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Funding														
Objective	High Level Risk	Detailed Risk	Impact	Likelihood	Pre-control Risk Score	Controls	Source of Assurance	Impact	Likelihood	Post-control Risk Score		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	Failure to plan and monitor cash flows daily /monthly /quarterly or to take account o significant regular income/payments or the impact of investment	f			Plan and monitor cash flows daily /monthly /quarterly (SAA) including regular benefit outflows and the impact	Cash forecast exists, Cash flows are monitored, Short term borrowing available if required, Pension fund is assessed on a going					Inflation scenario analyses to be considered		
	the short term	decisions.	. 4	. 3	3 12	of investment decisions Cash forecast reported	concern basis (plus EY).	4	2	2	8 ongoing			ТВ
		Failure to report cash forecast to Pensions Panel quarterly	. 2	. 3	3	to the Pensions Panel quarterly	Pension Panel report	2	2	2	4 Quarterly			ТВ
		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				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							
			4	. 3	12	Treasury management		3	2	2	6 Annual			ТВ
		Failure to implement the treasury management strategy or to monitor and review implementation	/			staff are qualified, aware of the strategy, operate with the prescribed limits and are appropriately	Management Panel, Audit, Treasury							
		p.cc	4	. 3	12	trained (CPD)	Management adviser.	3	2	2	6 Ongoing			ТВ
		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	1			Review cash flows from Actuarial valuation and Strategic Asset Allocation, monitor whether scheme is cash flow positive in the	to Pensions Committee, Pensions Board, ISS, FSS, Annual Accounts, Audit going concern assessment, SAA review					Inflation scenario analyses to be considered		
		LGPS regulation changes in relation to exit cap, fair deal, McCloud, Goodwin Case and	4	. 3	3 12	medium term (3-5 years) Factored in actuarial	 (3yrs, Quarterly). Minimal impact on funding levels, measured through Actuarial 	3	2	2	6 Triennial	Review and monitor		MS
		cost cap. Processing and funding issues (see duplicated	i 3	5 5		valuation	valuation, HEAT, FSS, LGA, Scheme advisory	2	,		8 ongoing	legislative changes		MS/LM/SJ
		on Admin tab) Failure to ensure that all monies received or due are accurately and completely recorded including; Employer contributions, employee basic and additional contributions,	4			Internal contribution control and financial systems. Actuarial data checks Scheme of delegation, record keeping checks,	board, Hymans advice. Audit, valuation, IAS19/FRS102 reporting Actuarial certification, Club vita reports, Breaches log, HEAT	4	2		8	Treasury & Pension will be taking on the income		IVIO/LIVI/OU
3.2 To ensure the solvency of the	3.2 Failure to ensure the solvency of the Fund i.e. to	transfers paid in or out and pension benefits paid.				actuarial calculation Regulatory requirement	Actuarial report produced	i			May-2	4 allocation for the Fund		LM
scheme i.e. to ensure the Fund has sufficient money to meet its benefit outflow (minimum 100%	ensure it has sufficient money to meet its benefit outflow in	valuation of the Fund in				to appoint an independent actuary and to carry out an actuarial						Increased risk due to immanent procurement		
funded in long term)	the long term (minimum 100% funded in lona term)	accordance with regulations	5	3	15	valuation every 3 years. Stochastic modelling of	No issues identified by	4	3	3 1	2 Triennial			MS
		Failure to target 100% funding in the long term			44		GAD in respect of actuarial or investment g assumptions under their	0	,		C T-::-I			МО
		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		. 2	10	Valuation assumptions are prudent. An assumptions paper was received from the Actuary for the 2022 Valuation, this compared the 2022 assumptions with those used in the 2020 Valuation	Section 13 analysis 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	3	2		6 Triennial			MS
		the current valuation are prudent	4	. 3	12	2019 Valuation.	Committee.	4	2	2	8 Triennial			MS

Sate of the scheme of the sche			Failure to monitor the funding position during inter valuation period and to report to Pension Committee including changes in liabilities Failure to keep HEAT reporting up to date and use for reporting.	4 4	3 1	Use of Hyman's Funding Risk Management tool to monitor funding position at total Fund and individual Employer level during the inter valuation period. Actuary statement in Annual Accounts. Resource accordingly, continue to work with Hymans to ensure	External Audit. HEAT will provide current asset information, liabilities changes will be unknown, GAD, Access to Hymans online FRM tool and internal covenant monitoring system. Hymans ongoing data checks and comparison against valuation and employer data	4 2	3 1	2 Annual	Monitor effect of inflation on liabilities and cash flow. Consider Increased risk due reporting additional information to committee i.e. funding level, membership numbers "dashboard"	MS
A 2 14 Actionary is presented that the season of the scheme of efficiency of the schem			Failure to have an awareness of the impact in reductions in payroll (active members) do not affect the balance of contributions split between primary and secondary payments. Contributions rates set at valuation remain sufficient to cover all past and			changes in staffing levels do not result in less income from contributions. Fund could request contribution rate	submissions Funding Strategy explicitly addresses the split of contribution rates into percentage of payroll and cash component parts where there is a drisk of significant staff reductions. Greater use of Heat, Covenant			May-2∙	Greater use of reporting from HEAT / I-connect will provide information on falling payrolls. Need to understand data we can collect form our various systems and create a Fund	LM
Failure to document in the Funding Strategy Statement a strategy is in place in founding Strategy Statement in the basis on which the long term cost efficiency of the scheme will be achieved or to identify an exceptions passible. 3.4 It is desirable that contribution are as stable as possible 3.5 It is desirable that commensurate with achieving solvency and long term cost efficiency) 3.5. It is desirable that commensurate with achieving objective meeting the funding objective in the basis on which the long term cost efficiency) 4. It is desirable that contribution rates as stable as possible 3.5. It is desirable that contribution rates are affordable commensurate with achieving solvency and long term cost efficiency) 5.5. Failure to set contribution rates in a rate of solvent in the basis on which the long term cost efficiency) 5.5. Failure to set contribution rates are affordable to ensure that discribing the funding objective or passible in contribution rates are affordable commensurate with risk and meeting the funding objective or passes them into receivership commensurate with risk and meeting the funding objective or passes them into receivership commensurate with risk and meeting the funding objective or passes that min to receivership commensurate with risk and meeting the funding objective or passes the min to receivership commensurate with risk and meeting the funding objective or passes the min to receivership commensurate with risk and meeting the funding objective or passes the min to receivership commensurate with risk and meeting the funding objective or passes the min to receivership commensurate with risk and meeting the funding objective or passes the min to receivership commensurate with risk and meeting the funding objective or passes the min to receivership commensurate with risk and meeting the funding objective or passes the matching associated with the passes of the pass	•	rates that ensure the long term	Failure to ensure that contribution rates modelled by the Actuary are such as to achieve the long term cost		3 1	Actuary is procured who carry out Stochastic modelling of outcomes demonstrates Consistent 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	No issues identified by t GAD in respect of contribution rate assumptions under their Section 13 analysis, Central government cost cap reviews, SAB annual LGPS report, outcome of current and previous				ruling outstanding (expected to be minimal at a total fund level) factored into 2022	
3.4 Failure to set contribution rates that are relatively stable in order to ensure that openions do not unnecessarily disrupt Local Authority capacity to deliver local services (subject to achieving solvency and long term cost efficiency) 3.5 Failure to set contribution are as stable as possible 3.5 Failure to set contribution are as stable as possible to ensure that the delivery of local services (subject to clariving solvency and long term cost efficiency) 3.5 Failure 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 that are affordable to ensure the delivery of local services (subject to chieving solvency and long term cost efficiency) 3.5 Failure to set contribution rates that are affordable to ensure the delivery of local services is not unnecessarily disrupted by significant changes in contribution rates that are affordable to ensure the delivery of local services is not unnecessarily disrupted by significant changes in contribution rates that are affordable to ensure the delivery of local services is not unnecessarily disrupted by significant changes in contribution rates that are affordable to ensure the delivery of local services is not unnecessarily disrupted by significant changes in contribution rates (stabilisation mechanism to set contribution rates that are effortable to ensure the delivery of local services is not unnecessarily disrupted by significant changes in contribution rates affordable to ensure the delivery of local services is not unnecessarily disrupted by significant changes in contribution rates that are affordable to ensure the delivery of local services (stabilisation mechanism to set contribution rates delivery of local services is not unnecessarily disrupted by significant changes in contribution rates affordable to ensure the delivery of local services (stabilisation) 3.5 It is desirable that contribution rates that are affordable to ensure the delivery o			Funding Strategy Statement the basis on which the long term cost efficiency of the scheme will be achieved or to	4	4 1	term cost efficiency Actuary certified funding strategy is in place following the Triennial valuation, Funding Strategy is consulted on	Statement is up to date and reflects current practice and legislative change, Pension Board,	3				
3.5 It is desirable that contribution rates are affordable to meeting the funding objective (e.g. invested substantially in solvency and long term cost efficiency) 4 4 4 Failure to consult with employing bodies on the 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. 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 set contribution rates that are affordable (subject to return on assets matching actuarial assumptions). Actuary's modelling of funding strategy and investment strategy (ALM) in tandem for 2022 valuation. Failure to consult with employing bodies on the Consultation with employers to Investment Strategy designed to keep contribution affordable (subject to return on assets matching actuarial sumptions). Actuary's modelling of funding strategy and investment strategy (ALM) in tandem for 2022 valuation. 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 set contribution affordable (subject to return on assets matching actuarial sumptions). Actuary's modelling of funding strategy and investment strategy (ALM) in tandem for 2022 valuation. Failure to set contribution affordable (subject to return on assets matching actuarial valuation occurrented in ISS and monitored valuation documented in ISS	contributions are as stable as	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	Failure to use "smoothing methodology" such as stabilisation mechanism to set contribution rates that are relatively stable to ensure the delivery of local services is not unnecessarily disrupted by significant changes in	4		Use stabilisation models which take into account changes in assumptions to smooth out changes ir contribution rates	Consultation responses on Funding Strategy; meetings with employers; Central government/Tax	4			for Academies ahead of	
Failure to consult with employing bodies on the Consultation with employers to Employing bodies on the Employers to Employer to Employers to Employers to Employer to Employers to Employer to Employers to Employers to Employer to Employer to Employer to	rates are affordable commensurate with risk and	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	Failure to have an investment strategy designed to keep contribution rates affordable (e.g. invested substantially in	4	4 - 1	designed to keep contributions affordable (subject to return on assets matching actuarial assumptions). Actuary's modelling of funding strategy and investment strategy	Allocation documented in ISS and monitored quarterly by Pensions Panel, Investment consultant, Funding Strategy Statement and	4	3 1	z i riennial		МЗ
			employing bodies on the	•	4 1	2022 valuation. Consultation with	employers to					MS, Panel
Formal consultation with Responses to valuation Failure to inform employing bodies fully so that they bunderstand the outcome of the valuation Formal consultation with Responses to valuation Employing bodies in outcome, Employers Forum and responses to Pensions AGM, consultation, opportunity Practitioners meetings, to discuss with scheme			bodies fully so that they understand the outcome of the		3	Formal consultation with Employing bodies in place (Employers Pensions AGM, Practitioners meetings,	outcome, Employers Forum and responses to consultation, opportunity to discuss with scheme					MS/LM MS/LM

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	characteristics of amployer's	Failure to reflect the unique characteristics of each employer by keeping complete and accurate data for each employing body	4	4 10	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, Heywood's data cleansing report, Hymans Data Portal, insights, I connect gives monthly undates	3	4 1	regulator reporting should in visibility. increases incorrect overwritin	McCloud s risk of data, due to		MS/LM
		Failure to take account of employer characteristics including funding and maturity measures in setting contribution rates Failure to protect the Fund and scheme employers from excess repayments of funding surpluses following the cessation of contractor admission agreements, (in	4	4 10	The Actuary takes account of employer characteristics as part of the valuation process. The fund monitors contracts and ongoing funding positions. Regular funding reviews with appropriate revisions to employer contribution rates, Exit credit policy and	Outcome and consistency of valuation reports, HEAT, inter valuation contribution rates reviews now allowed under regulation, covenant monitoring will help. Regular actuarial reporting, results of fund valuations, currency of	3	4 1	regulator reporting market vi increases funding p needs to		I	MS/LM
		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 Failure to have a Covenant Monitoring process in place to	3	4 1:	discretions, FSS, Passthrough is now the default option for contractor admission agreements.	Funding Strategy Statement. Monitoring of contract end dates Annual review of employer covenants, Actuary, triennial	3	2	number o	in place and of high risk	!	MS
3.7 To ensure the Fund is protected from any employer failing to meet its liabilities to the	3.7 Failure to protect the Fund from an employer failing to pay any amounts due including contributions or cessation	take into account the long term financial stability of employers of the fund. Failure to identify employers that may be close to having no active members	4	3 12	Valuation identifies employers close to having no actives, employer profiling	valuation, employer profiling report. DfE guarantee for Academies Valuation risk analysis as documented in the Funding Strategy Statement, Pension Board. Active member numbers reviewed	4	3 1	NB DFE (Colleges, 2) Dec-23 Employer Annual system a (following identifical year end pensions	r profiling Iso assist in tion. Create Dashboard,	1	MS/LM
Fund	payments	Failure to identify significant risk of financial failure and to adjust the outcome of the valuation accordingly	3	3 12	Financial covenant reviews Hymans FRM	annually, HEAT, FRS102, contributions control system Covenant review process in place for higher risk employers. Case by case basis	3	3	9	mechanism g process ablished, of high risk s have		MS/LM 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	3 12	Providing alternative security e.g. property	documented in agreements, Intra valuation contribution rate reviews. number of high risk employers has reduced. NB DFE guarantee to Colleges, TBC.	3	3	and identificate pensions and under	lso assist in tion. Create Dashboard, erstand mechanism		MS
		Failure to include a bond or guarantee in admission agreements for admitted bodies	3	4 12	Bonds/Guarantees in admission agreements	Standard Admission agreements can include requirements for bonds/guarantees (pass through/ stand alone)	3	4 1	admission on pass to mitigat certainty Contract anniversary Contract extension contractor monitorin consider risky emparements of the categoris	n agreements hrough basis te this risk, no over A guarantee n to DifE was a gu ors. Covenant g process to guarantors for oloyers, check ation in	uarantee for ss through	MS

	Failure to monitor the existence of bonds/guarantees held in accordance with admission agreements	4 3	3 12	Cessation valuations	4	2	review, further consideration of any Annual development required. Reduced due to reduction in number of high risk employers.	MS
	Failure of Administering authority to commission the fund actuary to carry out a termination valuation for a departing admission body			carried out whenever an employing body leaves the fund , employer control spreadsheet, employer profiling system. Online funding portal. Cessation valuation completed by Actuary and documented also documented in valuation report, HEAT will provide an early warning. Appropriate Legal			As required	
		4 3	3 12	in FSS. Fund's published advice. Exit Credit Policv.	4	2	8	MS
3.8 To ensure ceding employers are protected from transfers 3.8 Failure to protect the Function inappropriate transfer of assets as part of bulk transfer	f ensure that liabilities			FSS includes appropriate policy on transfers out, taking account of the existing funding level and amend transfer values accordingly (actuary calculated)			FSS reviewed at triennial valuation outcome	
		4 3	3 <u>12</u>		4	2	8	MS
3.9 To ensure the impact of climate change is taken into account on the Funding Strategy 3.9 Failure To ensure the impact of climate change is taken into account on the Funding Strategy	Need to ensure the Actuary considers the impact of climate change in reviewing the Funding Strategy			Actuary models different climate change scenarios, and any Actuarial Formal potential impact on the funding strategy as part of the actuarial valuation				
		2 2	2 4		2	2	4	MS
3.10 Failure to ensure the 3.10To ensure that the Strategic Investment Strategy meets the actuarial assumptions 3.10 Failure to ensure the Strategic Investment Strategy matches the Actuarial assumptions to achieve full funding in the long term	Need to take into account impact of climate change on funding strategy		0	Strategic Asset SEE SEPARATE Allocation review carried INVESTMENT SECTION out as part of ALM prior to Actuarial Valuation.				MS
							<u> </u>	IVIO

Following annual