Agenda Item No. 4 (b)

DERBYSHIRE COUNTY COUNCIL

PENSIONS AND INVESTMENTS COMMITTEE

28 April 2021

Report of the Director of Finance & ICT

DERBYSHIRE PENSION FUND RISK REGISTER

1 Purpose of the Report

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

2 Information and Analysis

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

The Risk Register is kept under constant review by the risk owners, with quarterly review by the Director of Finance & ICT. A copy of both the Summary and Main Risk Registers are attached to this report as Appendix 1 and Appendix 2 respectively. Changes from the previous quarter are highlighted in blue font.

Derbyshire Pension Board (the Board) recently undertook a detailed review of the Risk Register and proposed a small number of changes to the risks identified and a number of changes to some of the risk scores. A fresh review of the Risk Register by a different group of people has been very useful and the Board's suggestions have been taken into consideration in this quarterly update.

Risk Score

The risk score reflects a combination of the risk occurring (probability) and the likely severity (impact). 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.

Covid 19
The Fund's Business Continuity Plan has continued to work well and all of the Fund's critical activities have been maintained throughout the period of business disruption. Alternative processes set up to accommodate remote working, remain under review. The implications of the continuation of the current working arrangements for a longer period of time are being evaluated.

High Risk Items
The Risk Register has the following four high risk items:

(1) Fund assets insufficient to meet liabilities (Risk No. 18)

(2) LGPS Central related underperformance of investment returns (Risk No. 29)

(3) Impact of McCloud judgement on funding (Risk No. 36)

(4) Impact of McCloud judgement on administration (Risk No. 43)

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.

As part of the valuation exercise, the Pension Fund's Funding Strategy Statement (FSS) is reviewed, to ensure that an appropriate funding strategy is 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 Fund's 2020 FSS was approved by Committee in March 2020.

The Fund was 87% funded at 31 March 2016. Using a risk-based approach to determine the appropriate investment return assumption for reporting the whole Fund results, there was an improvement in the funding level of the Pension Fund to 97% at March 2019, with a reduction in the deficit from £564m to £163m. On a like-for-like basis of calculation, the funding level at March 2019 would have been approximately 92%.

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. Hymans Roberston (Hymans), the Fund's actuary, is shortly due to carry out an interim update on the funding position of the Pension Fund.

Whilst the Fund has a significant proportion of its assets in growth assets, the last two reviews of the Strategic Asset Allocation Benchmark 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.

LGPS Central Pool

The Fund is expected to transition the management of the majority 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 is expected to invest via LGPSC's pooled investment vehicles and transitioned its legacy UK corporate bond portfolio of around £300m into LGPSC's Global Active Investment Grade Corporate Multi-Manager Fund in March 2020, with a further £25m invested in the LGPSC product in January 2021.

LGPSC is a relatively new company which 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 meaningful role in the development of LGPSC, and has input into the design and development of the company's product offering 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 initially 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.

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. MHCLG published its proposed remedy related to the McCloud judgement in July 2020.

The proposed 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. It is also proposed that underpin protection will apply where a member leaves with either a deferred or an immediate entitlement to a pension (previously it just applied to immediate entitlements). The underpin will give the member the better of the 2014 Scheme CARE or 2008 final salary benefits for the eligible period of service.

The changes will be retrospective, which means that benefits for all qualifying leavers since 1 April 2014 will need to be reviewed to determine whether the extended underpin will produce a higher benefit. This will have a significant impact on the administration of the Scheme. Analysis by Hymans, suggests that around **1.2m** members of the LGPS, roughly equivalent to a quarter of all members, may be affected by the revised underpin. Locally it is estimated that around **26,000** members of the Fund are likely to fall into the scope of the proposed changes to the underpin.

Any increase in benefits for members will need to be funded by scheme employers. At a whole scheme level, Hymans estimate that total liabilities might increase by around **0.2%**, equivalent to around **£0.5bn** across the whole of the English and Welsh LGPS. This estimate is significantly less than the **£2.5bn** quoted in the MHCLG consultation. The difference is largely due to the materially higher pay growth assumption used by the Government Actuary's Department.

Hymans forecast that the impact of the remedy might be to increase average primary contributions by around **0.2%** of pay, with an increase in secondary contributions of around **0.1%** of pay. Whilst the impact at the whole scheme level is expected to be small, it may be material at an individual employer level. The impact on employers' funding arrangements is expected be dampened by the funding arrangements they have in place, however, it is likely there will be unavoidable upward pressure on contributions in future years.

With respect to the Government's cost control mechanism for public service pension schemes, HM Treasury (HMT) confirmed in February 2021 that it was 'un-pausing' the 2016/17 cost cap valuations, which will take into account the cost of implementing the McCloud remedy. HMT confirmed that any cost cap ceiling breaches will not result in benefit reductions, however, any cost floor breaches will be honoured, with any benefit increases taking effect from 1 April 2019.

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 funding risk relates to the risk of there being insufficient assets within the Fund to meet the increased liabilities. In line with advice issued by the SAB, the Fund's 2019 actuarial calculations were based on the current benefit structure, with no allowance made for the possible outcome of the cost cap mechanism or McCloud. However, an extra level of prudence was introduced into the setting of employer contribution rates to allow for the potential impact of the McCloud case. This has been clearly communicated to the Fund's employers in the valuation letters.

In the short term, the impact of the uncertainty caused by the McCloud case is greatest for exit payments and credits as, at a cessation event, the cost of benefits is crystallised. The 2020 Funding Strategy Statement includes an allowance for a 1% uplift in a ceasing employer's total cessation liability for cessation valuations that are carried out before any changes to the LGPS benefit structure are confirmed. The funding risk score will be reviewed when MHCLG's remedy is confirmed.

The administration risk relates to the enormous challenge that will be faced by administering authorities and employers in backdating scheme changes over such a significant period; this risk has been recognised by the SAB. Whilst the Fund already requires employers to submit information about changes in part-time hours and service breaks, the McCloud remedy may generate additional queries about changes since 1 April 2014; employers have, therefore, been asked to retain all relevant employee records. Aquila Heywood has provided the Fund with McCloud related tools for testing on the Altair system which would be used to identify, and subsequently bulk load, any required additional service history.

A McCloud Project Board has been set up to formalise the governance of this major project. The Fund will continue to keep up to date with news related to the McCloud remedy and the cost cap process from the Scheme Advisory Board, the Local Government Association, the Government Actuary's Department and the Fund's actuary.

New & Removed Items/Changes to Risk Scores

Two new risks have been added to the Risk Register this quarter and two risks have been removed. The risk scores for six existing risks have been changed.

New Risks

Failure to consider the potential impact of Environmental, Social and Governance (ESG) issues on investment portfolio (Risk No.22): The Fund is exposed to the risk of not assessing ESG issues when making investment decisions which could lead to investment underperformance and/or reputational damage to the Fund. To mitigate this risk, the Fund has developed a Responsible Investment Framework (the Framework) setting out the Fund's approach to incorporating ESG factors into investment decisions to better manage risk and support the generation of sustainable long term investment returns. The Framework was approved by the Pensions & Investments Committee in November 2020 following consultation with the Fund's stakeholders. The Fund actively monitors the ESG policies and practices of its investment managers, and reports on the stewardship activities of its key investment managers to Committee on a quarterly basis. The risk has been attributed an impact score of 4 (high) and a probability score of 2 (unlikely), giving an overall risk score of 8.

Administration issues with AVC provider (Risk No.46): Following the implementation of a new IT system, the Fund's AVC provider, Prudential, has experienced delays in processing and investing contributions, providing valuations and paying out claims which could lead to 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 company has confirmed that members will not suffer any financial detriment due to the delayed processing and investing of their contributions.

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 a member's retirement date are dealt with first. The Fund will continue to work closely with Prudential to support the resolution of outstanding issues. The risk has been attributed an impact score of 2 (low) and a probability score of 4 (probable), giving an overall risk score of 8.

Removed Risks

Conflicting exit payments legislation/Increased administration requirement related to exit payments: Following the disapplication of the exit payment cap and the revocation of the Restriction of Public Sector Exit Payment Regulations 2020, the risk of conflicting legislation and increased administration related to exit payments has been removed from the Risk Register.

Failure to comply with The Pensions Regulator (TPR) governance requirements: This risk has been removed as it is covered by Risk No. 3 - Failure to comply with regulatory requirements for governance.

Changes to Risk Scores

Failure to comply with regulatory requirements for governance (Risk No. 3): The probability score has been increased from 1 (rare) to 2 (unlikely) following a reconsideration of the risk, increasing the overall risk score from 4 to 8.

An effective investment performance management framework is not in place (Risk No.5): The impact score has been increased from 3 (medium) to 4 (high) following a reconsideration of the risk, increasing the overall risk score from 6 to 8.

Pension Fund financial systems not accurately maintained / Member or Officer fraud (Risk No.10): The impact score has been increased from 3 (medium) to 4 (high) following a reconsideration of the risk, increasing the overall risk score from 6 to 8.

Failure to consider the potential impact of climate change on investment portfolio and on funding strategy (Risk No.21): Following approval of the Fund's Climate Strategy and the completion of the first phase of transitions to the increased Global Sustainable Equities allocation, the probability score has been reduced from 3 (possible) to 2 (unlikely), reducing the overall risk score from 12 to 8.

LGPS Central Ltd fails to deliver the planned level of long term cost savings (Risk No.28): Following a reconsideration of the risk, the impact score has been reduced from 4 (high) to 3 (medium), and the probability score has been increased from 2 (unlikely) to 3 (possible), increasing the overall risk score from 8 to 9.

The UK's withdrawal from the EU results in high levels of market volatility or regulatory changes (Risk No.30): Following the UK's withdrawal from the EU the probability score has been reduced from 3 (possible) to 2 (unlikely), reducing the overall risk score from 9 to 6. The risk will remain on the Risk Register until the possible regulatory implications of the UK's withdrawal from the EU become clearer.

3 Other Considerations

In preparing this report the relevance of the following factors have been considered: financial, legal, human rights, human resources, equality and diversity, health, environmental, transport, property, and prevention of crime and disorder.

4 Officer's Recommendation

That the Committee notes the risk items identified in the Risk Register.

PETER HANDFORD

Director of Finance & ICT

Derbyshire Pension Fund Risk Register

Appendix 1

Date Last Updated **19-Apr-21**

Objectives

The objectives of the Risk Register are to:

- identify key risks to the achievement of the Fund's objectives;
- consider the risk identified; and
- access the significance of the risks.

Risk Assessment

Identified risks are assessed separately and assigned a risk score. The risk score reflects a combination of the risk occurring (probability) and the likely severity (financial impact).

A low risk classification is based on a 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 also includes the target score; showing the impact of the risk occurring once the planned risk mitigations and controls have been completed.

Risk Assessment	**Impact**	**Probability**
Level 1	Negligible	Rare
Level 2	Low	Unlikely
Level 3	Medium	Possible
Level 4	High	Probable
Level 5	Very High	Almost certain

Officer Risk Owners	
DoF	Director of Finance & ICT
HoP	Head of Pension Fund
TL	Team Leader
IM	Investments Manager

Summary of Risk Scores	
Low Risk	5
Medium Risk	37
High Risk	4
Total Risks	**46**

Risk Score	
0 - 4	Low Risk
5 - 11	Medium Risk
12 and above	High Risk

Summary of Risk Scores Greater Than Eight

Identification				*Current score*			*Target Score*					
Risk Ranking	*Main Risk Register No*	**Risk Area**	**High Level Risk**	*Impact*	*Probability*	*Current Score*	**Risk Owner**	*Impact*	*Probability*	*Target Score*	*Actual Minus Target Score*	*Previous Score*
1	18	Funding & Investments	Fund assets insufficient to meet liabilities / Decline in funding level / Fluctuations in assets & liabilities	4	3	12	HoP/IM	4	2	8	4	12
2	29	Funding & Investments	LGPS Central related underperformance of investment returns - failure to meet investment return targets against specified benchmarks	4	3	12	HoP/IM	4	2	8	4	12
3	36	Funding & Investments	Impact of McCloud judgement on funding	3	4	12	HoP	3	3	9	3	12
4	43	Pensions Administration	Impact of McCloud judgement on administration	3	4	12	HoP	2	4	8	4	12
5	1	Governance & Strategy	Failure to implement an effective governance framework	5	2	10	DoF/HoP	5	1	5	5	10
6	2	Governance & Strategy	Failure to recruit and retain suitable Pension Fund staff/Over reliance on key staff	3	3	9	HoP	3	2	6	3	9
7	4	Governance & Strategy	Pensions & Investments Committee (PIC)/Pension Board (PB) members lack of understanding of their role & responsibilities leading to inappropriate decisions.	3	3	9	HoP	3	2	6	3	9
8	15	Governance & Strategy	Failure to comply with General Data Protection Regulations (GDPR)	3	3	9	HoP/IM/TL	3	2	6	3	9
9	16	Governance & Strategy	Failure to communicate with stakeholders	3	3	9	HoP/IM/TL	3	2	6	3	9
10	18	Governance & Strategy	Risk of challenge to Exit Credits Policy	3	3	9	HoP	3	2	6	3	9
11	23	Funding & Investments	Covenant of new/existing employers. Risk of unpaid funding deficit	3	3	9	HoP/TL	3	2	6	3	9
12	25	Funding & Investments	Employer contributions not received and accounted for on time	3	3	9	HoP/TL	3	1	3	6	3
13	28	Funding & Investments	LGPS Central Ltd fails to deliver the planned level of long term cost savings	3	3	9	HoP/IM	3	2	6	3	8
14	41	Pensions Administration	Delayed Annual Benefit Statements and/or Pension Savings Statements (also know as Annual Allowance Statements)	3	3	9	HoP/TL	3	1	3	6	6
15	3	Governance & Strategy	Failure to comply with regulatory requirements for governance	4	2	8	HoP	4	1	4	4	4
16	5	Governance & Strategy	An effective investment performance management framework is not in place	4	2	8	HoP/IM	4	2	8	0	6
17	10	Governance & Strategy	Pension Fund financial systems not accurately maintained/Member or Officer fraud	4	2	8	HoP	4	1	4	4	6
18	13	Governance & Strategy	Systems failure/Lack of disaster recovery plan/Cyber attack	4	2	8	HoP/IM/TL	4	1	4	4	8
19	16	Governance & Strategy	Failure of internal/external suppliers to provide services to the Pension Fund due to business disruption	4	2	8	HoP/IM	4	2	8	0	8
20	19	Funding & Investments	Mismatch between liability profile and asset allocation policy	4	2	8	HoP/IM	4	2	8	0	8
21	20	Funding & Investments	An inappropriate investment strategy is adopted/Investment strategy not consistent with Funding Strategy Statement/ Failure to implement adopted strategy and PIC recommendations	4	2	8	HoP/IM	4	2	8	0	8
22	21	Funding & Investments	Failure to consider the potential impact of climate change on investment portfolio and on funding strategy	4	2	8	HoP/IM	4	2	8	0	12
23	22	Funding & Investments	Failure to consider the potential impact of Environmental, Social and Governance (ESG) issues on investment portfolio	4	2	8	HoP/IM	4	2	8	0	N/A
24	26	Funding & Investments	The LGPS Central investment offering is insufficient to allow the Fund to implement its agreed investment strategy	4	2	8	HoP/IM	4	1	4	4	8
25	27	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	4	2	8	HoP/IM	4	2	8	0	8
26	39	Pensions Administration	Insufficient cyber-Liability Insurance relating to the pensions administration system	4	2	8	HoP	4	2	8	0	8
27	46	Pensions Administration	Adminstration issues with AVC provider	2	4	8	HOP/TLs	2	2	4	4	N/A

Derbyshire Pension Fund Risk Register

Date Last Updated **19-Apr-21**

Risk Number	Description: High Level Risk	Description of risk and potential impact	Current score: Impact	Probability	Current Score	Risk Mitigation Controls & Procedures: Current	Proposed	Risk Owner	Target Score: Impact	Probability	Target Score	Actual Minus Target Score	Previous 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.	5	2	10	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 Commissioning, Communities & Policy 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 will also be 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. Arrangements have been developed to facilitate virtual PIC and virtual PB meetings for occasions when physical meetings are not possible.	Arrangements are being developed to enable PB members without .gov.uk addresses to fully participate in virtual PIC meetings (noting that physical PIC meetings are expected to resume after May 21).	DOF/HoP	5	1	5	5	10
2	Failure to recruit and retain suitable Pension Fund staff/Over reliance on key staff.	Lack of planning, inadequate benefits package, remote 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 amplied during a period of business disruption.	3	3	9	Knowledge sharing takes place through Pension Fund governance groups including: Pension Officer Managers (POM); Regulation Update Meeting (RUM); Data Management; and Backlog Management, targeted internal training sessions, team briefings, internal communications and My Plans. The Fund also works with the LGA to support the development of Fund training and utilizes Heywood's TEC online training facilities. A Pension Fund Plan is available to all members of POM and includes a brief summary of the main onoing 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. In response to the COVID 19 outbreak, members of the Fund's management team are working in different locations, and managers are in regular contact with their teams. The Pension Fund Plan is being updated on a more regular basis to ensure that all members of POM are up to date with all Pension Fund activities.	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.	HoP	3	2	6	3	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.	4	2	8	DPF maintains current PIC approved versions of: Administering Authority Discretions; Admission, Cessation & Bulk Transfer Policy; Communications Policy Statement; Exit Credits Policy; Governance Policy & Compliance Statement, Funding Strategy Statement, Investment Strategy Statement, Pension Administration Strategy. Governance framework includes PIC and Pension Board. Appointment of third party advisor and actuary. Annual Report and Accounts mapped to CIPFA guidance. Fund membership of LAPFF. Internal and External Audit. Member training programme.	Regular review / Maintain central log of governance policy statements for the whole Fund.	HoP	4	1	4	4	4
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.	3	3	9	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.	On-going roll out of Member Training Programme in line with CIPFA guidance. Targeted training for 'new' subjects being considered by PIC.	HoP	3	2	6	3	9
5	An effective investment performance management framework is not in place	Poor investment performance goes undetected / unresolved.	4	2	8	PIC training; external performance measurement is reported to committee on a quarterly basis; Pension Board oversight of the governance of investment matters; My Plan Reviews. Review of the Pension Fund performance Dashboard.		HoP/IM	4	2	8	0	6
6	An effective pensions administration performance management framework is not in place	Poor pensions administration performance / service goes undetected / unresolved.	3	2	6	PIC training; Half year pension administration KPI reporting in line with Disclosure Regulations reviewed by PIC and DoF; My Plan Reviews. An Operations Development Project has been started to review workflows, letters and KPIs. The Project started with Deaths and will then move onto Retirements. 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.	Output from the Operations Development Project to be incorporated in processes and target setting.	HoP/TL	3	2	6	0	6
7	An effective PIC performance management framework is not in place	Poor PIC performance goes undetected / unresolved.	3	2	6	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.	Training as above (Risk No. 4).	HoP/IM	3	2	6	0	6
8	Failure to identify and disclose conflicts of interest	Inappropriate decisions for personal gain.	3	1	3	Members Declaration of Interests. Officer conflict of interest declarations in respect of investment pooling. Officer disclosure of personal dealing and hospitality.Investment Compliance incorporated into updated Investments Procedures & Compliance Manual. Fund Conflicts of Interest Policy approved by PIC in November 2020.	Procedures are being developed to implement the Fund's Conflicts of Interest Policy.	HoP	3	1	3	0	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.	3	2	6	Risk Register maintained, reviewed on a regular basis, discussed at formal and informal POMs and reported to PIC quarterly and to PB meetings. PB to review the Risk Register in detail on an annual basis.	PB to review the Risk Register in detail on an annual basis.	HoP/IM	3	2	6	0	6

Risk Number	Description: High Level Risk	Description of risk and potential impact	Current score: Impact	Probability	Current Score	Risk Mitigation Controls & Procedures: Current	Proposed	Risk Owner	Target Score: Impact	Probability	Target Score	Actual Minus Target Score	Previous Score
10	Pension Fund financial systems not accurately maintained / Member or Officer fraud	Member or officer fraud, financial loss and reputational damage.	4	2	8	Creation and documentation of Internal controls; internal/external audit; monthly key control account reconciliations; on-going training & CIPFA updates.	Development of Fund-wide Procedures Manual.	HoP	4	1	4	4	6
11	Pension Fund accounts not properly maintained	Unfavourable audit opinion, financial loss, loss of stakeholder confidence and reputational damage.	3	2	6	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.		DoF/HoP	3	2	6	0	6
12	Lack of robust procurement processes leads to poor supplier selection and legal challenge	Breach of Council Financial Regulations & reputational damage.	3	1	3	Database of external contracts maintained; Compliance with Financial Regulations; Procurement due diligence; Procurement advice.	Quarterly review of all contracts.	HoP	3	1	3	0	6
13	Systems failure / Lack of disaster recovery plan / Cyber attack	Service failure, loss of sensitive data, financial loss and reputational damage.	4	2	8	Robust system maintenance; Password restricted to IT systems; IGG Compliance; Business continuity plan.	Review of Cyber Security Arrangements/Policies. Enhanced Data Management Procedures document to include section on cyber crime/cyber risk. Mapping exercise to be undertaken to map where the Fund's data is held, on what systems, how it is combined and how and where it moves. Review of the information security arrangements of 3rd party suppliers to the Fund to be undertaken.	HoP/IM/TL	4	1	4	4	8
14	Failure to comply with General Data Protection Regulations (GDPR)	Breaches in data security requirements could result in reputational damage and significant fines.	3	3	9	Privacy Notices and Memorandum of Understanding completed and published. GDPR Implementation Plan completed. GDPR requirements included in the Data Improvement Plan. Document Retention Schedule review completed. Data Breach Procedure developed.The Fund's GDPR Working Group has been widened out to become a Data Management Working Group.	Further develop the Fund's Data Breaches Procedure incorporating lessons learnt from any data breaches and to include guidance on the practicalities of dealing with a breach beyond the initial reporting requirements. This will be included in a wider Data Management Procedures document which will include guidance to Fund officers on how the data protection rules should be applied to inform decisions and day to day working practices with respect to processing personal data in order to avoid data breaches. 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
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 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 disengagment between members and the Fund, financial impacts for members, and reputational damage to the Fund.	3	3	9	Communications Policy considered 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 will be 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.	Stage 2 of the development of the pension administration system will include interactive functionality and access to ABSs and monthly pay information. Registration will enable Fund members to access more information to improve their general understanding and support them with pension planning.	HoP/IM/TL	3	2	6	3	9
16	Failure of internal/external suppliers to provide services to the Pension Fund due to business disruption.	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.	4	2	8	The business continuity arrangements of all of these providers have been sought and received by the Pension Fund. During the COVID 19 outbreak to date, continuity arrangements have worked well.	The Fund will keep up to date with the continuity arrangments of these providers and will continue to assess the risk of exposure to particular organisations/providers.	HoP/IM	4	2	8	0	8
17	Risk of challenge to Exit Credits Policy.	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.	3	3	9	Legal and actuarial advice was sought in the forumulation of the Fund's Exit Credit Policy and has been sought to assist the Fund's first exit credit determination.	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

Funding & Investments

Risk Number	Description: High Level Risk	Description of risk and potential impact	Current score: Impact	Probability	Current Score	Risk Mitigation Controls & Procedures: Current	Proposed	Risk Owner	Target Score: Impact	Probability	Target Score	Actual Minus Target Score	Previous Score
18	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.	4	3	12	Actuarial valuations and determination of actuarial assumptions; Funding Strategy Statement; Annual funding assessment (under review under new risk based valuation method); 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.	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
19	Mismatch between liability profile and asset allocation policy	Inaccurate forecast of liabilities / inappropriate Strategy leading to cashflow problems.	4	2	8	Actuarial reviews; Funding Strategy Statements; Annual funding assessment; Review by PIC; ISS ; Asset allocation reviews; Cash flow forecasting.	The Fund's actuary is due to undertake a cashflow foreasting exercise for the Fund.	HoP/IM	4	2	8	0	8
20	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.	4	2	8	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 following consultation with the Fund's stakeholders. A separate RI Framework and a separate Climate Strategy were also approved by PIC in November 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.		HoP/IM	4	2	8	0	8

Risk Number	Description		Current score			Risk Mitigation Controls & Procedures			Target Score				
	High Level Risk	Description of risk and potential impact	Impact	Probability	Current Score	Current	Proposed	Risk Owner	Impact	Probability	Target Score	Actual Minus Target Score	Previous Score
21	Failure to consider the potential impact of climate change on investment portfolio and on funding strategy.	Failure to consider 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.	4	2	8	Climate Risk Report procured from LGPS Central Ltd - received in February 2020. Discussed with Fund officers. 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. Climate Risk Report and TCFD report presented to PIC in March 2020. Climate change risk discussed with the Fund's actuary as part of the 2019 triennial valuation process. Climate Strategy setting out the Fund's approach to addressing the risks and opportunities related to climate change forumulated 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 have taken place in January 2021 which will support the delivery of the targets included in the Climate Strategy for reducing the carbon footprint of the listed equity portfolio by at least 30% relative to the weighted benchmark in 2020 by the end of 2025 and investing at least 30% of the Fund portfolio in low carbon & sustainable investments by the end of 2025.	The second phase of the transitions to increase the allocation to Global Sustainable Equities will take place later in 2021. The carbon footprint & the low carbon and sustainable investment targets will be reviewed in 2023.	HoP/IM	4	2	8	0	12
22	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.	4	2	8	Responsible Investment Framework setting out the Fund's approach to ESG approved by PIC on Nov-20 following consultation with stakeholders. Ongoing monitoring of investment manager ESG policies and practices, including preparation of quarterly PIC Stewardship Report setting out the stewardship activities of the Fund's key investment managers.	Work ongoing to assess compliance with the updated UK Stewardship Code - the UK Stewardship Code (2020).	HoP/IM	4	2	8	0	N/A
23	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/extreme market volatility.	3	3	9	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. Four members of the team have attended employer covenant training and the Fund has liaised closely with other LGPS on this matter. An Employer Risk Management Framework has been developed and Health Check Questionnaires were 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.	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. Analysis will continue to be carried out on the information received via the completed Health Check Questionnaires and outstanding information will continue to be sought from relevant employers. 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.	HoP/TL	3	2	6	3	9
24	Unaffordable rise in employers' contributions	Employer contribution rates could be unacceptable/unaffordable to employers leading to non-payment/delayed payment of contributions.	3	2	6	Consideration of employer covenant strength / scope for flexibility in actuarial proposals.	The process for reviewing employer contribution rates outside of the actuarial valuation process will be considered during the formulation of a policy to implement the new powers for administering authorities (introduced via the Local Government Pension Scheme (Amendment) (No.2) Regulations 2020) to review employer contributions, spread exit payments and introduce new deferred debt agreements and deferred employer status.	HoP/TL	3	2	6	0	6
25	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, satistying 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.	3	3	9	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. In response to the COVID 19 outbreak, the Fund has reminded employers of their responsibility to provide information and pay contributions by relevant deadlines.	Late payment charges-applied to underperforming employers will be disclosed via PIC Reports and Employer Newsletters. In response to the COVID 19 outbreak, the Fund will continue to keep in close contact with employers and will deal with any employer requests on a case by case basis.	HoP/TL	3	1	3	6	3
26	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.	4	2	8	Continue to take a meaningful role in the development of LGPS Central; On-going HoP/IM 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.	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	4	8
27	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.	4	2	8	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.	Obtain robust forecasts of transition cost as part of business case for transitioning into an LGPSC sub-fund. Continue to update control procedures now that LGPS Central has been launched and reporting structures have been established. 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/IM	4	1	4	4	8

Risk Number	Description: High Level Risk	Description of risk and potential impact	Current score: Impact	Probability	Current Score	Risk Mitigation Controls & Procedures: Current	Proposed	Risk Owner	Target Score: Impact	Probability	Target Score	Actual Minus Target Score	Previous Score
28	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).	3	3	9	Review and challenge annual budget and changes to key assumptions; Review, challenge and validate LGPS Central product business cases; Quarterly update of the cost savings model; 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 LGPC Central Ltd.	Update control procedures now that LGPS Central Ltd has been launched and reporting structures have been established. Continue to take a meaningful role in PAF. Support the Chair and Vice-Chair of the PIC to enable them to participate fully in the Joint Committee.	HoP/IM	3	2	6	3	8
29	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.	4	3	12	Continuing 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; Quarterly performance monitoring reviews at both a DPF and Joint Committee level. 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.	Ensure the Partner Funds priorities for determining the sub-fund launch timetable listed under 26. are regularly assessed and applied. Investigate alternative options if any underperformance is not addressed.	HoP/IM	4	2	8	4	12
30	The UK's withdrawal from the EU results in high levels of market volatility or regulatory changes	Failure to identify and mitigate key risks caused by outcome of the UK's decision to withdrawal from the EU.	3	2	6	Continual monitoring of asset allocation and performance by investment staff and quarterly monitoring by PIC. Keep up to date with developments with respect to the UK's relationship with the EU and the implications for the Fund's investment strategy. There are no proposed or imminent amendments to proposed LGPS Investment Pooling as a result of the UK's withdrawl from the EU.	Monitor regulatory changes, and continually monitor asset allocation.	HoP/IM	3	2	6	0	9
31	Failure to maintain liquidity in order to meet projected cash flows	Failure to maintain sufficient liquidity to meet projected cashflows which could lead to financial loss from the inappropriate sale of assets to generate cash flow. The risk is amplified during periods of market volatility/dislocation.	3	2	6	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.	The Fund's actuary is due to undertake a cashflow foreasting exercise for the Fund.	HoP/IM	3	2	6	0	6
32	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.	4	1	4	Opt-up process complete; no issues identified.	Monitor ability to maintain opt-up status.	HoP/IM	4	1	4	0	4
33	Inadequate delivery and reporting of performance by internal & external investment managers	Could lead to expected investment returns not being achieved.	3	2	6	Rigorous manager selection; Quarterly PIC performance monitoring; Asset class performance reported to PIC; Internal Investments Manager performance reviewed by HoP; My Plan reviews.	Updating the Investment Compliance Manual & Procedures Manual.	HoP/IM	3	2	6	0	4
34	Investments made in complex inappropriate products and or unauthorised deals	Could lead to loss of investment return/assets.	4	1	4	Clear mandate for internal and external Investment Managers; Compliance Manual; HoP signs off all new investment; PIC approval required for unquoted investments in excess of £25m; PIC quarterly reports; On-going staff training and CPD; My Plans.	Updating Investment Compliance Manual & Procedures Manual	HoP/IM	4	1	4	0	4
35	Custody arrangements are insufficient to safeguard the Funds investment assets	Could lead to loss of investment return/assets.	4	1	4	Regular internal reconciliations to check custodian records / Regular review of performance / Periodic procurement exercises.		HoP/IM	4	1	4	0	4
36	Impact of McCloud judgement on funding	The LGPS Scheme Advisory Board (SAB) announced a pause in the cost cap process for the LGPS pending the outcome of the McCloud case (transitional protections). Following the publication of the proposed McCloud remedy for consultation, SAB is considering its options regarding the pause of its cost cap process. It is proposed that the McCloud remedy in the LGPS will be backdated to the commencement of transitional protections (April 2014). For cost cap changes the Government has stated its intention to apply these from April 2019. There is, therefore, uncertainty regarding the level of benefits earned by members from 1st April 14. The funding risk relates to the risk of there being insufficient assets within the Fund to meet the increased liabilities. In the short term, the impact of this uncertainty is greatest for exit payments and credits as at a cessation event, the cost of benefits is crystallised. MHLCLG published a consultation on its proposed McCloud remedy in July 2020. The proposed 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. It is also proposed that 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 eligble period of service. All leavers since 2014 will need to be checked against the new underpin. The remedy is not expected to be implemented before the end of the financial year 2020/21. Therefore, issues around FRS102 and audit will once again need to be addressed.	3	4	12	Keeping up to date with news from the Scheme Advisory Board, the LGA, the Government Actuary's Department and the Fund's Actuary. The Actuary has made an estimate of the potential impact of the judgement on the Fund's liabilities. The Government Actuary's Department (GAD) has estimated that the impact for the LGPS as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. The Fund's actuary has adjusted GAD's estimate to better reflect the Derbyshire's Funds local assumptions, particularly salary increases and withdrawal rates. The revised estimate as it applies to the Derbyshire Pension Fund is that total liabilities (i.e. the increase in active members' liabilities expressed in terms of the employer's total membership) could be around 0.5% higher as at 31 March 2020, an increase of approximately £31.1m. The impact on employers' funding arrangements will likely be dampened by the funding arrangements they have in place. A paper was procured from the Fund's actuary to inform a discussion on the how the Fund should allow for McCloud in funding decisions. In line with advice issued by SAB, the 2019 valuation calculations have been based on the current benefit structure. No allowance has been made for the possible outcome of the cost cap mechanism or the McCloud case, although an extra level of prudence has been introduced in the setting of employer contribution rates to allow for the potential impact of the McCloud case. This has been clearly communicated to employers in the valuation letters. The 2020 Funding Strategy Statement includes an allowance for a 1% uplift in a ceasing employer's total cessation liability for cessation valuations that are carried out before any changes to the LGPS benefit structure are confirmed.	Contribution rates may need to be revisited once the McCloud/cost cap uncertainty is resolved.	HOP	3	3	9	3	12
Pensions Administration													
37	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.	3	2	6	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.	Consider legal support options e.g. legislation databases, continued DCC provision vs 3rd party provider etc.	HoP	3	1	3	3	6
38	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.	3	2	6	The Altair system has achieved 'Business as Usual' status. SLAs are in place with the provider as well an established fault reporting system, regular client manager meetings and a thriving User Group. The provider has a robust business continuity plan.	Ensure Business Continuity Plan is subject to regular review.	HoP/TL	3	1	3	3	9

	Description		Current score			Risk Mitigation Controls & Procedures			Target Score				
Risk Number	**High Level Risk**	**Description of risk and potential impact**	**Impact**	**Probability**	**Current Score**	**Current**	**Proposed**	**Risk Owner**	**Impact**	**Probability**	**Target Score**	**Actual Minus Target Score**	**Previous Score**
39	Insufficient cyber-liability insurance relating to the pensions administration system	The contract with the system supplier limits a cyber liability claim to £2m, with a further £3m of cover provided through DCC's insurance arrangements. A catastrophic breach where scheme members' data is used fraudulently could lead to a claim in excess of the insurance cover.	4	2	**8**	DCC Internal Audit has carried out detailed testing of the supplier's data security arrangements. Combined DCC liability insurance of £5m.	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**	**0**	**8**
40	Data quality inadequate	Incorrect benefit calculations, inaccurate information for funding purposes leading to possible complaints/ fines/reputation damage/uninformed decision making.	3	2	**6**	Apply current and short term measures in the Data Improvement Plan. 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.	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**
41	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 and administration backlogs.	3	3	**9**	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.	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.	HoP/TL	3	1	**3**	**6**	**6**
42	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.	3	2	**6**	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.	Skills gap audit / formal training programme / Staff Development group/My Plan reviews.	HoP	3	2	**6**	**0**	**6**
43	Impact of McCloud judgement on administration	The LGPS SAB recognises the enormous challenge that could be faced by administering authorities and employers in potentially backdating scheme changes over a significant period. A full history of part time hour changes and service break information from 1st Apr 14 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. 36 for further information on the McCloud judgement.	3	4	12	Keeping up to date with news from the Scheme Advisory Board, the LGA, the Government Actuary's Department and the Fund's Actuary. Liasing with the provider of the Fund's pension administration system as they develop their bulk processes for implementing the McCloud remedy. Although the Fund has continued to require employers to submit information about changes in part-time hours and service breaks, the McCloud remedy may generate additional queries about changes since 1 Apr 14; employers have, therefore, been asked 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. A response to the MHCLG consultation on Amendements to the Statutory Underpin was submitted by the Fund. Tools have been provided by Aquila Heywood for testing on Altair which would be used to identify and subsequently bulk load any required additional service history.	Forumulate a detailed plan of how to deal with the scheme changes as soon as they are confirmed and it is clear what bulk processes the provider of the pension administration system will be putting in place.	HoP	2	4	**8**	4	**12**
44	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.	3	2	6	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.	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
45	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 that 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.	2	3	6	The Fund is keeping up to date with developments on the implications of this ruling for the LGPS.	Further mitigating controls/procedures will be developed when more is known about this recently emerged risk.	HoP/TLs	2	3	6	0	6
46	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.	2	4	8	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).	The Fund will continue to work closely with Prudential to support the resolution of outstanding issues.	HoP/TLs	2	2	4	4	N/A