

Public Document Pack



Helen Barrington
Director of Legal and
Democratic Services
County Hall
Matlock
Derbyshire
DE4 3AG

Extension 38357
Direct Dial 01629 538357
Ask for Danny
Sunderland

PUBLIC

To: Members of Pensions and Investments Committee

Tuesday, 17 October 2023

Dear Councillor,

Please attend a meeting of the **Pensions and Investments Committee** to be held at **10.30 am** on **Wednesday, 25 October 2023** in the Council Chamber, County Hall, Matlock, the agenda for which is set out below.

Yours faithfully,

A handwritten signature in black ink that reads 'Helen E. Barrington'.

Helen Barrington
Director of Legal and Democratic Services

A G E N D A

PART I - NON-EXEMPT ITEMS

1. Apologies for Absence
2. To receive declarations of interest (if any)
3. Minutes (Pages 1 - 6)

To confirm the non-exempt minutes of the meeting of the Pensions and Investments Committee held on 6 September 2023

4. Public Questions (Pages 7 - 10)

5. Derbyshire Pension Fund 2022-23 Annual Report (Pages 11 - 14)
6. Half-Year Pension Administration Performance Report 1 April 2023 to 30 September 2023 (Pages 15 - 42)
7. Derbyshire Pension Fund Risk Register (Pages 43 - 60)

PUBLIC

MINUTES of a meeting of **PENSIONS AND INVESTMENTS COMMITTEE** held on Wednesday, 6 September 2023 at County Hall, Matlock.

PRESENT

Councillor D Wilson (in the Chair)

Councillors P Smith, N Atkin, B Bingham, G Musson, L Care (Derby City Council) and C Ashby (Derby City Council)

Also in attendance - N Read (Trade Union representative).

Apologies for absence were submitted for Councillors M Foster and M Yates.

40/23 TO RECEIVE DECLARATIONS OF INTEREST (IF ANY)

There were no declarations of interest.

41/23 TO CONFIRM THE NON-EXEMPT MINUTES OF THE MEETING HELD ON 7 JUNE 2023

The minutes of the meeting held on 7 June 2023 were confirmed as a correct record.

42/23 PUBLIC QUESTION

The following question had been received from a member of the public, Bridget Edwards:

“A new report 'Loading the DICE Against Pensions' by Carbon Tracker has recently been published. It clearly shows that investment consultants such as Mercer are basing their analysis of climate risk on information provided by economists. However, the analyses provided by these economists are not reviewed by climate scientists and do not take into account climate science. This has led to seriously flawed analyses, which form the basis of Mercer's and other companies' analyses of climate risk. This consequently affects how pension funds view future climate risk scenarios, including Derbyshire Pension Fund, for example, that 3 degrees of warming would have a muted impact on pension returns. (please see pages 56/7 of the report)

In light of the findings of this report, does the committee feel that it is fulfilling its fiduciary duty by continuing to use investment consultants such as Mercer?”

The Chairman responded as follows:

“The answer is yes.

We welcome the continued development of climate scenario analysis to support pension funds’ management of the risks associated with climate change. The analysis in Derbyshire Pension Fund’s third Climate-Related Disclosures Report, published earlier this year, was based on an updated model that Mercer has developed in partnership with Ortec Finance and Cambridge Econometrics to develop climate scenarios grounded in the latest climate and economic research.

However, it is recognised that there remains a great deal of uncertainty for investors around the market reaction to climate risks and to changing climate policies. As climate scenario analysis remains a developing field, which uses assumptions about inherently unpredictable matters over long time horizons, the outputs from the analysis are viewed as directional information on the sensitivity of the Pension Fund’s portfolio to different climate scenarios to be considered in tandem with all the other factors which have the potential to impact on investment returns.”

43/23 INVESTMENT REPORT

The Pension Fund’s independent investment advisor, Anthony Fletcher, took the Committee through a presentation on the market background, the Fund’s performance, the economic and market outlook, and on his asset allocation recommendations.

The Investment Report was then presented by the Fund’s Investment Manager who explained the rationale for the recommendations for each asset class set out in the report.

RESOLVED:

That the Committee:

- a) Notes the report of the independent external advisor, Mr Fletcher;
- b) Notes the asset allocations, total assets and long-term performance analysis set out in the report of the Director of Finance & ICT; and
- c) Approves the IIMT recommendations outlined in the report.

44/23 STEWARDSHIP REPORT

The Committee was provided with an overview of the stewardship activity that had been carried out by the Pension Fund’s external investment managers in the quarter ended 30 June 2023. The following two reports would ensure that the Committee was aware of the engagement activity that had been carried out by Legal & General Investment Manager (LGIM) and by LGPS Central Limited (LGPSC):

- Q2 2023 LGIM ESG Impact Report

- Q1 2023-24 LGPSC Quarterly Stewardship Report

The Investment Manager informed the Committee that the Fund's application to the Financial Reporting Council to become a signatory to the UK Stewardship Code 2020, had been successful. The Investment Manager wished to place on record his thanks to Adam Nelson and the team for the work they had undertaken with the application.

RESOLVED that the Committee notes the stewardship activity of LGIM and LGPSC.

45/23 **DERBYSHIRE PENSION FUND COMPLAINTS POLICY**

Approval was sought for the draft updated Complaints Policy for Derbyshire Pension Fund which was attached at Appendix 2 to the report.

The Committee had approved the inaugural Complaints Policy in January 2020. The Policy had been developed to provide assurance to members of the Pension Fund that all complaints were being recorded, would be considered properly and in a consistent manner. The operation of the Fund's policy for complaints was underpinned by guidance for officers, and the Altair pension administration system provided the functionality to record, escalate and monitor the progress of complaints with Fund members' individual records.

The Fund had received 24 complaints during 2022-23 (excluding 7 initial complaints classed as requiring clarification of scheme regulations). All 24 complaints had received a response within 10 working days. Members of the Committee thanked the officers and welcomed the report.

RESOLVED that the Committee approves the draft updated Derbyshire Pension Fund Complaints Policy attached as Appendix 2 to the report.

46/23 **LOCAL GOVERNMENT PENSION SCHEME INVESTMENT POOLING CONSULTATION**

An investment pooling consultation, 'Local Government Pension Scheme (England and Wales): Next steps on investments' (attached as Appendix 2 to the report), was finally published on 11 July 2023. Publication of the consultation followed the inclusion in the 2023 Spring Budget book (published in March 2023) of a statement that the government was challenging the LGPS in England and Wales to move further and faster on consolidating assets, flagging that a forthcoming consultation would propose LGPS funds transfer all listed assets into their pools by March 2025 and set direction for the future (which might include moving to a smaller number of pools in excess of £50bn). It was also flagged, that the government would consult on requiring LGPS funds to consider investment opportunities in illiquid assets 'such as venture and growth, thereby seeking to unlock some of the £364bn of

LGPS assets into long term productive assets’.

The Consultation sought views on government proposals in five areas:

- An acceleration and expansion of pooling, with administering authorities confirming how they were investing their funds and why. A deadline for asset transition by March 2025 was proposed, noting that the government would consider action if progress was not seen, including making use of existing powers to direct funds. Going forward, the government wanted to see a transition towards fewer pools to maximise benefits of scale.
- A requirement to have a plan to invest up to 5% of assets to support levelling up in the UK, as announced in the February 2022 Levelling Up White Paper.
- An ambition to increase investment into high growth companies via unlisted equity, including venture capital and growth equity.
- Proposed amendments to the LGPS’s regulations to implement requirements on pension funds that used investment consultants.
- A technical change to the definition of investments within LGPS regulations.

The Partner Funds within the LGPS Central Pool intended to submit individual responses to the Consultation. A joint response (potentially more high level) was expected to be submitted from the Partner Funds and from LGPS Central Limited. Discussions would continue with the other Partner Funds and LGPS Central Limited, and with the Fund’s Independent Investment Advisor and with other LGPS funds.

Members asked if they could have sight of the individual responses and the submission from LGPS Central Limited. The Head of Pension Fund reported that enquiries had been made to this effect and a response was still awaited.

Members also expressed their concerns regarding the short timescales involved for the transition of assets and the prescriptive nature of the government’s requests.

Matters set out in the report which were expected to be included in Derbyshire Pension Fund’s response to the Consultation were discussed and supported by Committee.

The closing date for the Consultation was 2 October 2023 and it was proposed that approval of the Fund’s response was delegated to the Director of Finance & ICT in consultation with the Chairman of the Committee.

RESOLVED that the Committee delegates approval of Derbyshire

Pension Fund's response to the 'Local Government Pension Scheme (England and Wales): Next steps on investments' consultation to the Director of Finance & ICT in consultation with the Chairman of the Committee.

47/23 EXCLUSION OF THE PUBLIC

To move that under Section 100(a)(4) of the Local Government Act 1972 the public be excluded from the meeting for the following item of business on the grounds that in view of the nature of the business, that if members of the public were present exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 would be disclosed to them and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

48/23 TO CONFIRM THE EXEMPT MINUTES OF THE MEETING HELD ON 7 JUNE 2023

The exempt minutes of the meeting held on 7 June 2023 were confirmed as a correct record.

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**PUBLIC QUESTIONS TO THE PENSIONS & INVESTMENTS COMMITTEE – 25
OCTOBER 2023**

1) Question from Sue Owen on behalf of Derbyshire Pensioners Action Group

“We note that you will be reviewing the targets for the Climate Related Disclosures Report this year.

Will you be revising your targets for reducing the carbon footprint of the Fund’s listed equity portfolio, in the light of the increasingly urgent voices from the IPCC and the United Nations that the world must cut the use of fossil fuels in order to avoid climate catastrophe, for example in the new Global Stocktake Report from the UN

<https://www.theguardian.com/environment/2023/sep/08/un-report-calls-for-phasing-out-of-fossil-fuels-as-paris-climate-goals-being-missed>

and

will you undertake to inform all pension holders of your position on whether the fund can reasonably fulfil obligations to its beneficiaries if the world remains on track for warming beyond 2 degrees?”

2) Question from Laura Stevens on behalf of Divest Derbyshire

Divest Derbyshire, of which I am a member, has been speaking with the Pension Committee since 2018 about wider communication, with many promises of creating a forum. Investment details should be accessible to all. My father is 91 and receives a pension from Norfolk County Council. He is not online nor does he have a mobile phone. I know people here in that boat; elderly friends not online. My father however, receives this impressive 20-page booklet quarterly from his Council pension board*. It is packed with useful information with summary accounts published annually. Might it be discriminatory not to enable access to pension investment information to your older members? Could Derbyshire maybe make something like this work? I understand there was once a leaflet published but it was deemed too expensive. I would be happy to contribute to the cost of such information from my pension funds? Maybe others too?

**(Shows leaflet)*

3) Question from Joanna Collins

Answers to questions to the Pensions Committee on 18 January state the Committee “proactively manages climate-related risks and opportunities”. However, the percentage of its equity portfolio invested in “clean technologies” is less than the benchmark, while only 5% of its UK conventional gilt portfolio is in green bonds. This suggests the Committee is not committed to green and ethical investment.

Research* states financial repercussions from the collapse in value of fossil fuel assets could eclipse those of the banking crisis. Investment in fossil fuels could constitute neglect of the Pensions Committee’s fiduciary responsibilities.

Will Council members put pressure on the Pension Fund to work proactively with advisers to find safer, environmentally sound investment, for example, by issuing a “Request for proposals” from clean energy fund providers?

*[Banking on Bailouts](#): Sizing the social costs when the fossil fuel bubble bursts”, One for One, January 2023.

4) Question from Michael Pomerantz

“In reading your Climate-Related Financial Disclosures (TCFD) Report on your website I note the following*:

Low carbon and sustainable investments

We’ve also made significant progress towards our second target, which is to invest at least 30% of the Fund’s portfolio in low carbon and sustainable investments by the end of 2025. We expect to achieve this target by the end of 2023.

* Source: <https://www.derbyshirepensionfund.org.uk/about-the-fund/latest-news/news-items/2023-climate-related-financial-disclosures-report-published.aspx>

British Gas now reports that it sources its 48% of its electricity from renewables. Only 2% of its electricity comes from coal and 20% comes from natural gas. Other energy suppliers do even better to help reduce global warming.

Does your committee have any plans to further increase our low carbon and sustainable investments in the light of improvements seen elsewhere and the fact that the UK is facing a £62billion clean energy investment shortfall?”

Source:

<https://www.edie.net/uk-faces-62bn-clean-energy-investment-shortfall-ministers-warned/>

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FOR PUBLICATION
DERBYSHIRE COUNTY COUNCIL
PENSIONS AND INVESTMENTS COMMITTEE
WEDNESDAY, 25 OCTOBER 2023

Report of the Director - Finance and ICT

Derbyshire Pension Fund 2022-23 Annual Report

1. Purpose

- 1.1 To seek approval for the Director of Finance & ICT, in conjunction with the Chair of the Committee, to approve the publication of Derbyshire Pension Fund's (the Pension Fund/the Fund) Annual Report for 2022-23.

2. Information and Analysis

- 2.1 In accordance with the Local Government Pension Scheme Regulations 2013, the Administering Authority must prepare and publish an Annual Report for the Fund on or before 1 December following the year end.
- .
- 2.2 In line with CIPFA guidance, it is the Fund's standard practice to present a copy of the Fund's Annual Report to Committee prior to 1 December each year and seek approval to publish it on the Fund's website.

This has not been possible for the last two years due to a stretched timetable for the completion of the external audit of both the County Council's (the Council) and the Pension Fund's Statement of Accounts. The Fund's Annual Report for 2021-22 remains a draft publication as the external audit for 2021-22 has yet to be concluded.

Again this year, the external audit of the Council's and the Fund's Statement of Accounts (2022-23) remains ongoing and is unlikely to be complete by 1 December 2023.

Furthermore, the Council's post-audit Statement of Accounts for 2022-23, which also includes the Fund's Statements of Accounts, has yet to be considered and approved by the Council's Audit Committee. It should be noted that no issues are expected in respect of the Fund's Statement of Accounts at this stage.

- 2.3 Approval is, therefore, sought for the Director of Finance & ICT, in conjunction with the Chair of Committee, to approve the publication of the Pension Fund's 2022-23 Annual Report on the Fund's website at the first available opportunity after the receipt of the external auditor's opinion on the Fund's Statement of Accounts.

Approval is also sought for the Director of Finance & ICT, in conjunction with the Chair of Committee, to approve the publication of a draft version of the Fund's 2022-23 Annual Report on the Pension Fund's website as an earlier date, if appropriate.

- 2.4 A copy of the Fund's 2022-23 Annual Report will be circulated to Committee in due course.
- 2.5 The Fund's Annual Report is typically more than 200 pages long and is split into sections covering: an Introduction; Key Statistics; Fund Governance; Financial Performance; Investment (including the Fund's carbon risk metrics); Funding; Scheme Administration; and the Fund's Statement of Accounts.

There are also several appendices comprised of previously published (and approved) documents, including copies of the Fund's: Governance Policy & Compliance Statement; Communication Policy; Investment Strategy Statement; Funding Strategy Statement; Actuarial Valuation Report; and a Schedule of Employees' and Employers' Contributions.

3. Implications

- 3.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

4. Background Papers

4.1 Working papers held by the Pension Fund Team.

5. Appendices

5.1 Appendix 1 – Implications

6. Recommendation(s)

That Committee delegates to the Director of Finance & ICT, in conjunction with the Chair of Committee:

- a) Approval of the publication of the Pension Fund's Annual Report for 2022-23 on the Fund's website at the first available opportunity after receipt of the external auditor's opinion on the Fund's Statement of Accounts.
- b) Approval of the publication of a draft version of the Pension Fund's 2022-23 Annual Report on the Fund's website at an earlier date, if appropriate.

7. Reasons for Recommendation(s)

7.1 The rational for the recommendations is set out in Section 2.

Report Author: Neil Smith

Contact details: neil.smith2@derbyshire.gov.uk

Appendix 1

Implications

Financial

1.1 None

Legal

2.1 None

Human Resources

3.1 None

Information Technology

4.1 None

Equalities Impact

5.1 None

Corporate objectives and priorities for change

6.1 None

Other (for example, Health and Safety, Environmental, Sustainability, Property and Asset Management, Risk Management and Safeguarding)

7.1 None



FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

PENSIONS AND INVESTMENTS COMMITTEE

WEDNESDAY, 25 OCTOBER 2023

Report of the Director - Finance and ICT

**Half-Year Pension Administration Performance Report
1 April 2023 to 30 September 2023**

1. Purpose

- 1.1 To notify the Pensions and Investments Committee (the Committee) of the pension administration activity undertaken by the Pension Administration Team (the Administration Team/the Team) of Derbyshire Pension Fund (the Fund), and the performance levels achieved, in the first half of 2023/2024.
- 1.2 Pension administration is the practice of undertaking a number of essential processes and actions towards the core objective of paying pension benefits to scheme members in a timely and accurate manner.

2. Information and Analysis

2.1 Half-year report

This report relates to the first half of 2023/2024 covering the period 1 April 2023 to 30 September 2023 and provides a summary of the Fund's performance in key areas of pension administration activity.

Maintaining operational stability through efficient pension administration forms an important part of retaining the confidence and trust of scheme members and employers.

The impact of poor pension administration can be reputational but may also include additional expenditure through the payment of inaccurate pension benefits, interest on late payments and delays in collecting contributions from employers. This report aims to provide the

Committee with assurance that such risks are being managed adequately.

2.2 **The Administration Team**

The Administration Team's core role is to ensure that pension benefits are paid to members accurately and in a timely manner, and to provide clear information on pension options to members to help their planning for retirement.

The pension administration function covers a range of activities including:

- calculation, processing and payment of members' and survivors' pension benefits
- employer services, including data and contribution collection functions
- maintenance and development of the pension administration system (Altair), the Fund's website and the online member self-service provision (My Pension Online)
- implementation and communication of regulatory and procedural changes
- engaging with members and employers to answer queries, provide relevant accessible information and develop understanding of the LGPS

As at 30 September 2023, the administration team incorporated 54 individuals covering 49.1 full-time equivalent positions with 5 positions remaining vacant.

Following a period where the Fund found particular challenge in recruiting to vacant positions at the Pensions Assistant (Grade 6) level, 5 new appointments at that level have been made since March.

The Council's recruitment freeze from September 2023 introduced steps for specific approval where an exception is necessary. This includes the consideration of the recruitment to Pension Fund vacancies. Fund staff are employed by the Council although employment costs are met directly by the Fund and included in the Fund's budget which was most recently approved by the Committee in March 2023.

2.3 **Working arrangements**

The Administration Team's hybrid working model, established as part of the Council's Modern Ways of Working project, provides for all

members of the team to divide their working time between home and County Hall.

2.4 Workload data

The Fund's Management Team reviews performance reports for key processes on a monthly basis.

The information in this report provides a summary of the Fund's pension administration activity during the period 1 April 2023 to 30 September 2023, including where applicable, work completed against key performance targets.

2.5 Membership numbers

The table shows the Fund's membership totals at half-yearly intervals during the last two years.

Membership	30 Sept 2021	31 March 2022	30 Sept 2022	31 March 2023	30 Sept 2023
Actives	37,390	38,067	37,053	37,871	37,180
Deferred	31,052	31,640	32,327	33,228	34,594
Pensioners	32,618	33,178	33,848	34,404	35,130
Work in Progress	6,248	5,984	5,759	4,833	3,516
Totals	107,308	108,869	108,987	110,336	110,420

The membership figures shown reflect the total number of separate pension records. This includes scheme members with more than one pension record.

The actual number of individual members as at 30 September 2023 was 93,863 who between them had 110,420 membership records.

- **Active** members are those who are in employment and continuing to contribute to the scheme
- **Deferred** members are those who have ended their active participation as contributing members, but have yet to access their pension benefits
- **Pensioner members** are those who are already in receipt of pension benefits

The '**Work in Progress**' total of memberships includes:

- cases where active memberships have ended, and work is currently being undertaken to reassign them to deferred or pensioner membership
- recent and frozen refunds where active memberships have ended after a short period which is insufficient to qualify for a pension, and work is ongoing to contact members and arrange payment of a refund of contributions
- aggregation cases where a member's pension records for different jobs may be combined, but the work to complete the aggregating of records has yet to be completed

The "work in progress" cases also include those where the member will not be reassigned to deferred or pensioner status (e.g. where a refund is payable to a member with insufficient membership to qualify for deferred or pensioner status)

As a result, the working totals shown in this report will be different to those reflected in other documents such as the Annual Report which exclude those where there is no ongoing liability on the Fund.

The active membership in the Fund is currently spread amongst 347 participating employers.

As at 30 September 2023, approximately **67% (25,055)** of the active membership were employed by the 10 largest employers (by membership numbers) in the Fund,

Employer	Active members at 30 Sept 2023	% of overall active membership
Derbyshire County Council	14,143	38.0%
Derby City Council	4,169	11.2%
Derbyshire Constabulary	1,779	4.8%
University of Derby	1,683	4.5%
Chesterfield Borough Council	947	2.5%
Derby Homes Ltd	555	1.5%
Bolsover District Council	506	1.3%
Derby College	455	1.2%
North-East Derbyshire District Council	447	1.2%
South Derbyshire District Council	371	1.0%

To demonstrate the wide landscape of different sized employers participating in the Fund, as at 30 September 2023 there were 96 employers with less than 10 active members.

2.6 Pensioner deaths

During the first half of 2023/24, there were a total of **348** reported deaths of pensioner members. The total includes deaths of members who were in receipt of a survivor's pension.

The number of pensioner deaths reported to the Fund over the full year in 2022/23 was 780.

Administration following a pensioner's death includes several processes including:

- reviewing eligibility for a death grant payment and survivor benefits
- gathering data of eligible beneficiaries for death grant and survivor benefits
- verifying beneficiaries' eligibility
- calculating ongoing benefits where a survivor pension is payable
- in those cases, preparing a separate pension record

2.7 Achievement against standards

The following table shows cases in selected key areas of work which were actioned in the period 1 April 2023 to 30 September 2023 and the amount completed within legislative timescales included in *The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013*.

Totals for the previous 2 full years are included for comparison purposes.

Case type	Total number of cases	Target for completion (months)	Target achieved	Target missed*	Target achieved %	Overall 2021/2022 Total Cases & Target achieved %	Overall 2022/2023 Total Cases & Target achieved %
Retirement Benefits Paid	1,228	1	1,219	9	99.3%	1,963 (98.7%)	2,061 (99.7%)
Death Cases	699	2	677	22	96.9%	1,063 (97.3%)	1,120 (98.4%)

Transfer Out Quotes	257	3	255	2	99.2%	661 (96.8%)	549 (100%)
Transfer Out Paid	47	3	47	0	100%	81 (96.3%)	86 (100%)
Transfer In	41	3	41	1	100%	128 (89.8%)	133 (98.5%)
Estimate Requests	702	2	701	1	99.9%	895 (99.8%)	972 (100%)
Refunds Paid	622	2	614	8	98.7%	1,601 (87.0%)	1,202 (99.2%)

**The Fund reviews all cases where target timescales are missed to identify procedural and training issues.*

A brief description of the cases included in the figures shown in the table is set out below. A completed case reflects the completion of data gathering, calculation, documentation, processing, and payment (where applicable).

Retirement Benefits Paid –member retirements (voluntary, redundancy or business efficiency, ill-health, flexible and deferred).

Death Cases – deaths of active, deferred, pensioner and survivor beneficiary members, including cases identified through National Fraud Initiative (NFI) data checks.

Transfer Out Quotes – provision of transfer values to deferred members who have applied for the value of the benefits with a view to transferring to a different pension arrangement.

Transfer out quotes are also provided on request to active members, however, are not guaranteed due to their employment continuing.

Transfer Out Paid – completion of transfers where deferred members wish to proceed with their transfer to a different pension arrangement.

Transfer In – completion of transfers where new active members decided to transfer membership from other LGPS funds or a different pension scheme which is part of the Public Sector Transfer Club. The Fund currently only accepts transfers in from other 'Club' schemes.

Estimate Requests – provision of:

- written estimates of pension benefits for members considering accessing their pension benefits at a future date and
- shortfall costs for employers considering redundancies or business efficiencies

Refunds Paid – completion of refund payments to members whose active membership ended before they qualified for pension benefits.

2.8 Quantity of work – incoming and completed

The Administration Team has continued to experience consistently high workload levels but has been able to achieve casework turnaround times within the disclosure target timescales in most cases, as reflected in the previous table.

These services, including transfers into and out of the Fund, refund actions, retirement quotes and aggregations, are included in the figures below which represent the total number of new work items received in the half year and overall actions completed in the same period.

For comparison purposes, the totals for the two 6-month periods in 2022/23 are included.

Number of work items processed

	Apr- Sept 2022/2023	Oct- March 2022/2023	Apr- Sept 2023/2024
New work items becoming due in the period	33,534	28,832	34,346
Work items completed during the period	30,955	26,398	34,133
Open cases at end of period	13,088	13,536	12,612

At the end of September 2023, a total of **12,612** work items were identified as remaining open and in progress. The table below summarises the main areas of open work, included in the above total:

Work area	Open cases as at 30 September 2023
Undecided leavers	486
Aggregations	1,685

i-Connect enquiries with employers	1,553
Other enquiries with employers	3,715
GMPs	227
TUPEs	234
Address traces	67
Notification of deferred benefits	533
Refund quotes	632
Refunds to payment	653
Retirement quotes	252
Deferred retirement quotes	236
Death administration (in progress)	174
Retirements (in progress)	76
Transfer In quotes	249
Transfer In	115
Transfer Out quotes	279
Transfers Out to payment	66
Others	1,380
Total	12,612

The following provides a brief description of some of these work areas.

Undecided leavers – members who have left their employment but have not been moved to deferred status as leavers. This normally relates to cases where information from the employer remains outstanding.

Aggregations – the combining of previously accrued benefits in the LGPS with a new or ongoing active pension record.

i-Connect enquiries – individual data enquiries with employers who have implemented the i-Connect secure data transmission service for the monthly submission of member data.

Other employer enquiries – ongoing queries with employers relating to:

- information on members whose active membership has ended and
- outstanding enquiries from year-end returns

Notification of deferred benefits – the calculation of a member's pension benefits at the point of ending active membership and becoming a deferred member.

Address traces – outstanding enquiries with tracing services for members' home addresses, where the Fund has not been notified of a change of home address.

TUPE's – the identification of members subject to TUPE transfer to a new employer which, in most cases, requires the new employer to become an Admission Body in order to validate each affected member's continuing LGPS participation

2.9 **Data quality**

The Pension Regulator acknowledges that complete, accurate scheme records are a vital part of the administrative function. The Regulator defines two types of data held in scheme records:

Common Data used to identify scheme members and including name, address, national insurance number and date of birth.

Conditional Data essential to calculate benefit entitlements such as, member contributions, pensionable pay, service history.

The latest common and conditional data results, reflecting 2022/2023, which measure the quality of the Fund's data, are shown in the table below, together with the results for the previous 4 years:

Year	Common data	Conditional data
2018/2019	97.6%	92.3%
2019/2020	98%	92.5%
2020/2021	98.2%	93.5%
2021/2022	97.7%	94.82%
2022/2023	98%	94.98%

The scores are reported annually to The Pensions Regulator and included in the Fund's Annual Report.

2.10 **Backlog Management Project**

An ongoing project to reduce and ultimately eliminate the numbers of backlog cases in two key areas (aggregations and deferred membership) of pension administration has continued into 2023/24.

The reduction of the backlog has been part of the Fund's data cleansing work in support of preparations for the following significant developments in LGPS administration:

- the LGPS remedy to the McCloud judgement, introduced into legislation from 1 October 2023, in relation to rectifying age discrimination from protections originally applied, when the new scheme was introduced in 2014, only to members closer to retirement, and
- the planned introduction of a national pensions dashboard to enable individuals to identify all of their pension provision in one place

The latest backlog position for each area is set out below.

Aggregations –the combining of previously accrued benefits in the LGPS with a new or ongoing active pension record. An aggregation process becomes a backlog case if it is not completed within 12 months.

Numbers of new aggregation cases have continued at high levels. Differing levels of complexity in aggregation cases means that there is not a consistent timescale in the actioning of each case.

At the end of March 2022, the total of backlogged aggregations was 963, but had reduced to 56 as at 31 March 2023.

The latest position shows a slight increase to **83** backlogged aggregation cases.

Deferred membership – These relate to non-active memberships where the member, has qualified for pension benefits, but cannot access them yet due to age or has chosen not to access them. Details about a member's deferred membership should be provided within 2 months of leaving active membership. Therefore, cases where the 2 months has been exceeded become backlog cases.

At the end of March 2022 , the total of backlogged cases of members moving to deferred membership was 685.

As at 31 March 2023 the total was 951, but the latest position shows a reduction to **263**.

Totals of backlogged deferred membership cases fluctuates when employers submit late notifications of members leaving active membership.

A programme undertaken in the last 2½ years to identify missing leaver notifications from the Fund's larger employers resulted in backlog cases numbers increasing through late notifications being received by the Fund.

Available resource for working on the backlog of deferred cases is reviewed continually by the Fund's management team against workload pressures in other areas.

The recruitment into vacant positions since March 2023 of 5 Pensions Assistants has increased the resource available for working on the deferment of pension records which has helped to reduce the total of backlog cases in this area.

However, it is anticipated that pressure on resource during the second half of 2023/24 may result in some prioritisation of work from deferment and aggregation processes to tasks related to:

- commencing application of the McCloud remedy and
- the impact of a further significantly delayed pay award backdated to 1 April 2023, which will require the recalculation and revision of pension benefits for members who have retired since 1 April 2023 and subsequently received arrears of pay due to the late pay award.

2.11 Pension contribution rates

Employees

The following table below sets out the employee contribution bands effective from 1 April 2023. These are calculated by increasing the 2022/23 employee contribution bands by the September 2022 CPI figures of 10.1 per cent and, where necessary, rounding down the result to the nearest £100.

Pay bands (Actual pensionable pay for an employment)	Main Section Contribution rate	50/50 Section Contribution rate
Up to £16,500	5.50%	2.75%
£16,501 to £25,900	5.80%	2.90%
£25,901 to £42,100	6.50%	3.25%
£42,101 to £53,300	6.80%	3.40%

Pay bands (Actual pensionable pay for an employment)	Main Section Contribution rate	50/50 Section Contribution rate
£53,301 to £74,700	8.50%	4.25%
£74,701 to £105,900	9.90%	4.95%
£105,901 to £124,800	10.50%	5.25%
£124,801 to £187,200	11.40%	5.70%
£187,201 or more	12.50%	6.25%

Employers

Employer's contribution rates were determined from the 2022 Actuarial Valuation exercise and were applied from 1 April 2023.

The rates, which are specific to each individual employer based on their funding position and profile of membership, ranged between 0% and 44.6% for the present valuation period where rates determined during the latest Valuation take effect to 31 March 2026. The average primary rate payable by the Fund's employers in respect of future service is 21.1%.

A detailed report following the Valuation exercise being completed was received and noted by Committee at its meeting on 26 April 2023.

2.12 Provision of Actuarial Services

The Committee report which related to the Actuarial Valuation also included an update on the Fund's procurement of a provider of actuarial services to follow the end of the current contract with the existing provider Hymans Robertson LLP.

The Committee agreed for the approval of the appointment of a provider of actuarial services to be delegated to the Director of Finance and ICT.

Three actuarial firms responded to the invitation to be considered for the role of the Fund's actuarial service provider and each completed the procurement exercise which included preparing and delivering a presentation to Fund officers.

Hymans Robertson LLP was selected to deliver the provision for a further 3 years with an option to extend for a further 3½ years subject to performance review.

The further optional period includes an additional half year to ensure that a future procurement exercise does not clash with an actuarial valuation, subject to the current 3 yearly cycle being maintained.

2.13 **Monthly contribution returns**

Employers are required to submit monthly payments and contribution reports to the Fund by the 19th of the month following payment.

The Fund works with employers who experience difficulties with completing payments and submitting contribution reports by the monthly deadline.

Payment and submission numbers are affected where new Admission Bodies begin participation in the Fund but only commence the submission of data and contribution payments when the Admission Agreement, which validates their entry to the Fund, has been fully executed.

Full data relating to contribution payments and reports from employers is currently only available to July 2023, however, the current averages for employer submissions received by the Fund by the monthly deadline reflect that during 2023/2024 to July 2023 the following were received on time:

- 93.1% of contribution payments, and
- 85.0% of related contribution reports were received on time.

The Fund continues to work collaboratively with employers to help them avoid problems with late payments/submission of data and is continuing to engage with a small number of employers who have experienced difficulties particularly relating to staff turnover and changes to payroll provider.

The Fund also monitors underperformance relating to consistently late payment of contributions/submission of data , and will apply charges to employers for additional administration costs caused by regular late payments and submissions.

Regulation 70 of The Local Government Pension Scheme Regulations 2013 enables the administering authority to recover costs for additional administration caused by an employer's non-compliance. The Fund's application of this regulation is included in the Pension Administration Strategy which is available on the Fund's website and regularly signposted to employers.

No charges have been issued so far in 2023/24.

2.14 **New academies, admission bodies, designating employers and other employer details**

Academies

When a Local Authority maintained school converts to an academy, it automatically becomes a scheduled body in the LGPS. Scheduled bodies are required to provide LGPS membership to their eligible employees.

The creation of academies has significantly increased the number of LGPS scheduled bodies in recent years which has generated additional administrative challenges for LGPS funds as scheme members have become spread across a much wider pool of employers.

As at 30 September 2023 there were 301 schools still maintained by Derbyshire County Council and Derby City Council.

The Fund maintains separate records for each academy within a multi-academy trust on the advice of the Fund's actuary.

7 new academies joined the Fund as individual LGPS employers in the period 1 April 2023 to 30 September 2023.

Employer Ref	Employer Name	Start Date	Academy Trust
771	Parkside Community School	1 April 2023	Embark Multi-Academy Trust
772	Scarcliffe Primary School	1 April 2023	The Redhill Academy Trust
773	Buxton Community School	1 June 2023	Embark Multi-Academy Trust
774	Anthony Gell School	1 August 2023	Embark Multi-Academy Trust
775	Three Trees C of E Junior Academy	1 September 2023	Rise Multi Academy Trust
776	Three Trees Infant Academy	1 September 2023	Rise Multi Academy Trust
777	Oak Grange Primary School	1 September 2023	East Midlands Education Trust

Academy conversions have reduced annually since the Covid pandemic, however, the number expected to convert in 2023/24 and become an individual employer in the Fund is expected to reflect an increase on 2021/22 (8) and 2022/23 (7).

Admission Bodies

An organisation normally becomes an admission body as a result of securing a contract to provide a service or function from an employer which participates in the Local Government Pension Scheme (LGPS) and involves the transfer via TUPE of LGPS eligible staff.

During the first half of 2023/24 applications were received from 6 organisations for Admission Body status, based on commencing a contract during 2023/24 with a scheme employer which included the transfer of active scheme members.

Most of the new applications relate to the transfer of arrangements to a new provider for caretaking and cleaning at local authority-maintained schools or academies operated by Multi-Academy Trusts.

Designating employers

Designating bodies are employers who can nominate employees for access to the LGPS, including Town and Parish Councils.

During the first half of 2023/24, one Parish Council commenced their active participation in the Fund retrospectively to October 2022: Stanley and Stanley Common Parish Council with effect from 24 October 2022.

Employer summary

The number of employers actively participating in the Fund as at 31 July 2023 (i.e. the latest date at which a full summary is available) was **347**, broken down as follows:

Type of Employer	Notes	Total
Main Councils	County, City, District & Boroughs	10
University & FE Colleges	University x 1, FE Colleges x 2	3
Academies	Individual academies, including those in MATs on a shared employer rate. Also includes 2 x Central MAT teams.	214
Maintained Schools using an external payroll provider	County & City Schools using external payroll providers (County x 4, City x 2)	6

Housing Associations	Scheduled x2 Admitted Bodies x 3 (3 x CAB, 0 x TAB)	5
Other Scheduled Bodies	Peak District National Park Authority, Police, Fire, Chesterfield Crematorium	4
Admitted Bodies	TABs x 60, CABs x 4 (<i>not including Housing Assn's</i>)	68
Town & Parish Councils	Pre 2001 Pool x 15 Post 2001 Pool x 22	37
Total		347

Please note that the total of Admitted Bodies includes employers whose participation in the Fund commenced in an earlier period, but payments of contributions have been delayed until the final execution of the Admission Agreement.

Exits from the Fund

During the first half of 2023/24 the following employers' active participation as separate employers in the Fund ended.

Employer Ref	Employer	Reason	Date of active participation ending
508	Mellors Catering Services (Two Counties Trust)	Contract ended	16 April 2023
506	Churchill Contract Services Ltd (Hilton Primary)	Contract ended	31 August 2023
510	Churchill Contract Services Ltd (Spencer Academies Trust)	Contract ended	31 August 2023

A change to scheme regulations, which were subject to a judicial review in 2021, introduced an additional role for administering authorities of determining whether an exit credit is payable, and to which organisation/body any exit credit should be paid, if a participating employer's pension liabilities have been overfunded when it leaves the Fund.

The Fund is currently in the process of gathering information from employers who exited the Fund since the change in regulations, and from the relevant letting authorities, to determine eligibility for an exit credit payment where applicable.

2.15 Complaints, compliments and appeals

Complaints and expressions of dissatisfaction about the provision of, or failure to provide an administration service, whether written or received verbally are monitored and recorded by the Fund.

During 2022/2023 a total of 24 cases identified as complaints were submitted to the Fund by scheme members. The total included complaints submitted to the Fund in writing (either letter or email), through the “My Pension Online” service and by telephone.

During the first half of 2023/24 a total of 7 cases identified as complaints were received by the Fund

The following table reflects the totals submitted by each method.

Method	Full Year Apr 2022– March 2023	Half-Year Apr 2023 – Sept 2023
Written	10	5
Via My Pension Online	5	1
Telephone	-	1

The total of complaints for 2022/23 has been restated from that provided in the previous half year pension administration report. This is due to some cases being classed as clarifications rather than complaints when a summary of the year’s complaints were reviewed.

The complaints in 2023/24 to date have included cases of:

- A members’ dissatisfaction with procedures relating to transferred membership from another pension scheme,
- missing data from employers, (x 3 cases)
- a decision relating to separation of pension records
- an interfund arrangement with another LGPS fund and
- registration procedures for My Pension Online .

Each member has received a full response to their complaint submission.

To date, following receipt of the Fund’s response to their complaint, 1 member has escalated their complaint to a formal appeal against the Fund via the Application for the Adjudication of Disagreements Procedure (AADP).

The Fund’s Complaints Policy which the Committee approved at the meeting on 6 September 2023 has been published on the Fund’s website as a new page in an accessible format.

Compliments received from members and employers are also recorded by the Fund and shared with the team member who provided the service. During the first half of 2023/24 a total of 20 compliments, had been recorded as submitted by members and employers praising the level of service they had received.

Appeals

Appeals via AADP can be made by scheme members when they are dissatisfied with a decision made regarding their LGPS benefits. The most common decision for which appeals are submitted relates to dissatisfaction with an employer's decision regarding eligibility for ill-health retirement.

There are two possible AADP stages:

Stage 1: AADPs submitted against an employer's decision are considered at the first stage by the adjudicator appointed by that employer.

AADPs submitted against a decision made by the Fund are considered at the first stage by the Fund's adjudicator.

Stage 2: Where a member remains dissatisfied following the determination of their Stage 1 appeal, they may submit a Stage 2 appeal which is considered by the administering authority.

Where scheme members remain dissatisfied with the outcome of appeals submitted at AADP Stages 1 and 2, they have the right to refer their complaint to The Pensions Ombudsman to investigate by considering information from all the parties involved in a complaint before making a determination.

The Ombudsman's determinations are final, subject to a successful appeal to the courts on a point of law. They are binding on all the parties and enforceable in court.

Details about the appeals which are adjudicated by, or on behalf of, the Council, in its role as administering authority, at Stages 1 and 2 of the Application for the Adjudication of Appeals Procedure, and about appeals submitted to and/or determined by The Pensions Ombudsman, during 2023-24 will be included in a separate report to be presented to Committee in April 2024.

2.16 Communications and Training

The Fund has maintained regular engagement with employers and scheme members during the first half of 2023/24.

Communications

Communications to employers

During the first half of 2023/2024, the Fund issued the following newsletters to employers to highlight news items, information of important topics and reminders about upcoming deadlines.

Date issued	Bulletin	Topics included
27 April 2023	195	<ul style="list-style-type: none"> • 2022/2023 Year-end return deadline • 2023/2024 Contribution returns • Changes for the 2023/2024 year • 2022 Valuation report
30 May 2023	196	<ul style="list-style-type: none"> • Updated leaver forms • Employer MPO resources • LGA updated HR/Payroll guides • Pension Administration Strategy
28 June 2023	197	<ul style="list-style-type: none"> • Outsourcing and risk sharing • Annual Benefit Statements • Seriously or terminally ill employees and ill health retirement • Derbyshire Pension Board
28 July 2023	198	<ul style="list-style-type: none"> • My Pension Online • Derbyshire Pension Board: New Independent Chair • Online bite-size training: Final Pay and Assumed Pensionable Pay (APP) • Employer role training sessions • Some general reminders on LGPS rules
25 August 2023	199	<ul style="list-style-type: none"> • Online bite-size training: Ill health retirement for active and deferred members • Authorised signatories • Strike action FAQs
29 September 2023	200	<ul style="list-style-type: none"> • 'McCloud' remedy update • Deferred Ill Health Retirement applications • i-Connect reminder

All Employer Newsletters are available on the Fund's website.

Communications with active and deferred members

Annual Benefit Statements

The LGPS 2013 regulations require that each active and deferred member is issued with an Annual Benefit Statement by 31 August reflecting their membership to the end of the previous pension year.

For active members, the Fund is reliant on employers providing prompt and accurate information, and for deferred members there is a reliance on members to keep the Fund up to date with changes to their home address.

Where outstanding issues remain, the Fund is unable to issue an annual statement until required information has been provided.

By 31 August 2023, 90.4% of all active and deferred members had been issued their Annual Benefit Statement to their My Pension Online account, or by post to home address in cases where members requested to receive a paper copy.

By 30 September 2023 the figure had risen to 92.3% and work is ongoing to resolve outstanding matters towards the provision of an annual statement to each active or deferred member.

Active and Deferred Member Newsletters

The Fund has continued its collaboration with other LGPS Funds who participate in a Joint Communications Group. The collaboration includes the preparation of annual newsletters to active and deferred members.

The newsletters provide updates on topical pension related matters and include space for each to include its own bespoke content.

Members receive their newsletter electronically to their My Pension Online account. They are also available on the Fund's website.

Topics included in the 2023 newsletters included:

- Changes to the annual allowance and lifetime allowance
- McCloud and the LGPS
- Helping with the rising cost of living
- Changes to the State Pension age and increase to the normal minimum pension age
- Introducing pensions dashboards

Communications with pensioner members

Pensioner members receive a paper payslip by post to their home address as follows:

- for their first pension pay
- in March, April and May each year and
- at other times when their pension changes by at least 1%

The Fund takes the opportunity to provide relevant information to pensioner members with their payslips each March, April and May.

Information provided this year was as follows:

March 2023 – Changing address and what to do, National Fraud Initiative and Contact details for pension enquiries

April 2023 – The 10.1% pension increase applied from 10 April 2023 and how the April 2023 pension was worked out, a brief explanation about Guaranteed Minimum Pension (GMP) and the issue of the pensioner member's P60

May 2023 – Contact details for pension enquiries, information about income tax codes, the Pension Fund website and when the next paper payslip would be issued

Communications Policy

The latest version of the Fund's Communications Policy was reviewed by the Committee on 28 April 2021.

The Policy set out a plan for the development of the Fund's communications in the period between 2021 and 2024. The main target was for the member self-service portal, My Pension Online to become operational.

It is intended that the Policy will be brought to the Committee to review at the December meeting, including a summary of progress against targets included in the Policy and also other matters such as the accessibility of the Fund's communications where expectation for development and progress has increased since the latest Policy was prepared.

Employer training i-Connect

During the first half of 2023/2024 the Fund continued to progress the onboarding of employers onto the i-Connect system and has

undertaken virtual training sessions for those in the early phases of implementation.

The sessions have also provided employers with an understanding of the benefits of submitting member data via i-Connect for themselves, scheme members and the Fund.

As at 30 September 2023, 262 actively participating employers were live on i-Connect, accounting for 89.61% of the Fund's active membership.

The Fund is working with a further 58 participating employers towards their transition to live reporting of data to the Fund with others to begin their implementation training and testing in the near future.

Currently 5 employers (excluding those Admission Bodies awaiting the finalisation of their Admission Agreement) have not responded to the Fund regarding implementation of i-Connect. This group of employers are being reminded about the charges which may be applied, as included in the Pensions Administration Strategy, for employers who fail to engage with the Fund on implementation.

Other employer training

In addition to i-Connect training, in-person and virtual training sessions, and bespoke meetings on specific topics to support employers have continued on a range of issues including ill-health retirements and appeals, completion of leaver notifications and general employer responsibilities.

2.17 Other projects

Member Self-Service (My Pension Online)

The implementation of the member self-service website, 'My Pension Online', a further functionality linked to Altair was launched in June 2021.

My Pension Online (MPO) is available to all scheme members, with the main functionality being the member's ability to view certain parts of their pension information, to undertake changes to some of their personal data and to carry out benefit projections online. Active members are able to undertake certain types of retirement estimates and adjust these instantly in line with varying estimated future retirement dates.

As at 9 October 2023, a total of 23,868 members had completed their registration for MPO. This included 33.87% of the overall total of active and deferred members in the Fund.

The Fund is continuing to engage with employers to seek their assistance with encouraging scheme members to register and most recently issued a notification to each participating employer in September 2023 with links to promotional resources to ask them to highlight the My Pension Online service to their LGPS eligible employees.

McCloud

The Department of Levelling Up, Housing and Communities (DLUHC) published a supplementary consultation and draft regulations in May 2023 concerning the McCloud remedy which covered new approaches to matters included in the original 2020 consultation to better align them with other public service schemes. These included issues relating to the impact of the McCloud remedy on aggregations, reflecting other public service membership and flexible retirement) together with new areas covering excess teachers service, compensation and interest terms.

The Fund submitted a formal response to the supplementary consultation, which was approved by Mark Kenyon, Derbyshire County Council's Director of Finance & ICT and Councillor Wilson, as Chair of the Committee.

Following the publication of the government's response to the consultation, the final regulations to implement the McCloud remedy in the LGPS were laid before Parliament on 8 September 2023 and came into force on 1 October 2023.

DLUHC is expected to issue statutory guidance on how authorities should prioritise work on cases to encourage a broadly consistent approach across the LGPS.

The Local Government Association (LGA) has indicated that it will publish a technical guide for LGPS administrators during October 2023 and plans to run McCloud online pension surgeries at the end of October.

The Fund's McCloud Project Group, which was set up in 2020 to prepare for the implementation of the McCloud remedy, has now commenced preparations for applying the remedy following the revised scheme regulations coming into force.

Aquila Heywood, the provider of the Fund's pension administration software, has released a number of McCloud related developments which have been tested by the Fund, however, the delay in the release of the full statutory guidance from DLUHC has caused a knock-on delay to the completion of all the provider's required development work.

The Fund is continuing to collect missing data since 2014 from active and former employers, mostly relating to casual members, in readiness for applying the remedy.

Initial internal training on the implementation of the McCloud remedy has been provided to relevant members of the Pension Fund team.

Pensions Dashboards

The Pension Schemes Act 2021 provided the legal framework for the development of pensions dashboards including the power to direct pension schemes to provide member information for the dashboards.

The government's aim is that pensions dashboards will revolutionise the way that pension scheme members interact with their retirement savings enabling them to view a comprehensive summary of all of their pension entitlements, including the State Pension, merged into one place and easily accessible online.

The Fund is continuing to keep up to date with developments in respect of Pensions Dashboards. The Pensions Dashboards (Amendment) Regulations 2023 came into force on 9 August 2023 and removed the phased staging timeline (previously 30 September 2024 for the LGPS), replacing it with a single connection deadline of 31 October 2026.

The regulations allow DWP and the Money & Pensions Service (MaPS) to issue guidance setting out a staged connection timeline for individual schemes, to which pension funds must have regard.

MaPS aims to collaborate with the industry on this guidance later this year. As a consequence, The Pensions Regulator (TPR) has amended its dashboard guidance. TPR expects funds to continue to prepare for dashboards.

The Fund will continue cleansing its data and investigating the options for connecting to the Pensions Dashboards infrastructure.

Guaranteed Minimum Pension Reconciliation

'Contracting out' ended on 5 April 2016 when the single tier State Pension system was introduced. From that point, HM Revenue &

Customs (HMRC) stopped tracking contracted out rights and issued data to pension schemes so they could compare its records against data held on scheme records.

The comparison of data between HMRC and pension schemes, known as the Guaranteed Minimum Pension (GMP) Reconciliation, encompassed the entire contracting out period, 6 April 1978 to 5 April 2016. For this period, the pension scheme has to guarantee that their pension will be at least the same as it would have been, had the member not been 'contracted-out'.

The GMP Reconciliation allows schemes to confirm that data held on their scheme records (including GMP values and scheme member start and end dates) agrees with the data held by HMRC.

In some cases, the comparison with scheme records has highlighted under or overpayments in individual member's pensions.

An initial scoping exercise undertaken by an external contractor, ITM, identified that there were 16,164 discrepancies, relating to pensioners and beneficiary members, to investigate. The Fund has worked through the majority of those discrepancies, although approximately 290 cases remain outstanding which may result in a change to the pension amount in payment. Where changes have been applied to pensions as a result of GMP reconciliation, they have largely been minor adjustments.

In respect of active and deferred members, the Department for Work and Pensions (DWP) has provided the Fund with GMP information for 26,738 members. These cases are being loaded into the Fund's pension administration system in batches with an initial load of 2,143 cases completed with related queries being worked through.

The GMP reconciliation task is a long-term undertaking for the Fund to ensure that on retirement, the GMP element of pension paid to members is consistent with the value held by the DWP.

2.18 Other regulatory and policy changes

SCAPE discount rate

In the LGPS, the SCAPE (Superannuation Contributions Adjusted for Past Experience) rate is used in the determination of actuarial factors for pension calculations such as cash equivalent transfer values (CETVs), early and late retirements and additional pension purchases.

The government confirmed on 30 March 2023 that the SCAPE discount rate had reduced from CPI + 2.4% to CPI + 1.7%

The Government Actuary's Department (GAD) has since released revised factors for a number of different LGPS calculations. The factors have been released on a staged basis from June 2023 and applied by the Fund. The final set of revised factors issued by GAD came into force from the start of October 2023.

Certain calculations were required to be suspended until the revised factors were published which led to delays for scheme members and additional administration for the Fund team.

CARE revaluation date

The Local Government Pension Scheme (Amendment) Regulations 2023 which came into force on 31 March 2023 moved the annual revaluation of CARE pensions from 1 April to 6 April. The revised revaluation date removed the impact of inflation on annual allowance calculations. Without the change, in a year with a higher revaluation rate than the previous year, there could be a significant increase in the number of LGPS members breaching the annual allowance and potentially incurring a tax charge.

DfE Guarantee for outsourcing arrangements from academy trusts

In May 2023, the Department for Education (DfE) published its policy for guaranteeing the outsourcing arrangements of academy trusts.

Previously, approval from the Education and Skills Funding Agency (ESFA) was required by academy trusts seeking pass-through arrangements with their LGPS administering authority for outsourcing contracts. The DfE policy provides a guarantee.

The guarantee protects the Fund and its employers from being left with an outstanding liability when an outsourced provider's LGPS participation ends at the conclusion of a pass-through arrangement with an academy trust which is unable to meet the liability.

2.19 Collaborations

The Fund takes part in several regional and national groups with the aim of learning, sharing, influencing and networking with colleagues from other Funds and the wider pensions industry at meetings.

East Midlands Pension Officers' Group (Quarterly)

Officers from 5 East Midlands funds share and review current LGPS related issues including the interpretation of scheme regulations, the

implementation of new and revised legislation, non-standard cases, and future developments. A representative from the Local Government Association also attends each meeting.

LGPS Joint Communications Group (Quarterly)

Membership of this group enables the Fund to work with other LGPS Funds, and provides the opportunity chance to share best practice, communication resources and develop joint projects, such as newsletters for scheme members.

LGPS Central - Strategic Administration Group (biannually)

Officers from the LGPS Central Pool's 8 Partner Funds discuss strategic matters impacting on the scheme administration role.

CLASS Local Authority Pensions Group

Officers from funds using the Altair pension administration system discuss software and technical issues, including priority developments.

3. Appendices

3.1 Appendix 1 – Implications

Appendix 1 sets out the relevant implications considered in the preparation of the report.

4. Recommendation(s)

That Committee notes the workloads and performance levels outlined in this report.

5. Reasons for Recommendation(s)

The Committee reviews the Pension Fund's workloads and performance levels in respect of its administration activity on a half-yearly basis.

Report Author: Steve Webster

Contact details: Steve.Webster@derbyshire.gov.uk

Appendix 1

Implications

Financial

1.1 None

Legal

2.1 None

Human Resources

3.1 None

Information Technology

4.1 None

Equalities Impact

5.1 None

Corporate objectives and priorities for change

6.1 None

Other (for example, Health and Safety, Environmental, Sustainability, Property and Asset Management, Risk Management and Safeguarding)

7.1 None



FOR PUBLICATION
DERBYSHIRE COUNTY COUNCIL
PENSIONS AND INVESTMENTS COMMITTEE
WEDNESDAY, 25 OCTOBER 2023
Report of the Director of Finance & ICT
Derbyshire Pension Fund Risk Register

1. Purpose

- 1.1 To consider the Derbyshire Pension Fund (the Fund) Risk Register.

2. Information and Analysis

2.1 The Risk Register identifies:

- Risk item
- Description of risk and potential impact
- Impact, probability and overall risk score
- Risk mitigation controls and procedures
- Proposed further controls and procedures
- Risk owner
- Target risk score
- Trend risk scores

The Risk Register is kept under constant review by the risk owners, with quarterly review by the Director of Finance & ICT. Derbyshire Pension Board (the Pension Board) also undertakes a detailed review of the Risk Register on an annual basis. Changes from the Committee's last consideration of the Risk Register are highlighted in blue font in the Summary and Main Risk Registers, which are attached to this report as Appendix 2 and Appendix 3 respectively.

2.2 Risk Score

The current risk score reflects a combination of the risk occurring (probability) and the likely severity (impact) after mitigation controls and procedures currently in place are taken into account. Probability scores range from 1 (rare) to 5 (almost certain) and impact scores range from 1 (negligible) to 5 (very high). A low risk classification is based on an overall risk score of 4 or less; a medium risk score ranges between 5 and 11; and a high risk score is anything with a score of 12 and above.

The Risk Register includes a target score which shows the expected risk score once the proposed additional risk mitigation controls and procedures have been implemented. The difference between the actual and target score for each risk item is also shown to allow users to identify those risk items where the proposed new mitigation and controls will have the biggest effect. Trend risk scores provide additional context.

Following a discussion with the Pension Board, the format of the Main Risk Register has been amended to make it clearer that the current risk score is after mitigation controls and procedures currently in place have been considered and to highlight only the trend risk scores of the rolling previous four quarters in line with best practice.

2.3 High Risk Items

The Risk Register currently has the following five high risk items:

- (1) Systems failure/Lack of disaster recovery plan/Cybercrime attack (Risk No.13)
- (2) Fund assets insufficient to meet liabilities (Risk No.20)
- (3) LGPS Central Limited related underperformance of investment returns (Risk No.31)
- (4) Insufficient cyber-liability insurance relating to the pensions administration system (Risk No.41)
- (5) Impact of McCloud judgement on administration (Risk No.45)

2.4 Systems failure/Lack of disaster recovery plan/Cybercrime attack & Insufficient cyber-liability insurance relating to the pensions administration system.

Pension schemes hold large amounts of personal data and assets which can make them a target for cybercrime attacks. The trusted public profile of pension funds also makes them vulnerable to reputational damage.

Robust procedures are in place for accessing the systems used by the Fund and the Pension Fund's Business Continuity Plan includes the Business Continuity Policy and Business Continuity Incident Management Plan of Aquila Heywood (the provider of the Fund's pension administration system, Altair).

Detailed Data Management Procedures have been developed for the Fund which set out why members' data needs to be protected, how it should be protected (including a section on protecting against cybercrime) and what to do when things go wrong. These procedures have been rolled out to the Pension Fund team in a number of briefing sessions providing the opportunity for discussion and feedback.

The Fund's data mapping project is ongoing to map and document the Fund's data to ensure that it is understood where it is held, on what systems, how it is combined and how, and where, it moves; the related activities are being risk assessed as part of this process and a review of the information security arrangements of relevant suppliers to the Fund is being undertaken.

The contract with Aquila Heywood limits a cyber liability claim to a specified limit, unless a claim is based on an event caused by the contractor performing its services in a negligent manner. Separately, the Pension Fund is included in the Council's self-insurance arrangements with respect to managing cyber security risks.

Stephen Oxley, Derbyshire County Council's interim Assistant Director of ICT, and Paul Stone, the Assistant Director of Finance & Deputy Section 151 Officer at that time, attended the meeting of the Pension Board in June 2023 to set out planned changes to the delivery of the Council's ICT services, including changes to the compliance and security functions. Mr Oxley is due to provide a further update to the Pension Board at its next meeting in February 2024.

2.5 Fund assets insufficient to meet liabilities

There is a risk for any pension fund that assets may be insufficient to meet liabilities; funding levels fluctuate from one valuation to the next, principally reflecting external risks around both market returns, and the discount rate used to value the Fund's liabilities. Every three years, the Fund undertakes an actuarial valuation to determine the expected cost of providing the benefits built up by members at the valuation date in today's terms (the liabilities) compared to the funds held by the Pension Fund (the assets), and to determine employer contribution rates.

The whole fund results from the 31 March 2022 actuarial valuation reported an improvement in the funding level of the Pension Fund from 97% at 31 March

2019 to 100% at 31 March 2022, with the 2019 deficit of £163m moving to a small positive surplus of £1m. The funding level provides a high-level snapshot of the funding position at a particular date and could be very different the following day on a sharp move in investment markets.

As part of the valuation exercise, the Pension Fund's Funding Strategy Statement (FSS) was reviewed, to ensure that an appropriate funding strategy and investment strategy are in place. The FSS sets out the funding policies adopted, the actuarial assumptions used, and the time horizons considered for each category of employer. The method of setting contribution rates for different categories of employers was agreed and confirmed following a consultation on the FSS; the final FSS was approved by Committee in March 2023.

Whilst the Fund has a significant proportion of its assets in growth assets, the last two reviews of the Strategic Asset Allocation Benchmark (SAAB) have introduced a lower exposure to growth assets and a higher exposure to income assets with the aim of protecting the improvement in the Fund's funding position. The SAAB is currently under review as part of the review of the Fund's Investment Strategy Statement (ISS), with an updated ISS due to be presented to Committee for consideration in December 2023.

2.6 LGPS Central Limited

The Fund is expected to transition the management of a large proportion of its investment assets to LGPS Central Limited (LGPSC), the operating company of the LGPS Central Pool (the Pool), over the next few years. The Fund has so far transitioned around 12% of its assets into LGPSC active products and a further 5% into an LGPSC enhanced passive product. By March 2025, the Fund is forecast to have transitioned around 44% of its assets into LGPSC products.

The performance of LGPSC's active funds against their benchmarks has been mixed since the company launched its first investment products in April 2018. There is a risk that the investment returns delivered by the company will not meet the investment return targets against the specified benchmarks.

The Fund continues to take a role in the development of LGPSC and has input into the design and development of the company's product offering to try to ensure that it will allow the Fund to implement its investment strategy. The company's manager selection process is scrutinised by the Pool's Partner Funds and the Fund will continue to carry out its own due diligence on selected managers as confidence is built in the company's manager selection skills.

The performance of LGPSC investment vehicles is monitored and reviewed jointly by the Partner Funds under the Investment Working Group (a sub-group of the Partner Funds' Practitioners' Advisory Forum) and by the Pool's Joint Committee.

The Fund is also likely to maintain a large exposure to passive investment vehicles in the long term which will reduce the risk of total portfolio underperformance against the benchmark.

2.7 McCloud Judgement

The McCloud case relates to transitional protections given to scheme members in the judges' and firefighters' schemes which were found to be unlawful by the Court of Appeal on the grounds of age discrimination. The final regulations to implement the McCloud remedy in the LGPS, The Local Government Pension Scheme (Amendment) (No. 3) Regulations 2023, were laid on 8 September 2023 and came into force on 1 October 2023.

The remedy involves the extension of the current underpin protection given to certain older members of the Scheme when the LGPS benefit structure was reformed in 2014. The underpin gives eligible members the better of the 2014 Scheme CARE or 2008 final salary benefits for the eligible period of service.

The changes are retrospective, which means that benefits for all qualifying leavers between 1 April 2014 and 31 March 2022 will need to be reviewed to determine whether the extended underpin will produce a higher benefit. Locally it has been estimated that around 26,000 members of the Fund will likely fall into the scope of the proposed changes to the underpin.

The uncertainty caused by the McCloud judgement is reflected on the Risk Register under two separate risks for clarity, one under Funding & Investments and one under Administration, although the two risks are closely linked.

The risk score for the impact of the McCloud judgement on funding was reduced to 9 in October 2022 following confirmation that for the March 2022 triennial valuation, the benefits of members likely to be affected by the McCloud ruling would be valued in line with the expected remedy regulations. It has now been reduced to 6, as set out later in the report, following publication of the final remedy regulations.

The administration risk relates to the enormous challenge faced by administering authorities and employers in backdating scheme changes over such a significant period and remains a high risk; this risk has been recognised by DLUHC and the LGPS Scheme Advisory Board.

While the Fund continued to require employers to submit information about changes in part-time hours and service breaks post the introduction of the new scheme in April 2014, the collection of information about casual hours was not continued. Employers have been asked to supply any missing data and to retain all relevant employee records. Information supplied to date by employers is currently being collated and uploaded to members' records.

The Fund has tested the McCloud related tools provided by Aquila Heywood on the Altair pension administration system which will be used to identify, and subsequently bulk load, any required additional service history. Aquila Heywood has also completed and released a number of further McCloud related developments, although the delay in the release of full statutory guidance from DLUHC has caused a knock-on delay to the completion of all the required development work.

The Pension Fund's McCloud Project Board is overseeing the governance of this major project and initial training on the implementation of the remedy has been provided to relevant members of the Pension Fund team.

The Fund is continuing to collect any missing data and continuing to keep up to date with information related to the implementation of the McCloud remedy from DLUHC, the Scheme Advisory Board, the Local Government Association, the Government Actuary's Department and the Fund's actuary and with the development of relevant tools by Aquila Heywood.

2.8 New & Removed Risks/Changes to Risk Scores/Updated Risk Narratives

No new risks have been added to the Risk Register since it was last presented to Committee and no risks have been removed.

There has been one change to an existing risk score:

Risk No. 37 Impact of McCloud judgement on funding.

Following final confirmation of the McCloud remedy for the LGPS and the Actuary's reflection of the remedy in the calculation of the liabilities for the March 22 Actuarial Valuation, the current risk score has been reduced from 9 to 6, with the impact score reducing from 3 to 2 and the probability score remaining at 3.

The target risk score has also been reduced from 9 to 6, reflecting the reduced impact score.

The narratives for a number of risks have been updated with updates highlighted on the Risk Register in blue.

Following news of continuing budgetary pressures for local authorities, including for Derbyshire County Council, the administering authority of the Fund, any potential associated risks for the Pension Fund have been considered and discussed with the Pension Board with a number of risk narratives updated to reflect increased concerns about local authority finances.

3. Implications

- 3.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

4. Background Papers

- 4.1 Held by the Pension Fund.

5. Appendices

- 5.1 Appendix 1 – Implications
5.2 Appendix 2 – Summary Risk Register
5.3 Appendix 3 – Main Risk Register

6. Recommendation(s)

That Committee:

- a) notes the risk items identified in the Risk Register.

7. Reasons for Recommendation(s)

- 7.1 One of the roles of Committee is to receive and consider the Fund's Risk Register.

Report Author: Dawn Kinley

Contact details: dawn.kinley@derbyshire.gov.uk

Appendix 1

Implications

Financial

1.1 None.

Legal

2.1 None.

Human Resources

3.1 None.

Information Technology

4.1 None.

Equalities Impact

5.1 None.

Corporate objectives and priorities for change

6.1 None.

Other (for example, Health and Safety, Environmental, Sustainability, Property and Asset Management, Risk Management and Safeguarding)

7.1 None.

Date Last Updated 13-Oct-23 Changes highlighted in blue font.

The objectives of the Risk Register are to:

- ## Risk Assessment

■ The Risk Register also includes the target score; showing the impact of the risk occurring once additional proposed risk mitigations and controls have been completed.

Officer Risk Owners

Summary of Risk Scores

Risk Score

0 - 4

5 - 11

12 and above

Target Score

Risk Ranking	Main Risk Register No	Identification	
		Risk Area	High Level Risk
1	13	Governance & Strategy	Systems failure/Lack of disaster recovery plan/Cybercrimeattack
2	20	Funding & Investments	Fund assets insufficient to meet liabilities / Decline in funding level / Fluctuations in assets & liabilities
3	31	Funding & Investments	LGPS Central related underperformance of investment returns - failure to meet investment return targets against specified benchmarks
4	41	Pensions Administration	Insufficient cyber-Liability Insurance relating to the pensions administration system
5	45	Pensions Administration	Impact of McCloud judgement on administration
6	1	Governance & Strategy	Failure to implement an effective governance framework
7	2	Governance & Strategy	Failure to recruit and retain suitable Pension Fund staff/Over reliance on key staff
8	4	Governance & Strategy	Pensions & Investments Committee (PIC)/Pension Board (PB) members lack of understanding of their role & responsibilities leading to inappropriate decisions.
9	14	Governance & Strategy	Failure to comply with General Data Protection Regulations (GDPR)
10	15	Governance & Strategy	Failure to communicate with stakeholders
11	17	Governance & Strategy	Risk of challenge to Exit Credits Policy/Determinations
12	19	Governance & Strategy	Failure to meet accessibility requirements
13	30	Funding & Investments	LGPS Central Ltd fails to deliver the planned level of long term cost savings
14	40	Pension Administration	Insufficient controls relating to the governance of the pension administration system
15	43	Pensions Administration	Delayed Annual Benefit Statements and/or Pension Savings Statements (also know as Annual Allowance Statements)
16	49	Pensions Administration	Failure to meet the required Pensions Dashboards deadlines.
17	3	Governance & Strategy	Failure to comply with regulatory requirements for governance
18	5	Governance & Strategy	An effective investment performance management framework is not in place
19	10	Governance & Strategy	Pension Fund financial systems not accurately maintained
20	16	Governance & Strategy	Failure of internal/external suppliers to provide services to the Pension Fund due to business disruption
21	18	Governance & Strategy	Risks arising from a potential significant acceleration of the academisation of schools.
22	21	Funding & Investments	Mismatch between liability profile and asset allocation policy
23	22	Funding & Investments	An inappropriate investment strategy is adopted/Investment strategy not consistent with Funding Strategy Statement/ Failure to implement adopted strategy and PIC recommendations
24	23	Funding & Investments	Failure to correctly assess the potential impact of climate change on investment portfolio and on funding strategy
25	24	Funding & Investments	Failure to consider the potential impact of Environmental, Social and Governance (ESG) issues on investment portfolio
26	28	Funding & Investments	The LGPS Central investment offering is insufficient to allow the Fund to implement its agreed investment strategy
27	29	Funding & Investments	The transition of the Fund's assets into LGPS Central's investment vehicles results in a loss of assets/and or excessive transition costs
28	48	Pensions Administration	Administration issues with AVC provider

Target Score				
Risk Owner	Impact	Probability	Target Score	Actual Minus Target Score
HoP/IM/TL	4	2	8	4
HoP/IM	4	2	8	4
HoP/IM	4	2	8	4
HoP	4	2	8	4
HoP	2	4	8	4
DoF/HoP	5	1	5	5
HoP	3	2	6	3
HoP	3	2	6	3
HoP/IM/TL	3	2	6	3
HoP/IM/TL	3	2	6	3
HoP	3	2	6	3
HoP/TL	3	2	6	3
HoP/IM	3	2	6	3
HoP/TL	3	2	6	3
HoP/TL	3	2	6	3
HoP	4	1	4	4
HoP/IM	4	2	8	0
HoP	4	1	4	4
HoP/IM	4	2	8	0
HoP/TL	2	4	8	0
HoP/IM	4	2	8	0
HoP/IM	4	2	8	0
HoP/IM	4	2	8	0
HoP/IM	4	1	4	4
HoP/IM	4	1	4	4
HOP/TLs	2	2	4	4

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Derbyshire Pension Fund Risk Register

Date Last Updated13-Oct-23

Changes highlighted in blue font.

Risk Number	Description		Risk Mitigation Controls & Procedures	Current Score			Risk Mitigation Controls & Procedures	Risk Owner	Target Score				Q2 22- 23	Q3 22- 23	Q4 22- 23	Q1 23- 24
	High Level Risk	Description of risk and potential impact		Impact	Probability	Current Score			Impact	Probability	Target Score	Actual Minus Target Score				
Governance & Strategy																
1	Failure to implement an effective governance framework	Failure to provide effective leadership, direction, control and oversight of Derbyshire Pension Fund (DPF) leading to the risk of poor decision making/lack of decision making, investment underperformance, deterioration in service delivery and possible fines/sanctions/reputational damage . This risk could be amplified during a period of business disruption.	Derbyshire County Council (DCC) is the administering authority for the Pension Fund, responsible for managing and administering the Fund. Responsibility for the functions of the Council as the administering authority of DPF is delegated to the Pensions & Investments Committee (PIC). A Local Pension Board assists the Council with the governance and administration of the Fund (PB). Day to day management of the Fund is delegated to the Director of Finance & ICT (DoF) who is supported by the Head of Pension Fund (HOP) and in house investment and administration teams. The governance arrangements for the Fund are clearly set out in the Fund's Governance Policy and Compliance Statement which is reviewed each year. Both PIC & PB have detailed Terms of Reference. The CST Scheme of Delegation sets out authorising levels for officers. The management team (POM) of the Pension Fund meets weekly and a Pension Fund Plan documents the ongoing workload of the Fund. A Pension Fund performance Dashboard has been developed to provide performance management information for POM; it is also reviewed on a quarterly basis by the Finance & ICT Management Team and at meetings of the Pension Board. A detailed Business Continuity Plan sets out the arrangements for maintaining the critical activities of the Fund during a period of business disruption.-The Fund is able to-facilitate virtual PIC and virtual PB meetings for occasions when physical meetings are not possible, subject to legislation. The Fund has been allocated a Team Zone which will accomodate approximately 60% of the team on a daily basis. Pension Fund staff spend at least half of their working hours in the office to support the ongoing development of a cohesive team to efficiently deliver services to members and employers and to support both the structured and unstructured knowledge share/learning that takes place when colleagues work together in the office.	5	2	10	The structure of the Pension Fund Team is being reviewed to enable it to support an agile, customer focussed operating model and to ensure appropriate management and stewardship of the Fund's investments assets, with the aim of providing development opportunities which will build the skills and resilience required for the future.	DOF/HoP	5	1	5	5	10	10	10	10
2	Failure to recruit and retain suitable Pension Fund staff/Over reliance on key staff	Lack of planning, inadequate benefits package, location leads to failure to recruit and retain suitable investment and pension administration staff leading to the risk of inappropriate decision making, investment underperformance, deterioration in service delivery, over reliance on key staff and possible fines/sanctions/reputational damage. The risks related to over-reliance on key staff are amplified during a period of business disruption.	Knowledge sharing takes place through Pension Fund governance groups including: Pension Officer Managers (POM); Regulation Update Meeting (RUM); Data Management; and Performance & Backlog Management, targeted internal training sessions, team briefings, internal communications and PDRs. The Fund also works with the LGA to support the development of Fund training and utilizes Heywood's TEC online training facilities. A staff rotation programme has been trialled to promote knowledge sharing. A Pension Fund Plan is available to all members of POM and includes a brief summary of the main oning and forecast activities of the Fund. The investment staffing structure was reviewed post the implemenation of investment pooling. Market supplements for the HOP and the IM were extended from December 2019. A new Assistant Fund Manager joined the Fund at the beginning of May 20. Members of the Fund's team are working flexibly (partly at home and partly in the office) and managers are in regular contact with their teams.	3	3	9	The Fund will continue to identify and meet staff training needs and will consider further staff rotation to increase resilience. The Pension Fund staffing structure is currently being reviewed (see above).	HoP	3	2	6	3	9	9	9	9
3	Failure to comply with regulatory requirements for governance	Failure to match-up to recommended best practice leads to reputational damage, loss of employer confidence or official sanction.	DPF maintains current PIC approved versions of: Administering Authority Discretions; Admission, Cessation & Bulk Transfer Policy (including Exit Credits Policy); Communications Policy; Governance Policy & Compliance Statement, Funding Strategy Statement, Investment Strategy Statement, Pension Administration Strategy. Detailed Data Management Procedures in place together with procedures to deal with statutory breaches. Lessons learnt from any breaches discussed at relevant governance group. Governance framework includes PIC and Pension Board. Appointment of third party investment advisor and actuary. Annual Report and Accounts mapped to CIPFA guidance. Fund membership of LAPFF. Internal and External Audit. Member training programme.	4	2	8	Regular review / Maintenance of central log of governance policy statements for the whole Fund. Ensure lesssons learnt from any breaches are considered by appropriate governance group and any resulting changes in procedures are implemented.	HoP	4	1	4	4	8	8	8	8
4	PIC / Pension Board members lack of knowledge & understanding of their role & responsibilities leading to inappropriate decisions	Change of membership (particularly following elections), lack of adequate training, poor strategic advice from officers & external advisors leads to inappropriate decisions being taken.	Implementation of Member Training Programme including induction training for new members of PIC & PB / Attendance at LGA training program / Advice from Fund officers & external advisors. Annual issuance of skills self-assessment forms to members of PIC & PB. Subsequent training plan based on responses.	3	3	9	On-going roll out of Member Training Programme in line with CIPFA guidance. Training Plan for 2023 is based on responses to skills self-assessment questions issued to members of PIC & PB in Oct 22.	HoP	3	2	6	3	9	9	9	9
5	An effective investment performance management framework is not in place	Poor investment performance goes undetected / unresolved.	PIC training; external performance measurement is reported to committee on a quarterly basis; Pension Board oversight of the governance of investment matters; PDR Reviews. Review of the Pension Fund performance Dashboard.	4	2	8		HoP/IM	4	2	8	0	8	8	8	8
6	An effective pensions administration performance management framework is not in place	Poor pensions administration performance / service goes undetected / unresolved.	PIC training; Half year pension administration KPI reporting in line with Disclosure Regulations reviewed by PIC and PB; PDR reviews. A Pension Fund performance Dashboard has been developed to provide performance management information for POM; it wii also be reviewed on a quarterly basis by the Finance & ICT Management Team and at meetings of the Pension Board.	3	2	6		HoP/TL	3	2	6	0	6	6	6	6
7	An effective PIC performance management framework is not in place	Poor PIC performance goes undetected / unresolved.	Defined Terms of Reference; PIC training ;Support from suitably qualified officers and external advisor; Monitoring of effectiveness of PIC by Pension Board. A Pension Fund performance Dashboard has been developed to provide performance management information for POM; it will also be reviewed on a quarterly basis by the Finance & ICT Management Team and at meetings of the Pension Board.	3	2	6	Training as above (Risk No. 4).	HoP/IM	3	2	6	0	6	6	6	6

Risk Number	Description		Risk Mitigation Controls & Procedures		Current Score			Risk Mitigation Controls & Procedures		Risk Owner	Target Score				Q2 22- 23	Q3 22- 23	Q4 22- 23	Q1 23- 24
	High Level Risk	Description of risk and potential impact	Current		Impact	Probability	Current Score	Proposed			Impact	Probability	Target Score	Actual Minus Target Score				
8	Failure to identify and disclose conflicts of interest	Inappropriate decisions for personal gain.	Members' Declaration of Interests. Officer disclosure of personal dealing and hospitality. Investment Compliance incorporated into updated Investments Procedures & Compliance Manual. Fund Conflicts of Interest Policy (COI) approved by PIC in November 2020 and fully implemented.		3	1	3			HoP	3	1	3	0	3	3	3	3
9	Failure to identify and manage risk	Failure to prepare and maintain an appropriate risk register results in poor planning, financial loss and reputational damage.	Risk Register maintained, reviewed on a regular basis, discussed at formal and informal POMs and reported to PIC and to PB. Risk Register subject to annual 'deep dive' by the Pension Board.		3	2	6			HoP/IM	3	2	6	0	6	6	6	6
10	Pension Fund financial systems not accurately maintained	Increased risk of fraud, financial loss and reputational damage if financial systems are not accurately maintained.	Creation and documentation of Internal controls; internal/external audit; monthly key control account reconciliations; on-going training & CIPFA updates.		4	2	8	Development of Fund-wide Procedures Manual.		HoP	4	1	4	4	8	8	8	8
11	Pension Fund accounts not properly maintained	Unfavourable audit opinion, financial loss, loss of stakeholder confidence and reputational damage.	Compliance with SORP; Compliance with DCC internal procedures (e.g. accounts closedown process); Dedicated CIPFA qualified Pension Fund Accountant; Support from Technical Section; Internal Audit; External Audit.		3	2	6			DoF/HoP	3	2	6	0	6	6	6	6
12	Lack of appropriate procurement processes/procurement support leads to failure to procure a provider/ poor supplier selection/legal challenge	Breach of Council Financial Regulations/challenge from alternative providers/reputational damage/service failure/service underperformance.	Database of external contracts maintained; Compliance with Financial Regulations; Procurement due diligence; Procurement advice; Quarterly review of contracts.		3	2	6	Ensure that procurement knowledge is shared amongst a wider number of team members. Continue to champion simplified procurement processes.		HoP	3	1	3	3	3	3	3	6
13	Systems failure / Lack of disaster recovery plan / Cybercrime attack	Service failure, loss of sensitive data, financial loss and reputational damage.	Robust system maintenance; Password restricted to IT systems; IGG Compliance; Business continuity plan. Fund's Data Management Procedures include a section on cyber crime/cyber risk. Mapping exercise commenced to map and document the Fund's data to ensure that it is understood where it is held, on what systems, how it is combined and how, and where, it moves.		4	3	12	Review of Cyber Security Arrangements/Policies. Data mapping exercise to be completed and risks to be assessed and reviewed. Review of the information security arrangements of 3rd party suppliers to the Fund to be undertaken.		HoP/IM/TL	4	2	8	4	12	12	12	12
14	Failure to comply with General Data Protection Regulations (GDPR)	Breaches in data security requirements could result in reputational damage and significant fines.	Privacy Notices and Memorandum of Understanding completed and published. GDPR requirements included in the Data Improvement Plan. Document Retention Schedule review completed (Oct 21); Pension Fund's updated information included in V6 of the Finance Retention Schedule published in Dec 21. The Fund's GDPR Working Group has been widened out to become a Data Management Working Group. Detailed Data Management Procedures have been developed, incorporating lessons learnt from previous data breaches, setting out: why the Fund needs to protect members' data; how the Fund should protect members' data; and what to do when things go wrong. The document includes practical guidance for Fund officers to be applied in day to day working practices when processing personal data. Any data breaches are considered by the Fund's Data Management Group and any lessons learnt/required changes to procedures agreed. The procedures have been rolled out to all of the Team.		3	3	9	GDPR matters will be reviewed as part of the ongoing consideration of the Fund's Data Improvement Plan.		HoP/IM/TL	3	2	6	3	9	9	9	9
15	Failure to communicate with stakeholders	Employers being unaware of employer responsibilities could impact service levels to members or lead to statutory/data breaches. Employees being unaware of how the Fund is governed, the benefits of the scheme, how the Fund's assets are invested, the risk of breaching the annual pension savings allowance, the risk of pension scams and the importance of keeping contract details up to date could lead to disengagement between members and the Fund, financial impacts for members, and reputational damage to the Fund.	Communications Policy approved by PIC - April 2021. The Pension Administration Strategy (PAS) which sets out employer responsibilities is reviewed annually and highlighted to employers. For any material proposed changes to the PAS, employers are consulted. Stakeholders receive information and guidance in line with best practice discussed at the national LGPS Comms Forum, delivered by a fully resourced, specialist team. The Pension Fund website and clear Pension Fund branding helps stakeholders to be clear about the role of the Fund. The Fund's member self-service system 'My Pension Online' went live in June 2021. It gives registered members access to their Derbyshire LGPS pension information and allows them to carry out future benefit calculations.		3	3	9	Increase registrations to My Pension Online enabling more members to gain access to their Derbyshire LGPS information to improve their general understanding and support them with pension planning.		HoP/IM/TL	3	2	6	3	9	9	9	9
16	Failure of internal/external suppliers to provide services to the Pension Fund due to business disruption/resource constraints.	The Pension Fund is reliant on other DCC Sections for: the provision and support of core IT; treasury management of Fund cash; CHAPs & VIM & Standard SAP BACs payments; pensioner payroll; and legal advice and administration support to PIC & PB. The Fund is reliant on external providers for: the pension administration system; provision of custodial services; hedging services; performance measurement and actuarial services. External fund managers are responsible for management of a large proportion of the Fund's assets on both a passive and an active basis. Business continuity failures experienced by any of these providers/ could have a material impact on the Fund, as could a fall in the standard of internal service delivery caused by administering authority budgetary pressures.	The business continuity arrangements of all of these providers have been sought and received by the Pension Fund. During the COVID 19 outbreak, continuity arrangements worked well.		4	2	8	The Fund will keep up to date with the continuity arrangements of these providers and will continue to assess the risk of exposure to particular organisations/providers. The Fund will keep in close contact with DCC's internal service providers.		HoP/IM	4	2	8	0	8	8	8	8
17	Risk of challenge to Exit Credits Policy/Determinations	Exit credit payments were introduced into the LGPS in April 2018. Amending legislation came into force on 20 March 2020 allowing administering authorities to exercise their discretion in determining the amount of any exit credit due having regard to certain listed factors plus 'any other relevant factors'. This discretion is open to wide interpretation and potential challenge from employers.	Legal and actuarial advice was sought in the formulation of the Fund's Exit Credit Policy and was sought to assist the Fund's first exit credit determination. The outcome of a L65 judicial review (published May 2021) on the LGPS Amendment Regulations 2020 has been considered.		3	3	9	The Fund will keep up to date with developments with respect to exit credits. Further legal and actuarial advice will be sought where necessary.		HoP	3	2	6	3	9	9	9	9

Risk Number	Description		Risk Mitigation Controls & Procedures	Current Score			Risk Mitigation Controls & Procedures	Risk Owner	Target Score				Q2 22- 23	Q3 22- 23	Q4 22- 23	Q1 23- 24
	High Level Risk	Description of risk and potential impact		Impact	Probability	Current Score			Impact	Probability	Target Score	Actual Minus Target Score				
18	Risks arising from a potential significant acceleration of the academisation of schools	Any further division of LGPS members into an increasingly wider pool of employers will increse pressure on: employer onboarding; collection of data & contributions; employer training; & actuarial matters. Also likely to lead to an increasing in the outsourcing of functions and services involving LGPS members which in turn would lead to a further increase in the number of employers in the Fund. The evolving landscape of multi-academy trusts is alsپ introducing increased administrative and funding challenges as academies move between trusts and trusts consolidate their academies into single LGPS funds.	The Fund has a robust effective procedure for admitting new academies to the Fund, treating them as individual participating employoers backed by robust administrative and actuarial arrangements; this helps to mitigate some of the issues that arise when academies move between trusts.	2	4	8	The Fund will continue to monitor local developments on academisation and the administrative resource required by the Fund to support any increase in participating employers. The funding implications of any academies consolidating in another LGPS fund will also be kept under review.	HoP/TL	2	4	8	0	8	8	8	8
19	Electronic Information delivered or made available in formats which fail to meet accessibility requirements	The Fund is subject to the Public Sector Bodies (Websites and Mobile Applications) (No. 2) Accessibility Regulations 2018. Compliance with the regulations is monitored by the Central Digital and Data Office (CDDO). Failure to adhere to the regulations could result in breaches of the law and enforce action from the Equality and Human Rights Commission. Risk of complaints from scheme members and other stakeholders about the accessibility of electronic information. Publication of a decision by CDDO confirming failure to meet accessibility standards would be reputationally damaging.	Regular liaison with specialist Digital Communications colleagues within DCC towards ensuring that the Fund's electronic platforms are accessible to as many people as possible, whatever their individual needs are. Use of web accessibility testing software from Silktime, a specialist provider. The Fund's website and My Pension Online both include an accessibility statement.	3	3	9	Regular reviews of accessibility issues on the Fund's electronic platforms via internal checks and use of Silktime software, and continued liaison with specialist colleagues. Feedback to Aquila Heywood (AH) of any accessibility issues with AH content on My Pension Online.	HoP/TL	3	2	6	3	9	9	9	9

Funding & Investments																
20	Fund assets insufficient to meet liabilities / Decline in funding level / Fluctuations in assets & liabilities	Objectives not defined, agreed, monitored and outcomes reported / Incorrect assumptions used for assessing liabilities / Investment performance fails to achieve expected target / Changes in membership numbers / VR & VER leading to structural problems in Fund / Demographic changes / Changes in pension rules and regulations (e.g. auto-enrolment and Freedom & choice). These factors could contribute to a decline in the funding level of the Fund and result in employers (funded in the majority of cases by taxpayers) needing to make increased contributions to the Fund.	Actuarial valuations and determination of actuarial assumptions; Funding Strategy Statement; Setting of contribution rates; Regular review of the Investment Strategy Statement (ISS) and the Strategic Asset Allocation Benchmark; Quarterly reviews of tactical asset allocation; Due diligence on new investment managers; Monitoring of investment managers' performance; Maintenance of key policies on ill health retirements; early retirements etc.	4	3	12	Continued implementation of the Fund's Strategic Asset Allocation Benchmark which aims to reduce investment risk following the improvement in the Fund's funding level.	HoP/IM	4	2	8	4	12	12	12	12
21	Mismatch between liability profile and asset allocation policy	Inaccurate forecast of liabilities / inappropriate Strategy leading to cashflow problems.	Actuarial reviews; Funding Strategy Statements; Annual funding assessment; Review by PIC; ISS ; Asset allocation reviews; Cash flow forecasting.	4	2	8	The Fund's actuary has been procured to undertake a cashflow modelling for the Fund covering inflation scenarios, salary increase sensitivity, the impact of reducing membership numbers and sensitivity to investment yield.	HoP/IM	4	2	8	0	8	8	8	8
22	An inappropriate investment strategy is adopted / Investment strategy not consistent with Funding Strategy Statement /Failure to implement adopted strategy and PIC recommendations	Failure to set appropriate investment strategy / monitor application of investment strategy leading to possible impact on the funding level/investment underperformance/reputational damage.	The ISS, which includes the Fund's Strategic Asset Allocation Benchmark is formulated in line with LGPS Regulations and takes into account the Fund's liabilities/information from the Fund's actuary/advice from the Fund's external investment adviser. The ISS was approved by PIC in November 2020 following consultation with the Fund's stakeholders. A separate RI Framework and a separate Climate Strategy were also approved by PIC in November 2020 following consultation with the Fund's stakeholders. Quarterly review of asset allocation strategy by PIC with PIC receiving advice from Fund officers and external investment adviser.	4	2	8	The Fund's ISS is currently under review and an update ISS is expect to be taken to PIC for consideration in Dec 23.	HoP/IM	4	2	8	0	8	8	8	8
23	Failure to correctly assess the potential impact of climate change on investment portfolio and on funding strategy.	Failure to correctly assess potential financially material climate change risks when setting the investment and the funding strategy leading to possible impact on the funding level/investment underperformance/reputational damage. The outcome for global warming and the transition to net-zero is highly uncertain. Climate scenario analysis is a relatively new discipline and caution is required when using the output of such analysis to inform strategic asset allocation and funding decisions.	Inaugural Climate Risk Report received from LGPS Central Ltd (LGPSC)in February 2020, included carbon metrics data and climate scenario analysis. Taskforce on Climate-related Financial Disclosures (TCFD) report developed to set out the Fund's approach to managing climate related risks and opportunities, structured round: governance; strategy; risk management; and metrics and targets. Inaugural climate Risk Report and TCFD report presented to PIC in March 2020. Climate scenarios analysis carried out as part of contribution rate modelling by the Fund's actuary as part of the triennial valuation process. Climate Strategy setting out the Fund's approach to addressing the risks and opportunities related to climate change formulated and approved by PIC in Nov 20 following consultation with stakeholders. The first phase of the transitions to the increased allocation to Global Sustainable Equities took place in January 2021 and the second phase began in January 2022 and is ongoing. The transitions support the delivery of the targets included in the Climate Strategy. A measured approach has been taken to the interpretation of climate related data and the setting of climate related targets recognising the relative immaturity of much of the data and the need to monitor the impact of significant transitions on portfolio performance and risk. The 2022 Climate Risk Report from LGPSC showed that the Fund had reduced the the carbon footprint of the listed equity portfolio by 44% relative to the weighted benchmark in 2020 (target reduction of 30% by end of 2025) and had invested 27% of the Fund portfolio in low carbon & sustainable investments (target 30% by end of 2025); 29% including commitments. Updated TCFD reports were published in December 2021 and January 2023.	4	2	8	The Fund's 2023 Climate Risk Report from LGPSC is currently being reviewed. The carbon footprint & the low carbon and sustainable investment targets will be reviewed in Q4 2023. The Fund will receive an annual Climate Risk Report from LGPS Central Ltd and will update its TCFD report on an annual basis. The Fund will continue to work collaboratively with its managers and with fellow investors towards the aim of achieving a portfolio of assets with net zero carbon emissions by 2050.	HoP/IM	4	2	8	0	8	8	8	8
24	Failure to consider the potential impact of Environmental, Social and Governance (ESG) issues on investment portfolio	Failure to consider financially material ESG risks when making investment decisions leading to possible investment underperformance/reputational damage.	Actuarial reviews; Funding Strategy Statements; Annual funding assessment; Review by PIC; ISS ; Asset allocation reviews; Cash flow forecasting.	4	2	8	Develop an application for acceptance by the Financial Report Council as a signatory of the UK Stewardship Code (2020).	HoP/IM	4	2	8	0	8	8	8	8

Risk Number	Description		Risk Mitigation Controls & Procedures		Current Score			Risk Mitigation Controls & Procedures		Risk Owner	Target Score				Q2 22- 23	Q3 22- 23	Q4 22- 23	Q1 23- 24
	High Level Risk	Description of risk and potential impact	Current		Impact	Probability	Current Score	Proposed			Impact	Probability	Target Score	Actual Minus Target Score				
25	Covenant of new/existing employers. Risk of unpaid funding deficit	Failure to agree, review and renew employer guarantees and bonds/ risk of wind-up or cessation of scheme employer with an unpaid funding deficit which would then fall on other employers in the Fund. This risk could be amplified during a period of widespread business disruption/resource constraints/extreme market volatility. Failure to correctly assess covenant/put in place appropriate security as part of any debt spreading arrangement/Deferred Debt Agreement could increase the risk of an unpaid funding deficit falling on the other employers in the Fund.	Employer database holds employer details, including bond review dates. The information on the database is subject to ongoing review. Commenced contacting existing employer where bond or guarantor arrangement has lapsed, to renew arrangements. An Employer Risk Management Framework has been developed and Health Check questionnaires were initially issued to all Tier 3 employers (those employers that do not benefit from local or national tax payer backing or do not have a full guarantee or other pass-through arrangement) in May 2019 and updated Covenant questionnaires were issued to Admission Bodies in June 2022. The information received via the Covenant questionnaires informed March 2022 actuarial valuation conversations and decisions. There is no procedure for a UK local authority to go bankrupt. If a local authority issues a Section 114 notice, which indicates that its forecast income in a financial year is insufficient to meet its forecast expenditure, no new expenditure is permitted with the exception of that funding statutory services, however, existing commitments and contracts will continue to be honoured. Existing staff payroll and pension costs are classed as allowable expenditure for a council that has issued a Section 114 notice.		3	2	6	Processes are being developed to ensure that new contractors are aware of potential LGPS costs at an early stage. The Employer Risk Management Framework will continue to be developed. Employers who are close to cessation will be monitored and discussions with the Fund's Actuary will take place to determine if any further risk mitigation measures are necessary with respect to the relevant employers. Robust procedures will be developed to consider any requests for the Fund to enter into debt spreading arrangements /Deferred Debt Agreements. Covenant, actuarial and legal considerations will be taken into consideration in any decisions regarding debt spreading arrangements/Deferred Debt Agreements and appropriate security will be obtained where necessary.		HoP/TL	3	2	6	0	9	9	9	6
26	Unaffordable rise in employers' contributions	Employer contribution rates could be unacceptable/unaffordable to employers leading to non-payment/delayed payment of contributions.	Consideration of employer covenant strength / scope for flexibility in actuarial proposals. The circumstances which the Fund would consider as potential triggers for a review of contribution rates between actuarial valuations are included in the Pension Fund's Funding Strategy Statement. The Fund's approach to employer flexibilities on cessation i.e. the potential for cessation debt to be spread over an agreed period (subject to certain conditions) as an exception to the default position of cessation debt being paid in full as a single lump sum and the potential for the Fund to enter into a Deferred Debt Agreement where a ceasing employer is continuing in business (subject to certain conditions), are set out in the Fund's Admission, Cessation & Bulk Transfer Policy (approved by PIC Dec 22).		3	2	6			HoP/TL	3	2	6	0	6	6	6	6
27	Employer contributions not received and accounted for on time	Late information and/or contributions from employers could lead to issues with completing the year end accounts, satisfying audit requirements, breaches of regulations, and, in extreme cases, could affect the Fund's cashflow. This risk could be amplified during a period of widespread business disruption/resource constraints.	The Fund ensures that employers are clearly and promptly informed about their contribution rates. Monitoring of the provision of employer information and the payment of contributions takes place within Pensions Section and performance is monitored by POM and disclosed in the half yearly pensions administration performance report to PIC & PB. The Fund has developed a late payment charging policy.		3	2	6	Late payment charges-applied to underperforming employers will be disclosed via PIC Reports and Employer Newsletters.		HoP/TL	3	1	3	3	6	6	6	6
28	The LGPS Central Ltd investment offering is insufficient to allow the Fund to implement its agreed investment strategy	Failure to provide sufficient and appropriate product categories results in inability to deliver investment strategy and increases the risk of investment underperformance.	Continue to take a meaningful role in the development of LGPS Central; On-going HoP/IIM involvement design and development of the LGPS Central product offering and mapping to the Fund's investment strategy; Participation in key committees including PAF, Shareholders' Forum and Joint Committee.		4	2	8	LGPS Central Partner Funds have agreed their priorities for determining the timetable for sub-fund launches: Projected level of cost savings; LGPSC/Partner Fund resource; Asset allocation/investment strategy changes; Number of parties to benefit; Net performance; Ensuring every Partner Fund has some savings; Risk of status quo & surfacing opportunities. Ensure the priorities are regularly assessed and applied.		HoP/IIM	4	1	4	4	8	8	8	8
29	The transition of the Fund's assets into LGPS Central Ltd.'s investment vehicles results in a loss of assets and/or avoidable or excessive transition costs	Failure to fully reconcile the unitisation of the Fund's assets and charge through of transition costs could have a financial impact on the Fund.	Reconcile the transition of the Fund's assets into each collective investment vehicle, including second review and sign-off. All costs and charges reconciled back to the agreed cost sharing principles. All transition costs to be signed off by HoP.		4	2	8	Obtain robust forecasts of transition cost as part of business case for transitioning into an LGPSC sub-fund. Continue to take a meaningful role in PAF and support the Chair and Vice-Chair of the PIC to enable them to participate fully in the Joint Committee.		HoP/IIM	4	1	4	4	8	8	8	8
30	LGPS Central Ltd fails to deliver the planned level of long term cost savings	LGPS Central Ltd fails to deliver the planned level of cost savings either through transition delays, poor management of its cost base or failure to launch appropriate products at the right price could delay the point at which the Fund breaks even (with costs savings outweighing the costs of setting up and running the company).	Review and challenge annual budget and changes to key assumptions; Review, challenge and validate LGPS Central product business cases; Reconcile charged costs to the agreed cost sharing principles; Terms of Reference agreed for PAF, Shareholders Forum and Joint Committee. The DOF & ICT will represent DCC on the Shareholders' Forum with delegated authority to make decisions on any matter which required a decision by the shareholders of LGPS Central Ltd. A new simplified Cost Savings Model has been developed for the LGPS Central Pool which will enable actual and forecast savings to be monitored more easily and on a more regular basis. The Cost Savings Model is accompanied by a detailed Guidance Note which provides assurance on the derivation of the model's inputs and outputs.		3	3	9	Continue to take a meaningful role in PAF. Support the Chair of the PIC to enable full participation in the Joint Committee.		HoP/IIM	3	2	6	3	9	9	9	9
31	LGPS Central Ltd related underperformance of investment returns	LGPS Central Ltd related underperformance of investment returns against targets could lead to the Fund failing to meet its investment return targets.	Continuing to take a meaningful role in the development of LGPS Central Ltd; On-going HoP/IIM involvement in design and development of the LGPS Central Ltd product offering and mapping to the Fund's investment strategy; Quarterly performance monitoring reviews by DPF and half yearly by Joint Committee. Monitor and challenge LGPS Central product development, including manager selection process, through the Joint Committee and PAF/IWG participation. Initially carry out due diligence on selection managers internally as confidence is built in the manager selection skills of the company.		4	3	12	Ensure the Partner Funds priorities for determining the sub-fund launch timetable listed under 28. are regularly assessed and applied. Hold LGPS Central Ltd to account for the investment performance of its products. Investigate alternative options if any underperformance is not addressed.		HoP/IIM	4	2	8	4	12	12	12	12

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	High Level Risk	Description of risk and potential impact	Current		Impact	Probability	Current Score	Proposed			Impact	Probability	Target Score	Actual Minus Target Score				
32	Failure to maintain liquidity in order to meet projected cash flows	Failure to maintain sufficient liquidity to meet projected cashflows, due to either poor cashflow forecasting or the failure of counterparties to make timely repayments, which could lead to financial loss from the inappropriate sale of assets to generate cash flow and/or lead to reputational damage. The risk is amplified during periods of market volatility/dislocation.	The Fund carries out internal cash flow forecasting and works closely with DCC's Senior Accountant Treasury Management who manages the Fund's cash balances.		3	2	6	The Fund's actuary has been procured to undertake a cashflow modelling for the Fund covering inflation scenarios, salary increase sensitivity, the impact of reducing membership numbers and sensitivity to investment yield. DPF Investment Manager to have monthly catch ups with DCC's Treasury Management Accountant.		HoP/IM	3	2	6	0	6	6	6	6
33	The introduction of The Markets in Financial Instruments Directive II (MiFID II) in January 2018 results in the investment status of the Fund being downgraded	Fund being unable to access a full range of investment opportunities and assets being sold at less than fair value should an external investment manager not opt-up the Fund to professional status.	Opt-up process complete; no issues identified.		4	1	4	Monitor ability to maintain opt-up status.		HoP/IM	4	1	4	0	4	4	4	4
34	Inadequate delivery and reporting of performance by internal & external investment managers	Could lead to expected investment returns not being achieved.	Rigorous manager selection; Quarterly PIC performance monitoring; Asset class performance reported to PIC; Internal Investments Manager performance reviewed by HoP; PDR reviews.		3	2	6	Updating the Investment Compliance Manual & Procedures Manual.		HoP/IM	3	2	6	0	6	6	6	6
35	Investments made in complex inappropriate products and or unauthorised deals	Could lead to loss of investment return/assets.	Clear mandate for internal and external Investment Managers; Compliance Manual; HoP signs off all new investment; Director of Finance & ICT approval required for unquoted investments, including re-ups; PIC quarterly reports; On-going staff training and CPD; My Plans.		4	1	4	Updating Investment Compliance Manual & Procedures Manual		HoP/IM	4	1	4	0	4	4	4	4
36	Custody arrangements are insufficient to safeguard the Fund's investment assets	Could lead to loss of investment return/assets.	Use of reputable custodian. Regular internal reconciliations to check custodian records / Regular review of performance / Periodic procurement exercises.		4	1	4			HoP/IM	4	1	4	0	4	4	4	4
37	Impact of McCloud judgement on funding	On 8 September 2023, DLUHC laid the regulations to implement the McCloud remedy which came into force on 1 October 2023. The McCloud remedy involves the extension of the current underpin protection given to certain older members of the Scheme when the LGPS benefit structure was reformed in 2014. It removes the condition that requires a member to have been within ten years of their 2008 Scheme normal pension age on 1 Apr 2012 to be eligible for underpin protection. The McCloud remedy will be backdated to the commencement of transitional protections (April 2014) and the underpin protection will apply where a members leaves with either a deferred or an immediate entitlement to a pension (previously it was just immediate). The underpin will give the member the better of the 2014 Scheme CARE or 2008 final salary benefits for the eligible period of service (between 1 April 14 and 31 March 2022). All leavers between these two dates will need to be checked against the new underpin. The ultimate cost of the McCloud remedy will depend on pay growth/promotion. The funding risk relates to the risk of there being insufficient assets within the Fund to meet the increased liabilities due to the implementation of the McCloud remedy.	In accordance with guidance from DLUHC, in the March 2022 Actuarial Valuation the Fund's Actuary valued the benefits of members likely to be affected by the McCloud ruling in line with the expected remedy regulations, reflecting the Fund's local assumptions, particularly salary increases and withdrawal rates. The Actuary estimated that total liabilities were around 0.4% higher (as at 31 March 2022) as a result of the expected remedy, an increase of approximately £26.8m. The estimated cost of the McCloud remedy was, therefore, factors into employer contribution rates for the three years from 1 April 2023. The regulations that came into force on 1 October 2023 to implement the McCloud remedy in the LGPS confirmed the expected remedy factored into the March 2022 valuation.		2	3	6	The Fund will keep up to date with any further announcements/advice from DLUHC, the LGPS Scheme Advisory Board, the LGA, GAD and from the Fund's Actuary.		HOP	2	3	6	0	12	9	9	9

Pensions Administration																	
38	Failure to adhere to HMRC / LGPS regulations and reflect changes therein	LGPS benefits calculated and paid inaccurately and/or late leading to possible fines/reputational damage.	Management processes, calculation checking, dedicated technical and training resource, working with the LGA and other Pension Funds regarding accurate interpretation of legislation, implemented more robust pensions administration system in March 19.	3	2	6	Consider additional sources of technical resource.	HoP	3	1	3	3	6	6	6	6	
39	Failure of pensions administration systems to meet service requirements/information not provided to stakeholders as required	Replacement pensions administration system leads to implementation related work backlogs, diminished performance and complaints.	The Altair system has achieved 'Business as Usual' status. SLAs are in place with the provider as well as an established fault reporting system, regular client manager meetings and a thriving User Group (CLASS). The provider has a robust business continuity plan.	3	2	6	Ensure the company's Business Continuity Plan is subject to regular review and continue to take an active part in the CLASS user group.	HoP/TL	3	1	3	3	6	6	6	6	
40	Insufficient controls relating to the governance of pension administration system	Risk that insufficient controls relating to the governance of the pension administration system undermines confidence in the integrity of the system and increases the opportunity for erroneous transactions.	To access Altair, the pensions administration system, a user needs to be set up on PingOne and also on Altair, both require the user to successfully log on with a password. Monthly reports are run to monitor access to Altair, and any suspicious logons would be investigated. The same access controls are applied to the test environment. If a team member leaves the authority, access is removed promptly. On receipt of a new release of Altair the Fund completes rigorous testing of any updated calculations and new functionality detailed in the relevant Altair Release Guide. The Fund also regression test a varied sample of calculations. This testing is completed in the test environment prior to any update into the live environment. If any part of the release is deemed unsatisfactory then the update to live will not be authorised. In some exceptional circumstances, it is necessary to create a test record in the live system to provide additional assurance and to support the efficient and accurate delivery of the service. Any test record is documented on a spreadsheet and deleted at the earliest opportunity. Data from any test records is deleted from performance information. Procedures have been developed to strengthen the controls related to the creation and use of test records in the live environment. A review of user profiles has been undertaken, with member copy functionality removed where appropriate. On an annual basis the Fund completes a year end exercise for active members which checks the data reasonableness in comparison to the previous year, and also identifies any records which have not had any pay or contributions posted for the current year. These records are referred back to the employee for further investigation.	3	3	9	Procedures will be developed to strengthen the controls related to the creation and use of test records in the live system. The number of test records in the live system will be limited to one which will be clearly documented and its test status will be easily identifiable. Only certain documented members of the team will be able to edit this record. In addition, a review of user profiles will be completed to access whether roles need 'member copy' functionality. User roles will be amended accordingly following the review.	HoP/TL	3	2	6	3	9	9	9	9	

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	High Level Risk	Description of risk and potential impact	Current		Impact	Probability	Current Score	Proposed			Impact	Probability	Target Score	Actual Minus Target Score				
41	Insufficient cyber-liability insurance relating to the pensions administration system	The contract with the system supplier limits a cyber liability claim to a specified amount, unless a claim is based on an event caused by the contractor performing its services in a negligent manner. A catastrophic breach where scheme members' data is used fraudulently could lead to a claim in excess of the insurance cover.	DCC Internal Audit has carried out detailed testing of the supplier's data security arrangements. Liability cover in place via the supplier and separately the Pension Fund is included in DCC's self-insurance arrangements with respect to managing cyber security risks. The supplier is required to carry £5m of professional indemnity insurance as part of the contract.		4	3	12	Ongoing feedback to the new supplier on the level of supplier liability insurance. Further enhancement of procedures to protect against cyber risk.		HoP	4	2	8	4	12	12	12	12
42	Data quality inadequate	Incorrect benefit calculations, inaccurate information for funding purposes leading to possible complaints/ fines/reputation damage/uninformed decision making.	Apply current and short term measures in the Data Improvement Plan (updated in August 2023). A Data Management Working Group has been formed, and Terms of Reference agreed, with responsibility for the ongoing consideration and implementation of the Data Improvement Plan.		3	2	6	Continue to cleanse data; implement longer term measures in the Data Improvement Plan. Maintain regular meetings of the Data Management Group.		TL	3	2	6	0	6	6	6	6
43	Delayed Annual Benefit Statements and/or Pension Savings Statements (also know as Annual Allowance Statements)	Risk of complaints,TPR fines or other sanctions/reputational damaged caused by delays in issuing Annual Benefit Statements/Pensions Savings Statement. Possible delays caused by late employer returns, systems bulk processing issues, administration backlogs, and the roll-out of the member-self service system 'My Pension Online' (MPO).	Improved processes, clear messages to support employers to provide prompt accurate information, more efficient processing of ABSs on replacement system, exercise to trace addresses for missing deferred beneficiaries. Robust roll out plan for member self service system and back up plans in place for printing paper ABSs.		3	3	9	Continue work with employers to ensure better data quality, complete address checking exercise and reduce additional backlogs caused by migration. Improve process for identifying non-standard cases of annual pension savings breaches. Achieve MPO roll out targets.		HoP/TL	3	2	6	3	9	9	9	9
44	Insufficient technical knowledge	Failure to develop, train suitably knowledgeable staff leading to risk of negative impact on service delivery and risk of fines/sanctions together with risk of reputational damage.	Updates from LGA/LGPC, quarterly EMPOG meetings/on-site training events. The Fund has procured an additional service from the provider of the new pension administration system which provides flexible learning on demand.		3	2	6	Skills gap audit / formal training programme / Staff Development group/Performance Development Reviews.		HoP	3	2	6	0	6	6	6	6
45	Impact of McCloud judgement on administration	DLUHC and the LGPS SAB recognises the enormous challenge that could be faced by administering authorities and employers in backdating scheme changes over a significant period. A full history of part time hour changes and service break information from 1 Apr 14 to 31 March 2022 will be needed in order to recreate final salary service. Implementation of the remedy could divert Fund resources and affect service delivery levels. See Risk No. 37 for further information on the McCloud judgement.	Liasing with the provider of the Fund's pension administration system as it develops its bulk processes for implementing the McCloud remedy. Although the Fund continued to require employers to submit information about changes in part-time hours and service breaks, casual hours did not continue to be collected and the McCloud remedy may generate additional queries about changes since 1 Apr 14; employers have, therefore, been asked to provide information on casual hours and to retain all relevant employee records. A McCloud Project Team has been set up with initial workstreams of: governance; case identification; staffing/resources; & communications. The Fund has identified the likely members in scope of the proposed remedy. Tools provided by Aquila Heywood Altair which will be used to identify and subsequently bulk load any required additional service history have been tested by the Fund. Initial McCloud training has been provided to relevant members of the team.		3	4	12	Continue to collect information from employers on casual hours and upload it to member records . Formulate a detailed plan of how to deal with the scheme changes (in particular setting out an order for calculations to be completed) when statutory guidance on prioritising the work on cases is provided by DLUHC, administrator guidance is received from the LGA, and when it is confirmed what bulk processes developed by the provider of the pension administration system will be utilised.		HoP	2	4	8	4	12	12	12	12
46	Lack of two factor authentication for Member Self Service	The Fund is implementing a member self-service solution (MSS) to improve the quality and efficiency of the service it provides to its members. MSS will allow members to view certain parts of their pension information (including Annual Benefit Statements), to undertake a restricted number of data amendments and to carry out benefit projections on-line. The member self-service solution provided by Aquila Heywood does not currently utilise a two-factor authentication method.	Robust registration and log-on procedures have been developed which have been approved by the Council's Information Governance Group (IGG). A further report on the setting of security questions has been taken to IGG for noting.		3	2	6	The Fund will continue to encourage Aquila Heywood to introduced two factor authentication for MSS (it has been introduced for the core Altair product).		HoP/TLs	3	2	6	0	6	6	6	6
47	Implications of Goodwin ruling.	Following the Walker v Innospec Supreme Court ruling, the government decided that in public service schemes, surviving male same-sex and female same-sex spouses and civil partners of public service pension scheme members will, in certain cases, receive benefits equivalent to those received by widows of opposite sex marriages. A recent case brought in the Employment Tribunal (Goodwin) against the Secretary of State for Education highlighted that these changes may lead to direct sexual orientation discrimination within the Teachers' Pension Scheme, where male survivors of female scheme members remain entitled to a lower survivor benefit than a comparable same-sex survivor. The government concluded that changes are required to the TPS to address the discrimination and believes that this difference in treatment will also need to be remedied in those other public service pension schemes, where the husband or male civil partner or a female scheme member is in similar circumstances. A consultation will take place on the required regulatory changes for the LGPS. It is expected that the fund will need to investigate the cases of affected members, going back as far as 5 December 2005 when civil partnerships were introduced which will provide administration challenges.	The Fund is keeping up to date with developments on the implications of this ruling for the LGPS.		2	3	6	Further mitigating controls/procedures will be developed when more is known about this recently emerged risk.		HoP/TLs	2	3	6	0	6	6	6	6
48	Administration issues with AVC provider	Following the implementation of a new system, the Fund's AVC provider, Prudential, has experienced delays in processing contributions, providing valuations and paying out claims which could lead to knock-on delays for the Fund in processing members' retirements. There is also a risk of associated reputational damage for the Fund which has appointed Prudential as its AVC provider.	The Fund is in regular correspondence with Prudential regarding the outstanding issues and is working with the company to try to ensure that any issues which could delay members' retirement dates are dealt with first. This matter is also on the agenda of the officer group of local LGPS funds' (EMPOG).		2	4	8	The Fund will continue to work closely with Prudential to support the resolution of outstanding issues.		HoP/TLs	2	2	4	4	8	8	8	8

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	High Level Risk	Description of risk and potential impact	Current		Impact	Probability	Current Score	Proposed		Risk Owner	Impact	Probability	Target Score	Actual Minus Target Score	Q2 22-23	Q3 22-23	Q4 22-23	Q1 23-24
49	Failure to meet the required Pensions Dashboards deadlines	<p>Failure to meet the required Pensions Dashboards deadlines, leading to potential fines/reputational damage.Pensions Dashboards will enable individuals to access their pensions information from different schemes online, securely and all in one place to support better retirement planning. This will require multiple parties and systems to be connected to the Pensions Dashboard Programme (PDP) central digital architecture (CDA). There will be no central database holding personal information - the CDA will function like a 'giant switchboard' connecting users with their pensions.</p> <p>The Pensions Dashboards Regulations 2022 place a requirement on pensions schemes to connect to the dashboard services and the Pensions Regulator has the power to issue a financial penalty for any breach of the regulations. In order to connect to the PDP CDA, the Pension Fund will require the services of an Integrated Service Provider.</p> <p>The staging deadline for the LGPS is 30 September 2024. Schemes will be expected to meet the required standards (connectivity, security and technical) by 30 September 2024. They must also, by that date, be able to respond to find requests, complete matching and provide administrative data, signpost data, value data and contextual information on request.</p>	<p>The Fund has formed a Pensions Dashboard Programme (PDP) Board to oversee the implementation of the PDP. Members of the team have attended information sessions on the PDP and investigations into the ISP options for connecting to the PDP have begun. Data cleansing is continuing to improve the quality of the Fund's data.</p>		3	3	9	<p>The Fund will continue to keep up to date with developments in respect of PDP and will continue to investigate the connectively options available whilst also continuing to focus on improving the quality of the Fund's data.</p>		HOP/TL	3	2	6	3	N/A	N/A	N/A	9

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