

Funding														
Objective	High Level Risk	Detailed Risk	Impact	Likelihood	Pre-control Risk Score	Controls	Source of Assurance	Impact	Likelihood	Post-control Risk Score	Review Date	Change Description	Outcome of Review /Changes made	Owner
3.1 To ensure the Fund has sufficient money to meet its financial commitments in the short term	3.1 Failure to ensure the Fund has sufficient money to meet its payment commitments including benefits, transfers, and investment decisions in the short term	Failure to plan and monitor cash flows daily /monthly /quarterly or to take account of significant regular income/payments or the impact of investment decisions.	4	3	12	Plan and monitor cash flows daily /monthly /quarterly (SAA) including regular benefit outflows and the impact of investment decisions	Cash forecast exists, Cash flows are monitored, Short term borrowing available if required, Pension fund is assessed on a going concern basis (plus EY).	4	2	8	ongoing			TB
		Failure to report cash forecast to Pensions Panel quarterly	2	3	6	Cash forecast reported to the Pensions Panel quarterly	Pension Panel report	2	2	4	Quarterly			TB
		Failure to have appropriate treasury management annual investment strategy approved by the Pensions Panel annually, with due regard to the balance between security, liquidity and yield	4	3	12	Appropriate treasury management strategy with due regard to the balance between security, liquidity and yield approved, also within the ISS cash management strategy.	Treasury Management Strategy report to Pension Panel, Audit	3	2	6	Annual			TB
		Failure to implement the treasury management strategy or to monitor and review implementation	4	3	12	Treasury management staff are qualified, aware of the strategy, operate with the prescribed limits and are appropriately trained (CPD)	Implementation reviewed regularly by the Treasury Management Panel, Audit, Treasury Management adviser.	3	2	6	Ongoing			TB
		Failure to consider the forecast cash flow position of the scheme from the valuation and whether the scheme is cash flow positive in the medium term	4	3	12	Review cash flows from Actuarial valuation and Strategic Asset Allocation, monitor whether scheme is cash flow positive in the medium term (3-5 years)	Actuarial valuation report to Pensions Committee, Pensions Board, ISS, FSS, Annual Accounts, Audit going concern assesment, SAA review (3yrs, Quarterly).	3	2	6	Triennial			MS
		LGPS regulation changes in relation to Valuation cycle, exit cap, fair deal, McCloud, Goodwin Case and cost cap. Processing and funding issues (see duplicated on Admin tab)	3	5	15	Factored in actuarial valuation	Minimal impact on fundig levels, measured through Actuarial valuation, HEAT, FSS, LGA, Scheme advisory board, Hymans advice.	2	4	8	ongoing	Review and monitor legislative changes		MS/JW/SJ
3.2 To ensure the solvency of the scheme i.e. to ensure the Fund has sufficient money to meet its benefit outflow (minimum 100% funded in long term)	3.2 Failure to ensure the solvency of the Fund i.e. to ensure it has sufficient money to meet its benefit outflow in the long term (minimum 100% funded in long term)	Failure to procure an Actuary to carry out an independent valuation of the Fund in accordance with regulations	5	3	15	Regulatory requirement to appoint an independent actuary and to carry out an actuarial valuation every 3 years.	Actuarial report produced by independent actuary, Pension Board, GAD. Current Actuary appointed until 2024.	3	2	6	Triennial			MS
		Failure to target 100% funding in the long term	5	2	10	Stochastic modelling of outcomes gives an acceptable chance of 100% funding in the long term	No issues identified by GAD in respect of actuarial or investment assumptions under their Section 13 analysis	3	3	9	Triennial	Increased liklihood due to pending 2022 valuation.		MS
		Failure to identify the extent to which assumptions for demography, pay, inflation or investment returns (including the impact of climate change) explain any funding deficit arising from the previous valuation and to consider whether the assumptions for the current valuation are prudent	4	4	16	Valuation assumptions are prudent. An assumptions paper was received from the Actuary for the 2019 Valuation, this compared the 2019 assumptions with those used in the 2016 Valuation.	No issues identified by GAD in respect of actuarial or investment assumptions under their Section 13 analysis, Pension Board. Club Vita. Actuarial assumptions paper presented to Pensions Committee.	4	4	16	Triennial	Increased liklihood due to pending 2022 valuation and current volatility in assumptions.		MS

3.3 To ensure the long term cost efficiency of the scheme	3.3 Failure to set contribution rates that ensure the long term cost efficiency of the scheme	Failure to monitor the funding position during inter valuation period and to report to Pension Committee including changes in liabilities	4	3	12	Consider monitoring funding position during the inter valuation period, on a desktop basis or commission interim valuation for certain employers. Actuary statement in Annual Accounts.	Report to Committee, Pension Board, Pension Fund Annual Accounts, External Audit. HEAT will provide current asset information, liabilities changes will be unknown, GAD, Acces to hymans online funding tool and internal covenant monitoring system.	4	2	8	Annual	Greater use of HEAT to flag changes in assets and employer numbers. Risk score could be reduced further by introducing interim valuations, cost outweighs benefit currently. Covenant monitoring will assist.	HEAT now fully impliamented and assiting Hymans	MS
		Failure to ensure that reductions in payroll do not cause insufficient deficit recovery payments by splitting contribution rates into variable and cash component parts	4	4	16	Ensure that significant changes in staffing levels as a result of austerity do not result in less income from contributions	Funding Strategy explicitly addresses the split of contribution rates into variable and cash component parts where there is a risk of significant staff reductions. Greater use of Heat, Covenant monitoring, Hymans online FLR	2	2	4	Triennial	Greater use of HEAT will provide information on falling payrolls. Covenant monitoring includes cashflow analysis.		MS
		Failure to ensure that contribution rates set by stochastic modelling are such as to achieve the long term cost efficiency of the scheme	4	4	16	Actuary is procured who carry out Stochastic modelling of outcomes demonstrates Consistant or improved funding outcome from the valuation. Any exceptions are clearly documented – e.g. specific deals with individual bodies where for example affordability may conflict with long term cost efficiency	No issues identified by GAD in respect of contribution rate assumptions under their Section 13 analysis, Central government cost cap reviews, SAB annual LGPS report.	3	2	6	Triennial	Certainty is more difficult currently due to unknown impact of McCloud and Goodwin ruling (expected to be minimal at a total fund level).		MS
		Failure to document in the Funding Strategy Statement the basis on which the long term cost efficiency of the scheme will be achieved or to identify any exceptions	4	4	16	Actuary certified funding strategy is in place following the Triennial valuation, Funding Strategy is consulted on before implementation.	Funding Strategy Statement is up to date and reflects current practice and legislative change, Pension Board, Pensions Committee.	4	3	12	Triennial	May need to review FSS following triennial valuation.		MS
3.4 It is desirable that contributions are as stable as possible	3.4 Failure to set contribution rates that are relatively stable in order to ensure that pensions do not unnecessarily disrupt Local Authority capacity to deliver local services (subject to achieving solvency and long term cost efficiency)	Failure to use stochastic modelling (or other smoothing methodology) to set contribution rates that are relatively stable to ensure the delivery of local services is not unnecessarily disrupted by significant changes in contribution rates	4	4	16	Use stochastic models (which take into account changes in assumptions) to smooth out changes in contribution rates (stabilisation)	Consultation responses on Funding Strategy; meetings with employers; Central government/Tax payer underpin	4	4	16	Triennial	Increase in likelihood due to upcoming 2022 valuation		MS
3.5 It is desirable that contribution rates are affordable commensurate with risk and meeting the funding objective	3.5 Failure to set contribution rates that are affordable to employing bodies such that it disrupts their services or pushes them into receivership (commensurate with achieving solvency and long term cost efficiency)	Failure to have an investment strategy designed to keep contribution rates affordable (e.g. invested substantially in growth assets)	4	4	16	Investment Strategy designed to keep contributions affordable (subject to return on assets matching actuarial assumptions). Actuary's modelling of funding strategy and investment strategy (ALM) in tandem for 2022 valuation.	Strategic Asset Allocation documented in ISS and monitored quarterly by Pensions Panel, Investment consultant, Funding Strategy Statement and actuarial valuation report.	4	4	16	Annual	Increase in likelihood due to upcoming 2022 valuation		MS, Panel
		Failure to consult with employing bodies on the Funding Strategy	3	3	9	Consultation with Employing bodies	Responses from employers to consultation on Funding	2	2	4	Triennial			MS/JW

3.6 To ensure that the existing and prospective liabilities arising from circumstances unique to different scheme employers are taken into account by the Actuary	3.6 Failure to identify, monitor and reflect the unique characteristics of employer's liabilities for example maturity in setting contribution rates including those employing bodies getting close to having no active members	Failure to inform employing bodies fully so that they understand the outcome of the valuation	4	3	12	Formal consultation with Employing bodies in place (Employers Pensions AGM, Practitioners meetings, communications etc.)	Responses to valuation outcome, Employers Forum and responses to consultation, opportunity to discuss with scheme actuary and concerns.	3	2	6	Triennial		MS/JW
		Failure to reflect the unique characteristics of each employer by keeping complete and accurate data for each employing body	4	5	20	Monitor data to ensure Actuary receives accurate scheme data, Hymans portal Data integrity checks	Reports produced for the pensions regulator, Actuarial statement of data quality and club VITA report, Acceptable Audit reports, HEAT, Haywoods data cleansing report, Hymans Data Portal, Iconnect gives monthly updates.	3	5	15	Dec-22	I Connect, increased regulator compliance reporting and HEAT should increase visibility. McCloud increases risk of incorrect data, due to overwriting data.	MS/JW
		Failure to take account of employer characteristics including funding and maturity measures in setting contribution rates	4	4	16	Employer profiling Report from the Actuary takes account employer characteristics	Outcome and consistency of valuation reports, HEAT, inter valuation contribution rates reviews now allowed under regulation, covenant monitoring will help.	3	4	12	Dec-22	I Connect, increased regulator compliance reporting. Introduction of Covenant monitoring and review of high risk employers propr to valuation outcome.	MS/JW
		Failure to protect the Fund and scheme employers from excess repayments of funding surpluses following the cessation of contractor admission agreements, (in accordance with changes to the LGPS regulations from May 2018). There is a risk that contractors will attempt to exit contracts early in order to access surplus payments	3	4	12	Regular funding reviews with appropriate revisions to employer contribution rates, Exit credit policy and discretions, FSS, Passthrough is now the default option for contractor admission agreements.	Regular actuarial reporting, results of fund valuations, currency of Funding Strategy Statement. Monitoring of contract end dates	3	2	6	Dec-22	Exit Policy now in Place	MS
		Failure to have a Covenant Monitoring process in place to take into account the long term financial stability of employers of the fund.	4	4	16	Online FLR in place, employer profiling system developed.	Annual review of employer covenants, Actuary, triennial valuation, employer profiling report	4	3	12	Dec-22	Fully introducing new system to review ongoing employer funding and risk levels, including review of external system providers	Initial Employer profiling MS/JW
3.7 To ensure the Fund is protected from any employer failing to meet its liabilities to the Fund	3.7 Failure to protect the Fund from an employer failing to pay any amounts due including contributions or cessation payments	Failure to identify employers that may be close to having no active members	3	5	15	Valuation identifies employers close to having no actives, employer profiling system.	Valuation risk analysis as documented in the Funding Strategy Statement, Pension Board. Active member numbers reviewed annually, HEAT, FRS102, contributions control system	3	3	9	Annual (following year end closure)	Employer profiling system also assist in identification	MS/JW
		Failure to identify significant risk of financial failure and to adjust the outcome of the valuation accordingly	4	4	16	Financial covenant reviews Hymans, FLR	Approach to covenant review documented in Funding Strategy Statement,	4	3	12	Annual	Monitoring process being established	MS
		In those cases where there is a risk of financial failure, failure to ensure the provision of alternative security with appropriate legal safeguards	4	4	16	Providing alternative security e.g. property	Case by case basis documented in agreements, Intra valuation contribution rate reviews	3	4	12	As required, security suitability and amounts to be reviewed annually	Monitoring process being established	75 employer identified from review MS

3.8 To ensure ceding employers are protected from transfers	3.8 Failure to protect the Fund from inappropriate transfer of assets as part of bulk transfers	Failure to include a bond or guarantee in admission agreements for admitted bodies	3	3	9	Bonds/Guarantees in admission agreements	Standard Admission agreements can include requirements for bonds/guarantees (pass through/ stand alone)	3	2	6	Contract anniversary	New admission agreements on pass through basis to mitigate this risk. Covenant monitoring process to consider gaurentors for risky employers, check categorisation in actuary valuation	MS
		Failure to monitor the existence of bonds/guarantees held in accordance with admission agreements	4	4	16	Diarised review system, employer spreadsheet.	Sign off of review, Employer events control. 2019 valuation results indicate more favourable position.	4	3	12	Annual	Following annual review, further consideration of any development required.	MS
		Failure of Administering authority to commission the fund actuary to carry out a termination valuation for a departing admission body	4	3	12	Cessation valuations carried out whenever an employing body leaves the fund , employer control spreadsheet, employer profiling system.	Cessation valuation completed by Actuary and documented also documented in valuation report, HEAT will provide an early warning	4	2	8	As required		MS
		Failure of the Funding Strategy to address how bulk transfers are to be carried out and to ensure that liabilities remaining with ceding employers are funded appropriately	4	3	12	FSS includes appropriate policy on transfers out, taking account of the existing funding level and amend transfer values accordingly	Documented in the Funding Strategy Statement	4	2	8	FSS reviewed at triennial valuation outcome		MS
3.9 To ensure that the Strategic Investment Strategy meets the actuarial assumptions	3.9 Failure to ensure the Strategic Investment Strategy matches the Actuarial assumptions to achieve full funding in the long term				0	SEE SEPARATE INVESTMENT SECTION	Strategic Asset Allocation review carried out as part of ALM prior to Actuarial Valuation.			0			