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## **Pensions Board**

Friday 16 December 2022

**13:00**

County Buildings, Martin Street , Stafford, ST16 2LH

John Tradewell  
Director of Corporate Services  
8 December 2022

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## **A G E N D A**

1. **Apologies**
2. **Declarations of Interest**
3. **Minutes of the meeting held on 30 September 2022** (Pages 1 - 4)
4. **Pensions Board - Appointment of Board Members**  
  
Verbal update from the Deputy Chief Executive & Director for Corporate Services
5. **Matters arising from:**
  - a) Pensions Committee - Minutes of the meeting held on 30 September 2022 (Pages 5 - 8)
  - b) Pensions Committee - held on 16 December 2022
6. **Staffordshire Pension Fund Risk Register - Funding** (Pages 9 - 18)  
  
Report of the Deputy Chief Executive & Director for Corporate Services
7. **Dates of Future Meetings**

- Friday, 31 March 2023
- Friday, 30 June 2023 (provisional)
- Friday, 29 September 2023 (provisional)

**8. Exclusion of the Public**

The Chairman to move:-

'That the public be excluded from the meeting for the following items of business which involve the likely disclosure of exempt information as defined in the paragraphs of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended) indicated below'.

**Part Two**

9. **Exempt Minutes from the meeting held on 30 September 2022** (Pages 19 - 20)

(Exemption paragraph 3)

10. **Exempt matters arising from:**

(Exemption paragraph 3)

- a) Pensions Committee - Minutes of the meeting held on 30 September 2022 (Pages 21 - 24)

- b) Pensions Committee - Held on 16 December 2022

11. **Internal Audit Reports - Recommendations Progress Log** (Pages 25 - 28)

(Exemption paragraph 3)

Report of the Deputy Chief Executive & Director for Corporate Services

12. **LGPS Central Pool - Local Pensions Board Chairs Meeting of 24 October 2022** (Pages 29 - 36)

(Exemption paragraph 3)

Oral report of the Chairman

Notes of Meeting attached for information

<b>Membership</b>	
Rob Birch (Chair) Corrina Bradley	John Mayhew James Mika

## **Note for Members of the Press and Public**

### **Filming of Meetings**

The Open (public) section of this meeting may be filmed for live or later broadcasting or other use, and, if you are at the meeting, you may be filmed, and are deemed to have agreed to being filmed and to the use of the recording for broadcast and/or other purposes.

### **Recording by Press and Public**

Recording (including by the use of social media) by the Press and Public is permitted from the public seating area provided it does not, in the opinion of the chairman, disrupt the meeting.



**Minutes of the Pensions Board Meeting held on 30 September 2022**

Present:

Corrina Bradley

John Mayhew

**Apologies:** Rob Birch

**Part One**

**148. Declarations of Interest**

There were no Declarations of Interest on this occasion.

**149. Minutes of the previous meeting held on the 24 June 2022**

Board members were reminded about the LGA Fundamentals training taking place over 3 days in October, November and December.

**Resolved** – That the minutes of the meeting held on 24 June 2022 be confirmed and signed by the Chairman.

**150. Pensions Board - Appointment of Board Members**

The Deputy Chief Executive & Director for Corporate Services updated the Board with regard to the ongoing attempt to secure a Board Member representative from one of the larger Employers within the Fund. Officers are working together to help to recruit to the vacancies.

**151. Matters arising from:**

a) Pensions Committee - Minutes of the Meeting held on 24 June 2022

There were no comments on the minutes from 24 June 2022.

b) Pensions Committee - Held on 30 September 2022

The Deputy Chief Executive & Director for Corporate Services gave an update in regard to the Audit Plan. Due to the fact External Audit are not able to sign off the Staffordshire County Council Accounts because of the infrastructure issue, it follows that the Pension Fund Accounts cannot be signed off for last year (2020/21) or this year (2021/22). However, Ernest Young have assured the Fund that letters of assurance will still be issued to precept authorities by 30 September 2022.

The Board agreed that the meeting was useful and commented on the content and quality of the reports and presentations that were received.

### **152. Staffordshire Pension Fund Risk Register - Governance**

At a meeting on 31 August 2022, the officer working group, together with a member of the Local Pensions Board, reviewed the risk area of Governance. Pre and post control ratings were re-assessed, considering any new controls or sources of assurance. New areas of potential risk were also considered.

Post control, Fund Officers believe there are no high-level risks in this area and only 4 areas of medium risk. Good Governance, and the practice and promotion of such, has been of key focus for Fund Officers over recent years. Three areas of medium risk relate to outstanding legislative changes, which lead to some uncertainty around the Fund's governance arrangements that may be required going forward. Examples include: The Pensions Regulators Single Code of Practice, Regulations relating to McCloud and Legislation arising from the Good Governance Project. The fourth medium risk relates to the need to understand more about the custody arrangements for Private Market assets as these become a greater proportion of the Fund's Strategic Asset Allocation.

**Resolved** – That the Local Pensions Board notes the risks, relating to governance, from the current Staffordshire Pension Fund Risk Register, as presented in Appendix 2 of the report.

### **153. Dates of Future Meetings**

**Resolved** – That the following dates for meetings of the Pensions Board be noted:

- Friday 16 December 2022
- Friday 31 March 2023

### **154. Exclusion of the Public**

The Chairman to move:

'That the public be excluded from the meeting for the following items of business which involve the likely disclosure of exempt information as defined in the paragraph of Part 1 of schedule 12A of the Local Government Act 1972 indicated below'

### **155. Exempt Minutes from the previous meeting held on the 24 June 2022**

**Resolved** – That the exempt minutes of the meeting held on 24 June 2022 be confirmed and signed by the Chairman.

**156. Exempt Matters Arising:**

a) Pensions Committee - Minutes of the Meeting held on 24 June 2022

There were no comments on the minutes from 24 June 2022.

b) Pensions Committee - Held on 30 September 2022

There were no comments on the meeting held on 30 September 2022.

**157. Internal Audit Reports - Recommendations Progress Log**

**Resolved** – That the Pensions Board notes the summary of the progress that has been made against the recommendations from the Internal Audit reports.

**Chairman**





**Minutes of the Pensions Committee Meeting held on 30 September 2022**

Present: Mike Sutherland (Chair)

**Attendance**

Philip Atkins, OBE	Bob Spencer
Nigel Caine (Co-Optee)	Stephen Sweeney
Mike Davies (Vice-Chair)	Samantha Thompson
Colin Greatorex	Mike Wilcox
Derrick Huckfield	

**Also in attendance:** Chantelle Denham and Simon Humble

**Apologies:** Phil, Jones and Michael Vaughan

**PART ONE**

**1. Apologies**

**2. Declarations of Interest**

There were no declarations of interest made on this occasion.

**3. Minutes of the meeting held on 24 June 2022**

**Resolved** – That the minutes of the meeting of the Pensions Committee held on 24 June 2022 be confirmed and signed by the Chairman.

**4. Minutes of the Pensions Panel held on 6 September 2022**

**Resolved** – That the minutes of the meeting of the Pensions Panel held on 6 September 2022 be received.

**5. Staffordshire Pension Fund Investment Performance 2021/22**

The Deputy Chief Executive & Director for Corporate Services submitted a summary of the Staffordshire Pension Fund's Investment Performance for 2021/22.

Committee members were reminded that the Staffordshire Pension Fund employed Portfolio Evaluation Limited (PEL) to provide independent investment performance measurement services for the Fund's various investments. The detailed performance metrics, which measure the percentage return of the Fund's various investments against an agreed range of benchmarks, were reported to the Pensions Panel each quarter.

The Committee received a presentation from Nick Kent and Deborah Barlow of PEL of the Staffordshire Pension Fund Investment Performance. The presentation covered the following matters:

- Market Review
  - Asset class results
  - Themes
  - Market trends and developments
- Evaluation of the Staffordshire Pension Fund results
  - Total Fund results (short and long term)
  - Attribution of 2021/22 results
  - Results focus on periods ended 30 June 2022

The following Summary was provided

- The Fund, for periods ended June 2022, outperformed its benchmark over most time periods.
- The Fund had outperformed the Local Government Pension Scheme (LGPS) Information Service average return over the one, three, five, ten and twenty-year periods.
- The outperformance in 2021/2022 was due primarily to the performance of the equity assets, most notably Private Equity and active Global Equities.
- The Fund continued to transition assets to LGPS Central as part of the wider pooling agenda.
- Total risk remained low and active risk was at a level that was consistent with the structure of the Fund. Risk had increased over the year due to the ongoing impact of the pandemic.

**Resolved** – a) That the information provided in Appendix 2 to the report be noted;

b) That the representatives of PEL be thanked for their presentation and for taking the time to join the Pensions Committee meeting.

## **6. Staffordshire Pension Fund Audit Plan 2021/22**

The Committee received a report of the Deputy Chief Executive & Director of Corporate Services and County Treasurer (S151) relating to the Audit Plan for the Staffordshire Pension Fund.

Committee members heard that there had been technical delays in the Local Government Audit System which had subsequently impacted on the 2021/22 Fund audit being undertaken by Ernst and Young (EY). It was hoped that EY would soon issue a separate Fund specific Audit Findings Report (ISA260) that would be brought to the December Pensions Committee meeting.

Whilst the Fund accounts were audited separately, they formed part of the County Council's audited accounts and therefore would not be formally signed off until the main Council accounts were signed off. However, it was noted that whilst the County Council's 2020/21 accounts were also awaiting sign off, due to national issues with infrastructure valuations, the audit of the Pension Fund's 2020/21 accounts had been finalised for some time and that there had been significant progress with the 2021/22 audit.

The document at Appendix 2 of the report, the Audit Plan, detailed how EY intended to carry out their responsibilities as auditors and was an assessment of the key issues which they believed would affect the audit. The document focussed on the process for undertaking the audit and key audit risks - most notably the valuation of harder to value level 3 assets (such as Private Equity, Infrastructure and Property) and materiality.

In response to a question relating to the impact that had been felt by other local authority tiers due to the delays in the completion of the audit process and the need to ensure concerns had been raised with appropriate bodies, it was explained that the Scheme Advisory Board had recently set up a Compliance and Reporting Committee, which had subsequently asked for volunteers to sit on several working groups. One of the working groups would focus on Audit, and another would focus on Accounts and Annual Reports for Pension Funds. The Assistant Director for Treasury & Pensions informed the Committee that they had put forward Officer volunteers for both groups, so that the recent issues and challenges that had affected the Staffordshire Pension Fund would be raised. The Committee also heard that the results of a tender exercise for the appointment of companies responsible for the Audit of Local Government, Police and Fire authorities was soon to be announced and may bring with it more stability and certainty for future Audit processes. Whilst this was accepted it was highlighted that the level and standard of service received was unacceptable and had caused a detrimental impact on other authority tiers

In response to a question querying the cause of the delays within the Audit process, it was confirmed that it was primarily due to a lack of suitably qualified and experienced staff in an industry that was struggling to resource the additional audit requirements in order to provide the requisite levels of assurance, introduced more recently.

**Resolved** - That the external auditor's plan for the audit of the Staffordshire Pension Fund for the 2021/22 financial year be noted.

## **7. Staffordshire Pension Fund Conflicts of Interest Policy**

The Committee received a report of the Deputy Chief Executive & Director of Corporate Services relating to the Staffordshire Pension Fund Conflicts of Interest Policy.

The Committee was reminded that the Staffordshire Pension Fund's Conflicts of Interest Policy demonstrated best practice and was introduced as part of setting up the governance arrangements for the Staffordshire Local Pensions Board in 2015. There was a commitment to review the Policy at least every three years or sooner if conflict management arrangements, or other matters, merited reconsideration – the Policy was last reviewed in 2019.

The 2022 version of the Policy (attached at Appendix 2 to the report) had been updated to reflect several minor procedural changes. However, as there had been no significant changes and the document was effectively used for internal control and compliance purposes, wider consultation was considered unnecessary.

It was intended that the Policy would next be revised and republished following recommendations arising from the Scheme Advisory Board's, Good Governance Project, or any material change in policy, if sooner.

In response to a suggestion made by Councillor Atkins, to include an additional example in Appendix 2 of the Conflict of Interest Policy relating to potential conflicts of Pensions Committee members who sit on the Planning Committees of various Borough or District Councils, and the need to remove themselves from any decisions that involve planning applications on properties owned by the Staffordshire Pension Fund, it was confirmed that this example would be included in the Policy.

**Resolved** a) That the updated Conflicts of Interest Policy, attached as Appendix 2, be approved.

b) That it be noted that further changes may be required following recommendations arising from the Scheme Advisory Board's Good Governance Project.

c) That the additional conflict example, as discussed in the meeting, be added to Appendix 2 of the final Conflict of Interest Policy.

## **8. Exclusion of the Public**

**Resolved** - That the public be excluded from the meeting for the following items of business which involve the likely disclosure of exempt information as defined in the paragraph of Part 1 of Schedule 12A of the Local Government Act 1972 indicated below

**9. Exempt minutes of the meeting held on 24 June 2022 - (Exemption paragraph 3)**

**10. Exempt minutes of the Pensions Panel meeting held on 6 September 2022 - (Exemption paragraph 3)**

**11. LGPS Regulations - Admission of New Employers to the Fund - (Exemption paragraph 3)**

**12. Actuarial Valuation 2022 - (Exemption paragraph 3)**

**13. 2022 Valuation Results – Early Insights - (Exemption Paragraph 3)**

**14. Actuarial Valuation 2022 - Initial Results Report - (Exemption Paragraph 3)**

**Chairman**

**LOCAL PENSIONS BOARD – 16 DECEMBER 2022**

**Report of the Deputy Chief Executive & Director for Corporate Services**

**STAFFORDSHIRE PENSION FUND RISK REGISTER**

**Recommendations of the Chairman**

1. That the Local Pensions Board ('Board') notes the risks, relating to Funding, from the current Staffordshire Pension Fund Risk Register, as presented in Appendix 2.

**Background**

2. At their meeting in June 2022, the Pensions Committee noted the high-level risks identified within the Staffordshire Pension Fund Risk Register. The Committee also asked the Board to continue to undertake a regular detailed review of the risks identified and the process for maintaining the Risk Register, and report back to the Committee on any areas of concern.
3. To assist with their review, the Board requested that one of the four main risk areas (Governance, Funding, Administration, and Investment), be presented to them at each meeting, for their consideration. This was to align with the risk area considered by the Officer working group that quarter.
4. Board members have joined the Assistant Director for Treasury & Pensions and Senior Pensions and Investment Officers, forming the Officer working group, on a quarterly basis. Working through the detail of the individual risks, they collectively determine individual risk scores by considering the potential impact any one risk might have, together with the likelihood of that risk occurring. Members of the Board are invited to continue to attend these working groups if they so wish.
5. Although the Board Member had to give last minute apologies, at a meeting on 18 November 2022, the Officer working group reviewed the risk area of Funding. Pre and post control ratings were re-assessed, considering any new controls or sources of assurance. New areas of potential risk were also considered.
6. Funding risks have been heightened generally this year due to the triennial Actuarial Valuation taking place. The health check of the Fund at 31 March 2022, the setting of Employer Contribution rates for the 3 years commencing 1 April 2023 and the review of the Funding Strategy Statement have all created emerging risks for the Fund. However, post control, Fund Officers believe there is one area of high risk and nine areas of medium risk.
7. The one area of high risk relates to the monitoring of the Fund's funding position during the inter-valuation period. This is due to increased market volatility and the current high inflationary environment, which could lead to significant short-term changes in the funding position of the Fund. Whilst the

Fund takes a long-term view of its funding position, Officers will continue to liaise with the Fund Actuary to understand any shorter-term impact and funding trends and any concerns, or action required, will be reported to the Pensions Committee.

8. The nine areas of medium risk relate to several things including:
  - i) the procurement of an Actuary - the current contract is due to expire, and a tender exercise will be undertaken in 2023/24;
  - ii) ensuring contribution rates are appropriate and affordable for each employer – the current economic environment will lead to competing demands on employers' budgets;
  - iii) the Funding Strategy Statement - this has been revised, as part of the actuarial valuation process and is out for consultation with stakeholders; and
  - iv) the Fund's investment strategy – this has been reviewed in tandem with the actuarial valuation and needs to remain appropriate for the long-term financial stability of the Fund.
  
9. The full list of the current Funding risks is presented in Appendix 2 for Board members to discuss and / or note at today's meeting.

**John Tradewell**  
**Deputy Chief Executive & Director for Corporate Services**

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Contact: Melanie Stokes  
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## Appendix 1

**Equalities implications:** There are no direct implications arising from this report.

**Legal implications:** There are no direct legal implications arising from this report.

**Resource and Value for money implications:** The main resource implications have not been explicitly assessed but arise directly from either any mitigating actions or from the impact of the risk identified.

**Risk implications:** The main topic of this report is risk assessment.

**Climate Change implications:** There are no direct implications arising from this report.

**Health impact assessment screening:** There are no direct implications arising from this report.





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
<b>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</b>	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 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 funding 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
	<b>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)</b>	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.	4	3	12	Triennial	Increased risk due to imenent procurement	
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	2	6	Triennial			MS

**3.3 Failure to set contribution rates that ensure the long term cost efficiency of the scheme**

<p>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</p>	4	3	12	<p>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 2019 Valuation.</p>	<p>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.</p>	4	2	8	Triennial	<p>Reduced after valuation</p>	MS
<p>Failure to monitor the funding position during inter valuation period and to report to Pension Committee including changes in liabilities</p>	4	4	16	<p>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.</p>	<p>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.</p>	4	4	16	Annual	<p>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.</p> <p>Increased risk due current inflationary environment, market volatility.</p>	MS
<p>Failure to ensure that reductions in payroll 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 future service liabilities.</p>	4	3	12	<p>Ensure that significant changes in staffing levels as a result of austerity do not result in less income from contributions</p>	<p>Funding Strategy explicitly addresses the split of contribution rates into percentage of payroll and cash component parts where there is a risk of significant staff reductions. Greater use of Heat, Covenant monitoring, Hymans online FLR</p>	2	2	4	Triennial	<p>Greater use of HEAT will provide information on falling payrolls. Covenant monitoring includes cashflow analysis.</p> <p>Reduced due to valuation completion</p>	MS
<p>Failure to ensure that contribution rates set by stochastic modelling are such as to achieve the long term cost efficiency of the scheme</p>	4	4	16	<p>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</p>	<p>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, outcome of current and previous valuation reports.</p>	3	2	6	Triennial	<p>McCloud and Goodwin ruling outstanding (expected to be minimal at a total fund level) factored into 2022 valuation.</p>	MS
<p>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</p>	4	4	16	<p>Actuary certified funding strategy is in place following the Triennial valuation, Funding Strategy is consulted on before implementation.</p>	<p>Funding Strategy Statement is up to date and reflects current practice and legislative change, Pension Board, Pensions Committee.</p>	4	3	12	Triennial	<p>Need to review FSS following triennial valuation. New format and consultation pending.</p>	MS

<p><b>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)</b></p>	<p>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</p>	4	4	16	<p>Use stochastic models (which take into account changes in assumptions) to smooth out changes in contribution rates (stabilisation)</p>	<p>Consultation responses on Funding Strategy; meetings with employers; Central government/Tax payer underpin</p>	4	3	12	Triennial	MS	
<p><b>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)</b></p>	<p>Failure to have an investment strategy designed to keep contribution rates affordable (e.g. invested substantially in growth assets)</p>	4	4	16	<p>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.</p>	<p>Strategic Asset Allocation documented in ISS and monitored quarterly by Pensions Panel, Investment consultant, Funding Strategy Statement and actuarial valuation report.</p>	4	3	12	Annual	<p>Likelihood reduced after valuation</p>	MS, Panel
	<p>Failure to consult with employing bodies on the Funding Strategy</p>	3	3	9	<p>Consultation with Employing bodies</p>	<p>Responses from employers to consultation on Funding</p>	2	2	4	Triennial	MS/JW	
	<p>Failure to inform employing bodies fully so that they understand the outcome of the valuation</p>	4	3	12	<p>Formal consultation with Employing bodies in place (Employers Pensions AGM, Practitioners meetings, communications etc.)</p>	<p>Responses to valuation outcome, Employers Forum and responses to consultation, opportunity to discuss with scheme actuary and concerns.</p>	3	2	6	Triennial	MS/JW	
<p><b>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</b></p>	<p>Failure to reflect the unique characteristics of each employer by keeping complete and accurate data for each employing body</p>	4	5	20	<p>Monitor data to ensure Actuary receives accurate scheme data, Hymans portal Data intergity checks</p>	<p>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.</p>	3	5	15	Dec-23	<p>I Connect, increased regulator compliance reporting and HEAT should increase visibility. McCloud increases risk of incorrect data, due to overwriting data.</p>	MS/JW
	<p>Failure to take account of employer characteristics including funding and maturity measures in setting contribution rates</p>	4	4	16	<p>The Actuary takes account of employer characteristics as part of the valuation process. The fund monitors contracts and ongoing funding positions.</p>	<p>Outcome and consistency of valuation reports, HEAT, inter valuation contribution rates reviews now allowed under regulation, covenant monitoring will help.</p>	3	4	12	Dec-23	<p>I Connect, increased regulator compliance reporting. Current market volatility increases swings in funding positions and needs to be kept under review.</p>	MS/JW
	<p>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</p>	3	4	12	<p>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.</p>	<p>Regular actuarial reporting, results of fund valuations, currency of Funding Strategy Statement. Monitoring of contract end dates</p>	3	2	6	Dec-23	<p>Exit Policy now in Place</p>	MS

**3.7 Failure to protect the Fund from an employer failing to pay any amounts due including contributions or cessation payments**

Failure to have a Covenant Monitoring process in place to take into account the long term financial stability of employers of the fund.	4	3	12	Online FLR in place, employer profiling system developed.	Annual review of employer covenants, Actuary, triennial valuation, employer profiling report	4	3	12	Dec-23	Process in place and number of high risk employers has reduced. NB DFE guarantee to Colleges, TBC.	Initial Employer profiling completed, FLR purchased.	MS/JW
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	3	12	Financial covenant reviews Hymans, FLR	Covenant review process in place for higher risk employers.	4	2	8	Annual	Monitoring process being established, number of high risk employers have reduced.		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	Case by case basis documented in agreements, Intra valuation contribution rate reviews	3	3	9	As required, security suitability and amounts to be reviewed annually	Monitoring process being established, number of high risk employers have reduced.	75 employer identified from review	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	12	Contract anniversary	Although new admission agreements on pass through basis to mitigate this risk, no certainty over DfE/ESFA guarantee extension to contractors. Covenant monitoring process to consider guarantors for risky employers, check categorisation in actuary valuation.		MS
Failure to monitor the existence of bonds/guarantees held in accordance with admission agreements	4	3	12	Diarised review system, employer spreadsheet.	Sign off of review, Employer events control. 2022 valuation results indicate more favourable position.	4	3	12	Annual	Following annual review, further consideration of any 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	4	3	12	Cessation valuations carried out whenever an employing body leaves the fund , employer control spreadsheet, employer profiling system. Online funding portal. Cessation Policy in FSS. Fund's published Exit Credit Policy.	Cessation valuation completed by Actuary and documented also documented in valuation report, HEAT will provide an early warning. Appropriate Legal advice.	4	2	8	As required			MS

**3.8 Failure to protect the Fund from inappropriate transfer of assets as part of bulk transfers**

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

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FSS includes appropriate policy on transfers out, taking account of the existing funding level and amend transfer values accordingly

Documented in appendix to the Funding Strategy Statement

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FSS reviewed at triennial valuation outcome

MS

**3.9 Failure to ensure the Strategic Investment Strategy matches the Actuarial assumptions to achieve full funding in the long term**

SEE SEPARATE INVESTMENT SECTION

Strategic Asset Allocation review carried out as part of ALM prior to Actuarial Valuation.

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