

Derbyshire Pension Fund Risk Register

Date Last Updated **11-Oct-24**

Changes highlighted in blue font.

S/T Short Term < 1 Year
M/T Medium Term 1 - 3 Years
L/T Long Term Over 3 Years
N/A Target Score = Current Score

Risk Number	Description		Risk Mitigation Controls & Procedures	Current Score			Risk Mitigation Controls & Procedures	Risk Owner	Target Score						
	High Level Risk	Description of risk and potential impact		Current	Impact	Probability			Current Score	Proposed	Impact	Probability	Target Score	Expected Timescale	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 (PB) assists the Council with the governance and administration of the Fund. Day to day management of the Fund is delegated to the Director of Finance (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 Council's Financial Schedule 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 provides quarterly 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 office space which can accommodate approximately 55% 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	A review of the Pension Fund's structure is close to completion to enable the structure 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	M/T	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); Data Management Group; and Performance & Backlog Group, 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 implementation of investment pooling. Market supplements for the HOP and the IM were extended from December 2023 for two years. 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 and support staff development. A review of the Pension Fund's staffing structure is close to completion.	HoP	3	2	6	M/T	3	9	9	9	9
3	Failure to comply with regulatory requirements for governance	Failure to comply with regulatory requirements/recommended best practice leads to reputational damage, loss of employer confidence or official sanction.	DPF receives and considers the monthly LGPC Bulletins containing updates on regulations and matters relevant to the LGPS and participates in the regional East Midlands Pension Officers Group (EMPOG) meetings where LGPS knowledge is shared. 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 & Training Policy. Detailed Data Management Procedures are in place together with procedures to deal with statutory breaches. Lessons learnt from any breaches are discussed at relevant governance group. Governance framework includes PIC and Pension Board (PB). Induction successions are held for new members of PIC and PB and members are supported by an ongoing programme of training. Appointment of third party investment advisor and actuary. Annual Report and Accounts mapped to CIPFA guidance. Fund membership of LAPFF. Internal and External Audit.	4	2	8	Regular review/Maintenance of central log of governance policy statements for the whole Fund. Ensure lessons learnt from any breaches are considered by appropriate governance group and any resulting changes in procedures are implemented.	HoP	4	1	4	M/T	4	8	8	8	8
4	PIC/Pension Board members' lack of knowledge & understanding of their roles & 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 and ongoing programme of training determined according to skills self-assessment (carried out annually) and matters due to be considered by PIC/PB. Training Needs Self-Evaluation forms sent to members of PIC & PB in Jan 24. Training Plan developed for 24-25 and circulated to members of PIC & PB in June 2024. Availability of attendance at LGA training sessions including the Fundamentals course for new members. Advice from Fund officers & external advisor provided in clear written reports as well as verbally.	3	2	6	On-going roll out of Member Training programme in line with CIPFA guidance.	HoP	3	2	6	M/T	0	9	9	9	9
5	An effective investment performance management framework is not in place	Poor investment performance goes undetected / unresolved.	PIC/PB 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's quarterly performance Dashboard by POM, the Finance Management Team and by the Pension Board.	4	2	8		HoP/IM	4	2	8	N/A	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/PB training; half-year pension administration KPI reporting in line with Disclosure Regulations reviewed by PIC and PB; PDR reviews. A Pension Fund quarterly performance Dashboard has been developed to provide performance management information for POM; it is also reviewed on a quarterly basis by the Finance Management Team and at meetings of the Pension Board.	3	2	6		HoP/TL	3	2	6	N/A	0	6	6	6	6

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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 quarterly performance Dashboard has been developed to provide performance management information for POM; it is also reviewed on a quarterly basis by the Finance T Management Team and at meetings of the Pension Board. A record of PIC members' attendance at PIC meetings and at training is included in the Fund's Annual Report.	3	2	6	Training as above (Risk No. 4).	HoP/IM	3	2	6	N/A	0	6	6	6	6
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	N/A	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	N/A	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	S/T	4	8	8	8	8
11	Pension Fund accounts not properly maintained/sign off for Pension Fund's Statement of Accounts not achieved	Unfavourable audit opinion due to lack of audit assurance (including lack of appropriate control reports from investment managers), 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; obtaining appropriate Investment Manager control reports/alternative suitable forms of assurance if control reports aren't available .	3	2	6		DoF/HoP	3	2	6	N/A	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 DCC's 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	S/T	3	6	6	6	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	M/T	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 V7 of the Finance Retention Schedule published in Feb 24. 21. The Fund has a Data Management Group which has developed detailed Data Management Procedures, 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	M/T	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 - December 2023. 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/activities 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. First meeting of Fund's Member Engagement took place in July 2024.	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. Continue to develop the Member Engagement Forum.	HoP/IM/TL	3	2	6	M/T	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 external providers have been sought and received by the Pension Fund.	4	2	8	The Fund will keep up to date with the continuity arrangements of its 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	N/A	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 judicial review (published May 2021) on the LGPS Amendment Regulations 2020 was considered. The information considered in an exit credit determination is recorded in a consistent template providing references to relevant parts of the Fund's Exit Credits Policy to provide a robust record of decision making.	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	S/T	3	9	9	9	9

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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 increase 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 also 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 and effective procedure for admitting new academies to the Fund, treating them as individual participating employers 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	N/A	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 SilkTide, 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 SilkTide 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	M/T	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. The Fund's actuary reviewed the factors for calculating strain payments in 2023 and revised factors have been implemented from 1 April 2024.	4	3	12	Continued implementation of the Fund's new Strategic Asset Allocation Benchmark (SAAB) which aims to reduce investment risk by further reducing Growth Assets and increasing Income Assets following the improvement in the Fund's funding level.	HoP/IM	4	2	8	L/T	4	12	12	12	12
21	Mismatch between liability profile and asset allocation policy	Inaccurate forecast of liabilities / inappropriate Strategy leading to cashflow problems.	Triennial actuarial valuations carried out by the Fund's actuary. Associated review of the Fund's Funding Strategy Statement and Investment Strategy Statement including a review of the Fund's Strategic Asset Allocation Benchmark. Asset/Liability reviews undertaken when appropriate. The Fund's actuary reviewed the factors for calculating strain payments in 2023 and revised factors were implemented from 1 April 2024.	4	2	8		HoP/IM	4	2	8	N/A	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. An updated ISS was approved by PIC in March 2024 following consultation with the Fund's stakeholders. An updated RI Framework and an updated Climate Strategy were also approved by PIC in March 2024 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		HoP/IM	4	2	8	N/A	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.	Annual Climate Risk Reports received from LGPS Central Ltd (LGPSC) since February 2020, which include carbon metrics data and climate scenario analysis. Taskforce on Climate-related Financial Disclosures (TCFD) report setting out the Fund's approach to managing climate related risks and opportunities, structured round: governance; strategy; risk management; and metrics and targets published annually since March 2020. Inaugural Climate Strategy setting out the Fund's approach to addressing the risks and opportunities related to climate change approved by PIC in Nov 20 following consultation with stakeholders; updated Climate Strategy approved by PIC in March 2024 following a further consultation with stakeholders. The 2023 Climate Risk Report from LGPSC showed that the Fund had reduced the the carbon footprint of the listed equity portfolio by 47% relative to the weighted benchmark in 2020 (initial target reduction of 30% by end of 2025), 50% reduction on a restated basis and had invested 29% of the Fund portfolio in low carbon & sustainable investments (target 30% by end of 2025); 30% including commitments. The Fund's 2024 Climate Strategy includes increase targets for these two metrics and the introduction of new targets in respect of financed emissions, capturing and measuring the carbon metrics in respect of the Fund's other assets and the Fund's stewardship and engagement activities in respect of climate change. A measured approach has continued to be 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. Climate scenarios analysis carried out as part of contribution rate modelling by the Fund's actuary as part of the triennial valuation process.	4	2	8	The Fund will continue to receive an annual Climate Risk Report from LGPS Central Ltd and will continue update its TCFD report on an annual basis. The Fund will continue to work collaboratively with its managers and with fellow investors towards achieving the targets set out in the Fund's Climate Strategy with the ultimate aim of achieving a portfolio of assets with net zero carbon emissions by 2050.	HoP/IM	4	2	8	N/A	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.	The Fund's inaugural Responsible Investment Framework was approved by PIC in November 2020 and an updated Framework was approved by PIC in March 2024 following consultation with stakeholders. The Fund was accepted as a signatory of the Financial Reporting Council's UK Stewardship Code (2020) in August 2023.	4	2	8	The Fund will aim to meet the standards required for achieving signatory status of the FRC's UK Stewardship Code (2020) on an annual basis.	HoP/IM	4	2	8	N/A	0	8	8	8	8

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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. Covenant questionnaires will be issued to Tier 3 employers as part of the preparations for the 2025 actuarial valuation.	HoP/TL	3	2	6	N/A	0	6	6	6	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	N/A	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 the Admin Team and performance is monitored by the Fund's Performance and Backlogs Group and by POM and disclosed in the half- yearly pensions administration performance report to PIC and monitored as part of the Fund's quarterly performance Dashboard . 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	S/T	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/IM involvement in design and development of the LGPS Central product offering and mapping to the Fund's investment strategy; participation in key pooling working groups including PAF & IWG and in the Pool's 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/IM	4	1	4	M/T	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 of the PIC to enable full participation in the LGPS Central Joint Committee.	HoP/IM	4	1	4	S/T	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 represents 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 (LGPSC). The Pool's 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 LGPS Central Joint Committee. Continue discussions with LGPSC with respect to using the company's cost savings model in future, with oversight from Partner Funds .	HoP/IM	3	2	6	L/T	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/IM 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/IM	4	2	8	L/T	4	12	12	12	12

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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. A cashflow modelling paper for the Fund was received from the Fund's actuary in February 2024 covering inflation scenarios, salary increase sensitivity, the impact of reducing membership numbers and sensitivity to investment yield and considered by officers of the Fund.	3	2	6	DPF Investment Manager to have monthly catch ups with DCC's Treasury Management Accountant.	HoP/IM	3	2	6	N/A	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	N/A	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	N/A	0	6	6	6	6
35	Investments made in complex inappropriate products and or unauthorised deals	Could lead to loss of investment return/assets.	HoP signs off all new investments which are supported by detailed cases; Director of Finance approval required for unquoted investments, including re-ups; PIC quarterly reports; on-going staff training and CPD; PDRs; Fund Investment Compliance Manual & Procedures Manual.	4	1	4	Updating Investment Compliance Manual & Procedures Manual	HoP/IM	4	1	4	N/A	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	N/A	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 underpin protection given to certain older members of the Scheme when the LGPS benefit structure was reformed in 2014. It removed 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 is backdated to the commencement of transitional protections (April 2014) and the underpin protection applies where a member leaves with either a deferred or an immediate entitlement to a pension (previously it was just immediate). The underpin gives 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, factored 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	N/A	0	6	6	6	6

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, utilisation of robust pension administration system. Procurement of PENTag service - on-line commentary covering virtually all aspects of LGPS legislation.	3	2	6	Consider additional sources of technical resource.	HoP	3	1	3	M/T	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	Seek assurance that 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	M/T	3	6	6	6	6

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	High Level Risk	Description of risk and potential impact		Impact	Probability	Current Score			Proposed	Impact	Probability	Target Score	Expected Timescale	Actual Minus Target Score	Q3 23-24	Q4 23-24	Q1 24-25
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 record 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 with the number of permitted test records at any time limited to one and only documented members of the team able to edit test records. 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 employer for further investigation.	3	2	6		HoP/TL	3	2	6	N/A	0	9	9	6	6
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	M/T	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.	Data Improvement Plan (DIP) updated on an annual basis with responsibility for the ongoing consideration and implementation of the DIP with the Fund's Data Management Group.	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	N/A	0	6	6	6	6
43	Delayed Annual Benefit Statements and/or Pension Savings Statements (also known as Annual Allowance Statements)	Risk of complaints, TPR fines or other sanctions/reputational damaged caused by delays in issuing Annual Benefit Statements/Pensions Savings Statements. Possible delays caused by late employer returns, systems bulk processing issues and administration backlogs.	Improved processes, implementation of i-Connect, clear messages to support employers to provide prompt accurate information and exercises to trace addresses for missing deferred beneficiaries. Continued roll out of My Pension Online.	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	M/T	3	9	9	9	9
44	Insufficient technical knowledge	Failure to develop and 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	N/A	0	6	6	6	6
45	Impact of McCloud judgement on administration	MHCLG and the LGPS SAB recognise 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 is 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.	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 workstreams of: governance; case identification; staffing/resources; & communications. The Fund has identified the likely members in scope of the proposed remedy. The McCloud functionality within Altair has now been switched on to identify members affected by the underpin and to calculate any underpin amounts. The Fund has also developed a spreadsheet to enable team members to process Club transfers out of the Fund. McCloud training has been provided to all relevant members of the team.	3	4	12	Continue to collect information from employers on casual hours and upload it to member records. Continue to have regard to statutory guidance on prioritising the work on cases from MHCLG and evolving administrator guidance from the LGA.	HoP	2	4	8	S/T	4	12	12	12	12
46	Lack of two factor authentication for Member Self Service	The Fund is implementing My Pension Online (MPO) a member self-service solution to improve the quality and efficiency of the service it provides to its members. MPO allows 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 version of Aquila Heywood's MPO utilised by the Fund 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 noted by IGG.	3	2	6	The Fund is planning for the implementation of Aquila Heywood's Total Member Experience MPO product (Engage) which includes 2FA.	HoP/TLS	3	2	6	N/A	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	N/A	0	6	6	6	6

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48	Administration issues with AVC provider	Following the implementation of a new system, the Fund's AVC provider, Prudential, 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 has regular performance review meetings with Prudential and promptly raises any issues which require attention with the relevant Support Consultation. Administration performance statistics are monitored and discussed with Prudential.	2	3	6	The Fund will continue to work closely with Prudential to support the resolution of arising issues.	HoP/TLs	2	2	4	S/T	2	8	8	6	6
49	Failure to meet the required Pensions Dashboards deadlines	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. 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. The staging deadline for the LGPS has been confirmed as 31 October 2025. Schemes will be expected to meet the required standards (connectivity, security and technical) by the staging date and 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.	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.	3	3	9	The Fund will continue to keep up to date with developments in respect of PDP and will continue to investigate the connectivity options available whilst also continuing to focus on improving the quality of the Fund's data.	HOP/TL	3	2	6	M/T	3	9	9	9	9