

7 July 2022

**To: The Chair and Members of the Cumbria  
LGPS Local Pension Board**

# Agenda

## CUMBRIA LGPS LOCAL PENSION BOARD

A meeting of the Cumbria LGPS Local Pension Board will be held as follows:

**Date: Friday 15 July 2022**  
**Time: 1.00 pm**  
**Place: Conference Room A, Cumbria House, Carlisle, CA1 1RD**

**Catherine Parkinson**  
**Interim Chief Legal Officer & Monitoring Officer**

Enquiries and requests for supporting papers to: Anthony Farrar  
Direct Line: 07909 932418  
Email: [anthony.farrar@cumbria.gov.uk](mailto:anthony.farrar@cumbria.gov.uk)

*This agenda is available on request in alternative formats*

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Serving the People of Cumbria

## **MEMBERSHIP**

### **Employer Representatives**

Lord Roger Liddle– CCC  
Gavin Capstick – Other  
Giles Archibald - District Representative

### **Employee (Member) Representatives**

Deirdre Burnet - Pensioner (Chair)  
Karen Thomson – Deferred  
Karen Wilson - Active

## **ACCESS TO INFORMATION**

### **Agenda and Reports**

Copies of the agenda and Part I reports are available for members of the public to inspect prior to the meeting. Copies will also be available at the meeting.

The agenda and Part I reports are also available on the County Council's website – [www.cumbria.gov.uk/councilmeetings/](http://www.cumbria.gov.uk/councilmeetings/)

### **Background Papers**

Requests for the background papers to the Part I reports, excluding those papers that contain exempt information, can be made to Legal and Democratic Services at the address overleaf between the hours of 9.00 am and 4.30 pm, Monday to Friday.

# **A G E N D A**

## **PART 1: ITEMS LIKELY TO BE CONSIDERED IN THE PRESENCE OF THE PRESS AND PUBLIC**

### **1 APOLOGIES FOR ABSENCE**

To receive any apologies for absence.

### **2 TERMS OF REFERENCE AND MEMBERSHIP**

To note the Terms of Reference and membership of the Board (copy enclosed).

### **3 DISCLOSURES OF INTEREST**

Members are invited to disclose any disclosable pecuniary interest they have in any item on the agenda which comprises

- 1 Details of any employment, office, trade, profession or vocation carried on for profit or gain.
- 2 Details of any payment or provision of any other financial benefit (other than from the authority) made or provided within the relevant period in respect of any expenses incurred by you in carrying out duties as a member, or towards your election expenses. (This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
- 3 Details of any contract which is made between you (or a body in which you have a beneficial interest) and the authority
  - (a) Under which goods or services are to be provided or works are to be executed; and
  - (b) Which has not been fully discharged.
- 4 Details of any beneficial interest in land which is within the area of the authority.
- 5 Details of any licence (alone or jointly with others) to occupy land in the area of the authority for a month or longer.
- 6 Details of any tenancy where (to your knowledge)
  - (a) The landlord is the authority; and
  - (b) The tenant is a body in which you have a beneficial interest.
- 7 Details of any beneficial interest in securities of a body where
  - (a) That body (to your knowledge) has a place of business or land in the area of

the authority; and

(b) Either –

- (i) The total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or
- (ii) If that share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

In addition, you must also disclose other non-pecuniary interests set out in the Code of Conduct where these have not already been registered.

#### **Note**

**A “disclosable pecuniary interest” is an interest of a councillor or their partner (which means spouse or civil partner, a person with whom they are living as husband or wife, or a person with whom they are living as if they are civil partners).**

#### **4 EXCLUSION OF PRESS AND PUBLIC**

To consider whether there are any items on the agenda for which the press and public should be excluded.

#### **5 MINUTES**

To confirm as a correct record the minutes of the Cumbria Local Pension Board meeting held on 13 April 2022 (copy enclosed).

#### **6 SCHEDULE OF FUTURE MEETINGS**

To note the Schedule of future meetings (copy enclosed).

#### **7 WORK PLAN**

To consider the Current Work Plan (copy enclosed).

#### **8 OVERSIGHT OF PENSION COMMITTEE DECISIONS AND OTHER MATTERS**

To receive an update from the Director of Finance (Section 151 Officer) (copy enclosed).

#### **9 CYBER SECURITY TRAINING**

To receive training from Chris Emmerson & Jason Wilson from AON (copy enclosed).

#### **10 DATE OF NEXT MEETING**

To note that the next meeting will be held on Tuesday 4 October 2022 at 1pm.

## **PART II: ITEMS LIKELY TO BE CONSIDERED IN THE ABSENCE OF THE PRESS AND PUBLIC**

### **11 REVIEW OF CYBER SECURITY ARRANGEMENTS WITHIN CUMBRIA PENSION FUND**

To receive a report from the Director of Finance (Section 151 Officer) including a presentation from AON (copy enclosed).

### **12 REVIEW OF ADMINISTRATION MATTERS**

To receive an update from the Director of Finance (Section 151 Officer) (copy enclosed).

### **13 LPPA PRESENTATION**

Rachel Blundell, Operations Director – Pensions Administration, Local Pensions Partnership has been invited to make a presentation to the Board.

### **14 VERBAL UPDATE ON EMERGING ISSUES**

To receive a general verbal update from Director of Finance (Section 151 Officer).

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## Appendix 1

### Part 2P: Cumbria Local Pension Board

#### 1 Summary

1.1 The Cumbria Local Pension Board is responsible for assisting the Administering Authority of the Cumbria Local Government Pension Scheme to comply with all relevant legislative requirements and to ensure the effective governance of the scheme.

#### 2 Functions of the Cumbria Local Pension Board

2.1 The Cumbria Local Pension Board is responsible for assisting the Administering Authority of the Cumbria Local Government Pension Scheme:

(a) to secure compliance with:

- (i) The Local Government Pension Scheme Regulations 2013 (as amended from time to time); and
- (ii) Other legislation relating to the governance and administration of the Local Government Pension Scheme ('LGPS'); and
- (iii) The requirements imposed by the Pensions Regulator in relation to the LGPS; and

(b) to ensure the effective and efficient governance and administration of the LGPS.

2.2 The Board must have a policy and framework to meet the knowledge and understanding requirements of section 248A of the Pensions Act 2004.

2.3 In its role in assisting the Administering Authority as described above, the Local Pension Board shall report at least twice yearly to the Pensions Committee on matters reviewed and suggestions for their consideration.

2.4 Where the Board is concerned that due consideration has not been given to matters of non-compliance the Board may submit a report for consideration by the Audit and Assurance Committee as the body designated by the Administering Authority with the capacity to investigate such matters on its behalf.

- 2.5 The Board is constituted under the Public Service Pension Act 2013 and the Local Government Pension Scheme (Amendment) (Governance) Regulations 2014 and is therefore not subject to the requirements of S.101 of the Local Government Act 1972.
- 2.6 The Board has no remit as a decision making body but is established to assist the Administration Authority to fulfil its functions which shall be deemed to cover all aspects of governance and administration of the Pensions Fund.

### **3 Operating Structure and Codes of Conduct of the Local Pension Board**

- 3.1 The operating structure and codes of conduct of the Local Pension Board is as follows:
- (a) The Board will be quorate if 25% of designated members (i.e. two) are in attendance, with at least one member representing employers and at least one member representing scheme members.
  - (b) Prior to appointment to the Board all members will be required to sign up to the Board's Code of Conduct and Conflicts of Interest Policy. As a body representing the public interest the Code of Conduct and Conflicts of Interest Policy of members of the Local Pension Board will be aligned to those applicable to members of the Pensions Committee.
  - (c) The Board will meet as a minimum twice a year. Meetings will be held during normal working hours and will predominantly be held within County boundaries.
  - (d) Where required, a minimum of two Board members (one from the member representatives and one from the employer representatives) or the Administering Authority can request a special meeting be convened. Notice of ten working days must be given.
  - (e) As a non-decision-making body the Board has no authority to establish working parties / subgroups.
  - (f) Each member shall have an equal vote and should it be required, the Chair will have the casting vote.

### **4 Commissioning of Service providers and Advisors**

- 4.1 All members of the Local Pension Board have the right to access the support of the experienced Local Government Pension Scheme Independent Advisors, however due regard has to be taken of securing value for money and as such



whether in the first instance officers of the County Council could provide the assistance required.

- 4.2 Items of expenditure by the Board must have prior approval from the Section 151 Officer.

## **5 Role of Officers**

- 5.1 Reasonable secretarial and professional support will be provided by officers of the Administering Authority. Costs associated with this will be directly charged to the Pension Fund.

## **6 Publication and Data Protection**

- 6.1 As a general principle, meetings will be open to the public.
- 6.2 Paper or electronic versions (as requested) of all agendas and papers will be provided to all members of the Local Pension Board prior to a meeting. The Chair can accept that items be tabled on the day should such a need arise.
- 6.3 As a matter of policy the Pensions Fund has adopted the principles of paperless working, therefore as a matter of course public access to all agendas, public papers and minutes etc. will be available on the Council's website. On request, alternative media versions are available.
- 6.4 The County Council as the Administration Authority is the registered data controller of the Cumbria LGPS, and as such all policies and practices in this regard applicable within the County Council are directly applicable to the Board.

## **7 Membership**

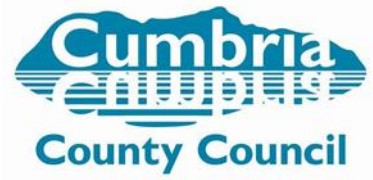
- 7.1 Equal representation between scheme employers and scheme members is required. The membership of the Cumbria Local Pension Board will comprise three scheme member representatives and three scheme employer representatives.
- 7.2 **Appointment of Board members** – To ensure an open and transparent selection process and to ensure the administering authority meets its obligation to ensure appointed members have the capacity the selection process will be through application, matching to a role profile and interview. The appointment panel will consist of the Section 151 Officer, Monitoring Officer and Portfolio Holder for Finance. Appointments will be for four years (or, in the case of elected members for the remainder of their current term of office) and there will

be no limit on the number of times a member of the board can seek to be reappointed. The three employer representatives will be allocated 1 to the County Council; 1 to the District Councils and 1 for all other employers in the Fund. The three scheme member representatives will be selected to ensure all membership groups within the Fund are considered.

- 7.3 **Appointment of the Chair/Vice Chair** – the administering authority will appoint the Chair and the Vice Chair. The roles will be split with one being a scheme member representative and one being a scheme employer representative and this will be alternated on a two yearly cycle.
- 7.4 Reimbursement of reasonable travel expenses for attendance at meetings and training sessions will be in line with the County Council's agreed policies and rates for elected members. All such costs will be met directly by the Pension Fund.
- 7.5 **Relevant knowledge and capacity** – the administering authority must ensure that each person appointed to the Local Pension Board has the relevant knowledge and the capacity to represent the employers or members (as appropriate) of the Pensions Fund. Initially this will be done through selection but, following appointment, it is a member's individual responsibility to ensure they attend sufficient training to enable them to continue to fulfil the knowledge and capacity requirements. Full training will be provided and all reasonable costs will be met by the Pensions Fund. To ensure compliance with the above a general level of attendance at meetings and training events is required.

## 8 Substitution

- 8.1 Substitutes are permitted and sufficient substitutes will be appointed to ensure that the representation described in 7.2 can be maintained whenever a substitution is required.
- 8.2 In recognition of the requirements relating to relevant knowledge and capacity, substitutes must be subject to the same appointment process as Board members detailed in 7.2 and the relevant knowledge and capacity requirements as set out at 7.5. Each substitute will be appointed for a four year term (or, in the case of elected members for the remainder of their current term of office) and there is no limit on the number of times the substitute can seek to be reappointed.
- 8.3 Reimbursement of reasonable travel expenses for attendance at meetings and training sessions will be in line with the County Council's agreed policies and



rates for elected members. All such costs will be met directly by the Pension Fund.

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## CUMBRIA LGPS LOCAL PENSION BOARD

Minutes of a Meeting of the Cumbria LGPS Local Pension Board held on Wednesday, 13 April 2022 at 2.00pm held virtually on Microsoft Teams.

### PRESENT:

Mrs D Burnet (Chair)

Mr G Archibald  
Lord R Liddle

Mrs K Thomson  
Ms K Wilson

### Also in Attendance:-

- Ms J Darbyshire - Managing Director, Local Pensions Partnership Administration (LPPA)
- Ms P Duke - Director of Finance (Section 151 Officer)
- Ms A Clark - Senior Manager - Pensions and Financial Services (Deputy S151 Officer – Pensions)
- Mr P George - Group Finance Manager - Pensions, Investments and Insurance
- Ms L Taylor - Finance Manager - Pensions Investments and Governance
- Ms G Welbourn - Technical Finance Officer - Pensions
- Mr A Farrar - Democratic Services Officer
- Ms A McGuinness - Finance Manager - Pensions Administration

### 100 ROLL CALL & APOLOGIES FOR ABSENCE

Apologies for absence were received from Mrs K Powell. It was noted that this would have been her last meeting before leaving her role with the Lake District National Park Authority. The Chair passed on thanks for all her hard work as Chair and Vice Chair of the Board. The Director of Finance also expressed her thanks for Mrs K Powell's hard work during her time on the Board.

### 101 TERMS OF REFERENCE AND MEMBERSHIP

The Terms of Reference were noted. There was a minor change to the wording at section 2.1 which better reflected the wording of the regulations. This had been discussed at the last meeting of the Board.

### 102 DISCLOSURES OF INTEREST

Ms K Thomson made a disclosure of interest on this occasion. She was an employee of Armstrong Watson who provide payroll functions for some Cumbrian schools.

Mr G Archibald made a disclosure of interest that he had previously been employed by Mercer Ltd and holds shares in MMC, their parent company.

### **103 EXCLUSION OF PRESS AND PUBLIC**

**RESOLVED,** that the press and public be excluded from the meeting during consideration of:

Agenda Item No 10 – Local Government Reorganisation Update;  
Agenda Item No 11 – Review of Administration Matters;  
Agenda Item No 12 – LPPA Presentation; and  
Agenda Item No 13 – Verbal Update on Emerging Issues

by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 as the reports contain information relating to the financial or business affairs of any particular person (including the Authority holding that information).

### **104 MINUTES**

**RESOLVED,** that the minutes of the previous meeting held on 21 January 2022 be agreed as a true and accurate record.

### **105 SCHEDULE OF FUTURE MEETINGS**

Members noted the schedule of meetings of the Cumbria LGPS Local Pension Board. It was agreed that the next virtual meeting would be held on 17 January 2023.

### **106 OVERSIGHT OF PENSION COMMITTEE DECISIONS AND OTHER MATTERS**

Members considered a report from the Director of Finance (Section 151 Officer) which updated them on all aspects of the governance and administration of the Local Government Pension Scheme (LGPS).

Section 4 of this report summarised the work conducted, and decisions made by the Committee at its meeting held on 18 March 2022, in order that Board Members could review these as part of their legal responsibility to members of the Fund.

This report also advised members of other matters arising, including regulatory changes, since last reported to the Board.

The Technical Finance Officer took members through the report, and highlighted the following:

- Legal breaches – there had been no legal breaches reported to the Pensions Regulator during the period to December 2021.

- Risk – there was one risk added to the risk register associated with Local Government Reorganisation. An emerging risk was added to the risk register associated with Russia’s invasion of Ukraine. The risk associated with the impact that COVID-19 may have on pensions administration has been removed as it is being managed as day business and no longer represents a material risk to service delivery.
- Investment Management – the performance of the Fund to 31 December was positive, outperforming the 1, 5 & 10 year benchmarks.
- Fund Policies – changes to the Investment Strategy Statement replaced the previous references to the 2012 Stewardship Code (including the Fund’s 2012 statement of compliance) and instead included details regarding the Fund’s 2020-21 Stewardship report which had been assessed as meeting the requirements of the FRC’s UK Stewardship Code 2020. This was particularly pleasing given that only 12 LGPS Funds in the UK have been approved as signatories to date. The Administration Strategy & Communications Policy and Training Policy and Plan had also been updated
- A Draft Local Pension Board Work Plan – had been produced to inform the agenda for future meetings and also highlight some Board specific project work in on current and emerging issues. It was agreed the Plan would become a standing item at each meeting to allow for updates to ensure it remains fit for purpose.
- Regulatory Changes – McCloud Resolution – there had been little progress on McCloud within the LGPS and the Board would be advised as further information becomes available.

A member queried the budgeted costs for the administration of the Fund compared with other LGPS funds of similar size.

The Senior Manager - Pensions and Financial Services commented that the Fund was part of CIPFA Benchmarking, however details were not yet available, but that they would be shared with the Board once available.

A member queried how inflation would affect Pensions and what, if any, implications there were for investments.

The Senior Manager – Pensions and Financial Services commented that inflation was a major concern. Cumbria LGPS had built this into the Investment Strategy reflecting its role as a long term investor. It was also noted that this would be re-assessed through the triennial valuation process and a review of the Investment strategy will be undertaken following the outcome of the valuation.

A member noted the cost of living crisis and the impact this would have on some pensioners who would be in hardship. The member commented on an assistance fund that Cumbria County Council administered to help those in need.

The Director of Finance remarked that Cumbria County Council has signposted help for people who need it. She also confirmed the fund was the 'Household Support Grant' and that Cumbria County Council has received and allocated this fund to different parts of the community.

The Chair commented positively on the Work Plan asked and if deep dives into policies would be included and if the Local Government Reorganisation Risk (LGR) was greater than green as it was described as a significant risk?

The Senior Manager – Pensions and Financial Services remarked that the Work Plan focussed on what will be happening in the near future and reviews of policies will be required as part of this work. Turning to the Local Government Reorganisation Risk (LGR) she noted that, although there was the potential for LGR to have a significant impact on the Fund, the risk was being managed to the extent that it currently had a green RAG rating.

A Member raised some questions regarding the Fund's currency exposure and the associated risks.. The Senior Manager – Pensions and Financial Services noted that the changes to the Fund's investment strategy, including its approach to currency risk, had been undertaken in accordance with the Fund's relevant governance processes.

The Director of Finance commented that the changes were not an officer decision; recommendations from the Fund's investment consultants were considered by the Cumbria LGPS Investment Sub Group and approved by Pensions Committee with advice from the Independent Advisors. Whilst the correct governance process had been followed it was agreed that the wording in the risk register would be reviewed to consider the information made available to Board members. This would be fed back to the Pensions Committee at their next meeting.

The Senior Manager – Pensions and Financial Services noted that she would submit a written answer to a Member query regarding the classification of Commercial Property within Index-Linked assets as it required a more technical response.

A member queried if take-up of the online pension tool has been improved.

The Group Finance Manager - Pensions Investments & Insurance did not have the figures available and would provide a written response.

**RESOLVED**, that the Board

- (1) noted the decisions approved and other matters considered by the Pensions Committee at the meeting held on 18 March 2022 and request further information and/or feedback to the Pensions Committee as appropriate.



## **107 REVIEW OF BOARD POLICIES INCLUDING TRAINING POLICY AND 2022-23 PLAN**

Members considered a report from the Director of Finance (Section 151 Officer) which provided details of the annual review of Policies which specifically relate to the Board's role of assisting the Administering Authority to comply with relevant legislative requirements and to ensure the effective governance of the scheme. These policies are the Cumbria Local Pension Board Members' Code of Conduct (Conflict of Interest) Policy; and the Cumbria LGPS Training Policy and Plan.

In taking Members through the report the Finance Manager - Pensions Investments and Governance highlighted that, in line with accepted best practice across the LGPS, these policies are reviewed on a regular basis to ensure they are current, relevant and fit for purpose. It was noted that no revisions were required to the Cumbria Local Pensions Board Members Code of Conduct (Conflict of Interest) Policy.

The Finance Manager - Pensions Investments and Governance noted that the report also provided a summary of the training policy of the Fund - together with details of the Training Plan for the Board. The Training Plan had been drafted to reflect the training needs of the Board and was informed by responses to the annual training needs assessment together with emerging issues relating to LGPS regulations and guidance.

Members were reminded that ongoing training is required to enable each Board Member to continue to meet the legislative individual knowledge and skills requirement placed upon them. Board Members are encouraged to attend training sessions scheduled where appropriate to take place after quarterly Pensions Committee meetings; and are notified of other relevant training events (internal and external) as and when they arise.

**RESOLVED**, that the Board

- (1) noted that there were no revisions required to the Cumbria Local Pension Board Members' Code of Conduct (Conflict of Interest) Policy.
- (2) noted the current Training Policy of the Cumbria LGPS, incorporating the Cumbria Local Pension Board, the Cumbria Pensions Committee and Fund Officers.
- (3) approved the detailed training plan specific to the Board.

## **108 DATE OF NEXT MEETING**

The next meeting will be held on 15 July 2022 at 1pm

## **109 LOCAL GOVERNMENT REORGANISATION UPDATE**

The Director of Finance (Section 151 Officer) gave a presentation on Local Government Reorganisation which covered the following areas:-

- Democratic Governance to May 2022
- Democratic Governance to April 2023
- Programme Governance
- Context for Cumbria LGPS
- Actions to Date
- Next Steps
- Legal Position
- Administering Authority
- Transition Arrangements

## **110 REVIEW OF ADMINISTRATION MATTERS**

Members considered a report from the Director of Finance (Section 151 Officer), which provided an update on the following key areas of Pensions' Administration.

- The service provided and monitoring of LPPA with a further update to be provided by LPPA in their presentation at the next agenda item.
- Employer Issues and measures taken to mitigate them.
- Fund Discretions – thirteen were exercised in the quarter.
- Pension Ombudsman Opinions - none issued during the period.

**RESOLVED,** that the Board noted the Pension Administration matters detailed in the report and requested further information and/or feedback to the Pensions Committee as appropriate.

## **111 LPPA PRESENTATION**

Members received a verbal update from Ms J Darbyshire, Managing Director- Local Pension Partnership Administration (LPPA). The update included:

- SLA Performance
- Helpdesk volume of calls linked to project PACE
- Project PACE Update
- Dashboard
- Staff Recruitment & Retention

The Chair thanked the Managing Director – Local Pension Partnership Administration for her update.

## **112 VERBAL UPDATE ON EMERGING ISSUES**

The Senior Manager - Pensions and Financial Services updated the Board on current emerging issues, including:-

- The impact of the Russian invasion of Ukraine on the Cumbria Pension Fund.
- Public Service Pensions and Judicial Offices Act 2022
- My Pension Online

The Chair thanked the Senior Manager - Pensions and Financial Services for her update.

The meeting ended at 3.06 pm

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## **CUMBRIA LGPS Local Pension Board – SCHEDULE OF FUTURE MEETINGS**

<b>Date</b>	<b>Location</b>
Tuesday 4 October 2022 at 1pm	Conference Room A, Cumbria House
Tuesday 17 January 2023 at 1pm	Conference Room A, Cumbria House
Friday 31 March 2023 at 1pm	Conference Room A, Cumbria House



# DRAFT CLPB ANNUAL WORK PLAN

**TO NOTE:**

**FOR CLPB REVIEW & DISCUSSION:**

23

<b>PC</b>	<b>PC AGENDA ITEMS</b>
16 JUN 22	<i>Unaudited accounts Annual global tax update Training topics (tbc)</i>
13 & 14 SEPT 22	<i>Annual Report &amp; Accounts/Audit Findings Report (AFR) Triennial Actuarial Valuation and Funding Strategy Statement Training topics (tbc)</i>
13 DEC 22	<i>Training update Half-year update of budget and business plan Training topics (tbc)</i>
14 MAR 23	<i>Budget &amp; business plan BCPP budget &amp; business plan Annual review of scheme policy document Triennial Actuarial Valuation Training topics (tbc)</i>

<b>STANDING ITEMS: Quarterly</b>	<b>LPB</b>	<b>STANDING ITEMS: Annual</b>	<b>ADDITIONAL BOARD SPECIFIC WORK ITEMS</b>
<u>Regulatory/Legislative</u> <ul style="list-style-type: none"> <li>Regulatory changes/Consultations</li> <li>Employer issues (incl. performance)</li> <li>Update on Training (attended or available)</li> </ul> <u>TPR</u> <ul style="list-style-type: none"> <li>Legal breaches</li> <li>Data Quality &amp; improvement*</li> </ul> <u>Effective &amp; Efficient Gov &amp; Admin</u> <ul style="list-style-type: none"> <li>Oversight of PC decisions</li> <li>Risk register</li> <li>Fund discretions</li> <li>Responsible Investment updates</li> <li>LPPA – Quarterly overview of service provision &amp; performance</li> </ul>	15 JUL 22	<u>Regulatory/Legislative</u> <ul style="list-style-type: none"> <li>CLPB Annual Report</li> <li>Annual LPPA Report</li> </ul>	<b>Cyber Security</b>
	4 OCT 22	<u>Regulatory/Legislative</u> <ul style="list-style-type: none"> <li>Annual Report &amp; Accounts/AFR</li> </ul> <u>TPR</u> <ul style="list-style-type: none"> <li>TPR Gov &amp; Admin survey</li> </ul>	<b>Review of LPPA Project PACE (expected at 4 Oct 22 meeting)</b>
	17 JAN 23	<u>Effective &amp; Efficient Gov &amp; Admin</u> <ul style="list-style-type: none"> <li>Board Member feedback on Pensions Forum</li> </ul>	<b>Compliance with TPR's new single Code of Practice<sup>1</sup></b>
	31 MAR 23	<u>Regulatory/Legislative</u> <ul style="list-style-type: none"> <li>Annual Review of Board Policies (incl. Training Policy &amp; Plan)</li> <li>Annual Review of Scheme Policy Document</li> </ul> <u>Effective &amp; Efficient Gov &amp; Admin</u> <ul style="list-style-type: none"> <li>Review of Annual LPB Work Plan</li> </ul>	<b>Good Governance Review - Actions* <sup>1</sup></b>

\*Work specifically allocated to CLPB by the Pensions Committee

<sup>1</sup> Date to be confirmed – dependent on issuance of guidance and/or regulations by Government

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## **CUMBRIA LOCAL PENSION BOARD**

**Meeting date: 15 July 2022**

**From: Pam Duke, Director of Finance (s151 Officer)**

### **OVERSIGHT OF PENSIONS COMMITTEE DECISIONS AND OTHER MATTERS FOR CONSIDERATION**

#### **1.0 EXECUTIVE SUMMARY**

- 1.1 *The role of the Board is to assist the Administering Authority in all aspects of the governance and administration of the Local Government Pension Scheme (LGPS).***
- 1.2 *Cumbria County Council, as Administering Authority for the Cumbria LGPS ('the Fund'), has delegated its functions, under Section 101 of the Local Government Act 1972 to the Cumbria Pensions Committee ('the Committee').***
- 1.3 *Section 4 of this report summarises the work conducted, and decisions made by the Committee at its meeting held on 16 June 2022, in order that Board Members can oversee the governance of these decisions as part of their legal responsibility to members of the Fund.***
- 1.4 *This report also advises Members of other matters arising, including regulatory changes, since last reported to the Board. Pension administration issues have been highlighted in a separate report in Part 2 of this meeting to allow for a more detailed focus on these items.***

#### **2.0 STRATEGIC PLANNING AND EQUALITY IMPLICATIONS**

- 2.1 *The purpose of the Fund is to pay Cumbria LGPS members' pension benefits in accordance with regulations and in a secure, affordable and sustainable manner over the short, medium and long term. To do this, the Fund seeks to:***
  - ensure that sufficient resources are available to meet all liabilities as they fall due;***
  - manage employers' liabilities effectively and enable employer contribution rates to be kept at a reasonable and affordable cost to the taxpayers and the scheduled, resolution and admitted bodies;***

- *achieve and maintain Fund solvency and long term cost efficiency, which should be assessed in light of the profile of the Fund now and in the future; and*
- *maximise the returns from investments within reasonable risk parameters taking into account the above aims.*

**2.2** *Good governance and risk management will aid the Fund in ensuring its regulatory responsibilities are met, a good service is provided to scheme members, costs are controlled, and its required investment return is achieved. Cost control and the investment performance of the Fund will have a direct impact on the funding level and therefore all employers' contribution rates. This will have a direct impact on the Fund Employers' revenue budgets.*

### **3.0 RECOMMENDATIONS**

*The Board is recommended to: -*

**3.1** *Note the decisions approved and other matters considered by the Pensions Committee at the meeting held on 16 June 2022 and request further information and/or feedback to the Pensions Committee as appropriate.*

**3.2** *Approve the draft Annual Report of the Cumbria LGPS Local Pension Board 2021/22 for inclusion in the Annual Report for the Cumbria LGPS 2021/22.*

### **4.0 PENSIONS COMMITTEE DECISIONS**

**4.1** The Cumbria Pensions Committee is the delegated decision-making body for the Fund, and as such its decisions are of particular relevance to the Cumbria Local Pension Board ('CLPB' or 'the Board'). It is the role of the Board to assist the Administering Authority of the Cumbria Local Government Pension Scheme to secure compliance with: -

- a) The regulations covering administration of a local government pension scheme;
- b) Other legislation relating to the governance and administration of the LGPS; and
- c) The requirements imposed by the Pensions Regulator in relation to the LGPS.

**4.2** The Board is also required to assist the Administering Authority to ensure the effective and efficient governance and administration of the LGPS.

**4.3** Pensions Committee papers are currently available through SharePoint for all Board members to access at the same time as they are sent out to Pensions Committee Members. This enables any questions/queries to be raised by the Board either at or before the relevant Pensions Committee meeting.

- 4.4 In addition to the quarterly monitoring reports Parts 1 & 2, the June meeting considered the following reports:
- Update from Cumbria LGPS Local Pensions Board;
  - Draft Unaudited Accounts to 31 March 2022;
  - Provisional Budget Outturn and Delivery against 2021/22 Business Plan; and
  - Investment Sub-Group Activity report to May 2022
- 4.5 The Committee also received a presentation by the Fund's actuary, Mercer Ltd, to provide training ahead of the 2022 Actuarial Valuation. All recommendations within the papers presented to the June meeting were agreed by the Committee. See Appendix 1 for additional commentary.

## 5.0 OTHER MATTERS

### *Annual Report:*

- 5.1 The Public Service Pensions Act 2013 requires the Fund to produce an annual report on the work of the Board. The draft Annual Report of the Cumbria LGPS Local Pension Board 2021/22 is attached at Appendix 2. This is published as a constituent part of the Fund Annual Report for the Cumbria LGPS. The Board are requested to approve this draft report for inclusion in the Annual Report for the Cumbria LGPS 2021/22.

### **Legal Breaches:**

- 5.2 The Fund had no breaches during the quarter that were considered sufficiently material that they would require reporting to the Pensions Regulator. However, during the quarter the Fund received an application under its Internal Dispute Resolution Procedure relating to the release of personal information during the handling of an enquiry relating to a death grant payment. Investigation of the matter by officers identified that information provided to one of the beneficiaries of the death grant by LPPA constituted a breach of General Data Protection Regulations.
- 5.3 In accordance with their respective policies, LPPA and the Fund both reported the breach via their appropriate reporting channels. In both cases the respective Senior Information Risk Owners concluded that the breach was a "level 2" breach, with key factors being the isolated nature of the incident, the nature of the data disclosed (the names of two individuals and the amount of the death grant awarded to them), and the risk of the impact to the individuals. As such the breach didn't require reporting to the Information Commissioner's Office.
- 5.4 Nonetheless, the matter was still considered to be very serious. In recognition of this, an investigation into the matter was undertaken by LPPA. The conclusion of the investigation was that the error was made by an inexperienced member of staff and, to seek to reduce the risk of such an

incident recurring, LPPA have implemented additional training for relevant staff.

- 5.5 Non-compliance events arising from late payments of pension contributions and failure to provide the Fund with monthly member payroll data are presented in Paper 12 on this agenda.

**Risk:**

- 5.6 Risk management is a key element of good governance for any organisation. Officers of the Fund continually review and monitor risks bringing any significant emerging issues to Members' attention throughout the year, with Pensions Committee formally reviewing these at each meeting. This quarterly review process ensures consistent and timely Member oversight of risk monitoring and thereby provides enhanced due diligence in this regard.

- 5.7 The current risk register at July 2022 is presented at Appendix 3. Two risks have been added to the register over the past quarter:

- **New Risk in Q1: Ref 3.3 – Russian Invasion of Ukraine**

Impact of occurrence score	3
Likelihood of occurrence score	3
Total Risk Score	9 (Amber)

Russian invasion of Ukraine - There is a risk that the Russian invasion of Ukraine creates turbulence in the investment markets and assumptions used by the actuary as part of the 2022 valuation which could impact onto employer contribution rates payable to the Fund. This risk had previously been included in the risk register as an emerging risk.

The invasion of Ukraine by Russia has led to increased uncertainty and volatility on global financial markets. Furthermore, it is considered that sporadic illiquidity may persist in some markets. There is a risk that the impact of the invasion on financial markets may affect the value of investments within the Cumbria LGPS, however this risk is mitigated through the diverse portfolio of the Fund. Officers will continue to work with Advisors and investment managers to monitor this risk and report back to the Investment Sub Group, Pensions Committee and Local Pension Board on any developments.

- **New Risk in Q1: Ref 3.4 – Inflation**

Impact of occurrence score	3
Likelihood of occurrence score	3
Total Risk Score	9 (Amber)

Inflation - There is a risk that increased long term inflation in the UK and global economies may impact on investment returns and assumptions used by the actuary as part of the 2022 valuation which could impact on employer contribution rates payable to the Fund.

There is a risk that, if inflation over the long term was to rise sharply and asset values did not keep pace with any increases, the Fund's strong

funding position may weaken and impact on employer contributions. The Fund's review of its investment strategy in 2020/21 (approved by Pensions Committee in March 2021) increased allocations to assets that are more closely linked to inflation e.g. long lease property, index linked gilts and infrastructure equity and diversified private debt.

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. 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 and will work with Advisors and the Investment Sub Group to consider any need to review the investment strategy. Updates will be provided to Pensions Committee and Local Pension Board

- 5.8 The risk associated with the COVID-19 Impact on fund investments has been removed from the risk register at July 2022 reflecting that this has been well managed throughout the pandemic and the Fund is now beyond the date at which assets will be valued for the 2022 actuarial valuation.
- 5.9 In addition to the risks detailed above, the comments associated with some risks have been amended to reflect progress over the past quarter. In particular, the current controls and measures to respond to risk 3.1, Investment Performance, has been reviewed and amended to clarify.
- 5.10 There is currently one risk assessed as "red" associated with information security arrangements. Additionally, there are 3 "amber" and 14 "green" rated risks.

#### **Data Quality:**

- 5.11 The Board has been tasked by the Pensions Committee with monitoring data quality improvement and actions taken to improve data quality.
- 5.12 Data held within Cumbria LGPS continues to be of a good quality. This is evidenced by the scoring mechanism as set out by the Pensions Regulator. The Local Pensions Partnership (LPPA) quarterly performance report (attached as Appendix 1 to agenda item 12) provides tPR data scoring information at pages 37 & 38 of that report. This notes that the Scheme reported 98% of its common data (e.g., NI number, address etc.) was present and accurate and the scheme specific conditional data (e.g., employment details, contribution history etc.) was scored as being 95.3% present and accurate, continuing the upward trend.
- 5.13 Ahead of the data cut for the 2022 Fund valuation, Officers have continued to focus attention on supporting scheme employers to ensure data is as up to date as possible. In September 2021, employers across the Fund had 1,408 leaver forms outstanding that were due to be submitted to LPPA. Targeted work by Officers has led to the number of outstanding leaver forms at the end of April 2022 reducing to 664. The SLA target for processing these forms is currently 10 working days however, given the large number submitted, it will not be possible for LPPA to meet the SLA target given the volume to be processed. LPPA have however committed to clearing these

leaver forms before the data cut is taken by the Actuary for the 2022 valuation. It should be noted that this will only affect the processing of leaver forms and key SLA targets such as retirements and deaths are expected to be unaffected.

- 5.14 The National Fraud Initiative (NFI) exercise continues to be carried out by the Fund at six monthly intervals. All cases previously identified and notified to LPPA have all been actioned. The latest cohort of results are expected in July 2022.
- 5.15 Scheme members signed up to My Pension On-Line are currently at 39%. This is higher than the average rate of other LPPA Funds using the Heywoods pensions administration system (including Cumbria) and recognises the positive promotion that the Fund and employers have given to this product. Scheme members will be required to sign up again to the on-line portal following transition to Civica – currently planned for December 2022 for the Cumbria fund.

**Investment management and Fund Performance:**

- 5.16 The Pensions Committee focus is the long term strategic asset allocation and overall long term performance of the Fund. Individual manager monitoring is undertaken by the ISG, with any matters of concern reported to the Committee in the quarterly ISG Report.
- 5.17 The Investment Sub Group (ISG) report from the May meeting was included in the reports to the June meeting of the Pensions Committee, with a summary in Appendix 1.
- 5.18 The Fund’s assets fell in value from £3,361m at 31 December 2021 to £3,318m at 31 March 2022 per the draft Unaudited Accounts<sup>1</sup> as markets experienced a difficult quarter. Russia’s invasion of Ukraine led to a spike in volatility which was exacerbated by rising inflationary pressures. The quarter proved challenging for almost all major asset categories with equities declining and bond yields rising. This was reflected in the Fund’s performance over the quarter to 31 March 2022 which was a negative return of -1.5%.
- 5.19 The performance against the Fund’s specific benchmark for 1, 3, 5 and 10 years is presented in the table below noting that long term performance continues to exceed the benchmark.

	31 March 2022		
	Cumbria Performance	Bespoke Benchmark	Variance to Benchmark
1yr performance	9.7%	8.6%	1.1%
3yr performance	7.9%	7.5%	0.4%
5yr performance	6.9%	6.7%	0.2%

<sup>1</sup> The figure per the draft Unaudited Accounts is different to the figure reported to the ISG (£3,306m) because the Accounts were produced after the report to the May ISG meeting. The Accounts incorporate a handful of additional confirmed valuation figures as at 31 March in private markets (alternative) investments which weren’t available at the time of the production of May’s ISG report

	31 March 2022		
	Cumbria Performance	Bespoke Benchmark	Variance to Benchmark
10yr performance	9.1%	8.2%	0.9%

## 6.0 REGULATORY CHANGES

- 6.1 This section of the report provides a summary for Members on recent and proposed future changes to legislation and regulations that will impact on the LGPS.

### McCloud Resolution

- 6.2 As previously reported to the Board, the Department for Levelling Up, Housing and Communities (DLUHC) has consulted on the proposed resolution for the LGPS to the McCloud age discrimination case. DLUHC are expected to release its response to this consultation shortly. A further consultation and guidance are now expected in Autumn 2022. Pensions Committee and the Local Pension Board will be advised when further information is available.

### Exit Payment Cap

- 6.3 As previously reported to the Board, the Government intend to re-legislate to limit the amount public sector employers can pay to exit an employee from their employment. Pensions Committee and Local Pension Board will be briefed on the implications of this to the LGPS when details are announced by Government.

### **Other Regulatory Changes**

- 6.4 There have been no further regulatory changes of note that affect the LGPS since the last meeting of the Board in April. However, there are a number of matters that the Fund is maintaining a watching eye on including:

### Pensions Regulator - Code of Practice

- 6.5 As previously reported to the Board, the Pensions Regulator has consulted on a proposed new Code of Practice which consolidated 10 of the 15 existing Codes of Practice (including CoP14 - Governance and Administration of Public Service Pension Schemes) into one new Code.
- 6.6 Following this consultation, the Pensions Regulator is currently drafting revisions to the Code of Practice based on the responses received from the consultation. The new Code is not expected to become effective before summer 2022. Pensions Committee and the Local Pension Board will be kept advised on developments in implementing this new Code.

## **Future meeting dates**

- 6.7 The next scheduled Board meeting is due to take place on Tuesday 4 October 2022, at 1pm.

## **7.0 OPTIONS**

- 7.1 To either note the work undertaken by the Cumbria Pensions Committee and the decisions made at their meeting on 16 June 2022 or request further information on the governance arrangements under which decisions were made by the Pensions Committee.

## **8.0 RESOURCE AND VALUE FOR MONEY IMPLICATIONS**

- 8.1 Improved governance aids the Fund in running efficiently and effectively, controlling costs and helps to achieve its actuarially defined investment returns. Cost control and the investment performance of the Fund will have a direct impact on the funding level and therefore all employers' contribution rates. This will have an impact on the Fund Employers' revenue budgets.

## **9.0 LEGAL IMPLICATIONS**

- 9.1 There are no direct legal implications arising from the report. The information contained within the report is for the Board's information. The Board's function is to assist the Administering Authority in all aspects of the governance and administration of the LGPS.

## **10.0 CONCLUSION**

- 10.1 The Board's remit is to provide oversight of the governance of the Fund. To do this effectively the Board needs to be aware of the work undertaken and decisions made by the Pensions Committee, and of current issues and matters arising. Access and ability to review all papers which demonstrate the governance structure surrounding decision-making processes help Board members provide assurance that the Fund's governance is robust and fit for purpose.

**Pam Duke**  
**Director of Finance (s.151 Officer)**

**15 July 2022**

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## **APPENDICES**

**Appendix 1:** Decisions made by the Cumbria Pensions Committee on 16 June 2022.

**Appendix 2:** Draft Annual Report of the Cumbria LGPS Local Pension Board for 2021/22

**Appendix 3:** Risk Register for Cumbria LGPS at July 2022.

Electoral Division(s): All

Executive Decision	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	No
Key Decision	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	No
If a Key Decision, is the proposal published in the current Forward Plan?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	N/A
Is the decision exempt from call-in on grounds of urgency?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	No
If exempt from call-in, has the agreement of the Chair of the relevant Overview and Scrutiny Committee been sought or obtained?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	N/A
Has this matter been considered by Overview and Scrutiny? If so, give details below.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	No
Has an environmental or sustainability impact assessment been undertaken?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	N/A
Has an equality impact assessment been undertaken?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	N/A

## **PREVIOUS RELEVANT COUNCIL OR EXECUTIVE DECISIONS**

***Decisions made by the Cumbria Pensions Committee on 16 June 2022 are included at Appendix 1.***

## **REPORT AUTHOR**

Contact:

Gill Welbourn, Technical Finance Officer – Pensions 07765 221527  
Finance Directorate  
[Gill.welbourn@cumbria.gov.uk](mailto:Gill.welbourn@cumbria.gov.uk)

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## **CUMBRIA PENSIONS COMMITTEE DECISIONS: 16 June 2022**

### **PART I PAPERS**

#### **Item 9 (pages 31-46): Update from the Cumbria LGPS Local Pension Board**

**Pensions Committee resolved to:-**

1. Note the update from the Cumbria Local Pension Board

#### **Item 10 (pages 47-140): Draft Unaudited Accounts to 31 March 2022**

**Pensions Committee resolved to:-**

1. Submit to the Audit and Assurance Committee (subject to any final Audit amendments) the Cumbria LGPS Accounts 2021/22 for approval on behalf of the Council.
2. Note that the completion of the Cumbria LGPS Annual Report and Accounts 2021/22 (including the Governance Compliance Statement) is progressing and will be reviewed by auditors for consistency with the Accounts. The full draft Annual Report will be presented to Members for review and approval for publication at the September 2022 Pensions Committee meeting.

#### **Item 12 (pages 169-296): Monitoring Report for the quarter ended 31 March 2022**

**Pensions Committee resolved to:-**

1. Receive and note the performance and monitoring of the Fund for the period from 1 January 2022 to 31 March 2022; and
2. Note the issues arising relating to the governance of the Fund.

#### **Item 13 (pages 297-310): Provisional Budget Outturn and Delivery against 2021/22 Business Plan & updated tables showing the provisional 2021/22 outturn Part One**

**Pensions Committee resolved to:-**

1. Note that business of the Pension Fund in 2021/22 was completed in accordance with the Business Plan approved in March 2021; and
2. Note that the provisional 2021/22 outturn for Cumbria Pension Fund was an overspend of £0.183m against a budget of £6.467m.

## **CUMBRIA PENSIONS COMMITTEE: 16 June 2022**

### **PART 2 PAPERS**

#### **Item 14 (pages 311-316): Provisional Budget Outturn and Delivery against 2021/22 & updated tables showing the provisional 2021/22 outturn Part 2**

**Pensions Committee resolved to:-**

1. Note the provisional outturn against its budget for investment management fees (excluding Alternative - Pooled Fund fees), was an overspend of £0.246m.

#### **Item 15 (pages 317-326): Monitoring Report for the quarter ended 31 March 2022**

**Pensions Committee resolved to:-**

1. Receive and note the quarterly monitoring Part 2 items of the Fund for the period to 31 March 2022; and
2. Note that the Fund has elected to withdraw from the Manufactured Overseas Dividends (MODs) test case seeking to recover withholding tax on dividends from HMRC and will continue to monitor other ongoing cases to ensure that its participation continues to be in the best interests of the Fund.

#### **Item 16 (pages 327-388): Cumbria LGPS Investment Sub Group Activity Report to May 2022**

**Pensions Committee resolved to:-**

1. Notes the progress of the Investment Sub Group from March to May 2022;
2. Notes the performance of the Fund over the quarter to 31 March 2022; and
3. Agrees the proposed work programme of the Investment Sub Group for the next reporting period, including supporting the s151 Officer to continue planning and implementation of the changes required and research of available opportunities for investment to enable the Fund to achieve the Target Investment Strategy.

## **ANNUAL REPORT OF THE CUMBRIA LGPS LOCAL PENSION BOARD FOR 2021/22**

As Chair of the Cumbria Local Pension Board (LPB) it is my pleasure to present the Annual Report for 2021/22 on behalf of my fellow Board Members.

The Public Service Pensions Act (PSPA) 2013 introduced the requirement to have a Local Pension Board to assist in the governance of the Scheme. The Board was established in 2015 to assist Cumbria County Council as the Administering Authority to fulfil its functions which cover all aspects of governance and administration of the Cumbria Local Government Pension Scheme (LGPS).

The Council's Constitution requires the Board to meet 'as a minimum twice a year'. In recognition of the important role the Board has to play in supporting Cumbria County Council in its role of administering the Cumbria LGPS, meetings are scheduled on a quarterly basis. There were four meetings held during the year as planned.

### **Membership**

During the year two new substantive Employer representatives were appointed, one representing Cumbria County Council and the other representing the District Councils, and a substitute District Council representative was also appointed. The Employee Member representative for 'other employers' was successfully re-appointed following a recruitment process at the end of her initial four-year tenure in October 2021 and the Chair and Vice Chair rotated their roles. All recruitment was carried out in accordance with the Board's Terms of Reference.

Further details of Board members can be found in section 3 of the Fund's Annual Report or online at <https://councilportal.cumbria.gov.uk/mgCommitteeDetails.aspx?ID=1164>

### **Work Programme during 2021/22**

2021/22 was another successful year for the Fund. Local Pensions Partnership Administration (LPPA) also continued to provide pension administration services to high standards. Pensions were paid on time each month and Annual Benefit Statements were issued well ahead of the statutory deadline. Return of Fund investments continued to outperform their benchmark and the Fund maintained its strong governance arrangements. In addition to this, the Fund published its first Stewardship Report under the Financial Reporting Council's (FRC) new UK Stewardship Code ('the Code') and, in March 2022, was confirmed as a signatory to the Code.

During the year the Board were apprised of key work undertaken by the Fund, reviewed the governance process around Pensions Committee decisions, and maintained an oversight of the key risks to the Fund – including the new risks around Local Government Reorganisation (LGR), the impact of the Russia-Ukraine conflict on the Fund and the risk of inflation to the Fund.

Focus remained on improving pension administration arrangements for the benefit of all scheme members and employers of the Fund including the continual improvement programme for the quality of data held by the Fund in preparation for the 2022 valuation. The Board also

assessed the impact of and responded to consultations that will affect the structure and performance of the Fund and supported the Pensions Committee in reviewing and reporting on the action plan resulting from the findings of the SAB's "Good Governance in the LGPS" review.

## Training

To support their work on the Local Pension Board, Members continued to maintain and develop their knowledge of the LGPS. Training opportunities were initially virtual but as the year progressed more 'in person' events were offered. Members were able to access a number of training events throughout the year:-

Training	Delivery	Date
CIPFA LPB Conference	External	June 2021
BCPP Responsible Investment Workshop	External	June 2021
BCPP Pooling Workshop	External	September 2021
Scheme Advisory Board update; Administration; Actuarial Valuation & ESG in investment decision making	Internal/External	September 2021
BCPP Annual Conference	External	September 2021
CIPFA Autumn Seminars	External	September 2021
Barnett Waddingham Autumn Seminars	External	September 2021
LAPFF Conference	External	December 2021
Roles & Responsibilities re: LGPS Governance	External	January 2022
Public Service & Trustee Toolkit	Individual	Ongoing

## Looking forward to 2022/23:

In April 2022 the Board agreed a formal Work Plan to be reviewed on a quarterly basis allowing for updates for any issues arising. The Plan for 2022/23 includes:-

- Reviewing the initial findings of a review of the Fund's Cyber Security arrangements;
- Review of the performance of LPPA through robust monitoring of key pensions administration indicators;
- Review of governance arrangements in response to financial, regulatory and structural changes, including actions arising from the SAB's Good Governance Review and Compliance with the Pensions Regulator's new single Code of Practice; and
- Appraising the impact of any revised regulations arising from the resolution to the McCloud age discrimination case and the re-running of the cost cap process and implementing any required changes to the scheme.

I attended three meetings in my capacity as a substitute Scheme Member Representative on the BCPP Joint Committee enabling Scheme Member views to be represented in this important area of governance.

I would like to convey the Board's thanks to all the Council's staff involved in administering the Cumbria LGPS, staff at LPPA, and our external advisors for their work during this particularly challenging year in supporting the management and beneficiaries of the Fund.

Finally, I would like to thank my fellow Board Members for their contributions to the successful operation of the Board during 2021/22.

Deirdre Burnett

Chair of the Cumbria LGPS Local Pension Board  
15 July 2022



Information on the work of the Cumbria Local Pension Board can be found on our web page on the on Cumbria County Council website:

[http://moderngov.ccc/mgCommitteeDetails.aspx?ID=1164&\\$LO\\$=1](http://moderngov.ccc/mgCommitteeDetails.aspx?ID=1164&$LO$=1)


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PENSION FUND RISKS		Q2	Q3	Q4	Q1	Target	DOT	CORPORATE RISK PROFILE (Risk Score = Likelihood x Impact)					
								Impact Likelihood	1 Insignificant	2 Minor	3 Moderate	4 Major	5 Most severe
1	1.1. Information security arrangements	15	15	15	15	15	→	5 Very Likely					
2	1.2. Pensions administration processes	9	6	6	6	6	→	4 Likely			1.6		
3	1.3. Scheme member communication	4	4	4	4	4	→	3 Possible		2.3	3.3; 3.4		1.1
4	1.4. Data quality	6	6	6	6	3	→	2 Unlikely		1.3; 1.7; 2.4; 2.5	1.2; 1.4; 3.2; 2.7	1.5; 2.2; 3.1	
5	1.5. Payment of contributions	8	8	8	8	8	→	1 Very unlikely				2.6	2.1
6	1.6. McCloud Judgement	12	12	12	12	9	→	<b>Summary of risk changes since last report to Pensions Committee</b> <b>New risks added in Q1:</b> <ul style="list-style-type: none"> <li>A risk associated with the impact to the Fund of the Russian invasion of Ukraine has been added as risk 3.3. This risk was previously highlighted as an emerging risk.</li> <li>A risk associated with the impact of increased inflation has been added as risk 3.4.</li> </ul> <b>Risks removed in Q1:</b> <ul style="list-style-type: none"> <li>The risk associated with COVID-19 Impact on Fund Investments has been removed from the risk register as the valuation is calculated based on asset values at 31 March 2022.</li> </ul> <b>Risk Score Changes in Q1:</b> <ul style="list-style-type: none"> <li>No risk scores have been changed from the risk register in Q3.</li> </ul>					
7	1.7 Scam Detection & Prevention	4	4	4	4	4	→						
8	2.1. Pension Regulator Intervention	5	5	5	5	5	→						
9	2.2. Regulatory changes	8	8	8	8	8	→						
10	2.3. Financial irregularity	6	6	6	6	6	→						
11	2.4 Loss of key personnel	4	4	4	4	4	→						
12	2.5. Conflicts of Interest	4	4	4	4	4	→						
13	2.6 Operational disaster	4	4	4	4	4	→						
14	2.7 Local Government Reorganisation	n/a	n/a	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	n/a	n/a	n/a	9	9	New						
18	3.4 Inflation	n/a	n/a	n/a	9	9	New						

# CUMBRIA LGPS & PENSION BOARD RISK REGISTER (July 2022)

## 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  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>	<p><b>15</b> <b>(5x3)</b></p> <p><b>DOT</b></p> <p></p>	<p><b>15</b> <b>(5x3)</b></p> <p>Previously <b>10</b> <b>(5x2)</b></p>	<p><b>Cumbria County Council (CCC) – Corporate Risk</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.</li> <li>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> <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'</li> </ul> </li> </ul>	<p><b>Cumbria County Council</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 2021/22.</li> <li>AON have been commissioned to undertake a review of the Fund's cyber security and its readiness for a cyber incident. A presentation will be made to the Local Pension Board in July 2022 setting out the initial findings of this review.</li> </ul> <p><b><u>Local Pension Partnership Administration (LPPA):</u></b></p> <ul style="list-style-type: none"> <li>Activities are underway to refresh the Group's Cyber Essentials certification together with obtaining Cyber Essentials Plus certification.</li> <li>LPPA's 'Secure-Score' is currently delivering improvements, primarily delivered through: <ul style="list-style-type: none"> <li>Increased monitoring alerts and notifications of cyber security events, through use of Microsoft Identity monitoring &amp; Cloud Application Security tooling.</li> <li>Introduction of control policies which manage detection of unsanctioned applications.</li> </ul> </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)			
43					<p>Internal Audit opinion Jun 2019</p> <ul style="list-style-type: none"> <li>• PSN: Annual independent PSN Accreditation confirmed on 31 March 2021</li> <li>• The annual 2021 ICT health check has been successfully completed during July 2021. The report will be submitted in support of the PSN accreditation process during January 2022.</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 Ministry of Housing, Communities and Local Government (MHCLG)) 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</li> </ul>	<ul style="list-style-type: none"> <li>• Reviews of administrative privileges &amp; compliance to Multi Factor Authentication (MFA) Policies.</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)			
					completed annually.	
1.2	Fund & LPPA  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 &amp; personnel changes and the need for retraining.</p> <p>Resulting in customer dissatisfaction with the service.</p>	<p>6 (3x2)</p> <p>DOT</p> <p>➔</p>	6 (3x2)	<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.</p> <p>Formal quarterly meetings of LPPA and Cumbria LGPS officers to review and consider standards of service provision against LPPA internal KPIs. Regular (at least quarterly meeting) of operational group and ongoing dialogue with officers at LPPA throughout the year. LPPA host an annual Client Forum providing officers the opportunity to engage with representatives from other Funds.</p> <p>The Operations Director of 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>	<p>Officers continue to closely review LPPA performance specifically with regard to the experience received by scheme members.</p> <p>Officers will give specific consideration to LPPA's transition to a new software provider for pension administration services ("Project PACE") due to be implemented for Cumbria Pension Fund in Q3 of 2022/23. The Local Pension Board received a specific presentation on Project PACE from the Managing Director of LPPA in January 2022. A further formal update to the Board is planned for October 2022.</p>
1.3	Fund & LPPA	<b>Scheme Member Communication</b>	4	4	The Fund's Communication Policy details the	LPPA and the Fund produce an annual newsletter

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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)			
45	Senior Manager	<p>There is a risk that scheme members will not receive appropriate 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 and non-compliance with the Pension Regulator's Code of Practice 14.</p>	(2x2) DOT ➔	(2x2)	<p>process by which it will communicate with members of the Scheme. This policy is reviewed at least annually.</p> <p>The 'My Pension Online' (MPO) tool 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 2021 Annual Benefit Statements were issued in advance of the statutory deadline of 31 August 2021.</p>	<p>for active members and pensioners including details of the pension scheme and specific information of relevance to members.</p> <p>MPO is promoted by the Fund and LPPA to attempt to increase take up of this self-serve pensions tool.</p>
	Employers and Fund 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 impact on the production of Annual Benefit Statements for scheme members and the Triennial Valuation of the Fund which then impacts onto employer contributions.</p>	6 (3 x 2) DOT ➔	3 (3 x 1)	<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 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>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>

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)			
1.5  46	Employers & Fund  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 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>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>New admission bodies to the Fund are required to be backed by a guarantee or a bond.</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>
1.6	Employers & Fund  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</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 to the proposed resolution to the McCloud judgment was issued by MHCLG in July 2020. The Fund responded to this consultation and is currently awaiting the government's response.</p> <p>The Fund will be monitoring announcements from the Scheme Advisory Board as to additional information required from employers and additional workstreams for the Fund and LPPA.</p> <p>The Fund is reviewing this risk with LPPA through its usual monitoring meetings and will be making preparations for managing the additional workloads.</p>	<p>The Fund and LPPA are currently awaiting the government's response to the 2020 consultation and the proposed resolution related to McCloud to try to assess the scale and scope of additional work.</p> <p>The Fund will continue to ensure employers are appropriately briefed as to any additional information 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)			
47		<p>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>				
	1.7 Employers & Fund  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</p> <p>(2 x 2)</p> <p>DOT</p> <p>➔</p>	<p>4</p> <p>(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 has become 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,</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>

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>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>	



## 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 Senior Manager	<p><b>Pensions Regulator Intervention</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 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>	5 (5x1) DOT →	5 (5x1)	<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>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. For example, on this agenda, Members are advised of two consultations responded to by the Fund during the quarter.</p> <p>Earlier in 2022, the Fund undertook its annual assessment of training needs of each Member. The results of this assessment informed the 2022/23 Training Plan for the Fund approved by Pensions Committee in March and the Local Pension Board in April.</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>
2.2	Fund 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>	8 (4 x 2) DOT →	8 (4 x 2)	<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 development of national policy.</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 consult with the Chair of the Pensions Committee before</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>			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.	submission.
2.3	Fund  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 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 December 2021, Officers were advised through the National Fraud Initiative of 15 cases of overpayment due to the death of scheme members. These cases have all been processed by the Fund and LPPA.</p> <p>Note: cases 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  Senior Manager	<p><b>Loss of key personnel</b></p> <p>There is a risk that the Fund may lose key personnel.</p>	<p>4</p>	<p>4</p>	The Fund is appropriately resourced and has effective arrangements in place to cover for short term absence. Managers consider succession	Pensions Committee approved the additional of an extra post for the team in March 2022. Whilst this post reflects increased workload, specifically on the

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)			
5.1		<p>This risk could be caused by staff retiring, moving on or otherwise being on long-term absence.</p> <p>This could result in an erosion of skills and knowledge within the Fund</p>	(2 x 2) DOT →	(2 x 2)	<p>planning for key staff within the team.</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>The Fund has recourse to the independent expertise of two advisors and has the resource to procure additional external support as required.</p>	<p>governance requirements of the Fund, appointment to this post will also provide increase resilience within the team.</p> <p>The team are currently recruiting to this post and Pensions Committee will be advised on the outcomes of this recruitment in due course.</p>
2.5	Fund 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 being taken that are detrimental to the Fund.</p>	4 (2 x 2) DOT →	4 (2 x 2)	<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>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>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 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>

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)			
2.6	Fund & LPPA  Senior Manager	<p><b>Operational Disaster</b></p> <p>There is a risk that an operational disaster may impact onto the Fund.</p> <p>This could be caused by fire / flood / extreme weather events 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</p> <p>→</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> 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 disaster.</p>
2.5	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 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</p>	<p>6</p> <p>(3 x 2)</p> <p>New Risk</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 but this position will be kept under review as there is greater clarity as to how the Fund will be administered post vesting date (31 March 2023) – and thereby impact onto workloads for key staff ahead of the vesting date.</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)			
		administration. This could result in reduced or non-delivery of services impacting on service users				

### 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	<b>Investment performance</b>	8	8	<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</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>
54	Senior Manager	<p>There is a risk that market movement or investment failure impacts onto employer contributions to the Fund.</p> <p>This could be caused by a global decline in financial markets, excessive currency fluctuations, or Cumbria investing in products that perform poorly.</p> <p>This could result in a decrease in the fund value and lead to a material increase in employer contributions at the next triennial valuation.</p>	(4 x 2) DOT →	(4 x 2)		

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)			
55					<p>monitoring, with Fund performance reported in detail to the Investment Sub Group and at a higher level to the Pensions Committee and 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 it's 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> </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)			
56					<ul style="list-style-type: none"> <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 change is not through divestment but through active engagement.</li> <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 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</p>	<p>6 (3 x 2) DOT →</p>	<p>6 (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</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)			
		<p>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>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>	
3.3 57	Fund 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</p>	<p><b>9</b></p> <p><b>(3 x 3)</b></p> <p><b>New Risk</b></p>	<p><b>9</b></p> <p><b>(3 x 3)</b></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</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>

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)			
		2025 valuation.			of the Fund.	
3.4	Fund  Senior Manager	<p><b>Inflation</b></p> <p>There is a risk that increased inflation in the UK and global economies may impact on investment returns and assumptions used by the actuary as part of the 2022 valuation which could impact onto employer contribution rates payable to the Fund.</p> <p>This could be caused by a 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><b>9</b></p> <p><b>(3 x 3)</b></p> <p><b>New Risk</b></p>	<p><b>9</b></p> <p><b>(3 x 3)</b></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 inflation-linked discount rate means that it is largely protected against day to day inflation volatility, however there is a risk that, if inflation was to rise sharply and asset values did not keep pace with any increases over a sustained period, the Fund's strong funding position may weaken and impact on employer contributions. In order to mitigate some of this risk, the Fund reviewed its investment strategy in 2020/21 (approved by Pensions Committee in March 2021) and increased the target percentage of assets held by the Fund that are more closely linked to inflation e.g. long lease property, index linked gilts and infrastructure equity and diversified private debt.</p> <p>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. 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>The Fund is continuing to work towards its target investment strategy including increasing the percentage of the Fund invested in inflation linked investments.</p> <p>As part of the 2022 valuation work, the Fund's Officers and Advisors will undertake a "sense check" of the Fund's Investment Strategy to assess whether any changes are required in response to the impact of inflation on both the Fund's liabilities and the Actuary's assumptions in relation to the future investment returns of the current Investment Strategy.</p>

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**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.

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# 61 Cyber Risk Training



Prepared for: Cumbria Local Government Pension Scheme

Prepared by: Jason Wilson and Chris Emmerson, Aon

Date: 15 July 2022

# Training Agenda

## What we will cover today

- 1. Knowledge and skills competencies**
- 2. What is cyber security and risk**
- 3. Current cyber threat trends**
- 4. LGPS Response to cyber threats**
- 5. Discussion/next steps**

## Committee and Board

A general understanding of:

- the fund's **cyber security policy** (across all areas of Fund activity)
- 63 ▪ how the pension fund **monitors and manages the performance of their external suppliers and providers**, including **cyber risk**



## Senior Officers

An **expert knowledge** of the **cyber security** policy across all areas of fund activity

A **detailed knowledge** of how the fund monitors and manages the performance of its outsourced providers

# What is cyber security and risk





# What is Cyber Security and Cyber Risk?

## Important definitions

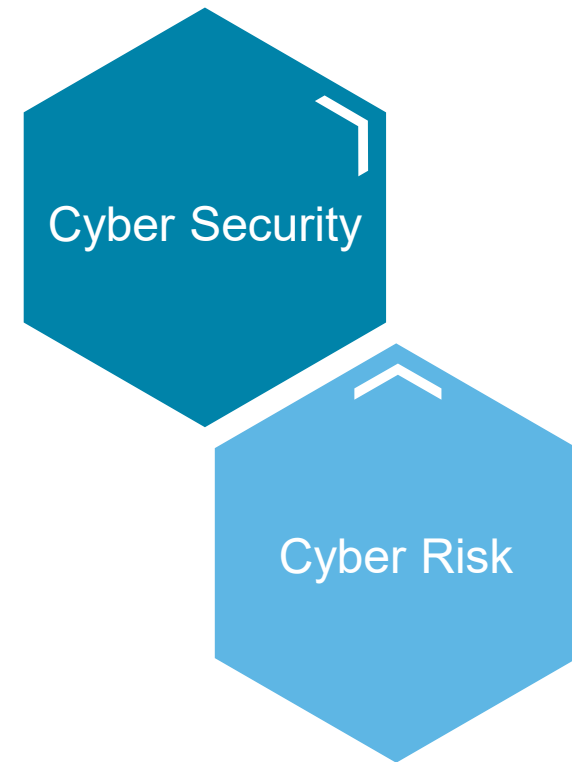
### Cyber Security –

- The **protection of devices, services and networks** - and the **information** on them - from **theft or damage** via electronic means *(from the National Cyber Security Centre).*

CS

### Cyber Risk –

- Can be broadly defined as the **risk of loss, disruption or damage** to a scheme or its members as a result of the failure of its information technology systems and processes.
- It includes **risks to information** (data security) as well as **assets**, and both **internal risks** (e.g. from staff) and **external risks** (e.g. hacking). *(from the Pensions Regulator's Cyber Guidance).*



# Dispelling some cyber myths



Source: National Cyber Security Centre

# Current cyber threat trends



## World's Biggest Data Breaches & Hacks

Selected events over 30,000 records

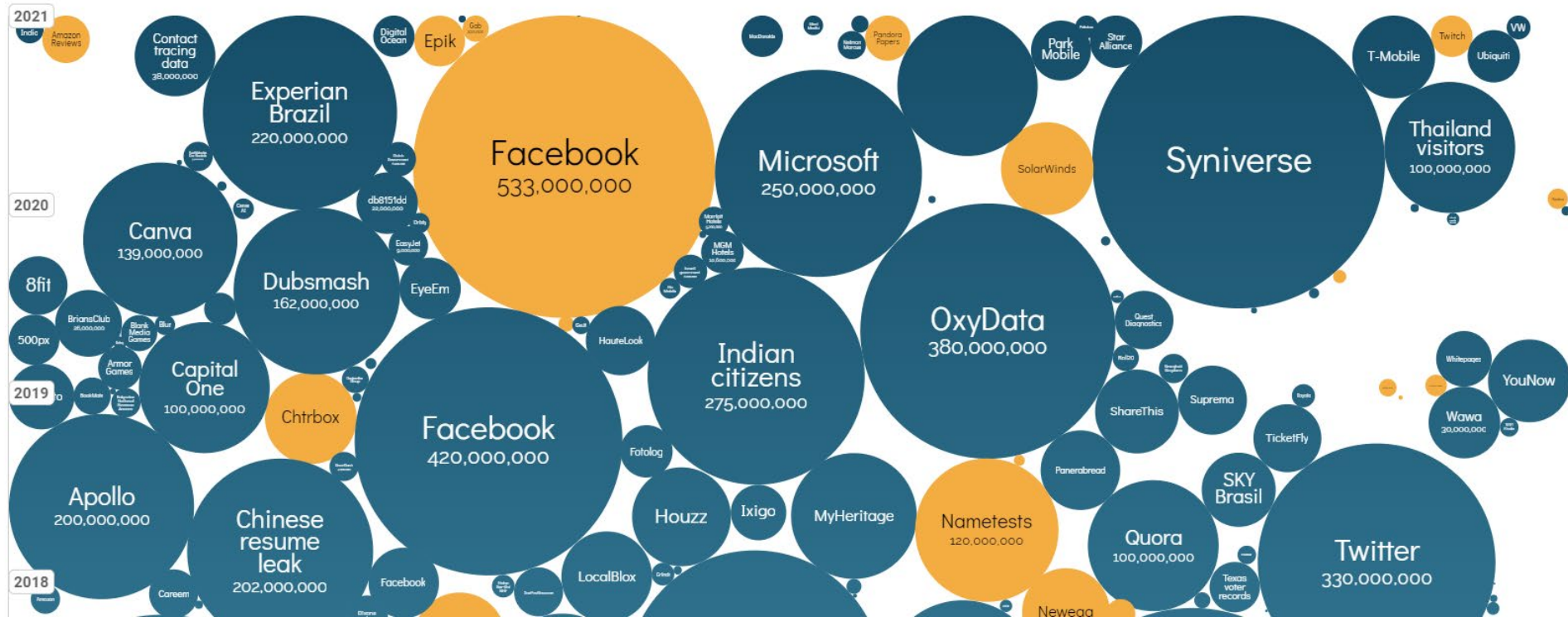
UPDATED: Oct 2021



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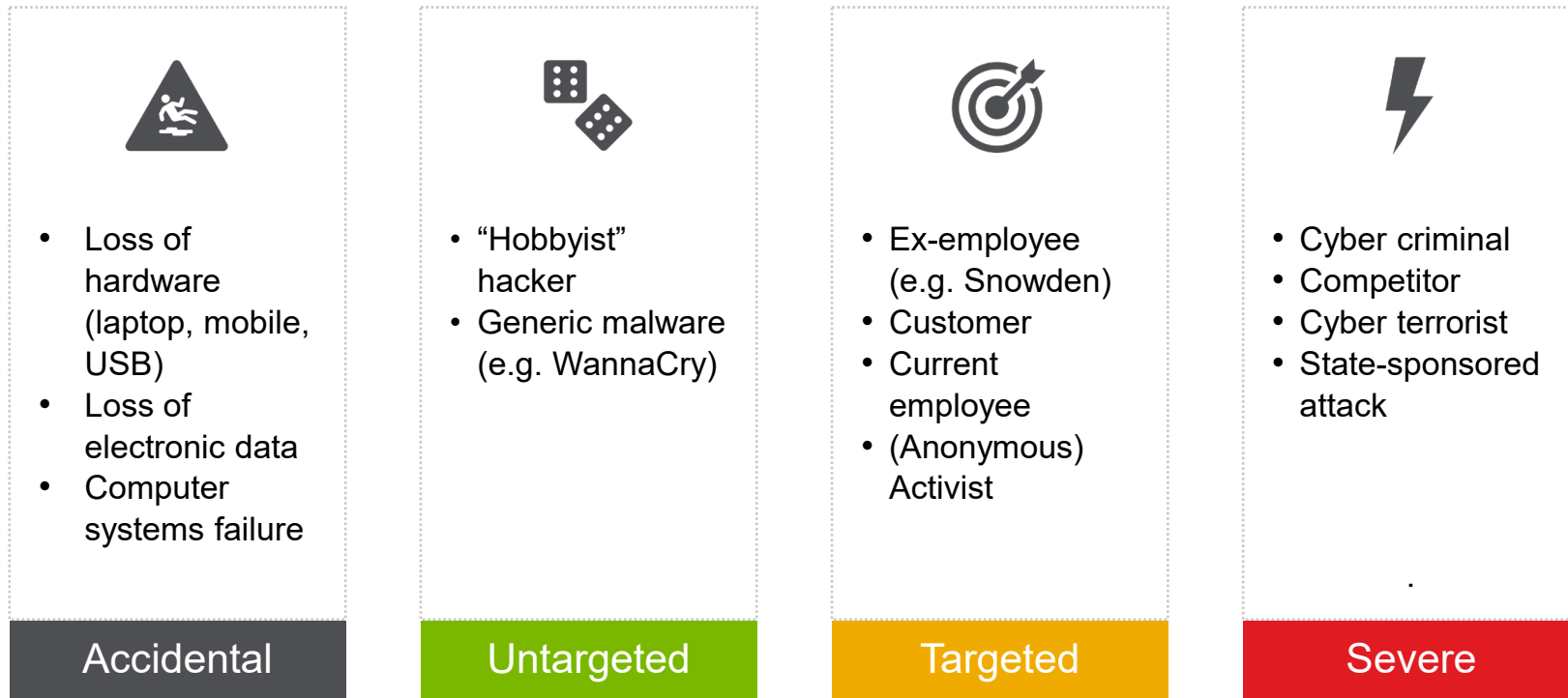
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Source: <https://informationisbeautiful.net/visualizations/worlds-biggest-data-breaches-hacks/>

# Where do the threats come from?

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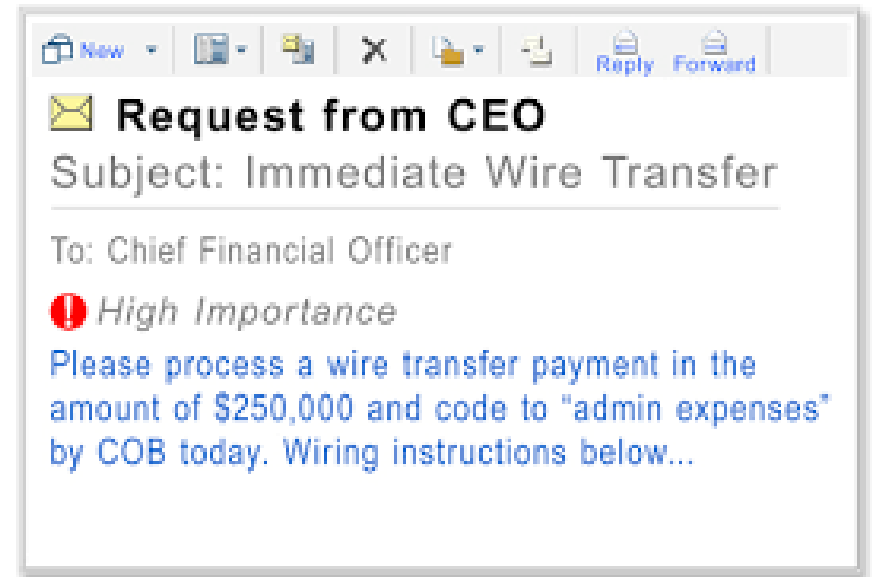
## Key types of attacks

These include - **Business Email Compromises, Ransomware and Denial of Service**

# Business Email Compromise

- Spoofed emails apparently from trusted sources request money transfers
- 400+ companies targeted per day globally
- \$3 billion+ lost in past 3 years
- 40% of victims are Small & Medium Enterprises
- 14% of victims are in financial sector

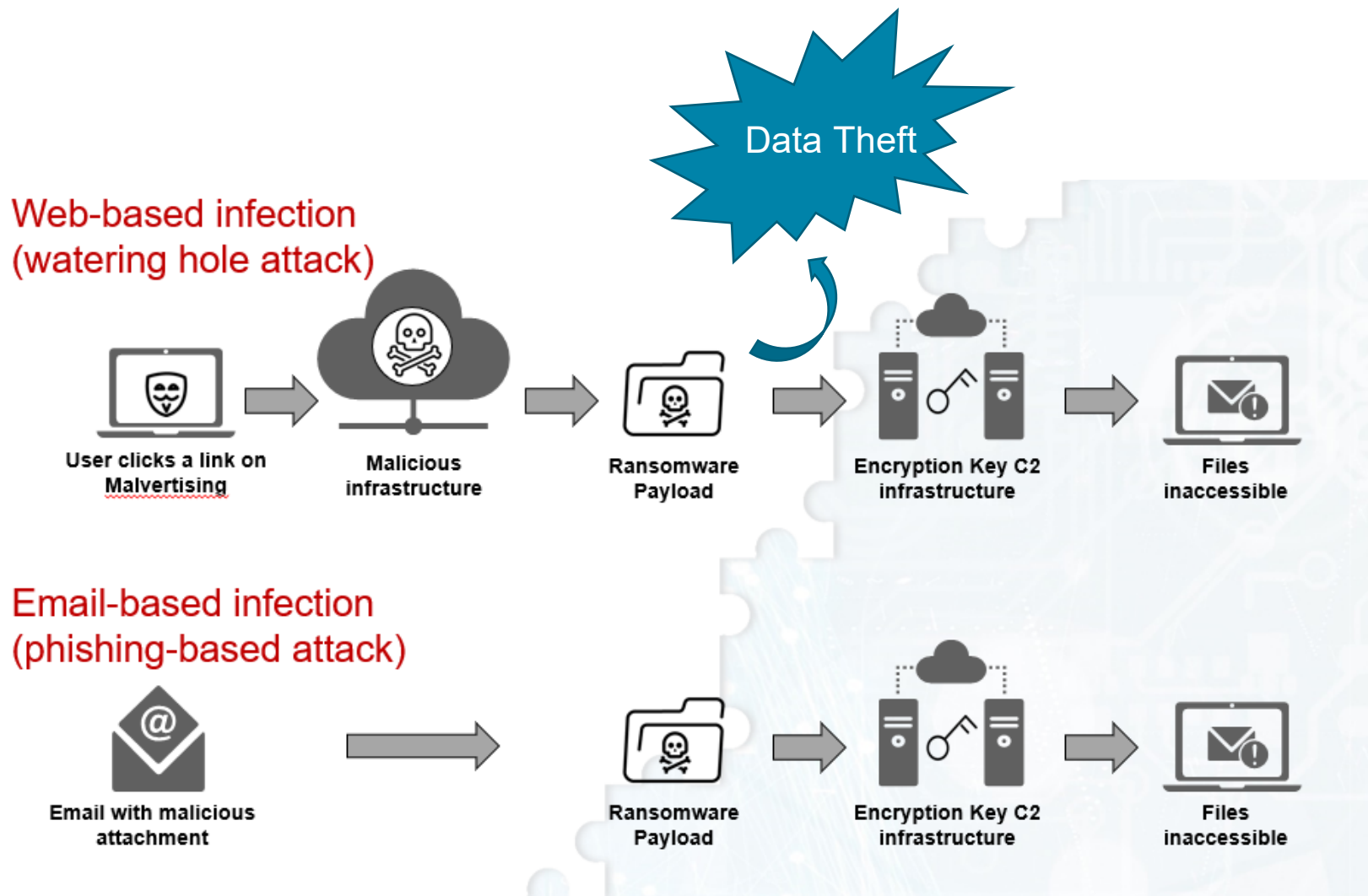
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Source: fbi.gov

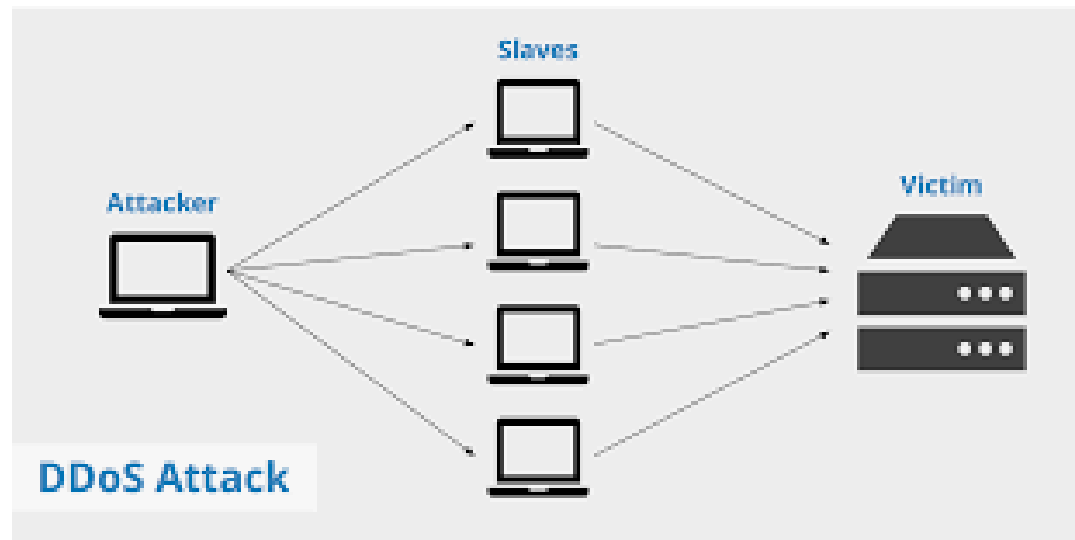
# Ransomware

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# Distributed Denial of Service (DDoS)

- Botnet overwhelms target systems with traffic
- Systems unable to function normally
- Motives: Extortion, hacktivism, disruption, revenge, distraction



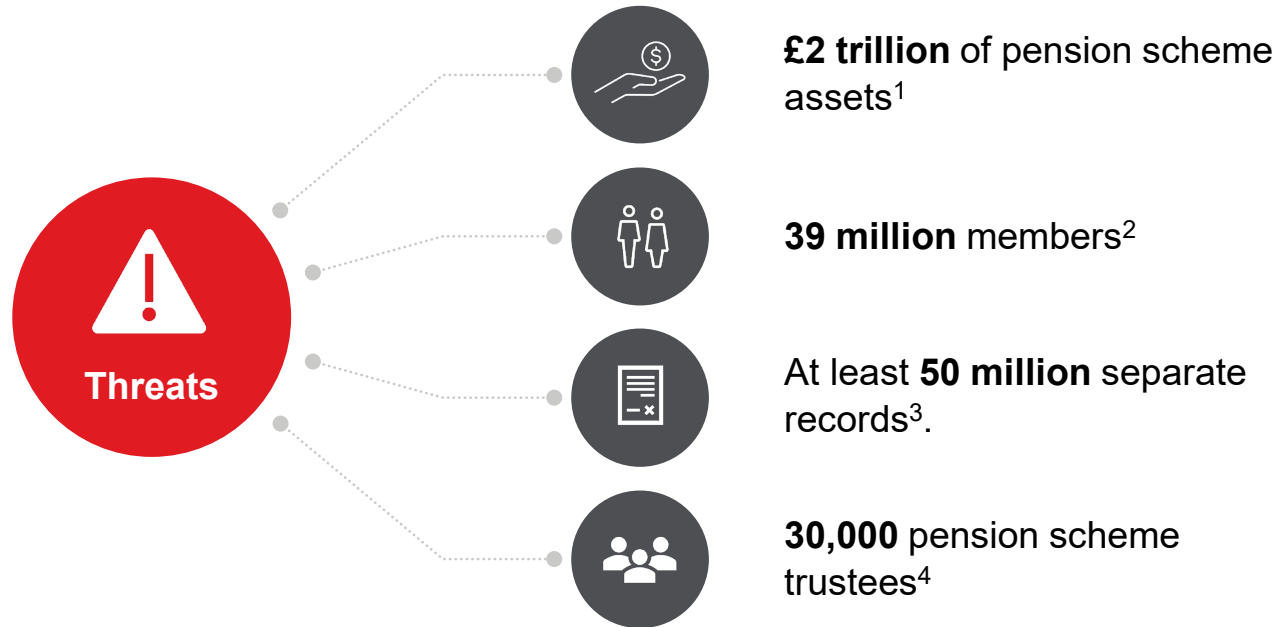
Source: keycdn.com



# Cyber security in the pensions environment



# Pension scheme threats



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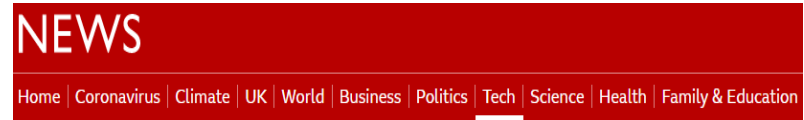
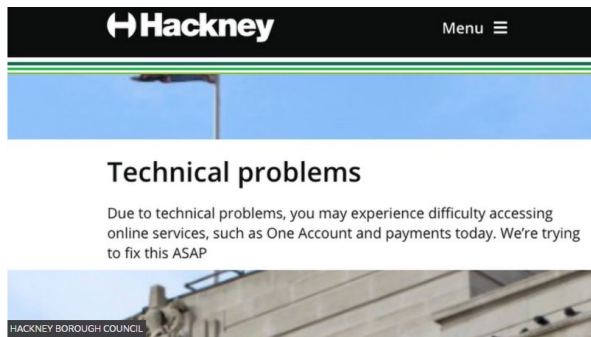
1. Source: OECD Pension Market focus 2017 edition

2. Source: Occupational Pension Schemes Survey: UK, 2016

3. Source: Occupational Pension Schemes Survey: UK, 2016

4. Source: Estimated from The Pensions Regulator Trustee Landscape Quantitative Research 2015 and Scheme Return data

# Threats becoming real

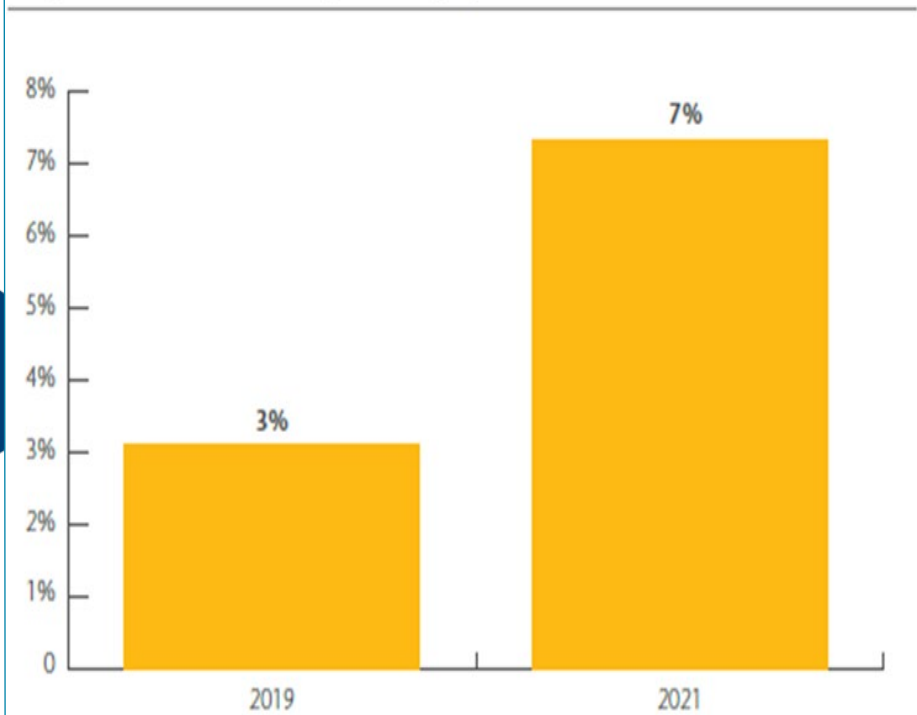


Technology

## Redcar cyber-attack: Council using pen and paper



Proportion of schemes impacted by cyber incident



Source: Aon Global Risk Survey 2021

# The Pensions Regulator – landscape

## 2018 Guidance

- Roles and responsibilities should be clearly **defined, assigned and understood**
- Cyber risk should be on your scheme's **risk register** and regularly reviewed
- You should have access to the **required skills and expertise** to understand and manage the cyber risk in your scheme
- You should ensure sufficient understanding of cyber risk: your scheme's key functions, systems and assets, its '**cyber footprint**', vulnerabilities and impact
- You should ensure **sufficient controls** are in place to minimise the cyber risks
- 76 You should assure yourselves that all **third party suppliers** have put sufficient in place
- There should be an **incident response plan** in place to deal with incidents and enable the scheme to swiftly and safely resume operations
- You should be clear on how and when **incidents would be reported** to you and others, including regulators.

## 2022 Single Code



Don't forget – legal requirements relating to internal control

Managing cyber risk is a key element of risk management and managing internal controls



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## 2019 TPR Statement

“It is important that scheme managers recognise, and maintain, a separation between the fund and Local Authority to **avoid an over-reliance on the Local Authority’s [cyber] policies and procedures.**”



## 2020/21 TPR Public Service Survey

- 90% of Public Service Schemes have at least half of TPR’s 14 cyber controls
- 1/3<sup>rd</sup> experienced some kind of cyber breach or attack

# Cyber controls in new Single Code of Practice

## Key Points

- Fund policies, including
  - Data breach protocols
  - Cyber Incident response plan
- Review service provider controls
- Assess, at appropriate intervals, the vulnerability to a cyber incident



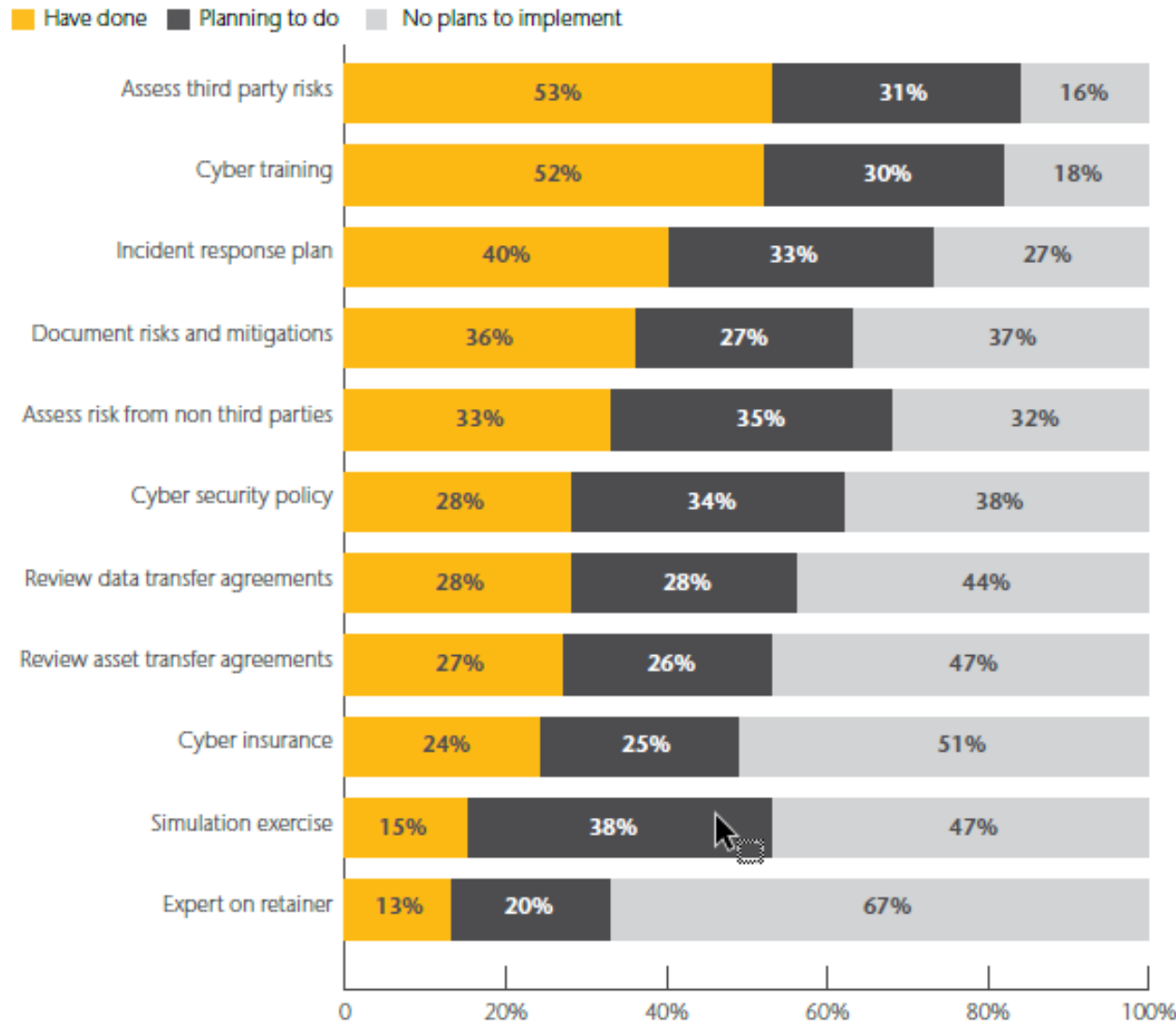
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## Further information

New Code of practice (still draft): <https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/full-draft-new-code-of-practice.ashx>

# Increased scheme activity

## Progress on cyber-related actions



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## Headlines

- Schemes have started to take actions but progress has been slow
- Significant increase in the number of schemes with an incident response plan
- Other common actions include assessing third party providers and documents risks and mitigations
- No correlation between the size of scheme and how much they have done

Source: Aon Global Pension Risk Survey 2021

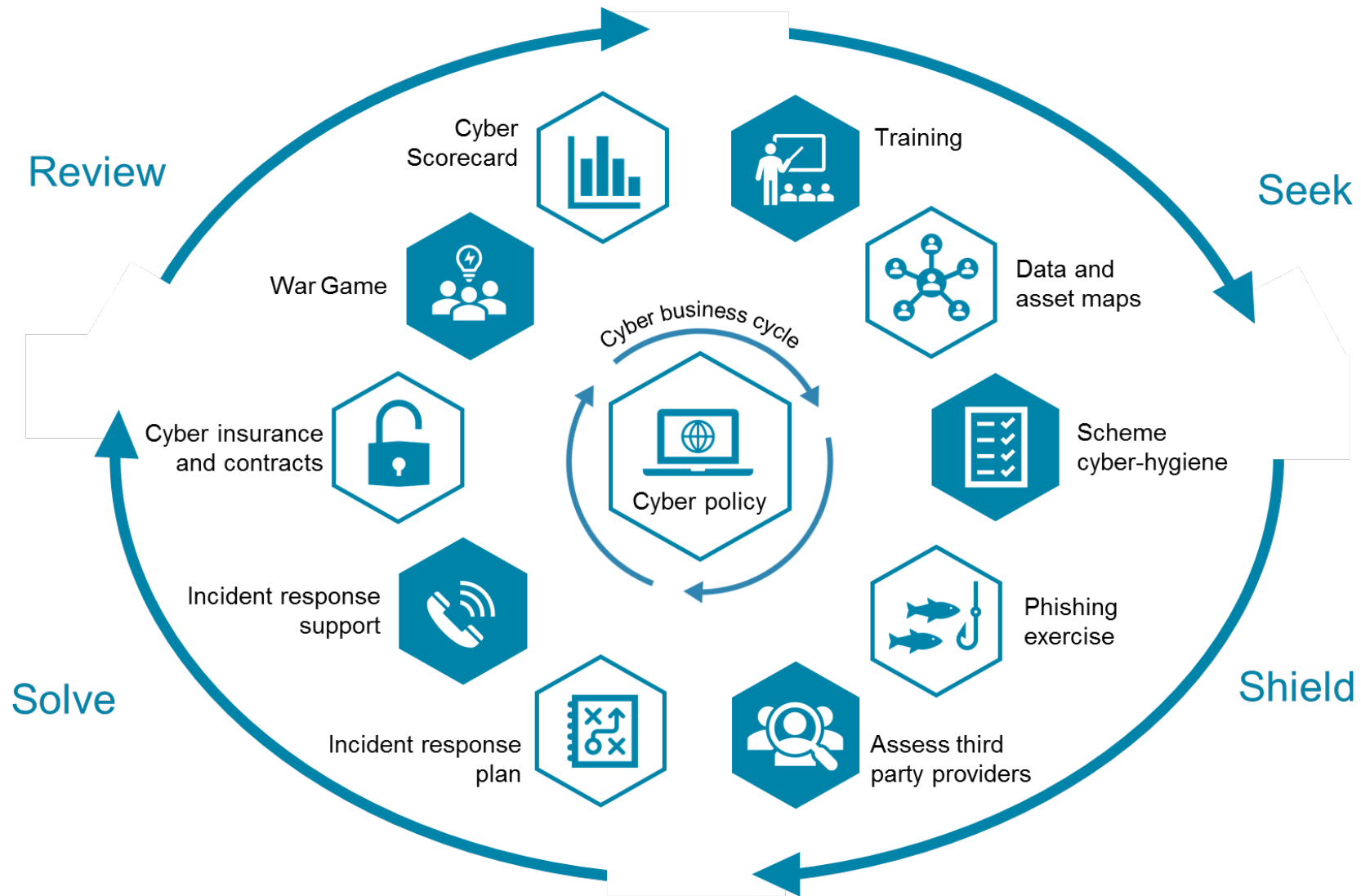
80 LGPS response to Cyber threats





# Cyber security policy

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Source: Aon

## Passwords

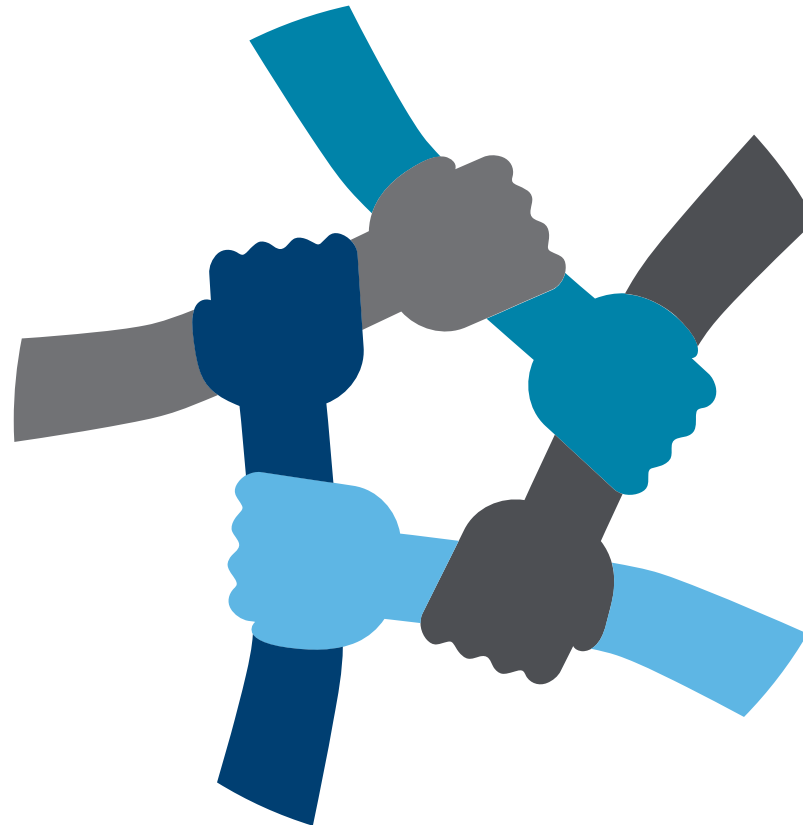
- Do not repeat passwords on different sites
- Use long passwords – preferably passphrases.
- Include numbers, letters and symbols in your passwords
- Don't use passwords that are easy to guess e.g. date of birth

## Multifactor authentication

- Switch on multifactor authentication, wherever available.

## Device security

- Keep antivirus software and apps up to date.
- Use public Wi-Fi with caution
- Look for the lock icon in the URL bar when using the internet.



## Be alert to scams

- Phishing still the most popular method
- Report suspicious emails.

## Review social media footprint

- Review what information you and those connected to you post online and consider what information this could divulge.
- Report suspicious messages, links and activity

# Seek - How does your data and assets move around?

## XYZ Pension Fund - List of Providers

Overview of the flow of the Fund's membership data and documentation

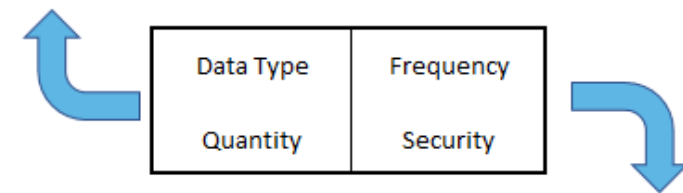
### 2. Data Matrix

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		to XYZ Council	to XYZ's in-house team	to Fund members
from XYZ Council	Host Authority - runs systems, infrastructure for the Fund - likely has access to all data for Fund members	1	1	1
		1	TBC	3
from XYZ's in-house team	Holds personal & sensitive data for all Fund members	1	1	1
		1	TBC	3
from Fund members	Holds their own (and their dependants') personal & sensitive data	1	3	1
		3	TBC	3

### Type of data flow

Data Type	1 = Sensitive Personal	2 = Personal	3 = Anonymised
Quantity	1 = Bulk	2 = Groups	3 = Individual



1 = Frequently	2 = Often	3 = Infrequently	Frequency
1 = None/Limited	2 = Moderate	3 = Strong	Security/Controls



Seek

Understand and quantify the risk

# Shield - How to assess third party providers



## Open-form questionnaire

Simplest approach.  
Each party asked how they deal with cyber risk.

## Council questionnaire

Relatively common where host authority is large with good existing cyber awareness

## Pension-specific questionnaire

Tend to be better tailored to Fund risks

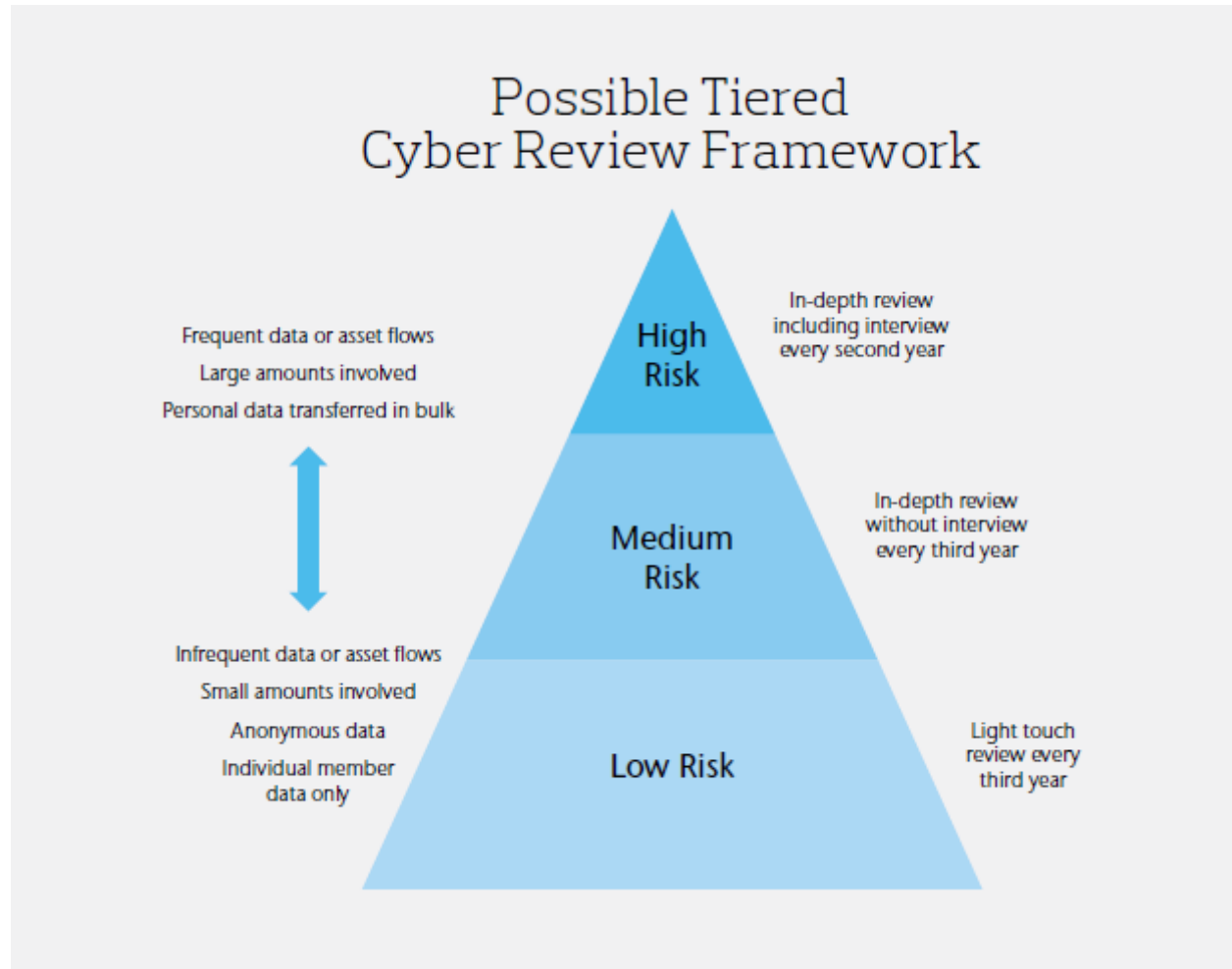
## Questionnaire then interview

Cyber expert interviews day-to-day contact plus IT supplier to probe on questionnaire responses

## Site Visit

Extension of D to include a full site visit

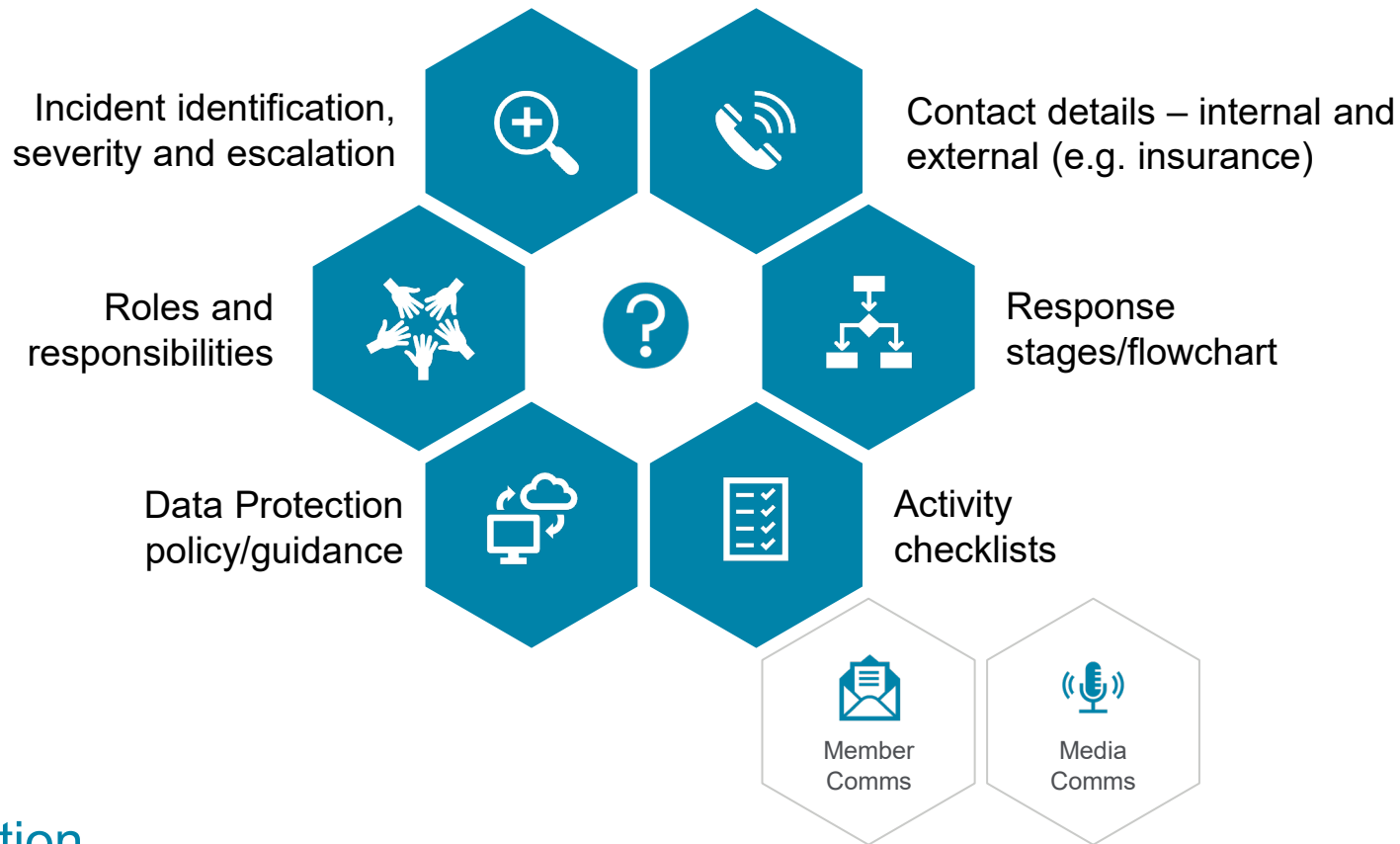
# Tiered cyber review framework



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# Solve - Incident Response Plan

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## Action

Identify what incident response support is available: Internal expertise, from participating employers, insurance, expert on retainer

# Questions and discussion





Jason Wilson

Senior Consultant

+44 (0) 207 864257

[Jason.Wilson@aon.com](mailto:Jason.Wilson@aon.com)

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