

CUMBRIA LGPS & PENSION BOARD RISK REGISTER (March 2024)

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>	<p>15 (5x3) DOT ➔</p>	<p>15 (5x3)</p>	<p>Cumbria Pension Fund :</p> <ul style="list-style-type: none"> Westmorland & Furness 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. 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. <p>Cumberland Council – Corporate Risk</p> <ul style="list-style-type: none"> In the event of systems being interrupted, Cumberland Council, as the host for IT Services, 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 through internal audits and annually through PSN accreditation. All National Cyber Security Centre (NCSC) configuration guidance is adhered to where 	<p>Cumbria Pension Fund:</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 2023/24. AON have undertaken a review of the Fund's cyber security and its readiness for a cyber incident and an action plan developed to address the findings from the review to further enhance cyber security arrangements. Progress against this action plan is being monitored by the Local Pension Board. Specific actions from the action plan include the development of cyber hygiene guidelines for Committee and Board Members and Officers of the Fund, and a Cyber Incident Response Plan to be clear on actions should an incident occur. <p>Cumberland Council:</p> <ul style="list-style-type: none"> From 1 April 2023, ICT Services for the Fund are hosted by Cumberland Council with a seamless continuation of information security / cyber security controls from the legacy Cumbria County Council.

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>appropriate and assured as part of the PSN process.</p> <ul style="list-style-type: none"> 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 Department for Levelling Up, Housing and Communities (DLUHC)) and their guidance will be adhered to. The Fund would never make any payment to a third party claiming responsibility for breaching the Fund's security arrangements. Additionally Cumberland Council CC continue to work proactively with the Northwest Warning and Reporting Point (NW WaRP) in Manchester. <p><u>Local Pension Partnership Administration (LPPA):</u></p> <ul style="list-style-type: none"> Cyber security risks and controls in place Following the introduction of UPM (pensions administration software) services are backed up to the Cloud in Azure. 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 completed annually. LPPA has achieved Cyber Essentials Plus certification. LPPA's 'Secure-Score' has been implemented 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. 	

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"> • Introduction of control policies which manage detection of unsanctioned applications. • Reviews of administrative privileges & compliance to Multi Factor Authentication (MFA) Policies. • LPPA have achieved ISO27001 (an international standard for information security). Previously this was held at a LPP group level. 	
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 or reduced staffing levels.</p> <p>Resulting in customer dissatisfaction with the service, reputational damage and breaches of law or regulations.</p>	<p>9 (3x3)</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 performance targets. The Fund are currently undertaking enhanced monitoring due to issues with performance within LPPA particularly associated with the management of retirement and bereavement cases. This performance resulted in the "likelihood" risk score being increased from 2 ("unlikely") to 3 ("possible") in March 2023.</p> <p>Regular (at least quarterly) meeting of operational group and ongoing dialogue with officers at LPPA throughout the year. LPPA host an annual Client Forum providing officers the opportunity to engage with representatives from other Funds. The last meeting was held in September 2023.</p>	<p>Officers continue to closely review LPPA performance specifically with regard to the experience received by scheme members.</p> <p>Officers continue to give specific consideration to LPPA's transition to a new software provider for pension administration services ("Project PACE") implemented for Cumbria Pension Fund in December 2022. The Managing Director of LPPA presented to Pensions Committee on developments in June 2023 and will attend the Committee again in June 2024.</p> <p>Regular meetings are currently being held between the Fund and LPPA to understand the risks that Project PACE continues to present and how these are mitigated.</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>A Senior Manager from LPPA attends all Cumbria Local Pension Board meetings and provides an update on performance and areas for development.</p> <p>LPPA advise Officers of any internal audits undertaken that impact upon the Cumbria Fund and any actions taken to address key findings from the audits.</p> <p>LPPA also maintains its own internal audit programme and advise Officers of the findings of these reports.</p>	
1.3	Fund & LPPA Senior Manager	<p>Scheme Member Communication</p> <p>There is a risk that scheme members will not receive adequate and timely communication from the Fund.</p> <p>Caused by not having an effective Communication Strategy in place or engagement strategy or inaccurate / incomplete data</p> <p>Resulting in customer dissatisfaction with the service, reputational damage and breaches of law or regulations (e.g. the Pension Regulator's Code of Practice 14).</p>	<p>4 (2x2) DOT ➔</p>	4 (2x2)	<p>The Fund's Communication Policy details the process by which it will communicate with members of the Scheme. This policy is reviewed at least annually.</p> <p>The PensionPoint portal 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>98.2% of 2023 Annual Benefit Statements (ABS) were issued in advance of the statutory deadline of 31 August 2023.</p>	<p>LPPA produce annual newsletters for active, deferred and pensioner members including details of the pension scheme and specific information of relevance to members.</p> <p>PensionPoint is being promoted by LPPA, the Fund and some Scheme employers to encourage take up of this online self-serve pensions tool.</p> <p>The Fund, with assistance from LPPA, wrote to all members during Q1 of 2023 to inform them how Local Government Reorganisation in Cumbria will affect them. These communications were tailored to active, deferred and pensioner members. Reminder communications have been issued by Cumberland Council and Westmorland & Furness Council as the 12 month deadline for aggregation of pension records expires on 1 April 2024.</p> <p>Cumbria Pension Fund has its own dedicated website. This contains information on the LGPS, as well as how the Fund is managed. Up to date scheme</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)			
						member news is also provided, as well as documents for members to download and links to useful websites such as LPPA.
1.4	Employers and Fund 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 adverse impact for scheme members such as through the late / inaccurate production of Annual Benefit Statements and may lead to increased complaints and appeals. Additionally this risk could impact upon estimates used within the Triennial Valuation of the Fund which then impacts onto employer contributions.</p>	<p>6</p> <p>(3 x 2)</p> <p>DOT</p> <p>➔</p>	<p>3</p> <p>(3 x 1)</p>	<p>Internal audit work undertaken on LPPA controls to provide assurance that internal controls over the operation and administration of Cumbria's data are adequate and effective (annually).</p> <p>Monthly reconciliation by Officers of employer contributions to data submitted by employers.</p> <p>Quarterly LPPA key performance indicators include measures of timeliness of update of records.</p> <p>Employer responsibilities are set out in the Administration Policy and this is regularly reinforced by officers through a range of communication channels.</p> <p>Regular (quarterly) review of the Pensions Regulator's Common Data and Conditional Data scores as included within LPPA's quarterly report presented to each Pensions Committee and Local Pension Board.</p>	Any planned improvements to data quality are reviewed and scrutinised on a quarterly basis by the Local Pension Board as requested by the Pensions Committee.
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</p>	<p>8</p> <p>(4 x 2)</p> <p>DOT</p> <p>➔</p>	<p>8</p> <p>(4 x 2)</p>	<p>Monthly monitoring of contribution payments by employer to ensure contributions received are timely and accurate. This reconciliation is considered as part of the annual audit process.</p> <p>Late payments are reported to Pensions Committee and the Local Pension Board at each quarterly meeting.</p>	<p>Monitoring and reconciliation of contributions continue to be undertaken monthly and a full reconciliation is completed and checked as part of the year end process.</p> <p>Where appropriate, guarantees will be called in to ensure all contributions are appropriately collected by the Fund.</p>

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>or the general impact of increases in employer contribution rates</p> <p>This could result in a financial loss the Fund which may impact on all other employers, and may constitute a breach reportable to the Pensions Regulator.</p>			<p>New admission bodies to the Fund are required to be backed by a guarantee or a bond to secure both pension contributions and any net liabilities should an admitted body enter into bankruptcy or be otherwise unable to fulfil their obligations to the Fund.</p>	
1.6	Employers & Fund 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 was the first organisation to join the Pension Scams Industry Group's (PSIG's) Pension Scams Industry Forum (PSIF). The forum is held on a monthly basis to share knowledge of schemes, companies and individuals of concern, and forms a "crucial part" of the work undertaken by PSIG. The forum is used to help identify and track the techniques and approaches of scammers and how they are evolving. Findings from the forum are</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)			
					shared with regulators and the police through representation on Project Bloom.	

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>Risk of Significant Regulatory Breach</p> <p>There is a risk that the Fund commits a serious regulatory breach.</p> <p>This could be caused by the Fund failing to advise the Regulator of regulatory matter (e.g. reporting a breach, submitting the Scheme Return) or failing to implement new regulations.</p> <p>This could result in intervention by the Pensions Regulator and a detrimental effect to the service being provided to scheme members and employers. It could also result in serious reputational implications for the Fund and potentially a financial penalty.</p>	<p>5 (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>Key processes are documented mitigating the risk of loss of knowledge from key staff leaving or being unavailable.</p> <p>The Senior Manager ensures that staff take the time to consider upcoming deadlines and prioritise workloads accordingly.</p> <p>The Fund has good contacts with other LGPS Funds, the LGA, CIPFA and other bodies to ensure that it is aware of changing regulations and their impact to the Fund.</p> <p>The Pensions Committee and Local Pension Board are advised on new regulations and emerging issues at each meeting.</p>	<p>Officers will continue to “horizon scan” to understand emerging issues that may have an impact on the future of the Fund. Where appropriate, the Pensions Committee and Local Pension Board will continue to be appraised of any emerging issues.</p> <p>The Fund develops an annual training plan based on assessed skill gaps for officers and members of the Pensions Committee and Local Pension Board.</p> <p>Officers continue to 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>This may be caused by government policy or amendments to regulations.</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 within the Fund ensure that they are aware of impending amendments to regulations and advise Pensions Committee and the Local Pension Board</p>	<p>Officers of the Fund will continue to monitor the LGPS environment to be aware of any potential changes to the scheme.</p> <p>Where appropriate, officers will draft responses to consultations affecting the Fund and, where possible, consult with the Chair of the Pensions Committee before submission.</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)			
		This may result in the funding level of the Fund being affected which could materially impact employer contributions.			(and, where relevant, employers and scheme members) in a timely way as to any amendments and their impact to the Fund.	The Fund is currently reviewing its Investment Strategy with a revised policy due to be considered by Committee in June 2024. This revised Investment Strategy will take into account the recommendations from the Government's proposals for the future of LGPS investments as detailed in " LGPS: Next Steps on Investments "
2.3	Fund Senior Manager	Financial Irregularity 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. This may be caused by fraudulent activity unintentional overpayments, or misunderstanding. 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.	6 (2 x 3) DOT ➔	6 (2 x 3)	Fraudulent Activity – Active participation in the National Fraud Initiative (NFI) and mortality screening every 6 months reduces likelihood of unidentified deaths and fraudulent pension claims. Segregation of duties and a delegated scheme of authority minimises the risk of fraud within the Fund. 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. Tax and class action recoveries – Fund has specialist providers for key recovery areas such as tax and class actions.	In January 2024, Officers were advised through the NFI of 9 cases of the death of scheme members that were not previously known to the Fund. These cases are all being reviewed with any overpayments being reclaimed. Note: cases identified through the NFI do not necessarily constitute a fraud, but do represent areas where there is a discrepancy between the Fund's information and data from the government agencies.
2.4	Fund Senior Manager	Loss of key personnel There is a risk that the Fund may lose key personnel.	8	4 (2 x 2)	The Fund is appropriately resourced and has effective arrangements in place to cover for short term absence. Managers consider succession planning for key staff within the team.	In recognition of the turnover in the membership of the Pensions Committee and Local Pension Board from April 2023, the scoring of this risk was increased in December 2022 to reflect the loss of accumulated knowledge of previous Members. As detailed in risk

Risk Ref	Risk Owner	Risk Title & Description	Current Risk Score DOT	Target Score	Current Controls & Measures in Place	Planned Improvements to controls and measures to manage the risk
			(Impact x Likelihood)			
		<p>This risk could be caused by staff retiring, moving on or otherwise being on long-term absence. Similarly the risk could be impacted by turnover with Committee and Board membership.</p> <p>This could result in an erosion of skills and knowledge within the Fund</p>	<p>(2 x 4)</p> <p>DOT</p> <p>➔</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. The 2023/24 Skills Audit is due to be issued in December.</p> <p>Key processes are documented mitigating the risk of loss of knowledge from key staff leaving or being unavailable.</p> <p>The Fund has recourse to the independent expertise of two advisors and has the resource to procure additional external support as required.</p>	<p>2.1 a detailed training plan has been developed to ensure new members have the skills to make informed decisions for the Pensions Fund. This training plan will continue to be reviewed to ensure Members have the appropriate skills and knowledge to make informed decisions.</p> <p>The skills and knowledge of new members onto the Pensions Committee has developed over the past year which might have led to a reduction in this risk score. However, other factors have resulted in the risk score remaining higher than target.</p> <p>Clare Scott, one of the Fund's Advisors, has recently given notice that she will be leaving the Fund after the revised Investment Strategy is approved. Consideration is currently being given as how this advisory role will be filled in the future.</p> <p>The vacant Senior Manager role within the Pension Fund has been recruited to with the successful applicant due to start with the Fund in June 2024.</p> <p>A recruitment process is currently underway to appoint a new Finance Manager – Governance & Responsible Investment to the team.</p> <p>Additional capacity is currently supporting the team on the delivery of the Responsible Investment review and the Investment Strategy review.</p> <p>Other temporary support has been brought into the team and some roles have been realigned to account for other long term absence and work priorities across the team.</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)			
						The staffing structure of the team will continue to be monitored by the Director of Resources and Senior Manager and, where appropriate, actions will be taken to ensure the Fund is operating effectively.
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 and/or financial loss, legal challenge or reputational damage.</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 their respective 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>A specific Conflicts of Interest policy for the Pension Committee and Local Pension Board is being presented to this Committee for implementation effective from 1 April 2024.</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 Administering Authority's Monitoring Officer.</p> <p>The Fund will review statutory guidance or amended Regulations arising from the Good Governance Review to ensure it continues to fully comply with its obligations to report on potential conflicts within the Fund.</p>
2.6	Fund & LPPA Senior Manager	<p>Operational Interruption</p> <p>There is a risk that an operational interruption may impact onto the Fund.</p> <p>This could be caused by IT failure / fire / flood / extreme weather</p>	<p>4</p> <p>(4 x 1)</p> <p>DOT</p> <p>➡</p>	<p>4</p> <p>(4 x 1)</p>	<p>Westmorland & Furness Council (W&FC): Business continuity procedures are in place for the scheme manager (W&FC). These are tested corporately in accordance with W&FC policies and procedures.</p> <p>Administration (LPPA):</p>	<p>The existing procedures are considered appropriate to mitigate the ongoing risk of conflicts of interest but this position will be kept under review. Where weaknesses are identified, these will be addressed to improve the Fund's preparedness for operational interruption.</p>

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>events significant staff absence etc.</p> <p>This could result in the Fund not being able to operate effectively.</p>			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.	

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 Senior Manager	<p>Investment performance</p> <p>There is a risk that investment performance is lower than that assumed in the actuarial valuation.</p> <p>This could be caused by financial market performance being less than assumed and / or underperformance from the Fund's investment managers and / or environmental / social / governance issues impacting adversely on investments.</p> <p>This could result in a material increase in employer contributions at the next triennial valuation.</p>	<p>8 (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. The Investment Strategy is currently under review and a revised Responsible Investment policy is presented to the Committee under Item 9 of today's agenda. The ISS 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 proposed to the Investment Sub Group and are then presented to Pensions Committee for further consideration and a funding decision. The Fund's investments are subject to regular monitoring, with Fund performance reported in detail to the Investment Sub Group and at a 	<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> <p>Investment risks will be considered as part of the review of the Investment Strategy Statement in early 2024.</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>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. • It considers it appropriate to have a diverse portfolio of assets that can maximise return whilst seeking to mitigate investment risks. 	

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"> 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 Investment Strategy to be implemented in a timely manner.</p> <p>This could result in the Fund not being able to fully implement the</p>	<p>6 (3 x 2) DOT →</p>	6 (3 x 2)	<p>The Investment Strategy Statement sets out the asset classes that the Fund is prepared to invest in. A revised strategy was approved by the Pensions Committee in December 2019 and this was subsequently updated in March 2021.</p> <p>The Fund is working with BCPP to ensure that appropriate sub-funds are available to be able to fully implement the current Investment Strategy.</p> <p>It has been recognised that some elements of the revised Strategy will take time to implement. It has therefore been agreed that, where target asset classes take time to invest, the amounts destined for these assets are temporarily invested in an interim strategy which more closely reflects the agreed</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> <p>The Fund's Investment Strategy will be reviewed over the next quarter taking into account the outcomes of the 2022 valuation of 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)			
		investment strategy in a timely manner.			target Strategy. This will result in achieving a lower risk position more quickly.	
3.3	Fund Senior Manager	<p>Impact of Armed Conflicts</p> <p>There is a risk that events such as the Russian invasion of Ukraine or the conflict in Gaza may create turbulence in the investment markets and negatively impacts on assumptions used by the actuary as part of the 2025 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 2025 valuation.</p> <p>This could result in employer contribution rates increasing at the 2025 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>DOT</p> <p>➔</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 areas of the world experiencing armed conflict are low (<1%) however it is recognised that these conflicts may impact more widely on global investment markets, e.g. due to the impact on fuel and food prices.</p>	The Fund will continue to monitor geo-political events and the impact these have on markets affecting the Fund.
3.4	Fund	Inflation				

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)			
	Senior Manager	<p>There is a risk that increased inflation may impact on liabilities which could impact onto employer contribution rates payable to the Fund.</p> <p>This could be caused by a forecast of sustained high levels of inflation both in the UK and globally having a significant negative effect on the Funding Value of the Fund and individual employers or by a review of assumptions used by the Actuary in calculating the 2022 valuation.</p> <p>This could result in employer contribution rates increasing at the 2022 valuation or the Actuary proposing a mid-term adjustment to contribution rates before the 2025 valuation.</p> <p>In addition, there is a risk of divergence between assumed inflation in the actuary's assumptions and actual inflation in the years following the 2022 valuation.</p> <p>This would have the effect of increasing the Fund's liabilities, thereby potentially impacting the funding position as well as the knock-on potential impact on employer contributions at or prior to the 2025 valuation.</p>	<p>9 (3 x 3) DOT ➔</p>	<p>9 (3 x 3)</p>	<ul style="list-style-type: none"> Investment strategy reviews held at least every three years consider inflation risks and protection from different asset classes. Index linked gilts provide protection. Some other assets have some inflation linkage e.g. property, infrastructure and debt. Investment strategy is very diversified. Actuarial valuation uses discount rate linked to inflation to reduce short-term volatility of funding level and employer contributions. Quarterly funding updates and regular liaison with Actuary. 	<p>Mitigations of the risk of high short-term inflation have been considered in the 2022 actuarial valuation including:</p> <ul style="list-style-type: none"> Allowance in liabilities for 2023 pension increase; Review of assumption(s); and Use of funding buffers to give greater stability in employer contribution rates. <p>Inflation risk will be considered as part of the review of the Investment Strategy Statement.</p>

Risk Ref	Risk Owner	Risk Title & Description	Current Risk Score DOT	Target Score	Current Controls & Measures in Place	Planned Improvements to controls and measures to manage the risk
			(Impact x Likelihood)			
3.5	Fund Senior Manager	<p>Climate Change</p> <p>There is a potential for Climate change to impact global financial markets and investment assets, impacting the value and investment performance of the Fund.</p> <p>Climate change risk can be grouped into two categories:</p> <ul style="list-style-type: none"> Physical risks arising from changes in weather that impact on the economy; and Transition risks arising from the transition to a low carbon economy. <p>Both of these could result in:</p> <ul style="list-style-type: none"> Financial market performance being less than expected and / or underperformance from the Fund's investment managers; and Societal and economic shifts towards a low-carbon future, which can be linked to policy and regulatory changes, technological risks and stranded assets – and ultimately lead to reputational and legal risks for the Fund. <p>This could result in a material increase in employer</p>	<p>12</p> <p>(4 x 3)</p> <p>DOT</p> <p>➔</p>	<p>12</p> <p>(4 x 3)</p>	<p>Investment Strategy:</p> <ul style="list-style-type: none"> Many of the current controls and measures in place detailed within Risk 3.1 (Investment Performance) are relevant to the Fund's approach to managing the risk from Climate Change. The Fund's Investment Strategy Statement and its Stewardship Report set out how the Fund incorporates Environmental, Social and Governance (ESG) factors including climate change into the investment process. ESG factors, such as climate change can have a material impact on the value of financial assets in the long term. Being a responsible investor and incorporating ESG factors into investment decisions can help to improve the long-term value for investors. The Fund considers it appropriate to have a diverse portfolio of assets that can maximise return whilst seeking to mitigate investment risks and it believes that the best way to be a responsible investor and to influence policy change is not through divestment or boycotting specific sectors but through active engagement. 	<p>The Fund responded to the DLUHC consultation on Governance and Climate Risk Reporting in November 2022. Regulations in response to this consultation are expected to be published in 2024. It is anticipated that these will require LGPS Funds to report in line with the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations. The aim is to improve assessment, management and disclosures of both climate-related financial risks and opportunities.</p> <p>Pensions Committee will be advised when the regulations and related guidance are released and Committee will also be informed as to how the Fund plans to meet the new requirements. This is likely to include:</p> <ul style="list-style-type: none"> Reviewing the Fund's governance arrangements to ensure they are fit for purpose in relation to assisting with the oversight of climate related risks and opportunities; Carrying out climate-related scenario analysis; and Reporting on appropriate climate-related metrics. <p>The resulting increased level of disclosure of how the Fund's assets will affect and be affected by climate change, will seek to ensure that the Fund understands and manages the financial risks and opportunities arising from climate change in order to protect and grow the Fund's assets and cashflows.</p>

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)			
		contributions at the next triennial valuation.				

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.