

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	→	Summary of risk changes since last report to Pensions Committee					Emerging Risks	
7	1.7 Scam Detection & Prevention	4	4	4	4	4	→	New risks added in Q1:					<ul style="list-style-type: none"> ▪ Climate Change: Recent events have highlighted the potential for climate change to impact global financial markets and investment assets. Although the scale and extent is not clear and could be influenced by many factors including future regulatory changes, the Cumbria Pension Fund recognise that climate change should be acknowledged as a key emerging risk. 	
8	2.1. Pension Regulator Intervention	5	5	5	5	5	→	<ul style="list-style-type: none"> ▪ 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. ▪ A risk associated with the impact of increased inflation has been added as risk 3.4. 						
9	2.2. Regulatory changes	8	8	8	8	8	→	Risks removed in Q1:						
10	2.3. Financial irregularity	6	6	6	6	6	→	<ul style="list-style-type: none"> ▪ 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. 						
11	2.4 Loss of key personnel	4	4	4	4	4	→	Risk Score Changes in Q1:						
12	2.5. Conflicts of Interest	4	4	4	4	4	→	<ul style="list-style-type: none"> ▪ No risk scores have been changed from the risk register in Q3. 						
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 (March 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>Information Security Arrangements</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>	15 (5x3) DOT →	15 (5x3) Previously 10 (5x2)	<p>Cumbria County Council (CCC) – Corporate Risk</p> <ul style="list-style-type: none"> The County Council maintains a detailed corporate risk register including the risk associated with Information Security Arrangements. The Fund adheres to the controls and measures in place detailed within the Corporate Risk Register. 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. The Fund is compliant with the requirements of the Data Protection Act 2018 (DPA18). 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. In the event of systems being interrupted, the Council will implement the relevant Business Continuity Plan to ensure service continuity in a timely manner. Information security controls within the Council have strengthened and have been independently assessed in the following areas: <ul style="list-style-type: none"> GDPR: 'Substantial Assurance' Internal Audit opinion Jun 2019 Cyber Security: 'Reasonable Assurance' 	<p>Cumbria County Council</p> <ul style="list-style-type: none"> 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. AON have been commissioned to undertake a review of the Fund's cyber security and its readiness for a cyber incident. It is expected that a presentation will be made to the Local Pension Board in July 2022 presenting initial findings of this review. <p><u>Local Pension Partnership Administration (LPPA):</u></p> <ul style="list-style-type: none"> Activities are underway to refresh the Group's Cyber Essentials certification together with obtaining Cyber Essentials Plus certification. LPPA's 'Secure-Score' is currently delivering improvements, primarily delivered through: <ul style="list-style-type: none"> Increased monitoring alerts and notifications of cyber security events, through use of Microsoft Identity monitoring & Cloud Application Security tooling. Introduction of control policies which manage detection of unsanctioned applications.

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					<p>Internal Audit opinion Jun 2019</p> <ul style="list-style-type: none"> • PSN: Annual independent PSN Accreditation confirmed on 31 March 2021 • 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. • All National Cyber Security Centre (NCSC) configuration guidance is adhered to where appropriate and assured as part of the PSN process. • All NCSC cyber monitoring tools are implemented. • 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. <p><u>Local Pension Partnership Administration (LPPA):</u></p> <ul style="list-style-type: none"> • Cyber security risks and controls in place • Services backed up to tape every night and held off site. Disaster recovery plan is tested twice yearly. • Networks protected by fire walls to prevent unauthorised access. Intrusion Prevention Systems are in place and penetration tests are 	<ul style="list-style-type: none"> • Reviews of administrative privileges & compliance to Multi Factor Authentication (MFA) Policies.

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					completed annually.	
1.2	Fund & LPPA Senior Manager	<p>Pensions' Administration Processes</p> <p>There is a risk of delays in scheme members entering into pension or receiving other services from the Fund in an untimely manner.</p> <p>Caused by organisational restructure within LPPA & personnel changes and the need for retraining.</p> <p>Resulting in customer dissatisfaction with the service.</p>	<p>6 (3x2)</p> <p>DOT</p> <p>→</p>	<p>6 (3x2)</p>	<p>Formal agreement in place with Lancashire County Council for the discharge of pension administration functions through Local Pensions Partnership Administration (LPPA). This confirms Lancashire will exercise the same skill, care and diligence they would apply to the discharge of their own functions in relation to the administration of pensions.</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	Scheme Member Communication	4	4	The Fund's Communication Policy details the	LPPA and the Fund produce an annual newsletter

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	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>
1.4	Employers and Fund Senior Manager	<p>Data Quality</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>

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1.5	Employers & Fund Senior Manager	<p>Payment of contributions</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 (4 x 2) DOT →</p>	<p>8 (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>McCloud Judgement</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 (3 x 4) DOT →</p>	<p>9 (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>

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		<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>Scam Detection & Prevention</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>

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					<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>Pensions Regulator Intervention</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>	<p>5 (5x1) DOT →</p>	<p>5 (5x1)</p>	<p>The Fund is appropriately resourced with well trained and knowledgeable staff who understand their regulatory obligations to the Pensions Regulator and other statutory bodies.</p> <p>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>Regulatory Changes</p> <p>There is a risk that the LGPS is mandated to invest in particular markets or risks that may otherwise impact onto the sovereignty of the Fund.</p>	<p>8 (4 x 2) DOT →</p>	<p>8 (4 x 2)</p>	<p>Officers of the Fund respond to government consultations where relevant to help influence policy.</p> <p>Where relevant, the Fund will support lobbying or lobby directly to ensure that its voice is heard in the 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>

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		<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>Financial Irregularity</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>Fraudulent Activity – 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>Unintentional overpayments – 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>Tax and class action recoveries – 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>Loss of key personnel</p> <p>There is a risk that the Fund may lose key personnel.</p>	4	4	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

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		<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>	<p>(2 x 2)</p> <p>DOT</p> <p>→</p>	<p>(2 x 2)</p>	<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>Conflicts of interest</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>	<p>4</p> <p>(2 x 2)</p> <p>DOT</p> <p>→</p>	<p>4</p> <p>(2 x 2)</p>	<p>Pensions Committee: 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>Local Pension Board: 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>

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2.6	Fund & LPPA Senior Manager	<p>Operational Disaster</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>CCC: Business continuity procedures are in place for the scheme manager (CCC). These are tested corporately in accordance with CCC policies and procedures.</p> <p>Administration (LPPA): 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>
2.7	Senior Manager	<p>Local Government Reorganisation (LGR)</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"> • Paying pensions; • Collecting contributions; • Appropriate investment of Fund assets; and • Adhering to regulatory requirements. <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>

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		administration. This could result in reduced or non-delivery of services impacting on service users				

3. Investments

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			(Impact x Likelihood)			
3.1	Fund Senior Manager	<p>Investment performance</p> <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>	<p>8 (4 x 2) DOT →</p>	<p>8 (4 x 2)</p>	<p>Investment Strategy:</p> <ul style="list-style-type: none"> The Fund has an Investment Strategy Statement (ISS), including its policy on responsible investing. 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 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. The Investment Strategy is regularly reviewed and advice taken from investment consultants, and the Fund's independent advisors, working with the Actuary. <p>Due Diligence on and monitoring of investments:</p> <ul style="list-style-type: none"> 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). 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. The Fund's investments are subject to regular 	<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>

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			(Impact x Likelihood)			
					<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"> • 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"> ○ 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. ○ 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. ○ The Fund hedges currency exposure on other lower risk assets where practical and possible. <p>Responsible Investing (RI):</p> <ul style="list-style-type: none"> • 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. 	

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)			
					<ul style="list-style-type: none"> • It considers it appropriate to have a diverse portfolio of assets that can maximise return whilst seeking to mitigate investment risks. • 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. • 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. • 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). <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>Availability of Investments Opportunities</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	Fund Senior Manager	<p>Russian Invasion of Ukraine</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>9</p> <p>(3 x 3)</p> <p>New Risk</p>	<p>9</p> <p>(3 x 3)</p>	<p>In order to protect Fund solvency and the affordability of employer contribution rates, the Fund seeks to dampen investment risk and deliver stable investment returns over the longer-term by investing in a diverse portfolio of assets.</p> <p>The Fund's direct holdings in Russia, Belarus and Ukraine are less than 0.1% of the Fund however the impact of Russia's invasion of Ukraine may impact more widely on global investment markets, e.g. due to the impact on fuel and food prices.</p> <p>With the current controls and measures in place, it is not expected that there will be a material impact on the 2022 valuation, although the actuary does have the ability to amend the valuation based on any material impacts to markets up until the valuation is signed off on 31 March 2023.</p> <p>Officers are liaising on a regular basis with the Fund's actuary to assess the potential impact of Russian invasion on the valuation of the Fund. Where appropriate, Officers would give an early warning to employers if it were considered that this would have a material impact on the 2022 valuation</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>Inflation</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>9</p> <p>(3 x 3)</p> <p>New Risk</p>	<p>9</p> <p>(3 x 3)</p>	<p>In order to protect Fund solvency and the affordability of employer contribution rates, the Fund seeks to dampen investment risk and deliver stable investment returns over the longer-term by investing in a diverse portfolio of assets.</p> <p>The Fund's 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>

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.