

# Managing risk at the 2022 valuations

The triennial valuation is one of the fund's most important risk management tools. It's a time to take a step back and consider the sources of risk to the long-term success of funding plans and how best they can be managed. Just before our Data Portal becomes inundated with valuation data, some of our consultants have looked at key risk areas and given their thoughts on how you can manage them in 2022.

Firstly, Steven Scott has looked at funding and provided his '[recipe for success](#)' to avoid setting a funding strategy that doesn't match employer expectations or isn't easily understood by them. His suggested risk management solutions include engaging with employers as early and frequently as possible, taking a transparent approach to explain the fund's robust funding strategy decision-making framework and then communicating it all in a high-quality funding strategy statement.

Looking at the other source of funding LGPS benefits, Laura McInroy considers how funds can manage the risk of a sub-optimal investment strategy. Her particular focus is on why and how some [funds may benefit from evolving their investment strategy](#) to better fit the divergent needs of different employers in the fund. Alongside this, Laura also outlines how employer focussed investment strategies can be easily implemented.

Funding and investment are often seen as the two pillars upon which successful risk management is built. However, given the ever-increasing number and diversity of employers in LGPS funds, employer covenant should be considered as an equally important third. [Mitch Johnstone sets out an overview](#) of the different sector risks in 2022 and how funds can reflect each employer's covenant risk in their funding plans.

Finally, [Martin Curran and Robert McInroy explore the impact of the pandemic on the level of ill-health retirements in the LGPS](#) and what factors could alter this trend in the longer term. Given the potential strains associated with ill-health retirements, a formal review of the fund's management of ill-health risk in 2022 would be recommended.

Whilst the valuation data and calculations are being processed, the next couple of months provide a great opportunity for funds to consider any of the topics raised in each of our consultants' notes. You then have the benefit of being able to feed any actions into funding plans and the funding strategy statement before they are communicated to employers in the autumn.

For more information on the 2022 valuation, including a recording of our recent webinar where Steven and Laura discussed their notes in more detail, please visit our dedicated [Valuation Hub](#).



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