----------------------|--|--|
|          |                            |  | (Impact x Likelihood)              |                      |  |  |
| 3.1      | Fund<br><br>Senior Manager | <p><b>Investment performance</b></p> <p>There is a risk that investment performance is lower than that assumed in the actuarial valuation.</p> <p>This could be caused by financial market performance being less than assumed and / or underperformance from Cumbria's investment managers and / or environmental / social / governance issues impacting adversely on investments.</p> <p>This could result in a material increase in employer contributions at the next triennial valuation.</p> | <p>8<br/>(4 x 2)<br/>DOT<br/>→</p> | <p>8<br/>(4 x 2)</p> | <p>Investment Strategy:</p> <ul style="list-style-type: none"> <li>The Fund has an Investment Strategy Statement (ISS), including its policy on responsible investing.</li> <li>This outlines the Fund's investment strategy, and how the investment risk and return issues have been managed relative to the Fund's investment objectives</li> <li>Adherence to the Fund's Investment Strategy ensures that the assets of the Fund are invested in a diverse portfolio of investments. This helps to reduce the risk of market movement having a direct impact on the value of the Fund.</li> <li>The Investment Strategy is regularly reviewed and advice taken from investment consultants, and the Fund's independent advisors, working with the Actuary.</li> </ul> <p>Due Diligence on and monitoring of investments:</p> <ul style="list-style-type: none"> <li>Potential new investments are closely scrutinised by officers and Fund Advisors to assess if the product meets the investment criteria of the Fund (including risk and forecast return).</li> <li>Potential new investments are then proposed to Pensions Committee if above 5% of the Fund's portfolio (or the Director of Finance in consultation with the Investment Sub Group if less than 5%) for further consideration and a funding decision.</li> <li>The Fund's investments are subject to regular monitoring, with Fund performance reported in detail to the Investment Sub Group and at a higher level to the Pensions Committee and</li> </ul> | <p>A certain level of investment risk is needed to achieve the return needed to ensure employer contribution rates are affordable.</p> <p>The existing procedures are considered appropriate to mitigate the risk that market movement or investment failure may impact materially onto employer contribution rates.</p> |

| Risk Ref | Risk Owner | Risk Title & Description | Current Risk Score DOT | Target Score | Current Controls & Measures in Place  | Planned Improvements to controls and measures to manage the risk |
|----------|------------|--------------------------|------------------------|--------------|---|--|
|          |            |                          | (Impact x Likelihood)  |              |   |  |
|          |            |                          |                        |              | <p>Local Pension Board on a quarterly basis.</p> <p>Currency:</p> <ul style="list-style-type: none"> <li>• During 2021 the Fund – in conjunction with its Independent Advisors and an Investment Consultant (ISIO) - undertook a review of its approach to currency hedging. This concluded that: <ul style="list-style-type: none"> <li>○ Public equity investments denominated in overseas currencies should be unhedged as it is considered preferable in terms of providing diversification during extreme market environments, and also in avoiding the inherent cost and governance burden involved in maintaining the hedge.</li> <li>○ Active management of listed equity involves consideration of currency risk on overall return, and the rationale for hedging this element of the portfolio is less strong now that a substantial amount of the Fund's listed equity is actively managed rather than passive.</li> <li>○ The Fund hedges currency exposure on other lower risk assets where practical and possible.</li> </ul> </li> </ul> <p>Responsible Investing (RI):</p> <ul style="list-style-type: none"> <li>• The Fund is committed to being a responsible owner and believes that RI, incorporating environmental, social and governance (ESG) factors into investment decisions, can help to improve the long term value for investors.</li> <li>• It considers it appropriate to have a diverse portfolio of assets that can maximise return whilst seeking to mitigate investment risks.</li> <li>• The Fund believes that the best way to be a responsible investor and to influence policy</li> </ul> |  |



| Risk Ref | Risk Owner                 | Risk Title & Description   | Current Risk Score DOT                  | Target Score         | Current Controls & Measures in Place  | Planned Improvements to controls and measures to manage the risk  |
|----------|----------------------------|--|---|----------------------|---|---|
|          |                            |  | (Impact x Likelihood)                   |                      |   |   |
|          |                            |  |   |                      | <p>change is not through divestment but through active engagement.</p> <ul style="list-style-type: none"> <li>The Fund considers that, by exerting pressure as an investor, it can bring more influence on companies than it could by boycotting specific sectors from its investment strategy.</li> <li>Actuarial tools: LGPS regulations provide Funds such as Cumbria with mechanisms to smooth changes to employer contribution rates for certain employers if required. Further detail of this is set out in the Fund's Funding Strategy Statement (FSS).</li> </ul> <p>Details of the Fund's investments (including its approach to currency hedging, its FSS and its ISS) are provided in the Fund's Annual Report available on-line.</p>  |   |
| 3.2      | Fund<br><br>Senior Manager | <p><b>Availability of Investments Opportunities</b></p> <p>There is a risk that there are insufficient opportunities available to the Fund to fully implement its investment strategy.</p> <p>This could be caused by Border to Coast Pensions Partnership Ltd (BCPP) not offering suitable sub-funds to enable the Investment Strategy to be implemented in a timely manner.</p> <p>This could result in the Fund not being able to fully implement the investment strategy in a timely manner.</p> | <p>6<br/>(3 x 2)<br/>DOT<br/><br/>→</p> | <p>6<br/>(3 x 2)</p> | <p>The Investment Strategy Statement sets out the asset classes that the Fund is prepared to invest in. A revised strategy was approved by the Pensions Committee in December 2019 and this was subsequently updated in March 2021.</p> <p>The Fund is working with BCPP to ensure that appropriate sub-funds are available to be able to fully implement the current Investment Strategy.</p> <p>It has been recognised that some elements of the revised Strategy will take time to implement. It has therefore been agreed that, where target asset classes take time to invest, the amounts destined for these assets are temporarily invested in an interim strategy which more closely reflects the agreed target Strategy. This will result in achieving a lower risk position more quickly.</p> | <p>The existing relationship with BCPP is considered appropriate to mitigate the risk that insufficient investment opportunities will be available for the Fund to fully implement its Investment Strategy.</p> |

| Risk Ref | Risk Owner                 | Risk Title & Description   | Current Risk Score DOT             | Target Score         | Current Controls & Measures in Place   | Planned Improvements to controls and measures to manage the risk  |
|----------|----------------------------|--|------------------------------------|----------------------|--|---|
|          |                            |  | (Impact x Likelihood)              |                      |  |   |
| 3.3      | Fund<br><br>Senior Manager | <p><b>Russian Invasion of Ukraine</b></p> <p>There is a risk that the Russian invasion of Ukraine creates turbulence in the investment markets and negatively impacts on assumptions used by the actuary as part of the 2022 valuation which, in turn, could impact onto employer contribution rates payable to the Fund.</p> <p>This could be caused by global market turbulence having a significant negative effect on the Funding Value of the Fund and individual employers or by a review of assumptions used by the Actuary in calculating the 2022 valuation.</p> <p>This could result in employer contribution rates increasing at the 2022 valuation or the Actuary proposing a mid-term adjustment to contribution rates before the 2025 valuation.</p> | <p>9<br/>(3 x 3)<br/>DOT<br/>➔</p> | <p>9<br/>(3 x 3)</p> | <p>In order to protect Fund solvency and the affordability of employer contribution rates, the Fund seeks to dampen investment risk and deliver stable investment returns over the longer-term by investing in a diverse portfolio of assets.</p> <p>The Fund's direct holdings in Russia, Belarus and Ukraine are less than 0.1% of the Fund however the impact of Russia's invasion of Ukraine may impact more widely on global investment markets, e.g. due to the impact on fuel and food prices.</p> <p>With the current controls and measures in place, it is not expected that there will be a material impact on the 2022 valuation, although the actuary does have the ability to amend the valuation based on any material impacts to markets up until the valuation is signed off on 31 March 2023.</p> <p>Officers are liaising on a regular basis with the Fund's actuary to assess the potential impact of Russian invasion on the valuation of the Fund. Where appropriate, Officers would give an early warning to employers if it were considered that this would have a material impact on the 2022 valuation of the Fund.</p> | <p>Following the results of the 2022 valuation, a review of the investment strategy will be undertaken to consider any amendments required to ensure it remains fit for purpose. This review will consider the impact of all global events at that time, including the impact of the Russian invasion of Ukraine.</p>   |
| 3.4      | Fund<br><br>Senior Manager | <p><b>Inflation</b></p> <p>There is a risk that increased inflation may impact on liabilities which could impact onto employer contribution rates payable to the Fund.</p> <p>This could be caused by a</p>  | <p>9<br/>(3 x 3)<br/>DOT<br/>➔</p> | <p>9<br/>(3 x 3)</p> | <ul style="list-style-type: none"> <li>Investment strategy reviews held at least every three years consider inflation risks and protection from different asset classes. Index linked gilts provide protection. Some other assets have some inflation linkage e.g. property, infrastructure and debt.</li> <li>Investment strategy is very diversified.</li> <li>Actuarial valuation uses discount rate linked to</li> </ul>   | <p>Mitigations of the risk of high short-term inflation have been considered in the 2022 actuarial valuation including:</p> <ul style="list-style-type: none"> <li>Allowance in liabilities for 2023 pension increase;</li> <li>Review of assumption(s); and</li> <li>Use of funding buffers to give greater stability in employer contribution rates.</li> </ul> |

| Risk Ref | Risk Owner                 | Risk Title & Description   | Current Risk Score DOT | Target Score      | Current Controls & Measures in Place   | Planned Improvements to controls and measures to manage the risk   |
|----------|----------------------------|--|------------------------|-------------------|--|--|
|          |                            |  | (Impact x Likelihood)  |                   |  |  |
|          |                            | <p>forecast of sustained high levels of inflation both in the UK and globally having a significant negative effect on the Funding Value of the Fund and individual employers or by a review of assumptions used by the Actuary in calculating the 2022 valuation.</p> <p>This could result in employer contribution rates increasing at the 2022 valuation or the Actuary proposing a mid-term adjustment to contribution rates before the 2025 valuation.</p> <p>In addition, there is a risk of divergence between assumed inflation in the actuary's assumptions and actual inflation in the years following the 2022 valuation.</p> <p>This would have the effect of increasing the Fund's liabilities, thereby potentially impacting the funding position as well as the knock-on potential impact on employer contributions at or prior to the 2025 valuation.</p> |                        |                   | <p>inflation to reduce short-term volatility of funding level and employer contributions.</p> <ul style="list-style-type: none"> <li>Quarterly funding updates and regular liaison with Actuary.</li> <li>Officers are liaising on a regular basis with the Fund's actuary to assess the potential impact of inflation on the valuation of the Fund. They will also continue to monitor inflation and its potential impact going forward.</li> <li>Officers would give an early warning to employers if it were considered that inflation would have a material impact on the 2022 valuation of the Fund.</li> </ul> | <p>Liability cashflow projections to be obtained from the Actuary during the 2022 actuarial valuation (including different inflation scenarios).</p>   |
| 3.5      | Fund<br><br>Senior Manager | <p><b>Climate Change</b></p> <p>There is a potential for Climate change to impact global financial markets and investment assets, impacting the value and</p>  | 12                     | 12<br><br>(4 x 3) | <p>Investment Strategy:</p> <ul style="list-style-type: none"> <li>Many of the current controls and measures in place detailed within Risk 3.1 (Investment Performance) are relevant to the Fund's approach to managing the risk from Climate Change.</li> </ul>   | <p>The Fund responded to the DLUHC consultation on Governance and Climate Risk Reporting in November 2022. Regulations in response to this consultation are still expected to be published early in 2023. It is anticipated that these will require LGPS</p> |

| Risk Ref | Risk Owner | Risk Title & Description  | Current Risk Score DOT                                  | Target Score | Current Controls & Measures in Place  | Planned Improvements to controls and measures to manage the risk   |
|----------|------------|---|---|--------------|---|--|
|          |            |   | (Impact x Likelihood)                                   |              |   |  |
|          |            | <p>investment performance of the Fund.</p> <p>Climate change risk can be grouped into two categories:</p> <ul style="list-style-type: none"> <li>Physical risks arising from changes in weather that impact on the economy; and</li> <li>Transition risks arising from the transition to a low carbon economy.</li> </ul> <p>Both of these could result in:</p> <ul style="list-style-type: none"> <li>Financial market performance being less than expected and / or underperformance from Cumbria’s investment managers; and</li> <li>Societal and economic shifts towards a low-carbon future, which can be linked to policy and regulatory changes, technological risks and stranded assets – and ultimately lead to reputational and legal risks for the Fund.</li> </ul> <p>This could result in a material increase in employer contributions at the next triennial valuation.</p> | <p><b>(4 x 3)</b></p> <p><b>DOT</b></p> <p>New Risk</p> |              | <ul style="list-style-type: none"> <li>The Fund’s Investment Strategy Statement and its Stewardship Report set out how the Fund incorporates Environmental, Social and Governance (ESG) factors including climate change into the investment process.</li> <li>ESG factors, such as climate change can have a material impact on the value of financial assets in the long term. Being a responsible investor and incorporating ESG factors into investment decisions can help to improve the long-term value for investors.</li> <li>The Fund considers it appropriate to have a diverse portfolio of assets that can maximise return whilst seeking to mitigate investment risks and it believes that the best way to be a responsible investor and to influence policy change is not through divestment or boycotting specific sectors but through active engagement.</li> </ul> | <p>Funds to report in line with the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations. The aim is to improve assessment, management and disclosures of both climate-related financial risks and opportunities.</p> <p>Pensions Committee will be advised when the regulations and related guidance are released and Committee will also be informed as to how the Fund plans to meet the new requirements. This is likely to include:</p> <ul style="list-style-type: none"> <li>Reviewing the Fund’s governance arrangements to ensure they are fit for purpose in relation to assisting with the oversight of climate related risks and opportunities;</li> <li>Carrying out climate-related scenario analysis; and</li> <li>Reporting on appropriate climate-related metrics.</li> </ul> <p>The resulting increased level of disclosure of how the Fund’s assets will affect and be affected by climate change, will seek to ensure that the Fund understands and manages the financial risks and opportunities arising from climate change in order to protect and grow the Fund’s assets and cashflows.</p> |

**Note:** An upward arrow on the Direction of Travel represents an increase in the risk score since the previous quarter – hence either the potential impact or the likelihood of the risk occurring has increased.

Similarly, a downward arrow on the Direction of Travel represents a decrease in the risk score since the previous quarter – hence either the potential impact or the likelihood of the risk occurring has decreased.