NOTICE OF MEETING

PENSIONS COMMITTEE AND BOARD

Tuesday, 21st March, 2023, 7.00 pm - George Meehan House, 294 High Road, Wood Green, London, N22 8JZ (watch the live meeting here, watch the recording here)

Members: Councillors Yvonne Say (Chair), John Bevan (Vice-Chair), Nick da Costa, Hymas, Thayahlan Iyngkaran, and Matt White.

Employer Member: Keith Brown
Employer Member: Craig Pattinson
Employee Member: Ishmael Owarish
Employee Member: Randy Plowright

Quorum: 3 Council Members and 2 Employer / Employee Members

1. FILMING AT MEETINGS

Please note this meeting may be filmed or recorded by the Council for live or subsequent broadcast via the Council's internet site or by anyone attending the meeting using any communication method. Members of the public participating in the meeting (e.g. making deputations, asking questions, making oral protests) should be aware that they are likely to be filmed, recorded or reported on. By entering the 'meeting room', you are consenting to being filmed and to the possible use of those images and sound recordings.

The Chair of the meeting has the discretion to terminate or suspend filming or recording, if in his or her opinion continuation of the filming, recording or reporting would disrupt or prejudice the proceedings, infringe the rights of any individual, or may lead to the breach of a legal obligation by the Council.

2. APOLOGIES

To receive any apologies for absence.

3. URGENT BUSINESS

The Chair will consider the admission of any late items of Urgent Business. (Late items of Urgent Business will be considered under the agenda item where they appear. New items of Urgent Business will be dealt with under item 15 below).

4. DECLARATIONS OF INTEREST

A member with a disclosable pecuniary interest or a prejudicial interest in a matter who attends a meeting of the authority at which the matter is considered:

(i) must disclose the interest at the start of the meeting or when the interest becomes apparent, and
(ii) may not participate in any discussion or vote on the matter and must withdraw from the meeting room.

A member who discloses at a meeting a disclosable pecuniary interest which is not registered in the Register of Members' Interests or the subject of a pending notification must notify the Monitoring Officer of the interest within 28 days of the disclosure.

Disclosable pecuniary interests, personal interests and prejudicial interests are defined at Paragraphs 5-7 and Appendix A of the Members' Code of Conduct

The Public Service Pensions Act 2013 defines a conflict of interest as a financial or other interest which is likely to prejudice a person's exercise of functions. Therefore, a conflict of interest may arise when an individual:

i) Has a responsibility or duty in relation to the management of, or provision of advice to, the LBHPF, and

ii) At the same time, has:
- a separate personal interest (financial or otherwise) or
- another responsibility in relation to that matter,

giving rise to a possible conflict with their first responsibility. An interest could also arise due to a family member or close colleague having a specific responsibility or interest in a matter.

At the commencement of the meeting, the Chair will ask all Members of the Committee and Board to declare any new potential conflicts and these will be recorded in the minutes of the meeting and the Fund's Register of Conflicts of Interest. Any individual who considers that they or another individual has a potential or actual conflict of interest which relates to an item of business at a meeting must advise the Chair prior to the meeting, where possible, or state this clearly at the meeting at the earliest possible opportunity.

5. DEPUTATIONS / PETITIONS / PRESENTATIONS / QUESTIONS (PAGES 1 - 2)

To consider any requests received in accordance with Part 4, Section B, paragraph 29 of the Council's constitution.

6. RECORD OF TRAINING UNDERTAKEN SINCE LAST MEETING

Note from the Head of Legal and Governance (Monitoring Officer)
When considering the items below, the Committee will be operating in its capacity as 'Administering Authority'. When the Committee is operating in its capacity as an Administering Authority, Members must have due regard to their duty as quasi-trustees to act in the best interest of the Pension Fund above all other considerations.

7. MINUTES (PAGES 3 - 10)

To confirm and sign the minutes of the Pensions Committee and Board meeting held on 22 November 2022 as a correct record.

8. PENSION ADMINISTRATION UPDATE (PAGES 11 - 14)

This report provides updates regarding:

- Pension Fund membership update
- Online Member Self Service portal update
- Update on McCloud

9. PENSION FUND QUARTERLY INVESTMENT AND PERFORMANCE UPDATE (PAGES 15 - 24)

This report provides the following updates for the quarter ended 31 December 2022:

- Independent advisor's market commentary
- Investment performance
- Investment asset allocation
- Funding position update
- London Collective Investment Vehicle (LCIV) update

10. EXTERNAL AUDIT PROGRESS REPORT (PAGES 25 - 68)

This report provides an update on the external audit progress for the Pension Fund's Statement of Accounts for the year ending 31 March 2021.

11. HARINGEY PENSION FUND FINAL ACTUARIAL VALUATION RESULTS AND FUNDING STRATEGY STATEMENT (PAGES 69 - 136)

This report provides information on the outcome of the actuarial valuation exercise at 31 March 2022. It also presents the conclusions made by the Fund's actuary, Hymans Robertson, regarding the actuarial valuation results for the whole fund. This includes revised contribution rates for the next three years starting on 1 April 2023, as well as the funding position as of the valuation date. An updated version of the Funding Strategy Statement has also been included for approval, subject to the completion of the consultation with the Fund's employers.

12. FORWARD PLAN (PAGES 137 - 142)

The purpose of the paper is to identify and agree upon the key priorities for the upcoming months and to seek members' input into future agendas. An overview of the planned investment strategy review work that will follow the completion of the actuarial valuation exercise has also been included for members' consideration.

13. RISK REGISTER (PAGES 143 - 156)

This paper provides an update on the Pension Fund's risk register and provides an opportunity to further review the risk score allocation.

14. LOCAL AUTHORITY PENSION FUND FORUM (LAPFF) VOTING UPDATE (PAGES 157 - 160)

The Fund is a member of the Local Authority Pension Fund Forum (LAPFF) and the Committee and Board has previously agreed that the Fund should cast its votes at investor meetings in line with LAPFF voting recommendations. This report provides an update on voting activities on behalf of the Fund.

15. NEW ITEMS OF URGENT BUSINESS

16. DATES OF FUTURE MEETINGS

To note the provisional dates of future meetings:

13 July 2023
5 September 2023
4 December 2023
29 January 2024
5 March 2024

17. EXCLUSION OF THE PRESS AND PUBLIC

Items 18-21 are likely to be subject to a motion to exclude the press and public from the meeting as they contain exempt information as defined in Section 100a of the Local Government Act 1972 (as amended by Section 12A of the Local Government Act 1985); para 3 – namely information relating to the financial or business affairs of any particular person (including the authority holding that information) and para 5 – information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.

18. EXEMPT - PENSION FUND QUARTERLY UPDATE AND INVESTMENTS UPDATE (PAGES 161 - 202)

As per item 9.

19. EXEMPT – HARINGEY PENSION FUND FINAL ACTUARIAL VALUATION RESULTS AND FUNDING STRATEGY STATEMENT (PAGES 203 - 212)

As per item 11.

20. EXEMPT MINUTES (PAGES 213 - 216)

To confirm and sign the exempt minutes of the Pensions Committee and Board meeting on 22 November 2022 as a correct record.

21. NEW ITEMS OF EXEMPT URGENT BUSINESS

Fiona Rae, Principal Committee Co-ordinator
Tel – 020 8489 3541
Email: fiona.rae@haringey.gov.uk

Fiona Alderman
Head of Legal & Governance (Monitoring Officer)
River Park House, 225 High Road, Wood Green, N22 8HQ

Monday, 13 March 2023

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Deputation to the Pensions Committee and Board – 21 March 2023
Divestment from fossil fuel companies

This requisition is for the Pensions Committee to receive our deputation at the Pension Committee and Board meeting on 21 March 2023.

Statement:

The deputation from Haringey Unison, supported by Haringey residents and local members of Friends of the Earth, wishes to address the subject of divestment of the Local Government Pension Scheme (LGPS) from fossil fuel companies.

Since our last deputation, the climate crisis has worsened with catastrophes becoming the norm - from fires in outer London in July 2022 to floods in Pakistan, and the ongoing drought in East Africa. Haringey Council has made climate change one of its top priorities.

Haringey started its journey to divest the pension fund from fossil fuels back in 2016. We understand that it still has some £32m 'exposed' to fossil fuels whilst a number of other local authorities have publicly adopted a zero target.

In short, we ask the Committee to:

- Report on its current fossil fuel holdings;
- Report on its investment strategy review, including the fund's carbon footprint, and its engagement strategy;
- Adopt a target to divest the rest within 3 years, and make it public;
- Ask the members of the pension fund for their views;
- Identify current and planned investments in green technologies, including renewable energy, and publicise this.

The deputation will be made in person by Anita Chandler, Haringey Unison, Environment Rep (St Aidan's), and Marc Lancaster, acting Chair, Unison Haringey Branch.

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MINUTES OF THE PENSIONS COMMITTEE AND BOARD MEETING HELD ON TUESDAY, 22ND NOVEMBER, 2022, 7.05 - 8.15 PM

PRESENT: Councillor Yvonne Say (Chair), Councillor John Bevan (Vice-Chair), Councillor Nick da Costa, Councillor Tammy Hymas, Councillor Thayahlan Iyngkaran, Councillor Matt White, Keith Brown, and Ishmael Owarish.

In attendance: John Raisin (Independent Advisor), Alex Goddard (Mercer), Steve Turner (Mercer), Julie Bailley (Hymans Robertson), Douglas Green (Hymans Robertson).

1. FILMING AT MEETINGS

The Chair referred to the notice of filming at meetings and this information was noted.

2. APOLOGIES

Apologies for absence were received from Craig Pattinson.

3. URGENT BUSINESS

There were no items of urgent business.

It was noted that there were late reports in relation to items 7 (Minutes), 10 (Haringey Pension Fund Annual Report), and 20 (Exempt – Pension Fund Quarterly Update and Investments Update).

4. DECLARATIONS OF INTEREST

There were no declarations of interest.

5. DEPUTATIONS / PETITIONS / PRESENTATIONS / QUESTIONS

There were no deputations, petitions, presentations, or questions.

6. RECORD OF TRAINING UNDERTAKEN SINCE LAST MEETING

Councillor Yvonne Say (Chair), Councillor John Bevan (Vice-Chair), Councillor Nick da Costa, Councillor Thayahlan Iyngkaran, Councillor Matt White, Councillor Tammy Hymas, Keith Brown, and Ismael Owarish had attended a training session in relation to Liability-Driven Investment (LDI) and actuarial valuation on 22 November 2022.

It was also noted that Councillor John Bevan had undertaken the following training: SPS Investment Strategies for Pension Funds, Man Group European Investment Symposium, SPS Fiduciary Management, OCIO & Investment Governance (May 2022); Partners Group London Investor Day 2022, SPS Impact investment and ESG for pension funds, PFIF portfolios real assets and alternatives for pension funds (June 2022); Local Authority Pension Fund Forum business meeting (July 2022); SPS Optimising Value from Bond Investments for Pension Funds, PFIF Fiduciary Management & Outsourcing CIOs for Pension Schemes Latest Developments (September 2022); and MetLife Investment Management Insurance Insights / Macro Strategy, PFIF LDI & Hedging what next: lessons learnt from crisis (October 2022).

The Chair reminded members to inform the Pensions Committee and Board officers whenever they had attended training so that this could be recorded.

7. MINUTES

RESOLVED

To confirm and sign the minutes of the Pensions Committee and Board meeting held on 12 September 2022 as a correct record.

8. PENSION ADMINISTRATION UPDATE

The Pensions Manager introduced the report which provided updates regarding membership, resourcing of the Pensions Administration Team, approval of new admission agreements, details of an employer joining the pension fund, and an online member self service portal update.

In relation to resourcing, it was noted that appointments had been made to the Team Leader, Pensions Officer, and Pensions Payroll Officer roles. The recruitment for the remaining vacancies for a Senior Pensions Officer, Pensions Officer, and Apprentice was anticipated to take place in 2023, after the team had inducted the new members. It was noted that officers had discussed the apprentice role with the Head of Apprenticeships to outline the steps required for this recruitment; the team was now in the process of drafting a job description and determining what qualifications an apprentice could undertake in the team.

In response to a query about the use of the Member Self Service (MSS) portal and visits to the website, the Pensions Manager explained that the total number of visits to the website was not necessarily a useful figure as this was often skewed by the activities of the Pensions Administration Team. It was noted that the number of active members who had enrolled in the MSS portal was lower than expected and officers were looking to encourage use of the portal; this would enable people to undertake some basic administration, including viewing their annual benefit statement online. It was also confirmed that members could still request paper copies of statements. In response to some questions, the Pensions Manager noted that it may be possible to see how many of the people registered for MSS had logged in to the portal and how the number of registrations compared to other schemes.

The Pensions Manager highlighted that the report also sought approval for the admission of Lunchtime Company Limited as a new employer into the Pension Fund. It was explained that external service providers were generally admitted to the Local Government Pension Scheme (LGPS) when they took over a service previously provided by the Council and were required to offer the LGPS to existing employees. In this case, the catering services for Alexandra Primary School and Belmont Infant and Junior Schools would now be provided by Lunchtime Company Ltd and it was proposed that they be admitted to the Haringey Pension Fund. It was confirmed that, as set out in the Council's constitution, the Pensions Committee and Board had delegated authority to make this decision.

RESOLVED

1. To note the report and the information provided regarding the Pension Fund's administration activities set out in section 6 of the report.

2. To approve the admission of Lunchtime Company Limited as a new employer to the Pension Fund in respect of service contracts with Alexandra Primary School and Belmont Infant and Junior School as set out in paragraphs 6.5 – 6.7 of the report.

9. PENSION FUND QUARTERLY INVESTMENT AND PERFORMANCE UPDATE

The Head of Pensions and Treasury introduced the report which provided updates for the quarter ended 30 September 2022 in relation to the independent advisor's market commentary, investment asset allocation, investment performance, funding position update, and London Collective Investment Vehicle (LCIV) update.

It was explained that, on 30 September 2022, the market value of the Pension Fund's investment assets was £1.666 billion; this was a decrease of 1.26% since the last quarter. It was highlighted that, although performance had decreased and there had been a downturn in the market over the last few months, the Pension Fund was still outperforming the benchmark. The Head of Pensions and Treasury also highlighted that the Pension Fund now had approximately 71% of assets invested with the LCIV.

Following consideration of the exempt information, it was

RESOLVED

To note the information provided in section 6 of the report in respect of the activity for the quarter ended 30 June 2022.

10. HARINGEY PENSION FUND ANNUAL REPORT

Under s100B(4)(b) of the Local Government Act 1972, the Chair of the meeting was of the opinion that the report should be considered at the meeting as a matter of urgency by reason of special circumstances. These circumstances were so that the Pensions Committee and Board could consider and approve the Pension Fund draft annual report before the publication deadline of 1 December 2022 and that the information required for the report was not available at the time of the agenda publication. This was agreed by the Chair on 22 November 2022.

The Head of Pensions and Treasury introduced the report which presented the Haringey Pension Fund Annual Report and unaudited accounts for 2021/22 for approval, subject to the successful completion of the external audit exercise.

It was explained that, under the Local Government Pension Scheme Regulations 2013, it was a requirement for all schemes to produce and publish an annual report by 1 December each year. Normally, the accounts would be finalised, an audit opinion would be provided, member approval would be sought, and then the report would be published. However, due to the delays caused by the Covid-19 pandemic, the audit for 2020-21 was still ongoing; this had been explained in more detail at the Pensions Committee and Board meeting on 15 September 2022.

The Head of Pensions and Treasury stated that the annual report relied on the finalised accounts but that, in order to meet the 1 December deadline, it was proposed that the Pensions Committee and Board approved the draft Pension Fund Annual Report; this would be uploaded to the website to meet the deadline. Once the audit was completed, an update would be presented to the Pensions Committee and Board and, if relevant, an updated version of the Pension Fund Annual Report would be proposed for approval and uploaded to the Haringey Pension Fund’s website. It was highlighted that the report sought approval of the draft report, rather than the final report, to reflect what was currently possible with the delays to the external audit.

The Committee accepted that the proposal to agree the draft report was the best approach in the circumstances. It was confirmed that members could send any further comments or questions to the Head of Pensions and Treasury if required. It was also clarified that no significant changes to the Pension Fund Annual Report were anticipated and any outstanding issues were expected to be resolved; if there were any material issues, the auditors would attend a meeting of the Pensions Committee and Board to communicate these.

Some members enquired about the increased cost of management expenses noted in the Pension Fund Accounts. The Head of Pensions and Treasury noted that, overall, management fees had increased. It was explained that this was generally driven by performance-related fees and that, as the total assets of the Pension Fund had increased from £1.6 billion to £1.8 billion, an increase in management fees was to be expected. It was added that the process for performance-related fees was to be reviewed in greater detail in the upcoming year.

RESOLVED

1. To note the draft Haringey Pension Fund Annual Accounts and unaudited accounts for 2021/22, appended as Appendix 1 to the report.

2. To approve that the draft version of the Pension Fund's Annual Report be uploaded on to the Haringey Pension Fund's website by 30 November 2022, pending the successful completion of the external audit exercise which was expected to commence in early 2023.

3. To note that an update on the external audit exercise would be provided to the Pensions Committee and Board in early 2023 and that an updated version of the Pension Fund Annual Report would be proposed for approval and uploaded to the Haringey Pension Fund's website following the successful completion of the external audit exercise.

11. RISK REGISTER

The Head of Pensions and Treasury introduced the item which provided an update on the Pension Fund's risk register and an opportunity for the Pensions Committee and Board to further review the risk score allocation.

It was noted that, at the last meeting, the Pensions Committee and Board had requested a more detailed version of the risk register; this had been provided and any views or comments were welcomed. It was highlighted that section 6.5 of the report set out the key risks. It was noted that the full risk register was now attached to the report, and would be included in future reports, for reference.

The Head of Pensions and Treasury highlighted the key risk relating to the impact of high Consumer Price Index (CPI) inflation. It was anticipated that this would lead to an uplift in benefits from April 2023 and this would likely form part of the Pension Committee and Board's consideration of the Investment Strategy Statement (ISS) in 2023. The increasing risk of market downturn was also noted and it was mentioned that members needed to be aware of the possible impact of this on the investment portfolio. In relation to the delay in publishing the accounts, it was explained that the draft statement was available but that the auditors were yet to provide an update on when the external audit for 2021-22 would commence.

RESOLVED

To note the Pension Fund's risk register.

12. LOCAL AUTHORITY PENSION FUND FORUM (LAPFF) VOTING UPDATE

The Head of Pensions and Treasury introduced the report which provided an update on the Local Authority Pension Fund Forum's (LAPFF) engagement and voting activities on behalf of the Pension Fund.

It was noted that there had only been one Annual General Meeting (AGM) over the summer period and that Legal and General Investment Management (LGIM) had voted in line with the LAPFF recommendation. In relation to the other engagements undertaken by LAPFF, it was stated that this was reported quarterly on the LAPFF website and members were encouraged to read these reports.

Some members noted that not all councils passed on details of the LAPFF recommendations to their investment managers. The Head of Pensions and Treasury noted that the voting alerts were always passed on to the relevant investment managers on behalf of the Haringey Pension Fund and that investment managers often provided reasons if they were not intending to vote in line with the LAPFF recommendations.

RESOLVED

To note the report.

13. FORWARD PLAN

The Head of Pensions and Treasury introduced the report which presented the forward plan for consideration.

It was explained that some forward plan items were mandatory but that members were invited to submit any requests for areas of focus to the Head of Pensions and Treasury; it was noted that the recent training on Liability Driven Investment (LDI) had been included following a member request.

The Head of Pensions and Treasury stated that two delegates from the Haringey Pension Fund would be attending the Local Authority Pension Fund Forum (LAPFF) conference. There was also a Local Government Association (LGA) conference on Local Government Pension Scheme (LGPS) governance in January 2023 and members were encouraged to attend. It was added that a full list of events was provided in Appendix 2 to the report. It was agreed that all future training events could be included in the forward plan so that members could express their interest in attending in advance.

RESOLVED

To note the Pensions Committee and Board’s forward plan.

14. HARINGEY PENSION FUND ACTUARIAL VALUATION UPDATE

Following consideration of the exempt information, it was

RESOLVED

1. To note Haringey Pension Fund's draft Actuarial Valuation Results paper, prepared by the Pension Fund's Actuary, Hymans Robertson and appended as Confidential Appendix 1, and the advice contained therein.

2. To note the overview of the Funding Strategy Statement Review paper, appended as Confidential Appendix 2 to this report.

15. GOVERNMENT CONSULTATION ON GOVERNANCE AND REPORTING OF CLIMATE CHANGE RISKS

The Head of Pensions and Treasury introduced the report which provided the draft response to the of the Government's Consultation on *Local Government Pension Scheme (LGPS): Governance and reporting of climate change risks* (the Consultation) which was published by the Department for Levelling Up, Housing and Communities (DLUHC) on 1 September 2022. The Consultation would close for responses on 24 November 2022.

Following consideration of the exempt information, it was

RESOLVED

1. To note the draft response to the Consultation, appended as Confidential Appendix 1 to this report, and provide any comments and feedback on the contents of the draft response to the Consultation.

2. To delegate authority to the Head of Pensions and Treasury to submit the Consultation response on behalf of the Haringey Pension Fund, subject to any comments and feedback provided by the Pensions Committee and Board, after consultation with the Chair of the Pensions Committee and Board.

16. NEW ITEMS OF URGENT BUSINESS

There were no items of urgent business.

17. DATES OF FUTURE MEETINGS

It was noted that the dates of future meetings were:

12 December 2022 (this meeting would be cancelled as it was no longer required)
23 January 2023
21 March 2023

18. EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED

That the press and public be excluded from the meeting for consideration of items 19-23 as they contained exempt information as defined in Section 100a of the Local Government Act 1972 (as amended by Section 12A of the Local Government Act 1985); paras 3 and 5; namely information relating to the financial or business affairs of any particular person (including the authority holding that information) and information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.

19. EXEMPT - PENSION FUND QUARTERLY UPDATE AND INVESTMENTS UPDATE

The Pensions Committee and Board considered the exempt information.

20. EXEMPT - HARINGEY PENSION FUND ACTUARIAL VALUATION UPDATE

Under s100B(4)(b) of the Local Government Act 1972, the Chair of the meeting was of the opinion that the report should be considered at the meeting as a matter of urgency by reason of special circumstances. These circumstances were so that the Pensions Committee and Board could consider an amended version of Appendix 2 which included updated information that was not available at the time of the agenda publication. This was agreed by the Chair on 22 November 2022.

The Pensions Committee and Board considered the exempt information.

21. EXEMPT - GOVERNMENT CONSULTATION ON GOVERNANCE AND REPORTING OF CLIMATE CHANGE RISKS

The Pensions Committee and Board considered the exempt information.

22. EXEMPT MINUTES

RESOLVED

To confirm and sign the exempt minutes of the Pensions Committee and Board meeting held on 12 September 2022 as a correct record.

23. NEW ITEMS OF EXEMPT URGENT BUSINESS

There were no new items of exempt urgent business.

CHAIR: Councillor Yvonne Say

Signed by Chair ………………………………..

Date …………………………………

Agenda Item 8

Report for: Pensions Committee and Board – 21 March 2023

Title: Pension Administration Update

Report authorised by: Josephine Lyseight, Assistant Director of Finance (Deputy Section 151 Officer)

Lead Officers: Tim Mpofu, Head of Pensions & Treasury, and Jamie Abbott, Pensions Manager, 020 8489 3824, Jamie.Abbott@haringey.gov.uk

Ward(s) affected: N/A

Report for Key/ Non Key Decision: Not applicable

1. Describe the issue under consideration

1.1. This report provides the Pensions Committee and Board with the following updates regarding Pension Fund's administration activities:

a. Pension Fund membership update
b. Online Member Self Service portal update
c. Update on McCloud

2. Cabinet Member Introduction

2.1. Not applicable

3. Recommendations

The Pensions Committee and Board is recommended:

3.1. To note the report and the information provided regarding the Pension Fund's administration activities as set out in section 6 of this report.

4. Reason for Decision

4.1. Not Applicable

5. Other options considered

5.1. Not applicable.

6. Background information

Haringey LONDON

Membership Update

6.1. Employees working for an employer that participates in the Local Government Pension Scheme (LGPS) are eligible for membership in the scheme. Membership in the LGPS is voluntary, and members are free to choose whether to continue participating in the scheme or to make personal arrangements outside of it.

6.2. The table below provides a breakdown of Haringey Pension Fund's membership as at 31 December 2022.

Member status	30 Jun 2022	30 Sep 2022	31 Dec 2022
Active members	6,308	6,301	6,271
Pensioner members	8,426	8,420	8,578
Deferred members	10,727	10,660	10,509
Total scheme members	**25,461**	**25,381**	**25,358**

Online Member Self Service Portal Update

6.3. The Member Self Service (MSS) portal is a pension scheme website that allows members to register an account to view/update their personal information. Members can also log in to the MSS to run their own retirement estimates, which helps them make more information decisions regarding their retirement planning.

6.4. The table below provides a breakdown of the number of active scheme members who had a registered account on Haringey Pension Fund's MSS at 31 December 2022.

Member Self Service	30 Sep 2022	31 Dec 2022
Total active members	6,301	6,271
Total active member registrations on MSS	953	1,028
Proportion of registered active members	15.12%	16.39%

6.5. The increase in active members registered for the Member Self Service portal is in part due to the increased employee engagement activities carried out by the Pensions Team. This has been in the form of drop-in sessions and site visits to engage with members who are not based in the main Council's building.

6.6. The Pensions Team aims to increase active member signups for the MSS by carrying out further engagement activities in collaboration with other teams across the Fund.

6.7. In addition to the earlier table, the table below provides a breakdown of the number of members who have accessed the Member Self Service portal in the last 7 days, 30 days, 2 months and 3 months.

Period last accessed	No. of Members
Last 7 days	42
Last 30 days	116
Last 2 months	92
Last 3 months	44

Haringey LONDON

McCloud Update

6.8. The Pensions Committee and Board has previously received advice regarding the outcome of the McCloud case, an age discrimination court case involving transactional protection arrangements introduced as part of the 2014 reforms of the LGPS. It allowed those within 10 years of retirement to remain in their existing pension schemes when the reformed schemes were introduced. However, in 2018, the courts found this to be discriminatory against younger members of the judicial and firefighters' pension schemes. The government accepted that the judgement would apply to local government schemes as well.

6.9. Following on from the Scheme Advisory Board's McCloud guidance issued in July 2020, further guidance was issued beginning of March 2023 around issues regarding the data collection part of the project.

6.10. The guidance sets out the available options for administering authorities in England and Wales may consider if they are unable to collect the necessary data to implement the McCloud remedy. It covers both missing data and data the Fund is not confident is accurate.

6.11. The Fund continues to work in conjunction with Heywood, the Fund's administration software provider on a McCloud solution in relation to the data gathering stage and have had a response rate of 45% to date.

6.12. The next stage will be to analyse the data received to assess if it is accurate and whether it can be uploaded into the Pensions system.

6.13. Officers anticipate that the implementation of the proposed remedial regulations will be both complex and time consuming, particularly the collection of information and the subsequent McCloud calculations required to perform any retrospective corrections required to member benefits. Additional resources are likely to be required to undertake this work.

6.14. Officers will continue to keep the Pensions Committee and Board informed of developments related to the McCloud remedy activities.

7. Contribution to Strategic Outcomes

7.1. Not applicable

8. Statutory Officer Comments

<u>Finance and Procurement</u>

8.1. Not applicable.

<u>Legal</u>

8.2. The Head of Legal and Governance (Monitoring Officer) has been consulted on the contents of this report.

Equalities

8.3. The Local Government Pension Scheme is a defined benefit open scheme enabling all employees of the Council to participate. There are no impacts in terms of equalities issues arising from the contents of this report.

9. Use of Appendices

9.1. None

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

Agenda Item 9

Report for: Pensions Committee and Board – 21 March 2023

Title: Pension Fund Quarterly Investment and Performance Update

Report authorised by: Josephine Lyseight, Assistant Director of Finance (Deputy Section 151 Officer)

Lead Officer: Tim Mpofu, Head of Pensions and Treasury, tim.mpofu@haringey.gov.uk

Ward(s) affected: N/A

Report for Key/ Non Key Decision: Not applicable

1. Describe the issue under consideration

1.1. This report provides the Pensions Committee and Board (PCB) with the following updates on the Pension Fund's performance for the quarter ended 31 December 2022:

a. Independent advisor's market commentary
b. Investment performance
c. Investment asset allocation
d. Funding position update
e. London Collective Investment Vehicle (LCIV) update

2. Cabinet Member Introduction

2.1. Not applicable

3. Recommendations

The Pensions Committee and Board is recommended:

3.1. To note the information provided in section 6 of the report regarding the Pension Fund's investment performance and activity for the quarter ended 31 December 2022.

4. Reason for Decision

4.1. Not applicable.

5. Other options considered

5.1. Not applicable.

6. Background information

Haringey LONDON

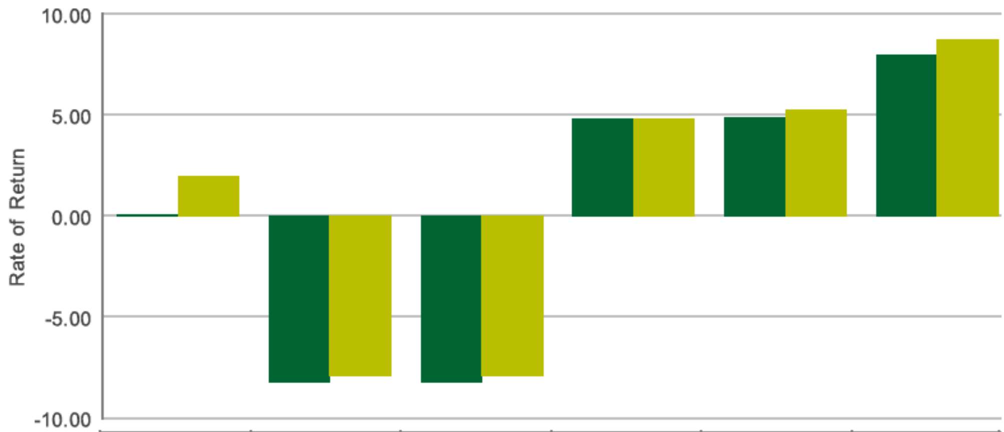
6.1. The independent advisor has prepared a market commentary for the quarter ending 31 December 2022 which, has been included as Appendix 1 to this paper.

Investment Performance

6.2. As of 31 December 2022, the Pension Fund's investment assets had a market value of £1.663bn. The fund's performance over the quarter was relatively flat, with a modest investment return of 0.07%.

6.3. The fund’s overall investment returns as of 31 December 2022 are shown in the charts below.

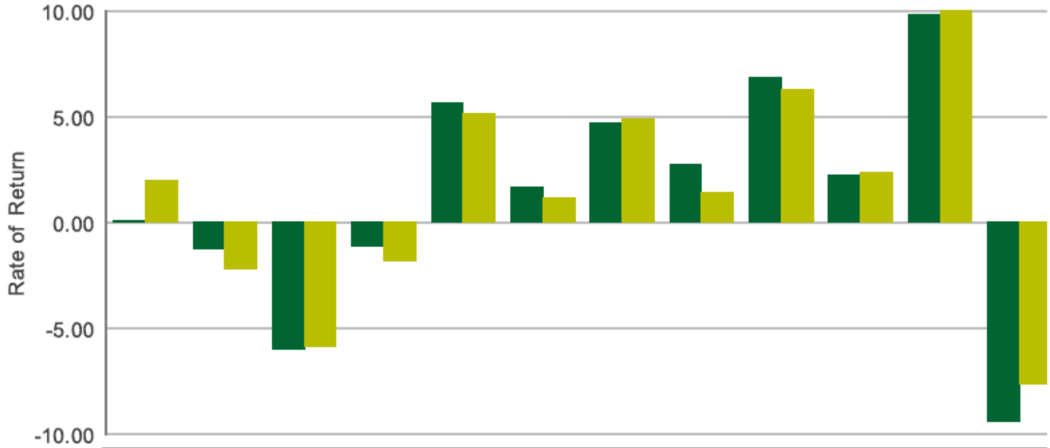
HARINGEY PENSION FUND TOTAL FUND GROSS OF FEES



	Three Months	Year to Date	One Year	Three Years	Five Years	ITD
Fund	0.07	-8.21	-8.21	4.83	4.87	7.98
Index	1.95	-7.90	-7.90	4.80	5.24	8.72

Index: Haringey New Total Plan BM

HARINGEY PENSION FUND ROLLING QUARTERS TOTAL FUND GROSS OF FEES



	Q4 '22	Q3 '22	Q2 '22	Q1 '22	Q4 '21	Q3 '21	Q2 '21	Q1 '21	Q4 '20	Q3 '20	Q2 '20	Q1 '20
Fund	0.07	-1.26	-6.01	-1.16	5.62	1.64	4.72	2.75	6.81	2.24	9.80	-9.39
Index	1.95	-2.21	-5.89	-1.83	5.12	1.13	4.91	1.43	6.29	2.34	9.98	-7.65

Index: Haringey New Total Plan BM

6.4. The Fund's listed equities allocation provided the best positive return over the quarter. Global markets were generally buoyed by indications that, although still high, inflation was on a path to slowing down. The expectation was that this, in turn, would slow down the pace of monetary policy tightening by global central banks. In contrast, the Fund's allocation to index-linked gilts continued to generate negative returns over the period, largely due to the Bank of England's ongoing interest rate increases.

6.5. Performance was relatively mixed across the rest of the portfolio; however, the multi-asset and multi-asset credit mandates both outperformed their respective benchmarks during the quarter.

6.6. A detailed breakdown of pension fund's investment performance can be found in the Fund Strategy Report for the quarter ending 31 December 2022, appended to this report as Confidential Appendix 2.

Investment Asset Allocation

6.7. The Pension Fund's strategic asset allocation at 31 December 2022 is shown in Table 1 below.

Table 1: Total Portfolio Allocation by Manager and Asset Class

	Value 31.03.2022 £'000	Value 30.06.2022 £'000	Value 30.09.2022 £'000	Value 31.12.2022 £'000	Allocation 31.12.2022 %	Strategic Allocation %	Variance %
Equities							
Multi Factor Climate Transition	372,311	343,564	333,748	332,859	20.01%	20.20%	-0.19%
Emerging Markets Low Carbon	124,152	119,301	115,594	117,622	7.07%	7.10%	-0.03%
Global Low Carbon	368,195	323,147	318,893	361,378	21.73%	20.20%	1.53%
Total Equities	**864,658**	**786,012**	**768,235**	**811,859**	**48.82%**	**47.50%**	**1.32%**
Bonds							
Index Linked	143,026	114,641	102,533	94,812	5.70%	7.00%	-1.30%
Property							
Aviva	80,632	108,041	104,466	93,476	5.62%	6.00%	-0.38%
CBRE	119,877	124,223	119,481	102,106	6.14%	6.50%	-0.36%
The London Fund	5,476	9,374	10,286	17,687	1.06%	3.00%	-1.94%
Private equity							
Pantheon	118,611	134,271	145,579	138,261	8.31%	5.00%	3.31%
Multi-Sector Credit							
LCIV Multi Asset Credit	153,360	141,716	138,303	144,045	8.66%	10.00%	-1.34%
Multi-Asset Absolute Return							
LCIV Absolute Return	178,788	142,035	144,585	151,782	9.13%	7.50%	1.63%
Infrastructure Debt							
Allianz	45,610	41,701	36,545	30,289	1.82%	2.50%	-0.68%
Renewable Energy Infrastructure							
CIP	13,773	15,700	12,993	13,609	0.82%	1.25%	-0.43%
Blackrock	20,017	20,887	22,127	21,390	1.29%	1.25%	0.04%
LCIV Renewable Infrastructure	17,983	15,745	23,379	23,889	1.44%	2.50%	-1.06%
Cash & NCA							
Cash	18,316	33,251	32,856	19,853	1.19%	0.00%	1.19%
Total Assets	**1,780,127**	**1,687,597**	**1,661,368**	**1,663,058**	**100.00%**	**100.00%**	

Funding Position Update

6.8. The funding level is the ratio of the market value of assets compared to the projected future benefit payments, also known as fund liabilities. The initial results from the 2022 actuarial valuation indicate a funding level of 113% as at 31 March 2022. This meant that the Pension Fund's investment assets were more than sufficient to pay all the pension benefits accrued by that date, based on the underlying actuarial assumptions.

6.9. The Pension Fund's Actuary, Hymans Robertson, calculates an indicative funding position update regularly using the latest actuarial assumptions. The PCB will receive quarterly funding position updates once the current valuation exercises has been completed.

London Collective Investment Vehicle (LCIV) Update

6.10. Haringey Pension Fund, alongside all the London Borough funds, is a member of the London Collective Investment Vehicle (LCIV), one of the 8 asset pools that were set up after the government guidance issued in November 2015. The Pension Fund had approximately 75% of assets invested with the pool as at 31 December 2022.

7. Contribution to Strategic Outcomes

7.1. Not applicable

8. Statutory Officer Comments

Finance and Procurement

8.1. The report contains financial comments related to the investment performance and monitoring of the Haringey Pension Fund. The effective monitoring and management of the investments increases the likelihood of the Pension Fund achieving its objectives, thereby safeguarding member benefits and keeping employer contribution rates stable.

Legal

8.2. The Council as administering authority for the Haringey Pension Fund must periodically review the suitability of its investment portfolio to ensure that returns, risk and volatility are all appropriately managed and are consistent with its overall investment strategy.

8.3. All monies must be invested in accordance with the Investment Strategy Statement (as required by Regulation 7 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016) and members of the Committee should keep this duty in mind when considering this report and take proper advice on the matter.

Equalities

8.4. The Local Government Pension Scheme is a defined benefit open scheme enabling all employees of the Council to participate. There are no impacts in terms of equalities issues arising from the contents of this report.

9. Use of Appendices

9.1. Appendix 1: Independent Advisor’s Market Commentary Oct-Dec 2022

9.2. Confidential Appendix 2: Haringey Pension Fund Performance Report

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

Haringey LONDON

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JOHN RAISIN FINANCIAL SERVICES LIMITED

Independent Advisors Report

Market Commentary October to December 2022

In contrast to the previous three Quarters October to December 2022 was positive for World Equity markets. The October to December Quarter saw the MSCI World Index advance by almost 10% (in $ terms) with all major geographies seeing positive returns. However, these gains were far lower than the previous cumulative losses of 2022 which saw the MSCI World Index decline by over 25% between January and September.

October and November were both clearly positive months for Global Equities with markets generally buoyed by indications that inflation though still high was on a path to slowing and indications that the US Federal Reserve would mitigate its monetary policy tightening stance. Additionally there were generally strong corporate earnings announcements in both the US and Japan. In October the reversal by the UK Chancellor Rt Hon Jeremy Hunt MP of the vast majority of the fiscal (tax) reforms announced (in September) by his predecessor Rt Hon Kwasi Kwarteng MP buoyed not only UK but US and World stock markets. In November a positive meeting between President Joe Biden of the US and President Xi Jinping of China and expectations of the easing of COVID restrictions by China also boosted markets. Buyers purchasing equities at what they considered a discount after the significant falls earlier in 2022 could also have been a factor pushing markets upwards. The MSCI World Index advanced (in $ terms) by 7% in both October and November. December however was a negative month with the MSCI World Index falling by 4%. Statements by both US Federal Reserve and European Central Bank regarding further interest rate rises unsettled markets. This was despite the US Federal Reserve increasing interest rates by 0.5% at its December 2022 Federal Open Markets Committee meeting rather than 0.75% as at each of the four previous meetings including the 1-2 November 2022 meeting.

Since March 2022 the US Federal Reserve has applied ongoing and significant increases in interest rates in order to seek to reduce inflation. US inflation remained clearly elevated but fell during the October to December Quarter. Headline CPI which had been 8.2% in September fell to 7.7% in October, 7.1% in November and 6.5% in December. Despite declining from 5.2% in September to 5.1% in October, 4.8% in November and 4.6% in December 2022 the Core PCE Index which is closely observed by the Federal Reserve when determining monetary policy remained well above its target of 2% inflation. One reason for the continuing strength of inflation in the US is the very low unemployment rate which was only 3.5% by December 2022.

The US S&P 500 index increased by over 7% during the October to December Quarter. Both October and November were positive but December was negative. In October, better than expected overall corporate earnings announcements, particularly from Banks (Bank of America and Goldman Sachs) and Apple boosted markets. A slowing of inflation (relating to October but reported in November) and statements from senior Federal Reserve Officials supportive of a slower pace of future rate rises also boosted stocks in November.

December however proved a difficult month. Despite the US Federal Reserve slowing the pace of interest rate rises at its December meeting markets were upset by statements from several senior Federal Reserve officials regarding the (greater than anticipated) extent of likely future rate rises. The US market was also adversely affected in December by some weak corporate earnings data, and also by negative announcements from Tesla.

Eurozone Equities experienced a clearly positive Quarter with the MSCI EMU index advancing almost 13% (in Euro terms). As with world markets in general October and November were positive while December proved to be negative. Over the Quarter mild weather and lower gas prices were helpful to both the economy and equity markets.

On 27 October 2022 the European Central Bank (ECB) raised interest rates by 0.75% stating in its press release that *"With this third major policy rate increase in a row, the Governing Council has made substantial progress in withdrawing monetary policy accommodation. The Governing Council took today's decision, and expects to raise interest rates further, to ensure the timely return of inflation to its 2% medium-term inflation target. The Governing Council will base the future policy rate path on the evolving outlook for inflation and the economy, following its meeting-by-meeting approach."* At the meeting that concluded on 15 December 2022 the Governing Council of the ECB raised interest rates by a further 0.5%. However this reduction in the pace of rate rises was accompanied by a clear message regarding likely significant future rate rises which undermined European Equity markets. In her press conference statement following the conclusion of the December Governing Council meeting ECB President Christine Lagarde stated *"…We decided to raise interest rates today, and expect to raise them significantly further, because inflation remains far too high and is projected to stay above our target for too long…"*

Eurozone inflation as measured by the Harmonised Index of Consumer Prices (HICP) remained way above the ECB medium-term inflation target of 2%. It had been 7.4% in March 2022 and by September reached 9.9%. In October it was 10.6% and in November 10.1% (which was the latest data available to the ECB at its December Monetary Policy meeting). In December 2022 it was 9.2%.

UK Equities also enjoyed a clearly positive Quarter with both the FTSE All Share and the FTSE 100 increasing by approaching 9% (in £ terms). The more domestically focussed FTSE 250 which had experienced a torrid previous 9 months increased by approaching 11%. The recovery in UK Equities and particularly in those whose primary market is the UK was doubtlessly aided by the the reversal in October of most of the changes to fiscal policy (including significant unfunded tax cuts) announced by the Government on 23 September 2022 and also by the replacement, on 25 October 2022, of Rt Hon Elizabeth Truss MP as Prime Minister by Rt Hon Rishi Sunak MP.

During the October to December Quarter CPI inflation remained far above the Bank of England policy target of 2%. CPI inflation which had been 7.0% in March 2022 reached 11.1% in October which was the highest rate for 41 years (since October 1981). November saw a rate of 10.7% and December 10.5%. Core CPI Inflation (which excludes volatile food, energy, alcohol, and tobacco prices) also remained high. It had been 6.5% in September and by December was still 6.3%. Ongoing high inflation remained a major issue for low income families who are particularly affected by high energy and high food costs. Unemployment remained very low with the Office for National Statistics reporting a rate of 3.7% for the October to December period.

At its meeting ending on 2 November 2022 the Bank of England Monetary Policy Committee (MPC) raised Bank Rate (interest rates) by 0.75% the largest increase at a single meeting for 30 years. The increase took Base Rate to 3% its highest level since 2008. In justification of the 0.75% increase the Minutes of the MPC (paragraph 49) stated *"…Overall, a larger increase in Bank Rate at this meeting would help to bring inflation back to the 2% target sustainably in the medium term, and to reduce the risks of a more extended and costly tightening later."* At the MPC meeting ending on 14 December meeting Bank Rate was increased by a further 0.5% to 3.5%. The Minutes of the meeting (paragraph 48) included the statement *"…The labour market remained tight and there had been evidence of inflationary pressures in domestic prices and wages that could indicate greater persistence and thus justified a further forceful monetary policy response… A 0.5 percentage point increase in Bank Rate at this meeting would help to bring inflation back to the 2% target sustainably in the medium term, and to reduce the risks of a more extended and costly tightening later."*

For the third Quarter in a row Japanese inflation was above the Bank of Japan's 2% target. In December 2022 core inflation reached 4% a 41 year high. Japanese Equities (as measured by the Nikkei 225 Index) clearly underperformed other major markets advancing by less than 1% over the Quarter (in Yen terms). In October the Nikkei advanced by over 6% in part as a result of positive corporate earnings results. November saw a further advance of over 1% before a fall of 7% during December. The announcement by the Bank of Japan of a widening of its Yield Control policy on 20 December 2022 was followed by a clear weakening in Japanese equities with the Nikkei 225 losing over 4% between the close of trading on 19 December and the year end.

At its October and December 2022 Monetary Policy meetings the Bank of Japan maintained its position as the only notable Central Bank to retain negative/zero interest rates announcing a continuation of short term interest rates at -0.1% and the long term rate at around 0% (linked to the 10 Year Japanese Government Bond yield). At its December Monetary Policy meeting, however, the Bank surprised (or perhaps shocked) markets when it also announced a major and unanticipated shift in the conduct of its Yield Control policy that *"…the Bank will expand the range of 10-year JGB yield fluctuations from the target level: from between around plus and minus 0.25 percentage points to between around plus and minus 0.5 percentage points"* (Bank of Japan Statement on Monetary Policy, 20 December 2022). Yield Control is whereby a Central Bank targets a longer term interest rate and then buys/sells bonds to maintain that target rate. The Governor of the Bank of Japan Haruhiko Kuroda denied that this clear change to Yield Control policy amounted to a tightening of monetary policy but rather stated it was to address increased market volatility and to improve the sustainability of monetary easing. While this change in the conduct of Yield Control policy resulted in an immediate strengthening of the Yen v the US $ it does not fundamentally address the differences in Japanese Monetary Policy (ultra-loose) compared to that of the other major Central Banks which have significantly tightened monetary policy and have indicated further likely tightening. In such a situation the Yen remained/remains vulnerable to sell-offs.

Overall Asian (excluding Japan) and Emerging Market Equities enjoyed a clearly positive Quarter. The MSCI Asia (ex-Japan) Index advanced by over 11% (in US$ terms) and the MSCI Emerging Markets Index advanced by approaching 10%.

In contrast to western Developed markets Asian (ex-Japan) and Emerging markets experienced a generally negative October. Chinese COVID restrictions and concerns over the future political direction of China following the 20th Communist Party Congress were clear negatives. November 2022 was, however, an outstandingly positive month for Asian/Emerging markets. Chinese and Asian/Emerging Markets were boosted from November by expectations of the loosening of COVID restrictions in China resulting from both signals from the Chinese authorities and significant public protests against lockdowns. The favourable meeting in Indonesia on 14 November 2022 between US President Joe Biden and Chinese President Xi Jinping also buoyed markets. December was a (moderately) negative month for Asian and Emerging markets which as with Global markets generally reacted adversely to concerns that the US Federal Reserve might raise interest rates higher and for longer than had been expected.

US and German Government bonds experienced yet another negative Quarter with yields rising (and prices therefore falling). The yield on the 2 Year Treasury increased from 4.28% to 4.43% and the 10 Year Treasury yield increased (marginally) from 3.83% to 3.87%. The German 2 year Bund yield increased from 1.76% to 2.76% while the yield on the 10 year Bund increased from 2.11% to 2.57%. Overall, adverse announcements regarding inflation and expectations regarding future interest rate rises by both the US Federal Reserve and European Central Bank weighed against these benchmark Government bonds.

In contrast to the previous torrid Quarter and despite further interest rate rises by the Bank of England at both its November and December 2022 Monetary Policy Committee meetings UK Gilts enjoyed a positive Quarter in the context of the Government reversing most of the unfunded tax cuts announced on 23 September 2023 (which had resulted in a crisis in Gilt markets) and the replacement of Rt Hon Elizabeth Truss MP as Prime Minister by Rt Hon Rishi Sunak MP. The yield on the 2 Year Treasury fell from 4.23% to 3.58% and the 10 Year yield from 4.09% to 3.67%.

27 February 2023

Report for: Pensions Committee and Board – 21 March 2023

Title: External Audit Progress Report

Report authorised by: Josephine Lyseight, Assistant Director of Finance (Deputy Section 151 Officer)

Lead Officer: Tim Mpofu, Head of Pensions and Treasury, tim.mpofu@haringey.gov.uk

Ward(s) affected: N/A

Report for Key/ Non Key Decision: Not applicable

1. Describe the issue under consideration

1.1. This report updates the Pensions Committee and Board on the external audit progress for the Pension Fund's Statement of Accounts for the year ending 31 March 2021.

2. Cabinet Member Introduction

2.1. Not applicable

3. Recommendations

The Pensions Committee and Board is recommended:

3.1. To note the Audit Progress Report prepared by the Pension Fund's external auditors, BDO, and appended as Appendix 1 to the report.

4. Reason for Decision

4.1. Not applicable.

5. Other options considered

5.1. Not applicable.

6. Background information

6.1. The Pension Fund is required to produce annual Statement of Accounts and have them audited independently each year. In the summer of 2021, the Council published the draft Statement of Accounts (including the accounts for Haringey Pension Fund) for the financial year ending 31 March 2021. The final version of the accounts will be approved by the Pensions Committee and Board (PCB) after the audit is completed.

6.2. Work on the audit has been ongoing since November 2021, and in December of that year, external auditors, BDO presented the audit plan to the PCB. The plan outlined their approach to conducting the audit, including key areas of focus, timescales, resourcing, and fees.

6.3. The 2020/21 audit has not progressed as initially planned due to several factors, including, increased complexities in public sector accounting and regulatory requirements, which have added pressured to the audit sector overall. As of 31 December 2021, only 40% of public sector audits had been completed.

6.4. BDO, like other audit firms, has faced challenges in recruiting and retaining staff with suitable public sector experience to carry out the required audit work. This has been exacerbated by the long-term impacts of Covid-19 and remote working.

6.5. Despite the challenges, officers are continuing to work with the auditors, providing them with all the necessary information to ensure the audit of the Pension Fund's Statement of Accounts is completed as soon as possible.

Audit Progress Report Overview

6.6. BDO have prepared an Audit Progress Report for consideration by the PCB, which has been included as Appendix 1 to this report. The report summarises the results of the work done so far for the audit of the Statement of Accounts for the year ending 31 March 2021. This includes specific audit findings, conclusions and misstatements identified to date, as well as areas requiring further attention.

6.7. The report states that audit work on the financial statements is substantially complete, with a few key outstanding areas and ongoing internal quality reviews still pending from the auditors.

Key findings

6.8. According to the report, the auditors have not found anything that would require a modification of the audit opinion on the financial statements based on the work completed to date. However, the report identifies a material misstatement of £11.2m in the valuation of the Fund's private equity investments.

6.9. Audited versions of private equity asset statements are typically received within 90-120 days of the reporting period due to the complexities involved in valuing the underlying assets. This means that the valuation as at the end of the financial year is often based on estimates. The Fund's approach to applying these estimates is detailed in the Notes to the Pension Fund Accounts. Due to this timing difference, it is not uncommon for there to be material differences between unaudited and audited valuations. In such cases, it would be appropriate for these valuations to be revised in the post-audit version of the financial statements.

6.10. Officers have agreed with BDO to revise the valuation of the private equity investment as at 31 March 2021, resulting in an increase of £11.2m in Pension Fund's net asset value. This change has also been reflected in the opening value of the draft Statement of Accounts for the year ending 31 March 2022.

Next steps

6.11. The auditors have not confirmed a timescale for completing the audit of the Statement of Accounts for the year ending 31 March 2021, nor for the start of the audit for the Statement of Accounts for the year ending 31 March 2022. However, the PCB could request that a further update be provided by the auditors at the next meeting.

7. Contribution to Strategic Outcomes

7.1. Not applicable

8. Statutory Officer Comments

Finance and Procurement

8.1. Code fees for the audit are set centrally by the Public Sector Audit Appointments (PSAA). In addition to the code audit fee of £16,710, additional fees of £9,000 have been estimated. This is due to the expectation that auditors will undertake additional work around management judgement and estimates, with £4,000 attributed the additional resource time and costs for carrying out audits remotely.

8.2. As detailed in Appendix 1 to this report, Audit Progress Report, the external audit of the Statement of Accounts for the year ending 31 March 2021 has been experiencing ongoing delays. As a result, there is a risk that the actual fees charged for the audit may be significantly higher than originally anticipated. All fees associated with the audit will be paid by the Pension Fund.

Legal

8.3. The Head of Legal and Governance (Monitoring Officer) has been consulted on the content of this report. Part of the Council's duty as adminstering authority for the Haringey Pension Fund is to ensure that the annual accounts are properly audited, and the audit progress reports outlines how this work has been carried out up to now.

8.4. The external audit has still not been completed, Section 70 of the Pensions Act 2004 imposes a reporting requirement on the administering authority where there is reasonable cause to believe that a duty which is relevant to the administration of the scheme and imposed legislation has not been complied with and the failure is one which is of "material significance" then a written report must be made to the Pension Regulator.

Equalities

8.5. There are no equalities issues arising from this report.

9. Use of Appendices

9.1. Appendix 1: Audit Progress Report

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

Report to the Pensions Committee and Board

LONDON BOROUGH OF HARINGEY PENSION FUND

Audit Progress Report: year ended 31 March 2021

IDEAS | PEOPLE | TRUST

CONTENTS

WELCOME

Contents

We have pleasure in presenting our Audit Progress Report to the Pensions Committee and Board of Haringey Council. This report is an integral part of our communication strategy with you, a strategy which is designed to ensure effective two-way communication throughout the audit process with those charged with governance.

It summarises the results of our work to date for the year ended 31 March 2021, specific audit findings and areas requiring further discussion and/or the attention of the Pensions Committee and Board of Haringey Council. It includes the findings, conclusions and misstatements identified to date. We will provide an update on outstanding work at the Pensions Committee and Board.

In the meantime if you would like to discuss any aspects in advance of the meeting we would be happy to do so.

This report contains matters which should properly be considered by the Council as a whole. We expect that the Pensions Committee and Board of Haringey Council will refer such matters to the Council, together with any recommendations, as it considers appropriate.

We would also like to take this opportunity to thank the management and staff of the Council for the co-operation and assistance provided during the audit.

David Eagles, Partner
For and on behalf of **BDO LLP**

13 March 2023

David Eagles, Engagement Partner

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. This report has been prepared solely for the use of the Pensions Committee and Board and Those Charged with Governance. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.

OVERVIEW
Executive summary

Contents

This summary provides an overview of the audit matters that we believe are important to the Pensions Committee and Board in reviewing the results of the audit of the financial statements of the Pension Fund for the year ended 31 March 2021.

It is also intended to promote effective communication and discussion and to ensure that the results of the audit appropriately incorporate input from those charged with governance.

This report includes only those matters arising from the audit work completed up to the date of its issue. As the audit is still subject to completion, other matters may arise between this date and the date of the Pensions Committee and Board and the date of us issuing our audit opinion.

We will provide a verbal update to Committee members on any changes, before issuing a final Audit Completion Report prior to the issue of our independent auditor's report.

Overview

Our audit work on the financial statements is substantially complete. However, quality reviews are ongoing.

Nothing has come to our attention from the work we have completed to date that would result in a modification of our audit opinion.

Outstanding matters are listed on page 35 in the appendices.

We presented our Audit Planning Report to the Pensions Committee and Board on 2 December 2021. There have been no significant changes to the planned audit approach and no additional significant audit risks have been identified.

No restrictions were placed on our work.

Audit report

To date, nothing has come to our attention from work completed to date that would result in modification of the audit opinion on the financial statements.

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THE NUMBERS
Executive summary

Contents

Final materiality

Final financial statements materiality was determined based on 1% of the value of investments in the net assets statement.

Specific materiality on the fund account was based on 5% of contributions

Material misstatements

We have identified one misstatement in respect of investment valuations being understated by £11.2m. While not in excess of our overall materiality, this is at "performance materiality" (which is the level used to drive testing), so we consider this should be adjusted for.

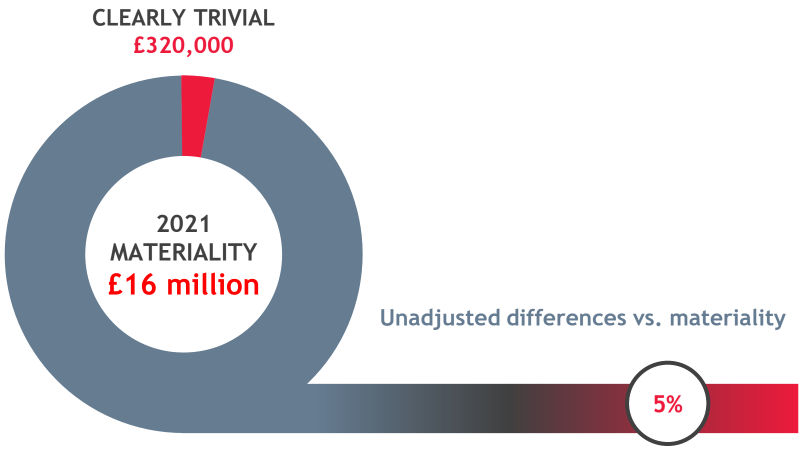
Management have agreed to correct this error in the final version of the financial statements.

Unadjusted audit differences

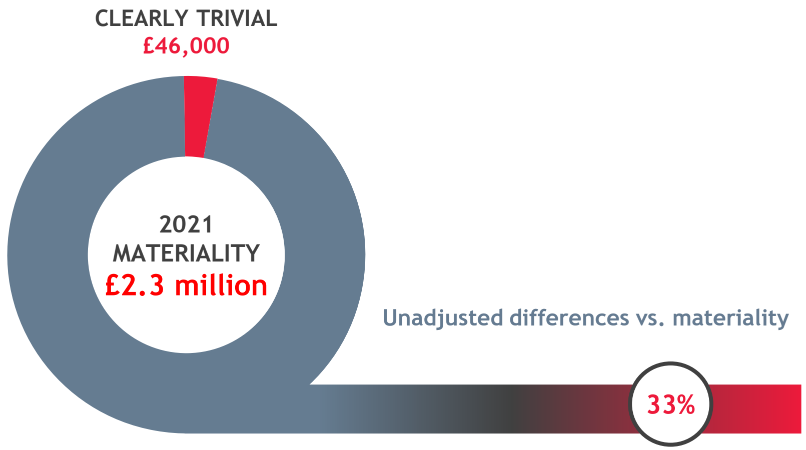
We have identified several audit differences which are detailed on page 20.

All unadjusted errors relate to projected errors. The factual errors in respect of these projected errors are below our clearly trivial threshold.

Financial statements materiality



Fund account materiality



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OTHER MATTERS
Executive summary

Contents

Financial reporting

- We have not identified any non-compliance with accounting policies or the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21
- No significant accounting policy changes have been identified impacting the current year
- Going concern disclosures are deemed sufficient

Other matters that require discussion or confirmation

- Confirmation on fraud, contingent liabilities and subsequent events
- Letter of representation

Independence

We confirm that the firm and its partners and staff involved in the audit remain independent of the Council in accordance with the Financial Reporting Council's (FRC's) Ethical Standard.

AUDIT RISKS OVERVIEW

As identified in our Audit Planning Report dated 8 November 2021 we assessed the following matters as being the most significant risks of material misstatement in the financial statements. These include those risks which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the engagement team. No additional significant audit risks have been identified.

Audit Risk	Risk Rating	Significant Management Judgement Involved	Use of Experts Required	Error Identified	Control Findings to be reported	Discussion points / Letter of Representation
Management override of controls	Significant	No	No	No	Yes	No
Pension liability valuation	Significant	Yes	Yes	No	No	Representations: • Actuarial assumptions
Fair value of investments (infrastructure & private equity)	Significant	Yes	No	Yes	No	No
Valuation of investment assets (other)	Normal	No	No	No	No	No
Benefit payable	Normal	No	No	Yes	Yes	No
Contribution receivable	Normal	No	No	No	No	No

Areas requiring your attention

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MANAGEMENT OVERRIDE OF CONTROLS

Auditing standards presume that management is in a unique position to perpetrate fraud by overriding controls.

Significant risk	■
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	■
Letter of representation point	

Risk description

Management has the ability to manipulate accounting records and override controls that otherwise appear to be operating effectively. This could occur in areas such as valuation of investments or contributions receivable. We are required to consider this as a significant risk of material misstatement due to fraud.

Work performed

We carried out the following planned audit procedures:

- Reviewed and verified of journal entries made in the year, agreeing the journals to supporting documentation; we have determined key risk characteristics to filter the population of journals and used our IT team to assist with the journal extraction;
- Reviewed of estimates and judgements applied by management in the financial statements to assess their appropriateness and the existence of any systematic bias; and
- Reviewed unadjusted audit differences for indications of bias or deliberate misstatement.

Results

We used our data analytics tool, BDO Advantage, to analyse journals processed throughout the year and as part of the financial reporting. We identified several journal entries that we considered to be high risk.

Our review noted that all journals were adequately supported and related to transactions in the normal course of business. No evidence of management override has been identified.

We have also reviewed users posting patterns for the financial year and identified one exception for which we received sufficient explanation and supporting documentation. We have also completed a trend analysis of journal postings throughout the financial year which was in line with our expectations.

From the work completed to date on our review of management estimates, we have not identified the existence of any systemic bias. There were no unadjusted audit differences which could indicate bias or deliberate misstatement.

Conclusion

Whilst our substantive testing did not identify any issues, we have raised one control finding.

PENSIONS LIABILITY VALUATIONS

Contents

There is a risk the valuation is not based on appropriate membership data where there are significant changes or uses inappropriate assumptions to value the liability.

Significant risk	■
Normal risk	
Significant management judgement	■
Use of experts	■
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	■

Risk description

An actuarial estimate of the pension fund liability to pay future pensions is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on the most up to date membership data held by the Pension Fund and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.

The most recent actuarial valuation of the pension fund liability was carried out during the 2019/20 year to calculate the liability as at 31 March 2019. This involved the provision of membership and cash flow data from the pension fund to the actuary, data cleansing by the actuary and re-setting the financial and actuarial assumptions related to the valuation. The estimate of the pension fund liability as at 31 March 2021 is based on a roll-forward of data from the 2019 triennial valuation, updated where necessary.

There is a risk the valuation disclosed in the notes to the Pension Fund accounts is not based on appropriate membership data (where there are any significant changes) or uses inappropriate assumptions to value the liability.

Work performed

We carried out the following planned audit procedures:

- Reviewed the controls in place to ensure that the data provided from the fund to the actuary is complete and accurate;
- Tested a sample of membership and cash flow data sent to the actuary for existence and accuracy, and reconciled the membership data sent to the actuary to the membership administration system for completeness;
- Reviewed the reasonableness of the assumptions used in the calculation against other local government pension fund actuaries and other observable data. We have used the PwC consulting actuary report for the review of the methodology of the actuary and reasonableness of the assumptions;
- Checked whether any significant changes in membership data have been communicated to the actuary; and
- Agreed the disclosure to the information provided by the actuary.

PENSIONS LIABILITY VALUATIONS

There is a risk the valuation is not based on appropriate membership data where there are significant changes or uses inappropriate assumptions to value the liability.

Significant risk	■
Normal risk	
Significant management judgement	■
Use of experts	■
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	■

Results

We are satisfied that the actuary has the appropriate skills and experience and has applied the appropriate technical actuarial standards to calculate the pension liabilities.

Our testing in prior year concluded that the membership data submitted by the Fund for the 2019 triennial valuation was suitable for the purpose of the funding valuation. This membership data is rolled forward for use in the 31 March 2021 accounting valuation. We have tested and agreed a sample of data provided to the actuary and used in the roll forward valuation at 31 March 2021 to ensure data provided is accurate. We have reconciled the membership data sent to the actuary to the membership administration system for completeness with a 0.1% variance.

Management confirmed there has been no significant changes in the membership of the fund in the year.

We have reviewed the reasonableness of the assumptions used in the calculation against other local government pension fund actuaries and other observable data. We have used the PwC consulting actuary report for the review of the methodology of the actuary and reasonableness of the assumptions. There is one residual issue, relating to male mortality, which is being verified (see next page).

We have agreed the disclosure to the information provided by the actuary with no issues noted.

In respect of GMP, in March 2021 the Government confirmed that public service pension schemes will be expected to pay full indexation for members who reach their State Pension Age 'SPA' after 5 April 2021. The actuary allowed for the impact of full GMP indexation within the closing balance sheet position of the 31 March 2020 and as such no update was made for 31 March 2021, which was deemed reasonable.

The actuary has included the impact of McCloud by providing additional prudence in funding plans for employer contribution rates in the triennial valuation in 2019. As such the impact has been rolled forward into the liability at 31 March 2021. Whilst accounting IAS 26 valuation has included the impact of the McCloud judgement, this has not been separately identified within the overall liability and therefore we are unable to compare the amount included to other LGPS schemes.

With regards to Goodwin and the Teachers Pension judgement, the actuary has not included the impact of this within the 31 March 2021 valuation, however we estimate that the impact will be immaterial.

Conclusion

Based on the work we have completed, other than the male mortality issue referred to above and overleaf, we have no matters to bring to your attention.

PENSIONS LIABILITY VALUATIONS

Significant estimate – financial and mortality assumptions

Scheme pension liabilities: £ 2,346 million

The pension liability has increased by £531 million, from £1,815 million to £2,346 million. The increase is primarily driven by: £448 million for changes to financial assumptions such as increase in annual salary increases above CPI at 3.85% (previously 2.90%), increase in annual pension increases at 2.85% (previously 1.90%) offset by a fall in the rate of discounting scheme liabilities to 2.00% (previously 2.30%); £27 million from increased longevity.

The key estimates are the following financial and mortality assumptions. We have compared the assumptions used to an acceptable range provided by a consulting actuary commissioned for local public auditors by the NAO.

Financials:	**Actual used**	**Acceptable range**	**Comments**
- RPI increase	3.30%	3.20% - 3.35%	Reasonable
- Pension increase	2.85%	2.80% - 2.85%	Reasonable
- Salary increase	3.85%	CPT+1%	Reasonable
- Discount rate	2.00%	1.95% - 2.05%	Reasonable
Commutation			
- Pre 2008:	75%	25% - 75%	Reasonable
- Post 2008:	50%	25% - 75%	Reasonable
Mortality:			
- Male current	23.1 years	23.1 – 24.3 years	Reasonable
- Female current	26.0 years	25.4 – 26.7 years	Reasonable
- Male retired	21.7 years	21.9 – 22.7 years	Reasonable, subject to confirmation[1]
- Female retired	24.2 years	23.9 – 24.9 years	Reasonable

For mortality gains, the actuary used the CMI_2020 Model, allowing for a long-term rate of improvement of 1.50% p.a., smoothing parameter of 7.0, an initial addition parameter of 0.5% p.a. and a 2020 weighting of 0%. All figures falls within the acceptable range indicated by our consulting actuary and therefore we consider the assumption used for mortality gain is reasonable.

We consider that the assumptions and methodology used by the actuary are appropriate and will result in an estimate of the net pension liability which falls within a reasonable range.

[1] *The actuary, Hymans Robertson (HR) stated that the range HR provided to PwC for their report started slightly too high at 21.9 years (noting that the range is set using estimates and is done in advance of the IAS19 exercise so occasionally an employer figures can end up outside the range). This point is being confirmed via the NAO.*

Impact

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FAIR VALUE OF INVESTMENTS (INFRASTRUCTURE & PRIVATE EQUITY)

Contents

The valuation of infrastructure and private equity holdings is a significant risk as it involves a high degree of estimation uncertainty.

Significant risk	■
Normal risk	
Significant management judgement	■
Use of experts	
Unadjusted error	
Adjusted error	■
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

Risk description

The investment portfolio includes unquoted infrastructure and private equity holdings valued by the fund manager. The valuation of private equity assets may be subject to a significant level of assumption and estimation and valuations may not be based on observable market data.

In some cases, the valuations are provided at dates that are not coterminous with the Pension Fund's year end and need to be updated to reflect cash transactions (additional contributions or distributions received) since the latest available valuations.

As a result, we consider there to be a significant risk that investments may not appropriately valued in the financial statements.

Work performed

We carried out the following planned audit procedures:

- Obtained direct confirmation of investment valuations from the fund managers and requested copies of the audited financial statements (and member allocations) from the fund, and confirmed the appropriate adjustments have been made to the valuations in respect of additional contributions and distributions with the funds where the financial statement date supporting the valuation is not coterminous with the Pension Fund's year end;
- Where the financial statement date supporting the valuation is not conterminous with the pension fund's year end, confirmed that appropriate adjustments have been made to the valuations in respect of additional contributions and distributions with the funds; and
- Confirmed investments have been correctly valued in accordance with the relevant accounting policies and considered whether there are any indications of impairment in relation to the investments held.

Results

We have obtained direct confirmation of investment valuations from the fund managers and requested copies of the audited financial statements (and member allocations) from the fund. We have also obtained the confirmation from the custodian. Upon review, we have noted:

- £11.2 million variance on Pantheon between the figures in the Pension Fund's account and the investment manager valuation. The valuation should be based on a net assets valuation. Management has confirmed that this is an error. If corrected, we will need to review the revised accounts as this error will have impacts on large numbers of disclosures in the account.

FAIR VALUE OF INVESTMENTS (INFRASTRUCTURE & PRIVATE EQUITY)

Contents

The valuation of infrastructure and private equity holdings is a significant risk as it involves a high degree of estimation uncertainty.

Significant risk	■
Normal risk	
Significant management judgement	■
Use of experts	
Unadjusted error	
Adjusted error	■
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

Results (cont.)

We have confirmed investments have been valued in accordance with the relevant accounting policies. Our work on assessing the reasonableness of these valuations is ongoing however, no issues have been identified to date, other than in respect of Patheon.

We have undertaken an impairment review in relation to the investments held and did not identify any instances where an impairment is required.

We have also obtained all independent assurance reports and bridging letters (where applicable) over the controls operated by the fund managers. Whilst several control weaknesses were identified, we do not deem that these relate to processes which would have an impact of the valuations.

Conclusion

Our audit work did not identify any error other than the valuation of Pantheon. If corrected, this will increase the investment valuation by £11.2m in the net asset statement and changes in market value of investments in the fund account. It will also impact various notes to the financial statement including the but limited to note 14 investment, note 15 fair value hierarchy and note 16 financial instruments.

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VALUATION OF INVESTMENT ASSETS (OTHER)

There is a risk that investments may not be appropriately valued and correctly recorded in the financial statements.

Significant risk	
Normal risk	■
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

Risk description

The fair value of other funds (principally unit trusts and pooled investments held through unitised insurance policies) is provided by individual fund managers and reviewed by the Custodian and reported on a quarterly basis. These funds are quoted on active markets.

There is a risk that investments may not be appropriately valued and correctly recorded in the financial statements.

Work performed

We carried out the following planned audit procedures:

- Obtained direct confirmation of investment valuations from the fund managers and Custodian and agreed valuations, where available, to readily available observable data (such as Bloomberg);
- Ensured that investments have been correctly valued in accordance with the relevant accounting policies; and
- Obtained independent assurance reports over the controls operated by both the fund managers and custodian for valuations and existence of underlying investments in the funds

Results

We have obtained direct confirmation of investment valuations from the fund managers and Custodian and agreed valuations. There is a variance over the valuation of CBRE investment however we concluded that the financial statements correctly used the Custodian valuation which is more accurate as it is based at 31 March 2021.

We have confirmed investments have been correctly valued in accordance with the relevant accounting policies and we did not identify any instances where an impairment would be required.

We have also obtained all independent assurance reports and bridging letters (where applicable) over the controls operated by the fund managers. Whilst several control weaknesses were identified, we do not deem that these relate to processes which would have an impact of the valuations.

Discussion and conclusion

Based on the work we have completed; we have no matters to bring to your attention.

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BENEFITS PAYABLE

Contents

There is a risk that benefits payable may not be correct based on accrued benefits of members or may not be calculated in accordance with the scheme regulations.

Significant risk	
Normal risk	■
Significant management judgement	
Use of experts	
Unadjusted error	■
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

Risk description

Benefits payable may not be correct based on accrued benefits of members or may not be calculated in accordance with the scheme regulations. Payment to wrong or non-existent members will result in loss of assets and risk of reputational damage.

Work performed

We carried out the following planned audit procedures:

- For members leaving the scheme and deferring their pension and members becoming entitled to receive pension during the year, substantively tested a sample of calculations of pension entitlement;
- Checked the correct application of annual pension uplift for members in receipt of benefits;
- Checked a sample of pensioners in receipt of pensions to underlying records to confirm the existence of the member and reviewed the results of the checks undertaken by ATMOS on the existence of pensioners;
- Reviewed the results of the latest National Fraud Initiative (NFI) data matching exercise of members in receipt of benefits with the records of deceased persons and what actions have been taken to resolve potential matches;
- Reviewed any life certification exercises undertaken for members that are excluded from the National Fraud Initiative; and
- Agreed amounts recorded in the ledger for benefits paid to the pensioner payroll reports.

Results

We have completed an analytical review of the benefit payables for 2020/21. Through this exercise, we identified that the disclosure in the accounts for member numbers was incorrect.

We have carried out detailed testing on transfers out, lump sum death benefits, annual pension uplift and pension refunds with no issues to note. Our testing on lump sum benefits is complete however we are in the process of resolving a few queries on our recalculation of the benefits paid.

We have carried out detailed testing on pension benefits paid to pensioners, confirming existence of pensioners sampled and recalculating the benefit payable using salary and length of service data. We identified a total variance of £3k across 17 samples tested, the majority of the variance being from 2 specific cases. These variances are as a result of specific complexities within the calculations which we deemed inefficient to resolve.

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BENEFITS PAYABLE

There is a risk that benefits payable may not be correct based on accrued benefits of members or may not be calculated in accordance with the scheme regulations.

Significant risk	
Normal risk	■
Significant management judgement	
Use of experts	
Unadjusted error	■
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

Results (cont.)

However, as part of our audit procedures, we are required to extrapolate this variance over the benefits paid population and this has resulted in a projected error of £687k. The projected error is high compared to the factual error due to the population being made up of a large volume of small transactions thus our sampled population is small compared to the total value of benefits paid.

We have reviewed the results of the latest National Fraud Initiative (NFI) data matching exercise of members in receipt of benefits with the records of deceased persons and what actions have been taken to resolve potential matches.

We confirmed that the scheme subscribes to the HMRC notification of death which is matched to membership database and matched accounts are suspended. Our testing did not identify any payment to deceased members.

We have reconciled the amounts recorded in the ledger for benefits paid to the pensioner payroll report.

Our walkthrough has noted that the evidence of the monthly benefit payment run reasonableness check has not been retained and we were not able to confirm the operational effectiveness of the control. For detail of the control deficiency, see page 23.

Conclusion

Based on the work we have completed, other than the control deficiency, projected error on benefits paid, member numbers disclosure; we have no other matters to bring to your attention.

CONTRIBUTIONS RECEIVABLE

There is a risk that employers may not be calculating contributions correctly or the pension fund does correctly charge costs arising on pension strain for early retirements and augmented pensions.

Significant risk	
Normal risk	■
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

Risk description

Employers are required to deduct amounts from employee pensionable pay based on tiered pay rates and to make employer normal and deficit contributions in accordance with rates agreed with the actuary.

Additional contributions are also required against pension strain for unreduced pensions for early retirements and augmentation of pensions.

There is a risk that employers may not be calculating contributions correctly, not paying over the full amount due to the pension fund or failing to charge employers the capital cost of pension strain due to early retirement.

Work performed

We carried out the following planned audit procedures:

- Tested a sample of normal contributions due (and additional deficit contributions where included in a higher employer rate) for active members including checking to employer payroll records;
- Reviewed contributions receivable and ensured that income is recognised in the correct accounting period where the employer is making payments in the following month;
- Performed tests over capital cost due from employers for pension strain due to early retirement; and
- Carried out audit procedures to review contributions income in accordance with the Actuary's Rates and Adjustments Certificate, including specified increased rates to cover the minimum contributions to be paid as set out in the Certificate.

Results

We have reviewed contributions receivable and ensured that income is recognised in the correct accounting period where the employer is making payments in the following month. Our testing on transfers in, additional contributions and deficit funding contributions did not identify any issues.

We have completed substantive analytical review of the contribution receivable for 2020/21 with no issues noted.

Our testing on normal contributions is ongoing, specifically around contributions from other admitted bodies.

Conclusion

Based on the work we have completed; we have no matters to bring to your attention. However, we have yet to complete all necessary work in respect of other admitted bodies' contributions, which is a material element.

MATTERS REQUIRING ADDITIONAL CONSIDERATION

Fraud

Whilst the Chief Financial Officer and Members have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit procedures did not identify any fraud.

We will seek confirmation from you whether you are aware of any known, suspected or alleged frauds since we last enquired when presenting the Audit Planning Report on 2 December 2021.

Laws and regulations

We have made enquiries of management regarding compliance with laws and regulations and reviewed correspondence with the relevant authorities.

We did not identify any non-compliance with laws and regulations that could have a material impact on the financial statements.

Related parties

Whilst you are responsible for the completeness of the disclosure of related party transactions in the financial statements, we are also required to consider related party transactions in the context of fraud as they may present greater risk for management override or concealment or fraud.

We did not identify and significant matters in connection with related parties.

UNADJUSTED AUDIT DIFFERENCES: SUMMARY

Summary for the current year

Contents

We are required to bring to your attention unadjusted differences and we request that you correct them.

There are 3 unadjusted audit differences identified by our audit work which would decrease net assets by £750k.

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UNADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

Contents

	Fund Account			Net Asset Statement	
Unadjusted audit differences	NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
1: Projected under accrual of professional fees expenditure relating to 2020-21 (factual error £13k)					
DR Management Expenses		63			
CR Current Liabilities					(63)
2: Projected over-statement of creditors in respect of expenditure paid in 2020-21 (factual error £445)					
DR Current Liabilities				223	
CR Net Assets					(223)
3: Projected under-statement of benefits paid (factual error £3k)					
DR Benefits Expenditure		687			
CR Current Liabilities					(687)
Total unadjusted audit differences		750	-	223	(973)

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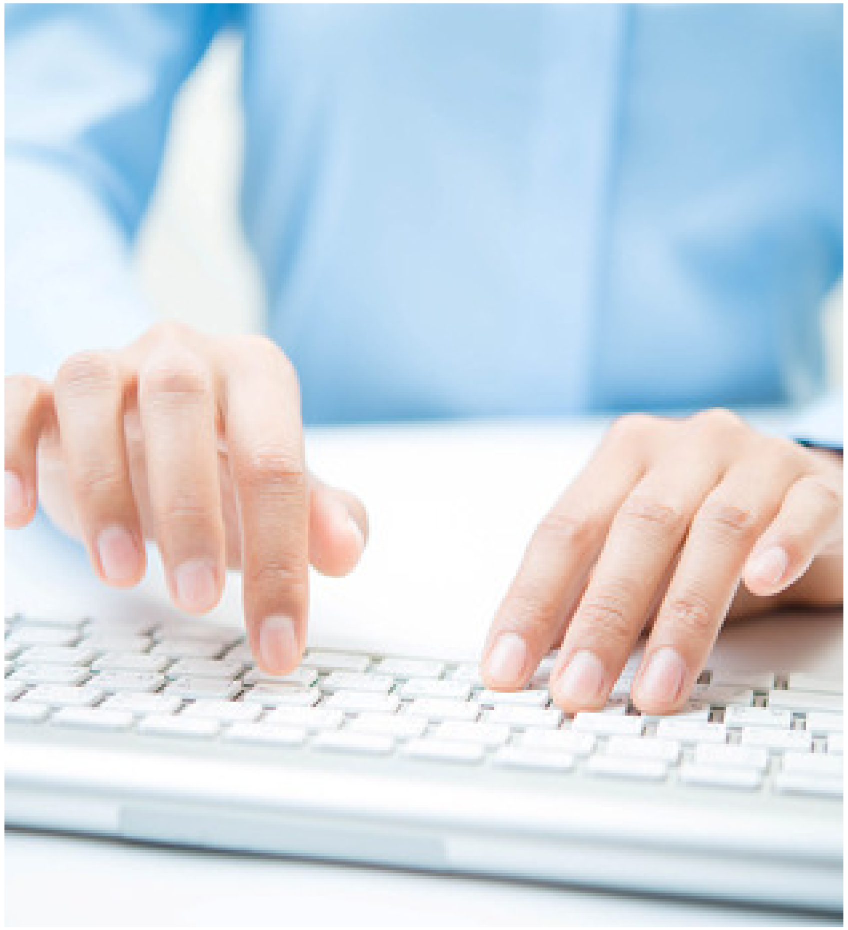
ADJUSTED AUDIT DIFFERENCES: SUMMARY

Summary for the current year

Contents



There is one audit difference identified by our audit work that will be adjusted by management. This decreases net assets by £11.2m.

ADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

	Income and expenditure			Balance Sheet	
Adjusted audit differences	NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
1: Correction of Patheon Private Equity Investment Valuation					
DR Investment Assets				11.241	
CR Change in Market Value			(11,241)		
Total adjusted audit differences			(11,241)	11,241	

OTHER DEFICIENCIES

We are required to report to you, in writing, deficiencies in internal control that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to the Pension Committee and Board.

As the purpose of the audit is for us to express an opinion on the Pension Fund's financial statements, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.

As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

Area	Observation & implication	Recommendation	Management response
Month benefit reasonableness check	Before each payroll run, the Pensions Payroll team sends the monthly gross pay spreadsheet through to the Pensions Admin Manager. Upon receipt, the Pensions Manager completes a reasonableness check against the previous month's figures. During the course of understanding the control environment of the audited entity, it was noted the operating effectiveness control cannot be evidenced due to retirement of Pensions Admin Manager. There is a risk that incorrect benefit payments could go undetected.	The reasonableness checks is an opportunity for management to identify any benefit payments with a variance from the previous month and therefore if there any incorrect pension benefit entitlements. Evidence of the reasonableness check should be retained.	

OTHER DEFICIENCIES

Contents

Area	Observation & implication	Recommendation	Management response
Pantheon Management Fees	In the course of auditing management fees, we had difficulty in obtaining a schedule outlining how management fees had been determined. For a number of funds listed below, there was no clear basis over how management expenses had been arrived at. • Pasia V LP • Peuro VI • PGSF V Feeder LP • PUSA VII As there is no clear basis of how management fees have been arrived at, this may result in management costs being reported and accounted for incorrectly.	The Pension Fund should make appropriate enquiries with the investment manager over how management fees are determined. At the year end, the Pension Fund should request a breakdown of management fees charged by the fund manager for the period to ensure that correct disclosure can be made in the financial statements.	[xx]

IT APPLICATION DEFICIENCIES

Area	Observation & implication	Recommendation	Management response
Absence of user access reviews being performed on Altair	During our review, it was noted that user access reviews has not been performed for Altair inscope applications and/or evidence thereof retained in order to validate the appropriateness of system level access and user activities. There is a risk that user accounts may not be disabled/removed in a timely manner. This increases the risk that unauthorised access via this open account may occur which may result in incorrect and unapproved changes to key data.	User access reviews are a second line of defence control where the operation of the preventative control surrounding the joiners and leavers process fails. It is therefore recommended that user access reviewed are performed at annually due to the size of the business and number of users and should include: • Both administrator and standard user accounts; and • User group and individual customised levels of access reviews to identify any users who do not possess an appropriate level of access; • Evidence of user access reviews should be retained to demonstrate effective and continuous operation and control.	Management is in agreement with the finding and will work towards implementing the recommendation.
Inadequate Password policy settings on the systems that enforce strong passwords being set.	BDO identified the following system password-setting weakness: - Altair: Password complexity and enforce password history settings are not enabled. Risk that user passwords can be guessed or become known over time to other users. As a result, user accounts are at an increased risk of being used by persons other than the legitimate account owner. Crystallisation of this risk may result in a material misstatement or fraud because user accounts may be used to: 1) process unauthorised, fraudulent or inaccurate transactions, and 2) bypass controls designed or required to segregate duties.	Management should consider strengthening the existing password settings to be in line with good practice.	Management is in agreement with the finding and will work towards implementing the recommendation.

Contents

IT APPLICATION DEFICIENCIES

Contents

Area	Observation & implication	Recommendation	Management response
'Lack of SOC report from third party managing Altair change management for Infrastructure and application	BDO noted that a third party Heywood are managing infrastructure and application changes could not provide a SOC report and thus, BDO could not obtain assurance over the adequacy and effectiveness of the control environment of Heywood Unauthorised changes being made and undetected that might lead in compromised financial data and transactions, this might as well result in compromised IPE being used by the audit team as BDO could not test the controls on change management environment for the third party.	Management should consider engaging with the third part to include SOC reports as party of the service package provided by third party.	A SOC report (type 1 or type 2) is designed to provide assurances about the effectiveness of the controls in place that are relevant to the security, availability or processing integrity of the system used to process clients' information or the confidentiality or privacy of that information. With regards to Altair, these systems and the data held within them are hosted in a data centre (provided by BlueChip). System changes are driven solely by user demand through the CLASS user group, which is comprised of representatives of Altair users from across the LGPS. Minutes of these meetings record issues raised and agreed actions. The data centre provider has a SOC2 report in place and we have provided a copy of BlueChip's SOC2 Report and the BlueChip SOC2 Bridging Letter. It is therefore not necessary for Heywood's to also hold a SOC report. However, we will commit to discuss with other Altair users, through the CLASS group, whether there is a consensus that Heywood should investigate obtaining a SOC report.

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AUDIT REPORT OVERVIEW

Opinion on financial statements

We anticipate issuing an unmodified opinion on the financial statements.

There are no matters that we wish to draw attention to by way of 'emphasis of matter'.

Conclusion relating to going concern

We have nothing to report in respect of the applicability of the going concern basis of accounting or the Pension Fund's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements.

There are no material uncertainties in relation to going concern disclosed in the financial statements of which we are aware that we need to draw attention to in our report.

Irregularities, including fraud

Our report will contain an explain to what extent the audit was considered capable of detecting irregularities, including fraud. Irregularities in this context means non-compliance with laws or regulations.

Other information

We have not identified any material misstatements that would need to be referred to in our report.

INDEPENDENCE

Under ISAs (UK) and the FRC's Ethical Standard we are required, as auditors, to confirm our independence.

Under ISAs (UK) and the FRC's Ethical Standard, we are required as auditors to confirm our independence.

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ended 31 March 2021.

Details of rotation arrangements for key members of the audit team and others involved in the engagement were provided in our Audit Planning Report.

We have not identified any relationships or threats that may reasonably be thought to bear on our objectivity and independence.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC's Ethical Standard or the IESBA Code of Ethics as appropriate and are independent of the Council.

We also confirm that we have obtained confirmation of independence from non BDO auditors and external audit experts involved in the audit comply with relevant ethical requirements including the FRC's Ethical Standard and are independent of the Council.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

FEES

Fees summary	2020/21 Actual £	2020/21 Planned £	2019/20 Actual £
Code audit fee	TBC	£16,710	£16,710
Planned additional audit fee	TBC	[1]£5,000	[1]£5,000
Covid related costs	TBC	[2]£4,000	[2]£4,000
Extra fee for work on triennial valuation membership	-	-	£3,000
Total audit fees	**TBC**	**£25,170**	**£28,170**

(1) Additional fees £5,000 in response to expectations of auditors to undertake additional work around management judgements and estimates, and to obtain additional corroborating evidence for areas of risk.

(2) This represents an estimate of the additional resource time and costs necessary when audits are undertaken remotely. The 15-20% range experienced by BDO and the other audit firms.

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APPENDICES CONTENTS

OUR RESPONSIBILITIES

Responsibilities and reporting

Contents

Our responsibilities and reporting

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on your financial statements. We report our opinion on the financial statements to members of the Council (as the Administering Authority).

We read and consider the 'other information' contained in the Pension Fund Annual report. We will consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.

What we don't report

Our audit is not designed to identify all matters that may be relevant to the Pension Committee and Board and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.

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ADDITIONAL MATTERS WE ARE REQUIRED TO REPORT

Contents

	Issue	Comments
1	Significant difficulties encountered during the audit.	Ongoing issues within the audit sector has meant the audit has been challenging to deliver. We have provided further details on page 33.
2	Written representations which we seek.	We enclose a copy of our draft representation letter.
3	Any fraud or suspected fraud issues.	No exceptions to note.
4	Any suspected non-compliance with laws or regulations.	No exceptions to note.
5	Significant matters in connection with related parties.	No exceptions to note.

COMMUNICATION WITH YOU

Audit Sector developments

The sector has seen a number of pressures arising since the faster close agenda brought the reporting deadline forward for the 31 March 2019 period to 31 July 2019. Only 60% of local government bodies were able to publish audited accounts by this deadline. By exception, there remain a number of 2018/19 audits outstanding to date.

The 31 March 2020 publication deadline, initially pushed back to end September 2020 from July 2020, was then further extended to 30 November 2020. However, only 45% of local government bodies were able to publish audited accounts by this extended deadline, with even traditionally better performing authorities close to or at the deadline date.

Recruitment and retention of staff with suitable public sector experience has become increasingly challenging on a national level. Added to this the increased scope of audit work, increased complexity in public sector accounts and extensive regulatory requirements have continued to add to this pressure sector wide. It has been widely recognised that the audit sector, and public sector audit specifically, requires reform to enable it to remain sustainable. The Redmond review specifically focuses on recommendations to help achieve this in the longer term.

Alongside these already present pressures, a global pandemic manifested additional impacts and pressure. New challenges of remote working, onboarding and training new staff remotely, communication, IT support and illness within the team directly impacting efficiency and delivery.

The 31 March 2021 publication deadline was set at end September 2021. Audit firms and audit regulation bodies did feedback that this was not realistically achievable. Only 9% of 2021 audits were completed by 30 September 2021, with 20% by 30 November 2021 and 40% by 31 December 2021.

Audit progress

The 2021 audit has been challenging to deliver, with issues outlined above, in addition to the longer-term impacts of Covid-19 and remote working. There are several significant accounting estimates requiring management judgement, all of which require more detailed consideration in light of revised auditing standards and regulator focus, resulting in the need for more resource and specialist resource.

We will continue to work with officers towards the completion of this audit and we will update officers on progress on a regular basis.

COMMUNICATION WITH YOU

Those Charged with Governance (TCWG)

References in this report to Those Charged With Governance (TCWG) are to the Council as a whole. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the Pension Committee and Board.

Communication, meetings and feedback

We request feedback from you on our planning and completion report to promote two way communication throughout the audit process and to ensure that all risks are identified and considered; and at completion that the results of the audit are appropriately considered.

Communication	Date (to be) communicated	To whom
Audit Planning Report	3 December 2021	Pension Committee and Board
Audit Progress Report (this report)	21 March 2023	Pension Committee and Board
Audit Completion Report (final)	TBC	Pension Committee and Board

OUTSTANDING MATTERS

Contents

We are in the process of completing our audit work in respect of the financial statements for the year ended 31 March 2021.

The following matters are outstanding at the date of this report and could impact our audit opinion. We will update you on their current status at the Pension Committee and Board meeting at which this report is considered:

- Finalising assessment of evidence provided and concluding on testing in respect of financial statements disclosures, lump sum benefits, and commitments and contingencies
- Confirmation of Actuary explanation re apparently out of range male mortality rate assumption
- Completion of contributions testing in respect of admitted bodies.
- Resolution of review points raised through ongoing quality reviews by Manager, Engagement Lead and EQR.

We will issue our audit report at the same time we sign the Council's Statement of Accounts, in line with guidance from the National Audit Office.

LETTER OF
REPRESENTATION

Contents

Client name
Address
Address
Address

BDO LLP
16 The Havens
Ransomes Europark
Ipswich
IP3 9SJ

Dear Sir/Madam

Financial statements of London Borough of Haringey Pension Fund for the year ended 31 March 2021

We confirm that the following representations given to you in connection with your audit of the Pension Fund's financial statements for the year ended 31 March 2021 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Council.

The Chief Finance Officer has fulfilled his responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2015 and in particular that the financial statements give a true and fair view of the financial position of the Pension Fund as of 31 March 2021 and of its income and expenditure and cash flows for the year then ended in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

We have fulfilled our responsibilities on behalf of the Pension Fund, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of the Pension Fund's financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records of the Pension Fund have been made available to you for the purpose of your audit and all the transactions undertaken by the Pension Fund have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of management and other meetings have been made available to you.

Going concern

We have made an assessment of the Pension Fund's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements were approved for release. As a result of our assessment we consider that the Pension is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis. Furthermore, we confirm that the disclosures included in note 2 to the financial statements are sufficient.

In making our assessment we did not consider there to be any material uncertainty relating to events or conditions that individually or collectively may cast significant doubt on the Pension Fund's ability to continue as a going concern.

Laws and regulations

In relation to those laws and regulations which provide the legal framework within which the Pension Fund's business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

Post balance sheet events

There have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

Fraud and error

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with generally accepted accounting principles and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

To the best of our knowledge we are not aware of any allegations of fraud or suspected fraud affecting the financial statements that have been communicated by employees, former employees, analysts, regulators or any other party.

Misstatements

We attach a schedule showing uncorrected misstatements that you have identified, which we acknowledge that you request we correct. Where appropriate we have explained our reasons for not correcting such misstatements below. In our opinion, the effects of not recording such identified financial statement misstatements are, both individually and in the aggregate, immaterial to the financial statements as a whole.

Related party transactions

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

Other than as disclosed in note 23 to the financial statements, there were no loans, transactions or arrangements between the Pension Fund and Council members or their connected persons at any time in the year which were required to be disclosed.

Carrying value and classification of assets and liabilities

We have no plans or intentions that may materially affect the carrying value or classification of assets or liabilities reflected in the financial statements.

Accounting estimates

The value at which investment assets are recorded in the net assets statement is the market value. We are responsible for the reasonableness of any significant assumptions underlying the valuations, including consideration of whether they appropriately reflect our intent and ability to carry out specific courses of action on behalf of the scheme. Any significant changes in those values since the year end date have been disclosed to you.

None of the assets of the scheme has been assigned, pledged or mortgaged.

The following key financial assumptions have been used to calculate the actuarial present value of future pension benefits disclosed in the financial statements:

- Rate of inflation (CPI and pensions): 2.85%
- Rate of increase in salaries: 3.85%
- Rate of discounting scheme liabilities: 2.00%

We also confirm that the actuary has applied up-to-date mortality tables for life expectancy of scheme members in calculating scheme liabilities (male current 23.1 years and retired 21.7 years / female current 26.0 years and retired 24.2 years).

We consider these assumptions to be appropriate for the purposes of estimating the pension liability in accordance with the Code and IAS 26.

LETTER OF REPRESENTATION 3

Litigation and claims

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been accounted for and disclosed in accordance with the requirements of accounting standards.

Confirmation

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each officer and member has taken all the steps that they ought to have taken as a officer or member of the Pension Fund in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Jon Warlow

Chief Finance Officer

[date]

AUDIT QUALITY

BDO is totally committed to audit quality

It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections.

BDO welcomes feedback from external bodies and is committed to implementing a necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the Financial Reporting Council's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US companies), the firm undertakes a thorough annual internal Audit Quality Assurance Review and as member firm of the BDO International network we are also subject to a quality review visit every three years.

We have also implemented additional quality control review processes for all listed and public interest audits.

More details can be found in our Transparency Report at www.bdo.co.uk

FOR MORE INFORMATION:

David Eagles, Engagement Partner

m: 07967 203431
e: David.Eagles@bdo.co.uk

www.bdo.co.uk

Report for: Pensions Committee and Board – 21 March 2023

Title: Haringey Pension Fund Final Actuarial Valuation Results and Funding Strategy Statement

Report authorised by: Josephine Lyseight, Assistant Director of Finance (Deputy Section 151 Officer)

Lead Officer: Tim Mpofu, Head of Pensions and Treasury, tim.mpofu@haringey.gov.uk

Ward(s) affected: N/A

Report for Key/ Non Key Decision: Not applicable

1. Describe the issue under consideration

1.1. This report provides the Pensions Committee and Board with information on the outcome of the actuarial valuation exercise at 31 March 2022.

1.2. The report presents the conclusions made by the Fund's actuary, Hymans Robertson, regarding the actuarial valuation results for the whole fund. This includes revised contribution rates for the next three years starting on 1 April 2023, as well as the funding position as of the valuation date.

1.3. An updated version of the Funding Strategy Statement has also been included for the Pensions Committee and Board's approval, subject to the completion of the consultation with the Fund's employers.

2. Cabinet Member Introduction

2.1. Not applicable

3. Recommendations

The Pensions Committee and Board is recommended:

3.1. To note the Haringey Pension Fund Report on the actuarial valuation at 31 March 2022 report, prepared by the Fund's Actuary, Hymans Robertson, and appended as Appendix 1 to the report.

3.2. To approve the draft Funding Strategy Statement (FSS), appended as Appendix 2 to the report, subject to the completion of the consultation with the Fund's employers. If material changes to the FSS are required as a result of the consultation, a revised FSS will be brought to the Pensions Committee and Board for approval.

3.3. To note the draft Rates & Adjustments Certificate provided by the Fund's Actuary, Hymans Robertson, and appended as Confidential Appendix 3 to the report.

4. Reason for Decision

4.1. Haringey Council, in its role as the Administering Authority for the Haringey Pension Fund, is required by law to undertake an actuarial valuation of the Pension Fund's assets and liabilities, every three years. The Pensions Committee and Board agreed the underlying assumptions for the valuation at a previous meeting. This report presents the Fund's final valuation results based on the agreed-upon set of assumptions.

4.2. Administering authorities are required to prepare a Funding Strategy Statement and keep it under regular review, updating the document as necessary. Legal obligations stipulate that employers should be consulted on the contents of the document. This consultation is currently underway and is to be concluded before the end of the financial year.

4.3. The Council has delegated the responsibility for exercising all the Council's functions as the Pension Fund's administering authority, to the Pensions Committee and Board.

5. Other options considered

5.1. Not applicable.

6. Background information

6.1. The Pension Fund is required to undertake an actuarial valuation of the Pension Fund's assets and liabilities, every three years. This exercise, also referred to as the "triennial valuation", determines the contribution rates payable by the scheme's employers, which include Haringey Council, for the next three years from 1 April 2023. Scheme benefits and contributions payable by employees are determined by the Local Government Pension Scheme (LGPS) regulations.

6.2. In addition to this, the valuation results also report a single funding level for the 2022 valuation. This is based on the agreed-upon discount rate and likelihood of achieving the assumed future investment return.

6.3. The table below provides a high-level overview of the actuarial valuation activity that took place during 2022 and the early part of 2023.

High-Level Valuation Exercise Summary

Activity	Key Dates	Progress Update
Assumptions advice and contribution rate modelling. Hymans Robertson provided training to PCB members prior to providing this advice 12 September 2022.	September 2022	Completed
Pension Fund's officers provided data to Hymans Robertson which included fund membership, investment, and accounting data.	September 2022 – October 2022	Completed
Whole Fund Results and Funding Strategy Statement. Hymans Robertson presented the draft fund valuation results to the PCB on 22 November 2022.	November 2022	Completed
Employer results and consultation. Officers to consult with employers on proposed Funding Strategy Statement and contribution rates for the 3 years from 1 April 2023.	January 2022 – March 2023	Completed*
Final valuation report and Funding Strategy Statement. Hymans Robertson to present final reports to the PCB on either 23 January 2023 or 21 March 2023 (timing dependent on employer consultation process)	January 2023 – March 2023	Completed**

*pending the completion of the employer consultation on the updated Funding Strategy statement
**pending the presentation of this report to the Pensions Committee and Board meeting on 21 March 2023

Contribution rates

6.4. The report prepared by the Fund's Actuary, highlights the importance of setting employer contribution rates at a level that ensures the Fund has enough money to pay members' benefits. The Actuary has applied a risk-based approach in setting employer contribution rates due to the uncertainty of future liabilities.

6.5. The table below summarises the primary and secondary contribution rates for the whole fund for the period 1 April 2023 to 31 March 2026.

		This valuation 31 March 2022	
Primary rate		17.5% of pay	
Secondary rate		Monetary amount	Equivalent to % of payroll
	2023/24	£3,460,000	2.0%
	2024/25	£4,242,000	2.4%
	2025/26	£5,077,000	2.7%

6.6. The primary rate is the estimated cost of future benefits, expressed as a percentage of pay. The secondary rate is an adjustment to the primary rate, generally made to reflect the costs associated with benefits that have already been earned up to the valuation date.

6.7. Compared to the previous valuation exercise carried out in 2019, the primary rate has decreased mainly due to the higher expected returns in the future. The secondary rate has also decreased due to the good investment performance since the previous valuation.

6.8. Employer contribution rates are determined based on a combination of factors unique to each employer's position in the Fund. This work has been completed, and all employers participating in the Fund have been consulted on their individual contribution rates prior to this meeting.

Funding Position

6.9. The funding position is a comparison between the projected future benefit payments for current members and the assets held by the Fund at the valuation date. While the asset value is known, the liabilities are uncertain and require assumptions based on the likelihood of achieving the assumed future investment return.

6.10. The table below compares the single reported funding position at 31 March 2022, with that of 31 March 2019.

Valuation Date	31 March 2022	31 March 2019
Past Service Liabilities	**(£m)**	**(£m)**
Employees	464	376
Deferred Pensioners	410	361
Pensioners	722	640
Total Liabilities	**1,596**	**1,378**
Assets	**1,803**	**1,384**
Surplus/(Deficit)	**207**	**6**
Funding Level	**113%**	**100%**

6.11. The single reporting funding position of 113% is calculated using a discount rate of 4.3% per annum and a 70% probability of achieving the expected investment return. For the Fund to remain fully funded, a return of 3.6% per annum is required, with an assumed probability of 78% of achieving this return.

6.12. The results show a significant improvement in the funding position of the Fund compared to the 2019 valuation, across the board. The main factor driving the funding position improvement has been the stronger than expected investment returns over the past three years. Although the updated membership data has resulted in overall liability increases for the Fund, these have been more than offset by the strong investment performance over the period.

6.13. In this context, the PCB will need to consider the Fund's investment strategy to ensure it is aligned with the expected growth in the Fund's long-term obligations.

6.14. Additional information about the Fund's actuarial valuation can be found in Appendix 1 of this report, titled "Report on the Actuarial Valuation at 31 March 2022". This report was prepared by the Fund's Actuary, Hymans Robertson.

Updated Funding Strategy Statement (FSS)

6.15. Under the Local Government Pension Scheme Regulations 2013 ("LGPS Regulations"), all funds are required by law to produce a Funding Strategy Statement (FSS). The FSS focuses on how employer liabilities are measured, the pace which the liabilities are funded, and how employers pay for their own liabilities.

6.16. The FSS is therefore an integral part of the actuarial valuation and is prepared by the Fund, in collaboration with the Fund Actuary. The 2022 review undertaken by the Fund Actuary focused on adapting the FSS to the changing regulations and environment within which the Fund operates. The PCB was advised of the outcome of this review at its last meeting.

6.17. Following this, the Fund has reviewed its existing FSS and made the necessary changes. There are no material changes in the funding strategy at the 2022 valuation. However, the document has been updated to improve the accessibility and navigation for stakeholders.

6.18. However, part of this review process has identified several key policies that will require further review during the upcoming financial year. These will be presented to the PCB for consideration at subsequent meetings.

6.19. LGPS Regulations require the FSS to be subject to a formal consultation prior to being agreed. The consultation on the updated FSS is currently underway and is to conclude before the end of the financial year.

7. Contribution to Strategic Outcomes

7.1. Not applicable

8. Statutory Officer Comments

Finance and Procurement

8.1. Hymans Robertson's report provides advice on the outcome of the actuarial valuation and the various financial implication for the Fund and the employers participating in the Haringey Pension Fund, Local Government Pension Scheme. The report contains financial comments related to these implications throughout.

Legal

8.2. The Head of Legal and Governance (Monitoring Officer) has been consulted on the contents of this report. The Council, as administering authority must comply with certain obligations contained in the Local Government Pension Scheme Regulations 2013.

8.3. Under Regulation 58 must have a written statement setting out its funding strategy and keep the statement under review and, after consultation with such person as it considers appropriate, make such revisions as are appropriate following a material change in the policy set out in the statement where there are revisions, publish the statement as revised. It should be noted that where consultation is required, the courts has set out certain principles that must be adhered to. These are:

- that consultation must be at a time when proposals are still at a formative stage;
- that the proposer must give sufficient reasons for any proposal to permit of intelligent consideration and response;
- that adequate time must be given for consideration and response; and
- that the product of consultation must be conscientiously taken into account in finalising any statutory proposals.

8.4. Regulation 62 requires the administering authority to obtain an actuarial valuation of the assets and liabilities of its pension funds on 31 March in every third year from 31 March 2016. The relevant date for the purpose of this report is the 31 March 2022.

Equalities

8.5. Not applicable.

9. Use of Appendices

9.1. Appendix 1: Haringey Pension Fund Report on the actuarial valuation at 31 March 2022

9.2. Appendix 2: Haringey Pension Fund Funding Strategy Statement

9.3. Confidential Appendix 3: Rates & Adjustments Certificate

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

HYMANS ROBERTSON

London Borough of Haringey Pension Fund

Report on the actuarial valuation at 31 March 2022

Douglas Green FFA Julie Baillie FFA

03 March 2023
For and on behalf of Hymans Robertson LLP

Use the menu bar above to navigate to each section.

Contents

In this report:

Executive Summary

We have been commissioned by Haringey Council (the Administering Authority) to carry out a valuation of the London Borough of Haringey Pension Fund (the Fund) as at 31 March 2022. This fulfils Regulation 62 of the Local Government Pension Scheme Regulations 2013. This report is a summary of the valuation.

Contribution rates

The contribution rates for individual employers set at this valuation can be found in the Rates & Adjustments certificate. Table 1 shows the combined individual employer rates set at this valuation and the last valuation (31 March 2019).

Table 1: Whole fund contribution rates compared with the previous valuation

	This valuation 31 March 2022		Last valuation 31 March 2019	
Primary Rate	17.5% of pay		18.6% of pay	
Secondary Rate	2023/2024	£3,460,000	2020/2021	£6,204,000
	2024/2025	£4,242,000	2021/2022	£5,849,000
	2025/2026	£5,077,000	2022/2023	£5,452,000

- The Primary rate has reduced mainly due to higher expected returns
- The Secondary rate has decreased due to good investment performance since the last valuation

Funding position

At 31 March 2022, the past service funding position has improved from the last valuation at 31 March 2019. Table 2 shows the single reported funding position at the current and previous valuation.

Table 2: Single reported funding position at 31 March 2022 compared with 31 March 2019

Valuation Date	31 March 2022	31 March 2019
Past Service Liabilities	**(£m)**	**(£m)**
Employees	464	376
Deferred Pensioners	410	361
Pensioners	722	640
Total Liabilities	**1,596**	**1,378**
Assets	**1,803**	**1,384**
Surplus/(Deficit)	**207**	**6**
Funding Level	**113%**	**100%**

The required investment return to be 100% funded is now 3.6% pa (4.2% pa at 2019). The likelihood of the Fund's investment strategy achieving the required return is 78% (70% at 2019).

Approach to valuation

Valuation Purpose

The triennial actuarial valuation is an important part of the Fund's risk management framework. Its main purpose is to ensure the Fund continues to have a contribution plan and investment strategy that will achieve the objectives set out in the Funding Strategy Statement.

We have been commissioned by Haringey Council (the Administering Authority) to carry out a valuation of the London Borough of Haringey Pension Fund (the Fund) as at 31 March 2022. This fulfils Regulation 62 of the Local Government Pension Scheme Regulations 2013. This report marks the culmination of the valuation process and contains its two key outcomes:

1. Employer contribution rates for the period 1 April 2023 to 31 March 2026.
2. The funding level of the Fund at 31 March 2022.

Further information on the valuation process, methodology and strategy is set out in the publicly available Funding Strategy Statement, Investment Strategy Statement and published papers and minutes of the Fund's Pensions Committee and Board. Additional material is also contained in Hymans Robertson's LGPS 2022 valuation toolkit[1].

[1] www.hymans.co.uk/media/uploads/LGPS_2022_Valuation_Toolkit.pdf

Setting employer contribution rates

Employer contributions need to be set at a level which ensures the Fund has a reasonable likelihood of having enough money to pay members' benefits. Identifying the amount of benefits that may be paid is complex as those earned today might only start being paid in 50 years' time. Over that time period, there is significant uncertainty over factors which affect the cost of benefits, eg inflation, investment returns. These uncertainties are allowed for by taking a risk-based approach to setting employer contribution rates. This approach is built around three key funding decisions set by the Fund and asset-liability modelling.

Key funding decisions

For each employer, the Fund determines the most appropriate choice for the following three funding decisions. Further detail is set out in the Funding Strategy Statement.

What is the funding target for each employer?
Will the employer remain in the Fund for the long-term or exit at some point

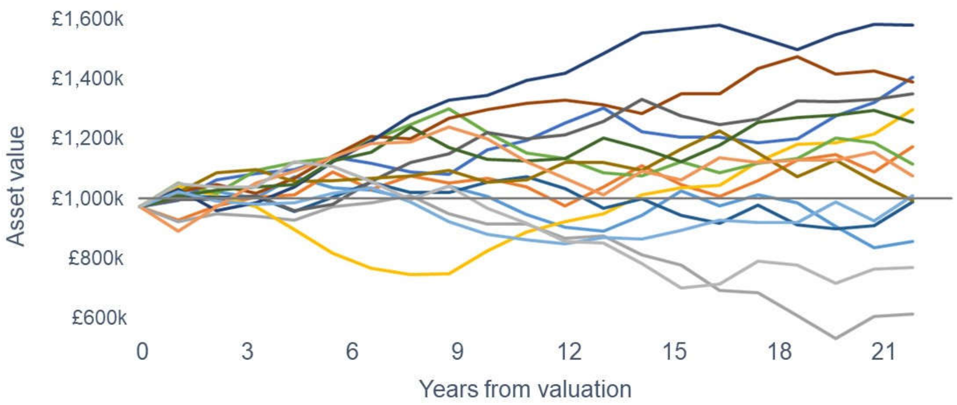
What is the funding time horizon?
How long will the employer participate in the Fund

What is the required likelihood?
How much funding risk can the employer's covenant support

Modelling approach

Asset-liability modelling is used to project each employer's assets and benefit payments into the future using 5,000 different economic scenarios. The economic scenarios are generated using Hymans Robertson's Economic Scenario Service (ESS) (further information in Appendix 2).

Picture 1: sample progression of employer asset values under different economic scenarios



Measuring the funding level

The past service funding level is measured at the valuation. Whilst it is limited in providing insight into a funding plan, it is a useful high-level summary statistic. To measure the funding level, a market-related approach is taken to calculating both the assets and the liabilities (so they are consistent with each other).

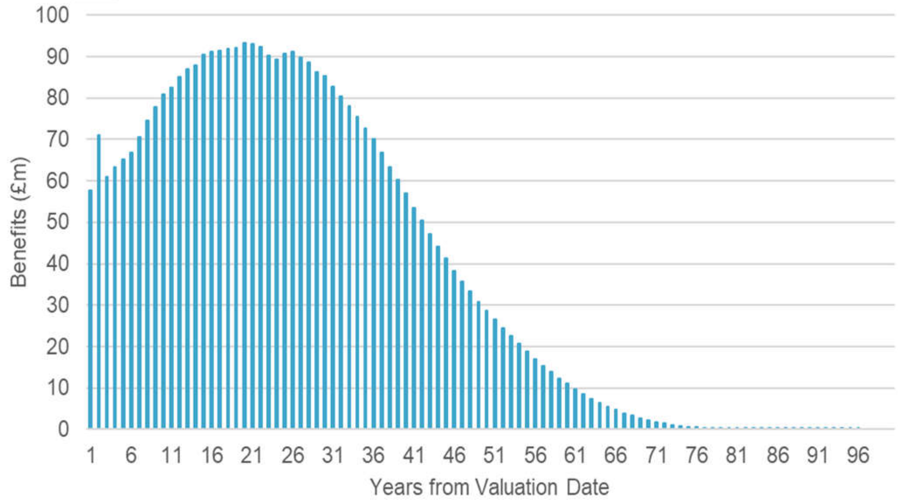
- The market value of the Fund's assets at the valuation date have been used.
- The liabilities have been valued using assumptions based on market indicators at the valuation date (these assumptions are detailed in Appendix 2).

Further detail on the liabilities
The liabilities are the value of all future payments to members based on all benefits earned up to the valuation date, expressed in today's money.

Chart 1 shows the projected payments for all members in the Fund at the valuation date. The projections are based on the membership data provided for the valuation (Appendix 1), the assumptions (Appendix 2) and our understanding of the LGPS benefit structure as at 31 March 2022 (details at www.lgpsregs.org).

To express the future payments in today's money, the projections are discounted with an assumed future investment return on the Fund's assets (the discount rate).

Chart 1: projected benefit payments for all service earned up to 31 March 2022



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HYMANS ROBERTSON

Valuation results

Employer contribution rates

The primary objective of the Fund is to set employer contribution rates that will adequately cover the cost of benefits which will accrue in the future and any costs related to benefits already earned. A secondary objective is to ensure the rates are as stable as possible. The risk-based approach detailed earlier is used to meet both these objectives.

The employer contribution rate is made up of two components.

1. A primary rate: the level sufficient to cover all new benefits.
2. A secondary rate: the costs associated with sufficiently funding benefits accrued up to the valuation date.

Each employer has a contribution rate which is appropriate to their circumstances and these can be found in the Rates & Adjustments Certificate. Broadly speaking:

- Primary rates have reduced overall, mainly due to higher expected returns.
- Secondary rates have decreased due to strong investment performance since the previous valuation.

However all employers will be different and the contribution rate will reflect the membership and experiences of each employer.

Table 3 shows the total of all employer contribution rates to be paid into the Fund over the period 1 April 2023 to 31 March 2026.

Table 3: Whole-fund contribution rate, compared with the previous valuation

	This valuation 31 March 2022		Last valuation 31 March 2019	
Primary Rate	17.5% of pay		18.6% of pay	
Secondary Rate	2023/2024	£3,460,000	2020/2021	£6,204,000
	2024/2025	£4,424,000	2021/2022	£5,849,000
	2025/2026	£5,077,000	2022/2023	£5,452,000

The primary rate includes an allowance of 0.8% of pensionable pay for the Fund's expenses.

Employees pay a contribution to the Fund in addition to these rates. These rates are set by the LGPS Regulations. The average employee contribution rate at 31 March 2022 is 6.8% of pay (6.8% at 31 March 2019).

Funding level

The funding level is the ratio of assets to liabilities. The market value of the assets at the valuation date are known. The value of the liabilities is uncertain given that the level of future investment returns are unknown.

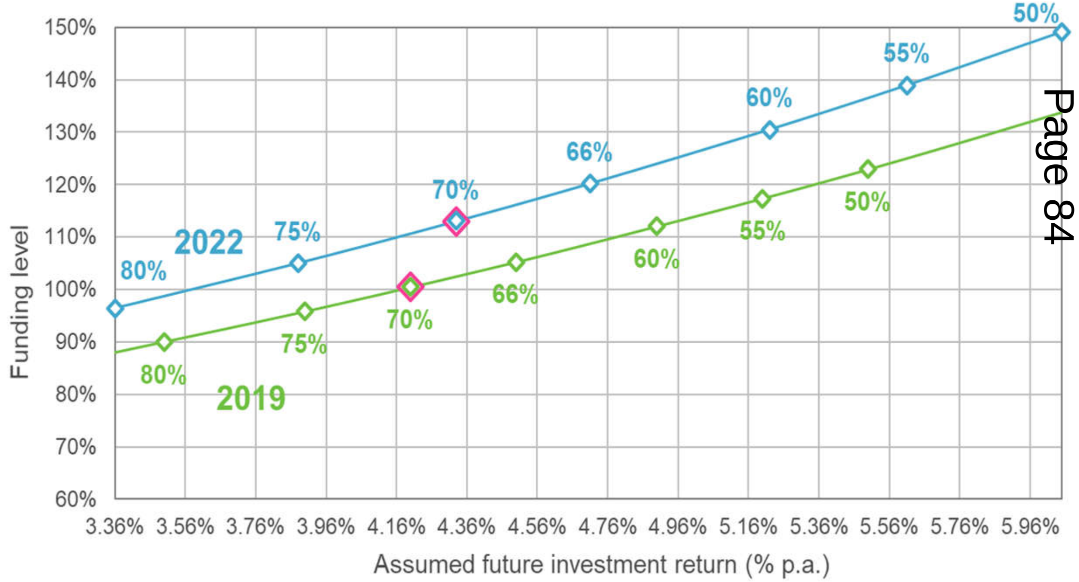
Therefore, the liabilities and funding level have been calculated across a range of different investment returns (the discount rate).

To help better understand funding risk, the likelihood of the Fund's investment strategy (detailed in Appendix 1) achieving certain levels of return has also been calculated.

Chart 2 shows how the funding level varies with future investment return assumptions at 31 March 2022 (blue line). The green line shows the same analysis at 31 March 2019.

- **The funding position at 2022 is stronger than 2019.**
- **The funding level is 100% if future investment returns are c.3.6% pa. The likelihood of the Fund's assets yielding at least this return is around 78%.**
- **The comparator at 2019 was a return of 4.2% pa which had a likelihood of 70%.**
- **There is a 50% likelihood of an investment return of 6.0% pa. So the best-estimate funding level is 150% at 31 March 2022 (120% at 2019).**

Chart 2: funding level across a range of future investment returns



Figures on each line show the likelihood of the Fund's assets exceeding that level of return over the next 20 years

Single funding level as at 31 March 2022

Whilst the chart on the previous page provides a better understanding of the past service funding position, there is still a requirement to report a single funding level at 31 March 2022.

To report a single funding level and funding surplus/deficit for the 2022 valuation, a discount rate of 4.3% pa has been used. There is a 70% likelihood associated with a future investment return of 4.3% pa.

Table 4 details the liabilities, split by member status and the market value of assets at the valuation date. The results at the 2019 formal valuation are shown for comparison.

The funding level and surplus/deficit figures provide a high-level snapshot of the funding position of the Fund as at 31 March 2022, however there are limitations:

- The liabilities are calculated using a single set of assumptions about the future and so are very sensitive to the choice of assumptions.
- The market value of assets held by the Fund will change on a daily basis.

The future progression of the funding position is uncertain. If the financial and demographic assumptions made at this valuation actually occur, employers pay contributions in line with the R&A certificate and there are no other changes in the financial or demographic environment, we project that the funding level at the next valuation (31 March 2025) will be approximately 110%.

Table 4: single reported funding level

Valuation Date	31 March 2022	31 March 2019
Past Service Liabilities	**(£m)**	**(£m)**
Employees	464	376
Deferred Pensioners	410	361
Pensioners	722	640
Total Liabilities	**1,596**	**1,378**
Assets	**1,803**	**1,384**
Surplus/(Deficit)	**207**	**6**
Funding Level	**113%**	**100%**

Important: *the reported funding level does not directly drive the contribution rates for employers. The contribution rates consider how assets and liabilities will evolve over time in different economic scenarios and also reflect each employer's funding profile and covenant.*

Changes since the last valuation

Events between 2019 and 2022
The most significant external event to occur since the last valuation has been the Covid-19 pandemic. The experience analysis below shows that, although there was a terrible human cost in terms of the number of deaths,, the impact on the funding position has been small. This is likely due to the age profile of the excess deaths and the level of pension.

Other significant factors occurring which affect the funding strategy of the Fund have been the better than expected investment returns. This has had a material positive impact on the funding position and employers' secondary contribution rates.

Financial

Table 5: analysis of financial experience between 2019 and 2022 valuations

	Expected	Actual	Difference	Impact on funding position
3 year period	13.1%	30.0%	16.8%	+£246m
Annual	4.2% pa	9.1% pa	4.9% pa	

Membership

Table 6: analysis of membership experience between 2019 and 2022 valuations

	Expected	Actual	Difference	Impact on funding position
Early leavers	1,814	2,289	475	+£1m
Ill-health retirements	39	53	14	-£1m
Salary increases	3.8% pa	6.4% pa	2.5% pa	-£18m
Benefit increases	2.3% pa	1.8% pa	-0.6% pa	+£21m
Pension ceasing	£3.5m	£3.3m	-£0.1m	+£2m

Changes since the last valuation

Future outlook

Expectations about the future, which inform the assumptions used to value the liabilities, have changed since the last valuation. The most significant changes are:

- Future inflation: this is expected to be on average higher than at 2019 due to the current level of high inflation.
- Investment returns: due to change in the Fund's investment strategy and financial markets, future investment returns are now expected to be higher than at the last valuation.

Table 7: summary of change in future outlook

Factor	What does it affect?	What's changed?	Impact on liabilities
Future investment returns	The rate at which future benefit payments are discounted back, ie the discount rate assumption	Future investment returns slightly higher at 2022 than at 2019. The required return is now 4.3% pa vs. 4.2% pa at 2019.	Decrease of £34m
Inflation	The rate at which pensions in payment and deferment and CARE pots increase	Significant increase in short-term future inflation expectations.	Increase of £98m
Salary increases	The rate at which future salaries increase. This affects benefits that are still linked to final salary, ie accrued before 1 April 2014	No material change since last valuation given competing factors e.g. tighter budgetary conditions vs. strong job market and pressure from National Living Wage increases.	£nil
Current life expectancy	How long we expect people to live for based on today's current observed mortality rates.	Slight reduction in life expectancy based on current observed data (not allowing for Covid-related excess deaths)	Decrease of £1m
Future improvements in life expectancy	How we expect life expectancies to change (increase) in the future.	Uncertainty about effectiveness of mitigations against life expectancy increases in the LGPS i.e. State Pension Age increases and Cost Cap. Need to better reflect wider pension and insurance industry long-term expectations.	Increase of £9m

Reconciling the overall change in funding position

The tables below provide insight into the funding position change between 31 March 2019 and 31 March 2022. Firstly, the changes we expect to happen (Table 8), which relate mostly to items on the asset side. Then the impact of actual experience (Table 9), which mainly affects the liabilities.

Expected development

Table 8: expected development of funding position between 2019 and 2022 valuations

Change in the surplus/deficit position	Surplus / Deficit
	£m
Last valuation at 31 March 2019	**6**
Cashflows	
Employer contributions paid in	112
Employee contributions paid in	32
Benefits paid out	0
Net transfers into / out of the Fund	
Other cashflows (e.g. Fund expenses)	(5)
Expected changes	
Expected investment returns	192
Interest on benefits already accrued	(179)
Accrual of new benefits	(134)
Expected position at 31 March 2022	**24**

* We have insufficient data to value the impact on the liabilities as a result of transfers in/out

Impact of actual events

Table 9: impact of actual events on the funding position at 31 March 2022

Change in the surplus/deficit position	Surplus / Deficit
	£m
Expected position at 31 March 2022	**24**
Events between 2019 and 2022	
Salary increases greater than expected	(18)
Benefit increases greater than expected	21
Early retirement strain (and contributions)	(3)
Ill health retirement strain	(1)
Early leavers less than expected	1
Commutation less than expected	(1)
Pensions ceasing less than expected	2
McCloud remedy	(2)
Other membership experience	18
Higher than expected investment returns	246
Changes in future expectations	
Investment returns	34
Inflation	(98)
Salary increases	0
Longevity	(8)
Other demographic assumptions	(6)
Actual position at 31 March 2022	**207**

Numbers may not sum due to rounding

Sensitivity & risk analysis

Sensitivity and risk analysis: assumptions

There is risk and uncertainty inherent with funding benefit payments that will be paid out many years in the future. The Fund is aware of these and has in place a risk register which is regularly reviewed. Additionally, as part of the valuation, the Fund reviews sources of risk that may impact its funding position and the contribution rates payable by employers.

This section discusses some of the most significant sources of funding risk (assumptions, regulatory, administration and governance and climate change). Further information of the Fund's approach to funding risk management, including monitoring, mitigation and management, is set out in the Funding Strategy Statement.

The valuation results depend on the actuarial assumptions made about the future. By their nature, these assumptions are uncertain which means its important to understand their sensitivity and risk levels.

Contribution rates

The risk-based approach to setting employer contribution rates mitigates the limitation of relying on one set of assumptions. Therefore, there is no need to carry out additional analysis of the sensitivity of contribution rates to changes in financial assumptions. The contribution rates are sensitive to changes in demographic assumptions. The results in this section in relation to the funding position can be broadly applied to the contribution rates.

Funding level

Financial assumptions

On page 10, we have already set out how the results vary with the assumed future investment return. The table below considers inflation.

Table 10: sensitivity of funding position to inflation assumption

CPI Assumption	Surplus/ (Deficit)	Funding Level
% pa	(£m)	%
2.5%	254	116%
2.7%	207	113%
2.9%	160	110%

Demographic assumptions

The main area of demographic risk is if people live longer than expected. The table below shows the impact of longer term longevity rates improving at a faster rate (1.75% pa vs 1.5% pa used in the results)

Table 11: sensitivity of funding position to longevity assumption

Long term rate of improvement	Surplus/ (Deficit)	Funding Level
% pa	(£m)	%
1.5%	207	113%
1.75%	196	112%

Sensitivity and risk analysis: other risks

Regulatory, Administration and Governance risks
Potential risks in this area include change in central government legislation which changes the future cost of the LGPS and failures in administration processes leading to incorrect data and inaccuracies in actuarial calculations. At this valuation, specific risks include:

- **McCloud:** the remedy to resolve the McCloud case is yet to be formalised in regulations. However, an allowance has been included for this expected benefit change at the 2022 valuation as directed by the Department of Levelling Up, Housing and Communities in their letter dated March 2022[1].
- **Goodwin:** the remedy to this issue is still uncertain, it is difficult to identify who it would apply to and its impact is estimated to be very small for a LGPS fund (0.1-0.2% of liabilities). Therefore, no allowance has been made for this case at the 2022 valuation.
- **Cost Cap:** a legal challenge is ongoing in relation to the 2016 cost cap valuation and no information is known about the outcome of the 2020 cost cap valuation. At this valuation, no allowance has been made for any changes to the benefit structure that may occur as a result of a cost cap valuation.
- **GMP indexation:** it is assumed that all increases on GMPs for members reaching State Pension Age after 6 April 2016 will be paid for by LGPS employers. This is the same approach that was taken for the 2019 valuation.

Post valuation events
Since 31 March 2022, there has been significant volatility in the financial markets, short-term inflation expectations and rises in interest rates by central banks. These events affect the value of the Fund's assets and liabilities.

- The Fund's investment return since 31 March 2022 is estimated to be somewhere between -5% and -10%.
- Liability valuations are likely to be lower now than at 31 March 2022 due to rises in expected future investment returns more than offsetting the higher than expected (10.1%) pension increase at April 2023.

As an open scheme, with a strong covenant, the Fund takes a long-term view when considering the funding impact of such events. For employers who have a very short time horizon, recent volatility may be more immediately impactful, and the Fund has engaged with these employers as appropriate.

No explicit allowance has been made for this volatility in the valuation results or contribution rates detailed in the Rates & Adjustments Certificate. The Fund will continue to monitor changes in the financial and demographic environment as part of its ongoing risk management approach.

[1] www.lgpslibrary.org/assets/bulletins/2022/222AppA.pdf

Sensitivity and risk analysis: climate change

Background
Climate change is a major source of uncertainty which could affect future investment returns, inflation and life expectancies. Therefore, the Fund has explicitly explored the resilience of its funding and investment strategy to future potential climate change outcomes.

It is impossible to confidently quantify the effect of climate risk given the significant uncertainty over the impact of different possible climate outcomes. Instead, three different climate change scenarios have been considered as a stress-test (instead of trying to predict how climate change affects the funding level in the future).

All the scenarios assume that there will be a period of disruption linked either to the response to climate risk (transition risks) or the effect of it (physical risks). This disruption will lead to high volatility in financial markets, and the later the disruption, the more pronounced it will be.

Further detail on the scenarios is shown on the next page and in our guide 10 of Hymans Robertson's LGPS 2022 valuation toolkit[1]

Outcome of analysis
The Fund has set its funding and investment strategy using asset-liability modelling and considering two main risk metrics:

- Likelihood of success – the chance of being fully funded in 20 years' time
- Downside risk – the average worst 5% of funding levels in 20 years' time

When exploring the potential impact of climate change, the Fund has compared how these risk metrics change under each climate change scenario (against the '*Core'* model used when setting the funding and investment strategy). The stress test results for the Fund are shown in Table 12 below.

Table 12: sensitivity of funding position to climate scenario

Scenario	Likelihood of success	Downside risk
Core	**75%**	**46%**
Green Revolution	73%	41%
Delayed Transition	71%	45%
Head in the Sand	72%	48%

The results are worse in the climate scenarios. This is to be expected given that they are purposefully stress-tests and all the scenarios are bad outcomes. Whilst the risk metrics are generally weaker, they are not materially so and not enough to suggest that the funding and investment strategy are unduly exposed to climate change risk. The Fund will continue to monitor this risk as more information emerges and climate change modelling techniques evolve.

[1] www.hymans.co.uk/media/uploads/LGPS_2022_Valuation_Toolkit.pdf

HYMANS ROBERTSON

Final comments

Final comments

The Fund's valuation operates within a broader framework, and this document should be considered alongside the following:

- The Funding Strategy Statement, which in particular highlights how different types of employer in different circumstances have their contributions calculated
- The Investment Strategy Statement, which sets out the investment strategy for the Fund
- The general governance of the Fund, such as meetings of the Pensions Committee and Board, decisions delegated to officers, the Fund's business plan, etc
- The Fund's risk register.

New employers joining the Fund
Any new employers or admission bodies joining the Fund should be referred to the Fund Actuary to assess the required level of contribution. Depending on the number of transferring members the ceding employer's rate may also need to be reviewed.

Cessations and bulk transfers
Any employer who ceases to participate in the Fund should be referred to the Fund Actuary in accordance with Regulation 64 of the LGPS regulations.

Any bulk movement of scheme members:

- involving 10 or more scheme members being transferred from or to another LGPS fund
- involving 2 or more scheme members being transferred from or to a non-LGPS pension arrangement

should be referred to the Fund Actuary to consider the impact on the Fund.

Valuation frequency
Under the LGPS regulations, the next formal valuation of the Fund is due to be carried out as at 31 March 2025 where contribution rates payable from 1 April 2026 will be set.

SIGNATURE

SIGNATURE

Douglas Green FFA
03 March 2023
For and on behalf of Hymans Robertson LLP

Julie Baillie FFA

Appendices

APPENDIX 1

Data

Membership data
A summary of the membership data provided by the Fund for the 2022 valuation is set out in Table 13. The corresponding membership data from the previous valuation is also shown for reference.

The results of the valuation are dependent on the quality of the data used. We have carried out a series of validation checks on the data supplied to us by the Administering Authority to ensure that it is fit for purpose.

Asset data
To check the membership data and derive employer asset values, we have used asset and accounting data and employer level cashflow data provided by the Fund.

Table 13: Whole fund membership data as at 31 March 2022 and 31 March 2019

Whole Fund Membership Data	This Valuation 31 March 2022	Last Valuation 31 March 2019
Employee members		
Number	6,318	6,008
Total actual pay (£000)	160,433	142,356
Total accrued pension (£000)	27,795	23,580
Average age (liability weighted)	54.6	53.2
Future working lifetime (years)	5.1	8.3
Deferred pensioners (including undecideds)		
Number	10,809	10,147
Total accrued pension (£000)	23,064	21,317
Average age (liability weighted)	54.3	53.4
Pensioners and dependants		
Number	8,340	7,746
Total pensions in payment (£000)	46,816	41,908
Average age (liability weighted)	68.9	68.1

APPENDIX 1

Data

Investment strategy

A summary of the investment strategy allocation used for the calculation of employer contribution rates and to derive the future assumed investment return is set out in Table 14.

This information is as set out in the Fund's Investment Strategy Statement.

Table 14: Investment strategy used for the 2022 valuation

Asset class	Allocation
UK equities	5.6%
Global equities (unhedged)	41.9%
Private equity	5.0%
Property	15.5%
Infrastructure equity (listed)	5.0%
Index linked gilt (14 yr maturity)	7.0%
Multi Asset Credit (sub investment grade)	10.0%
High yield credit (unhedged)	7.5%
Infrastructure Debt	2.5%
Total	**100.0%**

APPENDIX 2

Assumptions

To set and agree assumptions for the valuation, the Fund carried out in-depth analysis and review as per our advice paper dated 7 July 2022, with the final set agreed by the Pensions Committee and Board on 12 September 2022.

Financial assumptions

Setting employer contribution rates

An asset-liability model is used to set employer contributions at the 2022 valuation. This model relies on Hymans Robertson's proprietary economic model, the Economic Scenario Service (ESS). The ESS reflects the uncertainty associated with future levels of inflation and asset returns and the interactions and correlations between different asset classes and wider economic variables. In the short term (first few years), the models are fitted with current financial market expectations. Over the longer term, models are built around views of fundamental economic parameters, for example equity risk premium, credit spreads and long term inflation. The table below shows the calibration of the ESS at 31 March 2022. Further information on the assumptions used for contribution rate setting is included in the Funding Strategy Statement.

Table 15: ESS individual asset class return distributions at 31 March 2022

		Annualised total returns											
		Index Linked Gilts (medium)	UK Equity	Private Equity	Property	Credit Overlay	UK Infrastructure Debt	Listed Infrastructure Equity	Multi Asset Credit (sub inv grade)	All World ex UK Equity in GBP Unhedged	Inflation (CPI)	17 year real yield (CPI)	17 year yield
10 years	16th %'ile	-1.9%	-0.4%	-1.2%	-0.6%	-0.6%	-0.3%	-1.1%	1.7%	-0.4%	1.6%	-1.7%	1.1%
	50th %'ile	0.2%	5.7%	9.4%	4.4%	0.6%	2.2%	4.9%	3.5%	5.8%	3.3%	-0.5%	2.5%
	84th %'ile	2.4%	11.6%	20.1%	9.5%	1.5%	4.3%	10.9%	5.2%	11.9%	4.9%	0.7%	4.3%
20 years	16th %'ile	-1.5%	1.7%	2.4%	1.4%	-0.1%	1.2%	1.2%	2.8%	1.8%	1.2%	-0.7%	1.3%
	50th %'ile	0.1%	6.2%	10.0%	5.0%	0.7%	2.7%	5.6%	4.4%	6.3%	2.7%	1.1%	3.2%
	84th %'ile	1.9%	10.6%	17.6%	8.9%	1.3%	4.2%	10.1%	6.0%	11.1%	4.3%	2.7%	5.7%
40 years	16th %'ile	-0.3%	3.2%	4.7%	2.6%	0.2%	2.3%	2.6%	3.6%	3.4%	0.9%	-0.6%	1.1%
	50th %'ile	1.2%	6.7%	10.3%	5.5%	0.7%	3.7%	6.1%	5.3%	6.8%	2.2%	1.3%	3.3%
	84th %'ile	3.1%	10.2%	16.1%	8.8%	1.2%	5.1%	9.8%	7.1%	10.4%	3.7%	3.2%	6.1%
	Volatility (Disp) (5 yr)	7%	18%	30%	15%	4%	8%	18%	6%	18%	3%		

APPENDIX 2

Assumptions

Financial assumptions
Calculating the funding level

The table below summarises the assumptions used to calculate the funding level at 31 March 2022, along with a comparison at the last valuation.

Table 16: Summary of assumptions used for measuring the funding level, compared to last valuation on 31 March 2019

Assumption	31 March 2022	Required for	31 March 2019
Discount rate	4.3% pa	To place a present value on all the benefits promised to scheme members at the valuation date. The Fund's assets are estimated to have a 70% likelihood of returning above the discount rate.	4.2% pa (based on a 70% likelihood)
Benefit increases/CARE revaluation	2.7% pa	To determine the size of future benefit payments.	2.3% pa
Salary increases	3.7% pa	To determine the size of future final-salary linked benefit payments.	3.3% pa

Allowing for the McCloud remedy

Allowance has been included for this expected benefit change at the 2022 valuation as directed by the Department of Levelling Up, Housing and Communities in their letter dated March 2022[1]. Further technical detail about this assumption is set out in guide 13 of Hymans Robertson's LGPS 2022 valuation toolkit[2]

1 www.lgpslibrary.org/assets/bulletins/2022/222AppA.pdf

2 www.hymans.co.uk/media/uploads/LGPS_2022_Valuation_Toolkit.pdf

APPENDIX 2

Assumptions

Demographic assumptions

The same demographic assumptions are used in setting contribution rates and assessing the current funding level.

Longevity

Table 17: Summary of longevity assumptions

	This valuation 31 March 2022	Last valuation 31 March 2019
Baseline assumption	VitaCurves based on member-level lifestyle factors	VitaCurves based on member-level lifestyle factors
Future improvements	**CMI 2021 model** Initial addition = **0.25% (both Female and Male)** Smoothing factor = **7.0** **1.5% pa** long-term rate of improvement	**CMI 2018 model** Initial addition = **0.25% (Female), 0.5% (Male)** Smoothing factor = **7.0** **1.25% pa** long-term rate of improvement

Further information on these assumptions can be provided upon request. Sample rates are included on the next page.

Other demographic assumptions

Table 18: Summary of other demographic assumptions

Death in service	See sample rates in Tables 19 & 20
Retirements in ill health	See sample rates in Tables 19 & 20
Withdrawals	See sample rates in Tables 19 & 20
Promotional salary increases	See sample rates in Tables 19 & 20
Commutation	52% of future retirements elect to exchange pension for additional tax free cash up to HMRC limits
50:50 option	1.0% of members (uniformly distributed across the age, service and salary range) will choose the 50:50 option
Retirement age	The earliest age at which a member can retire with their benefits unreduced
Family details	A varying proportion of members are assumed to have a dependant at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. The dependant of a male member is assumed to be 3 years younger than him and the dependent of a female member is assumed to be 3 years older than her.

APPENDIX 2

Assumptions

Sample rates for demographic assumptions

Males

Table 19: Sample rates of male demographic assumptions

Age	Salary Scale	Death Before Retirement	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.14	586.25	1,000	0.00	0.00	0.00	0.00
25	117	0.14	387.24	671.28	0.00	0.00	0.00	0.00
30	131	0.16	274.76	476.22	0.00	0.00	0.00	0.00
35	144	0.19	214.67	372.03	0.10	0.07	0.02	0.01
40	150	0.33	172.83	299.43	0.16	0.12	0.03	0.02
45	157	0.54	162.35	281.20	0.35	0.27	0.07	0.05
50	162	0.87	133.82	231.53	0.90	0.68	0.23	0.17
55	162	1.36	105.38	182.42	3.54	2.65	0.51	0.38
60	162	2.45	93.93	162.52	6.23	4.67	0.44	0.33
65	162	4.08	0.00	0.00	11.83	8.87	0.00	0.00

Females

Table 20: Sample rates of female demographic assumptions

Age	Salary Scale	Death Before Retirement	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.08	528.64	514.11	0.00	0.00	0.00	0.00
25	117	0.08	355.71	345.88	0.10	0.07	0.02	0.01
30	131	0.11	298.17	289.90	0.13	0.10	0.03	0.02
35	144	0.19	257.35	250.12	0.26	0.19	0.05	0.04
40	150	0.30	214.19	208.09	0.39	0.29	0.08	0.06
45	157	0.50	199.88	194.16	0.52	0.39	0.10	0.08
50	162	0.72	168.51	163.52	0.97	0.73	0.24	0.18
55	162	0.95	125.74	122.13	3.59	2.69	0.52	0.39
60	162	1.22	101.33	98.31	5.71	4.28	0.54	0.40
65	162	1.56	0.00	0.00	10.26	7.69	0.00	0.00

Figures are incidence rates per 1,000 members except salary scale. FT and PT denoted full-time and part-time members respectively.

APPENDIX 3

Reliances and limitations

We have been commissioned by Haringey Council ("the Administering Authority") to carry out a full actuarial valuation of the London Borough of Haringey Pension Fund ("the Fund") as at 31 March 2022 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 ("the Regulations").

This report is addressed to the Administering Authority. It has been prepared by us as actuaries to the Fund and is solely for the purpose of summarising the main outcomes of the 2022 actuarial valuation. It has not been prepared for any other third party or for any other purpose. We make no representation or warranties to any third party as to the accuracy or completeness of this report, no reliance should be placed on this report by any third party and we accept no responsibility or liability to any third party in respect of it.

Hymans Robertson LLP is the owner of all intellectual property rights in this report. All such rights are reserved.

This summary report is the culmination of other communications in relation to the valuation, in particular:

- Our 2022 valuation toolkit which sets out the methodology used when reviewing funding plans
- Our paper to the Fund's Pension Committee and Board dated 12 September 2022 which discusses the funding strategy for the Fund's Council
- Our paper to the Fund's Pension Committee and Board dated 12 September 2022 which discusses the valuation assumptions
- Our initial results report dated 14 November 2022 which outlines the whole fund results and inter-valuation experience
- Our data report dated XXXX which summarises the data used for the valuation, the approach to ensuring it is fit for purpose and any adjustments made to it during the course of the valuation
- The Funding Strategy Statement which details the approach taken to adequately fund the current and future benefits due to members

The totality of our advice complies with the Regulations as they relate to actuarial valuations.

The following Technical Actuarial Standards apply to this advice, and have been complied with where material and to a proportionate degree. They are:

- TAS100 – Principles for technical actuarial work
- TAS300 – Pensions

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APPENDIX 4

Glossary

Term	Explanation
50:50 option	An option for LGPS members to pay half contributions and earn half the retirement benefit (pre-retirement protection benefits are unreduced).
Asset-liability modelling	An approach to modelling and understanding risk for a pension fund. The assets and liabilities are projected forward into the future under many different future scenarios of inflation, investment returns and interest rates. The future scenarios are then analysed to understand the risk associated with a particular combination of contribution rates and investment strategy. Different combinations of contribution rates and/or investment strategies may be tested.
Baseline longevity	The rates of death (by age and sex) in a given group of people based on current observed data.
Club Vita	A firm of longevity experts we partner with for longevity analysis. They combine data from thousands of pension schemes and use it to create detailed baseline longevity assumptions at member-level, as well as insight on general longevity trends and future improvements.
Commutation	The option for members to exchange part of their annual pension for a one-off lump sum at retirement. In the LGPS, every £1 of pension exchanged gives the member £12 of lump sum. The amounts that members commute is heavily influenced by tax rules which set an upper limit on how much lump sum can be taken tax-free.
CPI inflation	The annual rate of change of the Consumer Prices Index (CPI). The CPI is the UK government's preferred measure of inflation and is the measure used to increase LGPS (and all other public sector pension scheme) benefits each year.
Deferred pensioners	A former employee who has left employment (or opted out of the pension fund) but is not yet in receipt of their benefits from the fund.
Demographic assumptions	Assumptions concerned with member and employer choices rather than macroeconomic or financial factors. For example, retirement age or promotional salary scales. Demographic assumptions typically determine the timing of benefit payments.

APPENDIX 4

Glossary

Term	Explanation
Discount rate	A number used to place a single value on a stream of future payments, allowing for expected future investment returns.
Employee members	Members who are currently employed by employers who participate in the fund and paying contributions into the fund.
ESS	Economic Scenario Service - Hymans Robertson's proprietary economic scenario generator used to create thousands of simulations of future inflation, asset class returns and interest rates.
Funding position	The extent to which the assets held by the fund at 31 March 2022 cover the accrued benefits ie the liabilities. The two measures of the funding position are: • the funding level - the ratio of assets to liabilities; and • the funding surplus/deficit - the difference between the asset and liabilities values.
Inflation	Prices tend to increase over time, which is called inflation. Inflation is measured in different ways, using a different 'basket' of goods and mathematical formulas.
Liabilities	An employer's liability value is the single value at a given point in time of all the benefit payments expected to be made in future to all members. Benefit payments are projected using demographic and financial assumptions and the liability is calculated using a discount rate.
Longevity improvements	An assumption about how rates of death will change in future. Typically we assume that death rates will fall and life expectancies will improve over time, continuing the long-running trend.
Pensioners	A former employee who is in receipt of their benefits from the fund. This category includes eligible dependants of the former employee.

APPENDIX 4

Glossary

Term	Explanation
Primary rate	The estimated cost of future benefits, expressed in percentage of pay terms. The primary rate will include an allowance to cover the fund's expenses.
Prudence	To be prudent means to err on the side of caution in the overall set of assumptions. We build prudence into the choice of discount rate by choosing an assumption with a prudence Level of more than 50%. All other assumptions aim to be best estimate.
Prudence Level	A percentage indicating the likelihood that a discount rate assumption will be achieved in practice, based on the ESS model. The higher the prudence level, the more prudent the discount rate is.
Secondary rate	An adjustment to the primary rate, generally to reflect costs associated with benefits that have already been earned up to the valuation date. This may be expressed as a percentage of pay and/or monetary amount.
Withdrawal	Refers to members leaving the scheme before retirement. These members retain an entitlement to an LGPS pension when they retire, but are no longer earning new benefits.

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London Borough of Haringey Pension Fund

Funding Strategy Statement

March 2023

Contents

1 Welcome to London Borough of Haringey Pension Fund's Funding Strategy Statement

This document sets out the Funding Strategy Statement (FSS) for London Borough of Haringey Pension Fund.

The London Borough of Haringey Pension Fund is administered by London Borough of Haringey, which is known as the Administering Authority. London Borough of Haringey worked with the Fund's actuary, Hymans Robertson, to prepare this FSS which is effective from 1 April 2023.

There's a regulatory requirement for the London Borough of Haringey to prepare an FSS. You can find out more about the regulatory framework in Appendix A. If you have any queries about the FSS, contact Pensions.Mailbox@haringey.gov.uk.

1.1 What is London Borough of Haringey Pension Fund?

London Borough of Haringey Pension Fund is part of the Local Government Pension Scheme (LGPS). You can find more information about the LGPS at www.lgpsmember.org. London Borough of Haringey runs the Fund on behalf of participating employers, their employees, and current and future pensioners. You can find out more about roles and responsibilities in Appendix B.

1.2 What are the funding strategy objectives?

The funding strategy objectives are to:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

1.3 Who is the FSS for?

The FSS is mainly for employers participating in the Fund because it sets out how money will be collected from them to meet the Fund's obligations to pay members' benefits.

Different types of employers participate in the Fund:

Scheduled bodies

Employers who are specified in a schedule to the LGPS regulations, including the Council and employers like academies. Scheduled bodies must give employees access to the LGPS if they can't accrue benefits in another pension scheme, such as another public service pension scheme.

Designating employers

Employers like foundation schools can join the LGPS through a resolution. If a resolution is passed, the Fund can't refuse entry. The employer then decides which employees can join the scheme.

Admission bodies

Other employers can join through an admission agreement. The Fund can set participation criteria for them and can refuse entry if the requirements aren't met. This type of employer includes contractors providing outsourced services like cleaning or catering to a scheduled body.

Some existing employers may be referred to as **community admission bodies** (CABs). CABs are employers with a community of interest with another scheme employer. Others may be called **transferee admission bodies** (TABs), that provide services for scheme employers. These terms aren't defined under current regulations but remain in common use from previous regulations.

1.4 How does the funding strategy link to the investment strategy?

The funding strategy sets out how money will be collected from employers to meet the Fund's obligations. Contributions, assets and other income are then invested according to an investment strategy set by the Fund. You can find the investment strategy at haringeypensionfund.co.uk.

The funding and investment strategies are closely linked. The Fund must be able to pay benefits when they are due – those payments are met from a combination of contributions (through the funding strategy) and asset returns and income (through the investment strategy). If investment returns or income fall short the Fund won't be able to pay benefits, so higher contributions would be required from employers.

1.5 Does the funding strategy reflect the investment strategy?

The funding policy is consistent with the investment strategy. Future investment return expectations are set with reference to the investment strategy, including a margin for prudence which is consistent with the regulatory requirement that funds take a 'prudent longer-term view' of funding liabilities (see Appendix A).

1.6 How is the funding strategy specific to London Borough of Haringey Pension Fund?

The funding strategy reflects the specific characteristics of the Fund employers and its own investment strategy.

2 How does the Fund calculate employer contributions?

2.1 Calculating contribution rates

Employee contribution rates are set by the LGPS regulations.

Employer contributions are made up of three elements:

- **the primary contribution rate** – contributions payable towards future benefits
- **the secondary contribution rate** – the difference between the primary rate and the total employer contribution

The third element is an allowance for the Fund's expenses, and this is included in the primary rate.

The Fund Actuary uses a model to project each employer's asset share over a range of future economic scenarios. The contribution rate takes each employer's assets into account as well as the projected benefits due to their members. The value of the projected benefits is worked out using employer membership data and the assumptions in Appendix D.

The total contribution rate for each employer is then based on:

- **the funding target** – how much money the Fund aims to hold for each employer
- **the time horizon** – the time over which the employer aims to achieve the funding target
- **the likelihood of success** – the proportion of modelled scenarios where the funding target is met.

This approach allows for the maturing profile of the membership when setting employer contribution rates.

2.2 Prepayment of contributions

The Fund permits the prepayment of employer contributions in specific circumstances.

Employer contributions

- The Fund will consider requests from employers to make payment of their employer contributions early.
- Each case will be considered on its own merits, taking into account the type of employer, the employer rate, the amount and the value of cash the Fund holds.

Employee contributions

- The Fund will not consider requests to allow payment of employee contributions early.
- In exceptional circumstances, officers may consider this on a case-by-case basis.

Prepayment of contributions does not guarantee that the employer will benefit from earlier investment: the value of the prepaid contributions can fall if investment returns are negative.

2.3 The contribution rate calculation

Table 1: contribution rate calculation for individual or pooled employers

Type of employer	Scheduled bodies		CABs and designating employers		TABs
Sub-type	**Local Authority**	**Academies (or schools not pooled with Haringey Council**	**Open to new entrants**	**Closed to new entrants**	**all**
Funding target	Ongoing	Ongoing	Ongoing, but may move to low-risk exit basis if no guarantor – refer to section 7	Ongoing, but may move to low-risk exit basis if no guarantor – refer to section 7	Contractor exit basis, assuming fixed-term contract in the Fund
Minimum likelihood of success	70%	70%	75%	80%	70%
Maximum time horizon	20 years	20 years	20 years	Average future working lifetime (or less if no guarantee)	20 years
Primary rate approach	The contributions must be sufficient to meet the cost of benefits earned in the future with the required likelihood of success at the end of the time horizon*				
Secondary rate	Monetary amount or % of payroll for schools	% of payroll	Monetary amount	Monetary amount	% of payroll
Stabilised contribution rate?	Yes	Yes	No	No	No
Treatment of surplus	Covered by stabilisation arrangement		Preferred approach: contributions kept at primary rate. Reductions may be permitted by the Fund		Reduce contributions by spreading the surplus over the remaining contract term if contract to cease before next valuation, at admin authority's discretion
Phasing of contribution changes	Covered by stabilisation arrangement		None	Not typically permitted	None

** Employers participating in the Fund under a pass-through agreement will pay a contribution rate as agreed between the contractor and letting authority*

2.4 Making contribution rates stable

Making employer contribution rates reasonably stable is an important funding objective. The Fund may adopt a stabilised approach to setting contributions for individual employers, which keeps contribution variations within a pre-determined range from year-to-year.

After taking advice from the Fund Actuary, the Fund believes a stabilised approach is a prudent longer-term strategy for some employers.

Table 2: current stabilisation arrangement

Type of employer	Council	Academies (or schools not pooled with Haringey Council)
Maximum contribution increase per year	+0.5% of pay	+2% of pay
Maximum contribution decrease per year	-0.5% of pay	-2% of pay

Stabilisation criteria and limits are reviewed during the valuation process. The Fund may review them between valuations to respond to membership or employer changes.

2.5 Reviewing contributions between valuations

The Fund may amend contribution rates between formal valuations for a 'significant change' to the liabilities or covenant of an employer, in line with its policy on contribution reviews. A review may be instigated by the Fund or at the request of a participating employer.

The purpose of any review is to establish the most appropriate contributions. A review may lead to an increase or decrease in contributions.

2.6 What is pooling?

The Fund may operate funding pools for similar types of employers. Contribution rates can be volatile for smaller employers that are more sensitive to individual membership changes – pooling across a group of employers minimises this. In this type of pooling arrangement, employers do not target full funding at exit. While the Fund receives the contributions required, the risk increases that employers will be entitled to a surplus payment on exit.

Employers in a pool maintain their individual funding positions, tracked by the Fund Actuary. That means some employers may be better funded or more poorly funded than the pool average. If pooled employers used stand-alone funding rather than pooling, their contribution rates could be higher or lower than the pool rate.

Pooled employers are identified in the rates and adjustments certificate and only have their pooled contributions certified. Individual contribution rates aren't disclosed to pooled employers, unless agreed by the Fund.

CABs that are closed to new entrants aren't usually allowed to enter a pool.

If an employer leaves the fund, the required contributions are based on their own funding position rather than the pool average. Cessation terms also apply, which means higher contributions may be required at that point.

2.7 What are the current contribution pooling arrangements?

- **Maintained schools** – generally pool with the Council, although there may be exceptions for specialist or independent schools.

- **Academies** – may be pooled within a Multi Academy Trust (MAT) at the MAT's request.
- **Ceased employers** – legacy liabilities and assets may be pooled with the Council

2.8 Fund discretion

Individual employers may be affected by circumstances not easily managed within the FSS rules and policies. If this happens, the Fund may adopt alternative funding approaches on a case-by-case basis.

Additionally, the Fund may allow greater flexibility to the employer's contributions if added security is provided. Flexibility could include things like a reduced contribution rate, extended time horizon, or permission to join a pool. Added security may include a suitable bond, a legally binding guarantee from an appropriate third party, or security over an asset.

3 What additional contributions may be payable?

3.1 Pension costs – awarding additional pension and early retirement on non ill-health grounds

If an employer awards additional pension as an annual benefit amount, they pay an additional contribution to the Fund as a single lump sum. The amount is set by guidance issued by the Government Actuary's Department and updated from time to time.

If an employee retires before their normal retirement age on unreduced benefits, employers will be asked to pay additional contributions called strain payments. The Fund won't start to pay the unreduced benefits until the strain payment is made by the employer.

3.2 Pension costs – early retirement on ill-health grounds

If a member retires early because of ill-health, their employer must pay a funding strain, which may be a large sum.

4 How does the Fund calculate assets and liabilities?

4.1 How are employer asset shares calculated?

The fund adopts a cashflow approach to track individual employer assets.

Each fund employer has a notional share of the fund's assets, which is assessed yearly by the actuary. The actuary starts with assets from the previous year-end, adding cashflows paid in/out and investment returns to give a new year-end asset value. The fund actuary makes a simplifying assumption, that all cashflow and investment returns have been paid uniformly over the year. This assumption means that the sum of all employers' asset values is slightly different from the whole fund asset total over time. This minimal difference is split between employers in proportion to their asset shares at each valuation.

If an employee moves one from one employer to another within the fund, assets equal to the cash equivalent transfer value (CETV) will move from the original employer to the receiving employer's asset share.

Alternatively, if employees move when a new academy is formed or an outsourced contract begins, the Fund Actuary will calculate assets linked to the value of the liabilities transferring (see section 5).

4.2 How are employer liabilities calculated?

The Fund holds membership data for all active, deferred and pensioner members. Based on this data and the assumptions in Appendix D, the Fund Actuary projects the expected benefits for all members into the future. This is expressed as a single value – the liabilities – by allowing for expected future investment returns.

Each employer's liabilities reflect the experience of their own employees and ex-employees.

4.3 What is a funding level?

An employer's funding level is the ratio of the market value of asset share against liabilities. If this is less than 100%, the employer has a shortfall: the employer's deficit. If it is more than 100%, the employer is in surplus. The amount of deficit or surplus is the difference between the asset value and the liabilities value.

Funding levels and deficit/surplus values measure a particular point in time, based on a particular set of future assumptions. While this measure is of interest, for most employers the main issue is the level of contributions payable. The funding level does not directly drive contribution rates. See section 2 or further information on rates.

5 What happens when an employer joins the fund?

5.1 When can an employer join the fund?

Employers can join the Fund if they are a new scheduled body or a new admission body. New designating employers may also join the Fund if they pass a designation to do so.

The Fund will determine the assets and liabilities for a new employer. The calculation will depend on the type of employer and the circumstances of joining.

The Fund will also set a contribution rate. This will be set in the way described in section 2 unless alternative arrangements apply (for example, the employer has agreed a pass-through arrangement).

5.2 New academies

New academies (including free schools) join the Fund as separate scheduled employers. Only active members of former council schools transfer to new academies. Free schools do not transfer active members from a converting school but must allow new active members to transfer in any eligible service.

Liabilities for transferring active members will be calculated (on the ongoing basis) by the Fund Actuary on the day before conversion to an academy. Liabilities relating to the converting school's former employees (ie members with deferred or pensioner status) remain with the ceding council.

New academies will be allocated an asset share based on the estimated funding level of the council's active members, having first allocated the council's assets to fully fund their deferred and pensioner members. This funding level will then be applied to the transferring liabilities to calculate the academy's initial asset share, capped at a maximum of 100%.

The council's estimated funding level will be based on market conditions on the day before conversion. The Fund treats new academies as separate employers in their own right, each responsible for their allocated assets and liabilities. They won't be pooled with other employers unless the academy is part of a multi-academy trust (MAT). If they are part of a MAT, the new academy can be combined with the other MAT academies to set contributions. Otherwise, the new academy's contribution rate is based on the current funding strategy (set out in section 2) and the transferring membership.

If an academy leaves one MAT and joins another, all active, deferred and pensioner members transfer to the new MAT.

The fund's policies on academies may change based on updates to guidance from the Department for Levelling Up, Housing and Communities or the Department for Education. Any changes will be communicated and reflected in future Funding Strategy Statements.

5.3 New admission bodies as a result of outsourcing services

New admission bodies usually join the Fund because an existing employer (typically a scheduled body like a council or academy) outsources a service to another organisation (a contractor). This involves TUPE transfers of staff from the letting employer to the contractor. The contractor becomes a new participating Fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership. At the end of the contract, employees typically revert to the letting employer or a replacement contractor.

Liabilities for transferring active members will be calculated by the Fund Actuary on the day before the outsourcing occurs.

New contractors will be allocated an asset share equal to the value of the transferring liabilities. The admission agreement may set a different initial asset allocation, depending on contract-specific circumstances.

There is flexibility for outsourcing employers when it comes to pension risk potentially taken on by the contractor. More details on outsourcing options can be obtained from the Fund or in the contract admission agreement.

The fund's policy is to require all new admission bodies to be set up with a pass-through arrangement.

Additional information on outsourcing from an academy or free school is included in the Fund's Policy on Academies and Free Schools.

5.4 Other new employers

There may be other circumstances that lead to a new admission body entering the fund, e.g., set up of a wholly owned subsidiary company by the council. Calculation of assets and liabilities on joining and a contribution rate will be carried out allowing for the circumstances of the new employer.

New designating employers may also join the fund. This is unusual but would include bodies like a new foundation school or technical institute. Contribution rates will be set using the same approach as other designating employers in the fund.

5.5 Risk assessment for new admission bodies

Under the LGPS regulations, a new admission body must assess the risks it poses to the Fund if the admission agreement ends early, for example if the admission body becomes insolvent or goes out of business. In practice, the Fund Actuary assesses this because the assessment must be carried out to the Fund's satisfaction.

After considering the assessment, the Fund may decide the admission body must provide security, such as a guarantee from the letting employer, an indemnity or a bond.

This must cover some or all of the:

- strain costs of any early retirements if employees are made redundant when a contract ends prematurely
- allowance for the risk of assets performing less well than expected
- allowance for the risk of liabilities being greater than expected
- allowance for the possible non-payment of employer and member contributions
- admission body's existing deficit.

6 What happens if an employer has a bulk transfer of staff?

Bulk transfer cases will be looked at individually, but generally:

- the Fund won't pay bulk transfers greater in value than either the asset share of the transferring employer in the fund, or the value of the liabilities of the transferring members, whichever is lower
- the Fund won't grant added benefits to members bringing in entitlements from another fund, unless the asset transfer is enough to meet the added liabilities
- the Fund may permit shortfalls on bulk transfers if the employer has a suitable covenant and commits to meeting the shortfall in an appropriate period, which may require increased contributions between valuations.

7 What happens when an employer leaves the fund?

7.1 What is a cessation event?

Triggers for considering cessation from the Fund are:

- the last active member stops participation in the fund. The Fund, at their discretion, can defer acting for up to three years by issuing a suspension notice. That means cessation won't be triggered if the employer takes on one or more active members during the agreed time.
- insolvency, winding up or liquidation of an admission body.
- a breach of an admission agreement that isn't remedied to the Fund's satisfaction.
- failure to pay any sums due within the period required.
- failure to renew or adjust the level of a bond or indemnity, or to confirm an appropriate alternative guarantor.
- termination of a deferred debt arrangement (DDA).

If no DDA exists, the Fund will instruct the Fund Actuary to carry out a cessation valuation to calculate if there is a surplus or a deficit when the employer leaves the fund.

7.2 What happens on cessation?

The Fund must protect the interests of the remaining Fund employers when an employer leaves the fund. The actuary aims to protect remaining employers from the risk of future loss. The funding targets adopted for the cessation calculation is below. These are defined in Appendix D.

(a) Where there is no guarantor, cessation liabilities and a final surplus/deficit will usually be calculated using a low-risk basis, which is more prudent than the ongoing participation basis. The low-risk exit basis is defined in Appendix D.

(b) Where there is a guarantor, the guarantee will be considered before the cessation valuation. Where the guarantor is a guarantor of last resort, this will have no effect on the cessation valuation. If instead the guarantor is taking on the employer's assets and liabilities thereafter, cessation may be calculated using the same basis that was used to calculate liabilities (and the corresponding asset share) on joining the fund.

(c) Depending on the guarantee, it may be possible to transfer the employer's liabilities and assets to the guarantor without crystallising deficits or surplus.

If the Fund can't recover the required payment in full, unpaid amounts will be paid by the related letting authority (in the case of a ceased admission body) or shared between the other Fund employers. This may require an immediate revision to the rates and adjustments certificate or may be reflected in the contribution rates set at the next formal valuation.

The Fund Actuary charges a fee for cessation valuations and there may be other cessation expenses. Fees and expenses are at the employer's expense and are deducted from the cessation surplus or added to the cessation deficit. This improves efficiency by reducing transactions between employer and fund.

7.3 What happens if there is a surplus?

If the cessation valuation shows the exiting employer has more assets than liabilities – a surplus – the Fund can decide how much will be paid back to the employer (which may be £nil) based on:

- the surplus amount
- the proportion of the surplus due to the employer's contributions
- any representations (such as risk sharing agreements or guarantees) made by the exiting employer and any employer providing a guarantee or some other form of employer assistance/support
- any other relevant factors.

7.4 How do employers repay cessation debts?

If there is a deficit, full payment will usually be expected in a single lump sum or:

- spread over an agreed period if the employer enters into a deficit spreading agreement (DSA)
- if an exiting employer enters into a deferred debt agreement, the employer stays in the Fund and pays contributions until the cessation debt is repaid. Payments are reassessed at each formal valuation.

7.5 What if an employer has no active members?

When an employer leaves the Fund because their last active member has left or retired, they may: pay a cessation debt, receive an exit credit or enter a DDA/DSA. Beyond this they have no further obligation to the Fund and either:

a) their asset share runs out before all ex-employees' benefits have been paid. The other Fund employers will be required to contribute to the remaining benefits. The Fund Actuary will portion the liabilities on a pro-rata basis at the formal valuation.

b) the last ex-employee or dependant dies before the employer's asset share is fully run down. The Fund Actuary will apportion the remaining assets to the other Fund employers at the formal valuation.

8 What are the statutory reporting requirements?

8.1 Reporting regulations

The Public Service Pensions Act 2013 requires the Government Actuary's Department to report on LGPS funds in England and Wales after every three-year valuation, in what's usually called a section 13 report. The report should include confirmation that employer contributions are set at the right level to ensure the Fund's solvency and long-term cost efficiency.

8.2 Solvency

Employer contributions are set at an appropriate solvency level if the rate of contribution targets a funding level of 100% over an appropriate time, using appropriate assumptions compared to other funds. Either:

(a) employers collectively can increase their contributions, or the Fund can realise contingencies to target a 100% funding level

or

(b) there is an appropriate plan in place if there is, or is expected to be, a reduction in employers' ability to increase contributions as needed.

8.3 Long-term cost efficiency

Employer contributions are set at an appropriate long-term cost efficiency level if the contribution rate makes provision for the cost of current benefit accrual, with an appropriate adjustment for any surplus or deficit.

To assess this, the Fund may consider absolute and relative factors.

Relative factors include:

1. comparing LGPS funds with each other
2. the implied deficit recovery period
3. the investment return required to achieve full funding after 20 years.

Absolute factors include:

1. comparing funds with an objective benchmark
2. the extent to which contributions will cover the cost of current benefit accrual and interest on any deficit
3. how the required investment return under relative considerations compares to the estimated future return targeted by the investment strategy
4. the extent to which contributions paid are in line with expected contributions, based on the rates and adjustment certificate
5. how any new deficit recovery plan reconciles with, and can be a continuation of, any previous deficit recovery plan, allowing for Fund experience.

These metrics may be assessed by GAD on a standardised market-related basis where the Fund's actuarial bases don't offer straightforward comparisons.

Appendices

Appendix A – The regulatory framework

A1 Why do funds need a Funding Strategy Statement?

The Local Government Pension Scheme (LGPS) regulations require funds to maintain and publish a Funding Strategy Statement (FSS). According to the Department for Levelling Up, Housing and Communities (DLUHC) the purpose of the FSS is to document the processes the Fund uses to:

- establish a **clear and transparent fund-specific strategy** identifying how employers' pension liabilities are best met going forward
- support the regulatory framework to maintain **as nearly constant employer contribution rates as possible**
- ensure the fund meets its **solvency and long-term cost efficiency** objectives
- take a **prudent longer-term view** of funding those liabilities.

To prepare this FSS, the Fund has used guidance by the Chartered Institute of Public Finance and Accountancy (CIPFA).

A2 Consultation

Both the LGPS regulations and most recent CIPFA guidance state the FSS should be prepared in consultation with "*persons the authority considers appropriate*". This should include '*meaningful dialogue… with council tax raising authorities and representatives of other participating employers*'.

The consultation process included:

1. A review of the updated FSS was provided at the Employers Forum on 16 February 2023 where all employers, whether attending in person or online, had the opportunity to raise questions about the changes made to the FSS.
2. A draft version of the FSS circulated on 13 March 2023 for comments by all participating employers
3. Comments requested by 20 March 2023 allowing 7 days for comments to be submitted.
4. Closure of the consultation on 27 March 2023 with Pension Committee and Board approval subject to no material changes following the consultation.
5. Publication off approved FSS will be made after 31 March 2023.

A3 How is the FSS published?

The FSS is emailed to participating employers and is published on the website at haringeypensionfund.co.uk. A full copy is included in the Fund's annual report and accounts. Copies are freely available on request and sent to investment managers and independent advisers.

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the valuation. Amendments may be made before then if there are regulatory or operational changes. Any amendments will be consulted on, agreed by the Pensions Committee and Board and included in the Pensions Committee and Board meeting minutes.

A5 How does the FSS fit into the overall Fund documentation?

The FSS is a summary of the Fund's approach to funding liabilities. It isn't exhaustive – the Fund publishes other statements including the investment strategy statement, governance strategy and communications strategy. The Fund's annual report and accounts also includes up-to-date Fund information.

You can see all Fund documentation at haringeypensionfund.co.uk.

Appendix B – Roles and responsibilities

B1 The Fund:

1 operates the Fund and follows all Local Government Pension Scheme (LGPS) regulations

2 manages any conflicts of interest from its dual role as administering authority and a Fund employer

3 collects employer and employee contributions, investment income and other amounts due

4 ensures cash is available to meet benefit payments when due

5 pays all benefits and entitlements

6 invests surplus money like contributions and income which isn't needed to pay immediate benefits, in line with regulation and the investment strategy

7 communicates with employers so they understand their obligations

8 safeguards the Fund against employer default

9 works with the Fund Actuary to manage the valuation process

10 provides information to the Government Actuary's Department so they can carry out their statutory obligations

11 consults on, prepares and maintains the funding and investment strategy statements

12 tells the actuary about changes which could affect funding

13 monitors the Fund's performance and funding, amending the strategy statements as necessary

14 enables the local pension board to review the valuation process.

B2 Individual employers:

1 deduct the correct contributions from employees' pay

2 pay all contributions by the due date

3 have appropriate policies in place to work within the regulatory framework

4 make additional contributions as agreed, for example to augment scheme benefits or early retirement strain

5 tell the Fund promptly about any changes to circumstances, prospects or membership which could affect future funding.

6 make any required exit payments when leaving the fund.

B3 The Fund Actuary:

1 prepares valuations, including setting employers' contribution rates, agreeing assumptions, working within FSS and LGPS regulations and appropriately targeting fund solvency and long-term cost efficiency

2 provides information to the Government Actuary Department so they can carry out their statutory obligations

3 advises on Fund employers, including giving advice about and monitoring bonds or other security

4 prepares advice and calculations around bulk transfers and individual benefits

5 assists the Fund to consider changes to employer contributions between formal valuations

6 advises on terminating employers' participation in the fund

7 fully reflects actuarial professional guidance and requirements in all advice.

B4 Other parties:

1 internal and external investment advisers ensure the investment strategy statement (ISS) is consistent with the Funding Strategy Statement

2 investment managers, custodians and bankers play their part in the effective investment and dis-investment of Fund assets in line with the ISS

3 auditors comply with standards, ensure Fund compliance with requirements, monitor and advise on fraud detection, and sign-off annual reports and financial statements

4 governance advisers may be asked to advise the Fund on processes and working methods

5 internal and external legal advisers ensure the Fund complies with all regulations and broader local government requirements, including the Fund's own procedures

6 the Department for Levelling Up, Housing and Communities, assisted by the Government Actuary's Department and the Scheme Advisory Board, work with LGPS funds to meet Section 13 requirements.

Appendix C – Risks and controls

C1 Managing risks

The Fund has a risk management programme to identify and control financial, demographic, regulatory and governance risks.

The role of the Combined Pensions Committee and Board is set out in Part Three, Section B of the Council's Constitution. Further details of committee and board's terms of reference are available on the Council's website.

The Fund considers strategic risks which are monitored throughout the year by the Pensions Committee and Board. Details of these key risks are available on the Pensions Committee and Board's governance website in advance of each meeting.

The Fund also manages specific funding risks as below.

C2 Financial risks

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation of liabilities and contribution rates over the long-term.	Only anticipate long-term returns on a relatively prudent basis to reduce risk of under-performing. Assets invested on the basis of specialist advice, in a suitably diversified manner across asset classes, geographies, managers, etc. Analyse progress at three yearly valuations for all employers. Inter-valuation roll-forward estimate of liabilities between valuations at whole Fund level.
Inappropriate long-term investment strategy.	Overall investment strategy options considered as an integral part of the funding strategy. Asset liability modelling used to assess appropriate interaction between funding strategy and investment strategy.
Active investment manager under-performance relative to benchmark.	Quarterly investment monitoring analyses market performance and active managers relative to their index benchmark.
Pay and price inflation significantly more than anticipated.	The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases. Inter-valuation monitoring gives early warning. Some inflation-linked assets are included as part of investment strategy to mitigate this risk. Employers pay for their own salary awards and should be mindful of the geared effect on pension liabilities of

Risk	Summary of Control Mechanisms
	any bias in pensionable pay rises towards longer-serving employees.
Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies	An explicit stabilisation arrangement has been agreed as part of the funding strategy. Other measures are also in place to limit sudden increases in contributions.
Orphaned employers give rise to added costs for the fund	The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future. If it occurs, the actuary calculates the added cost spread pro-rata among all employers.
Effect of possible asset underperformance as a result of climate change	The Fund's management of these risks is covered by its Investment Strategy Statement and includes (but is not limited to) its investments in low carbon equity pooled investment vehicles and renewable energy infrastructure. Additional modelling of climate change scenarios is provided by the Fund Actuary and investment adviser to confirm resilience of investment strategy to the modelled changes

C3 Demographic risks

Risk	Summary of Control Mechanisms
Pensioners living longer, thus increasing cost to fund.	Set mortality assumptions with some allowance for future increases in life expectancy. The Fund Actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might in turn affect the assumptions underpinning the valuation.
Maturing fund – ie proportion of actively contributing employees declines relative to retired employees.	Continue to monitor at each valuation, consider seeking monetary amounts rather than % of pay and consider alternative investment strategies.
Deteriorating patterns of early retirements	The Fund pools all ill health early retirement strain costs between employers to pool risk
Reductions in payroll causing insufficient deficit recovery payments	In many cases this may not be sufficient cause for concern and will in effect be caught at the next formal valuation.

Risk	Summary of Control Mechanisms
	However, there are protections where there is concern, as follows: Employers in the stabilisation arrangement may be brought out of that mechanism to permit appropriate contribution increases. For other employers, review of contributions is permitted in general between valuations and may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts.

C4 Regulatory risks

Risk	Summary of Control Mechanisms
Changes to national pension requirements and/or HMRC rules eg changes arising from public sector pensions reform.	The Fund considers all consultation papers issued by the Government and comments where appropriate. The Fund is monitoring the progress on the McCloud court case and will consider an interim valuation or other appropriate action once more information is known. The government's long term preferred solution to GMP indexation and equalisation - conversion of GMPs to scheme benefits – is built into the actuarial valuation.
Time, cost and/or reputational risks associated with any DLUHC intervention triggered by the Section 13 analysis.	Take advice from Fund Actuary on position of Fund and consideration of proposed valuation approach relative to anticipated Section 13 analysis.
Changes by Government to particular employer participation in LGPS funds, leading to impacts on funding and/or investment strategies.	The Fund considers all consultation papers issued by the Government and comments where appropriate. Take advice from Fund Actuary on impact of changes on the Fund and amend strategy as appropriate.

C5 Governance risks

Risk	Summary of Control Mechanisms
Fund unaware of structural changes in an employer's membership (e.g., large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants.	The Fund has a close relationship with employing bodies and communicates required standards e.g., for submission of data. The actuary may revise the rates and adjustments certificate to increase an employer's contributions between triennial valuations Deficit contributions may be expressed as monetary amounts.
Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way	The Fund maintains close contact with its specialist advisers. Advice is delivered via formal meetings involving Elected Members, and recorded appropriately. Actuarial advice is subject to professional requirements such as peer review.
Fund failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body.	The Fund requires employers with Best Value contractors to inform it of forthcoming changes. Community Admission Bodies' memberships are monitored and, if active membership decreases, steps will be taken.
An employer ceasing to exist with insufficient funding or adequacy of a bond.	The Fund believes that it would normally be too late to address the position if it was left to the time of departure. The risk is mitigated by: Seeking a funding guarantee from another scheme employer, or external body, where-ever possible. Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice. Vetting prospective employers before admission. Where permitted under the regulations requiring a bond to protect the Fund from various risks. Requiring new Community Admission Bodies to have a guarantor. Reviewing bond or guarantor arrangements at regular intervals.

Risk	Summary of Control Mechanisms
	Reviewing contributions well ahead of cessation if thought appropriate.
An employer ceasing to exist resulting in an exit credit being payable	The Fund regularly monitors admission bodies coming up to cessation. The Fund invests in liquid assets to ensure that exit credits can be paid when required.

C6 Employer covenant assessment and monitoring

Many of the employers participating in the fund, such as admission bodies (including TABs and CABs), have no local tax-raising powers. The Fund assesses and monitors the long-term financial health of these employers to assess an appropriate level of risk for each employer's funding strategy.

Type of employer	Assessment	Monitoring
Council	Tax-raising, no individual assessment required	n/a
Academies	Government-backed, covered by DfE guarantee in event of MAT failure	Check that DfE guarantee continues, after regular scheduled DfE review
Admission bodies (including TABs & CABs)	All new admission bodies are required to provide a form of security, such as a guarantee from the letting employer, and indemnity or bond. The security must be to the satisfaction of the Fund as well as the letting employer	Will be reassessed on an annual basis

C7 Climate risk and TCFD reporting

The Fund has considered climate-related risks when setting the funding strategy. To consider the resilience of the strategy the Fund has carried out in-depth asset liability modelling to stress test both the funding and the investment strategies against possible future climate scenarios.

The current strategies were proven to be resilient to climate transition risks within an appropriate level of prudence. The Fund will continue to monitor the resilience of the funding strategy to climate risks at future valuations or when there has been a significant change in the risk posed to the Fund (e.g., global climate policy changes).

Appendix D – Actuarial assumptions

The Fund's actuary uses a set of assumptions to determine the strategy, and so assumptions are a fundamental part of the Funding Strategy Statement.

D1 What are assumptions?

Assumptions are used to estimate the benefits due to be paid to members. Financial assumptions determine the amount of benefit to be paid to each member, and the expected investment return on the assets held to meet those benefits. Demographic assumptions are used to work out when benefit payments are made and for how long.

The funding target is the money the Fund aims to hold to meet the benefits earned to date.

Any change in the assumptions will affect the funding target and contribution rate, but different assumptions don't affect the actual benefits the Fund will pay in future.

D2 What assumptions are used to set the contribution rate?

The Fund doesn't rely on a single set of assumptions when setting contribution rates, instead using Hymans Robertson's Economic Scenario Service (ESS) to project each employer's assets, benefits and cashflows to the end of the funding time horizon.

ESS projects future benefit payments, contributions and investment returns under 5,000 possible economic scenarios, using variables for future inflation and investment returns for each asset class, rather than a single fixed value.

For any projection, the Fund Actuary can assess if the funding target is satisfied at the end of the time horizon.

Table: Summary of assumptions underlying the ESS, 31 March 2022

		Annualised total returns										
		Cash	Index Linked Gilts (long)	UK Equity	Developed World ex UK Equity	Private Equity	Property	Emerging Markets Equity	Unlisted Infrastructure Equity	Multi Asset Credit (sub inv grade)	Direct Lending (private debt) GBP Hedged	Inflation (CPI)
10 Years	16th %ile	0.8%	-3.1%	-0.4%	-0.7%	-1.2%	-0.6%	-2.5%	0.7%	1.7%	2.7%	1.6%
	50th %ile	1.8%	-0.7%	5.7%	5.6%	9.4%	4.4%	5.8%	5.9%	3.5%	6.0%	3.3%
	84th %ile	2.9%	2.0%	11.6%	11.7%	20.1%	9.5%	14.4%	11.2%	5.2%	9.2%	4.9%
20 Years	16th %ile	1.0%	-2.6%	1.7%	1.5%	2.4%	1.4%	0.1%	2.6%	2.8%	4.3%	1.2%
	50th %ile	2.4%	-0.9%	6.2%	6.1%	10.0%	5.0%	6.3%	6.5%	4.4%	6.8%	2.7%
	84th %ile	4.0%	0.8%	10.6%	10.8%	17.6%	8.9%	12.8%	10.6%	6.0%	9.2%	4.3%
40 Years	16th %ile	1.2%	-1.1%	3.2%	3.1%	4.7%	2.6%	2.1%	3.9%	3.6%	5.5%	0.9%
	50th %ile	2.9%	0.3%	6.7%	6.5%	10.3%	5.5%	6.8%	7.0%	5.3%	7.7%	2.2%
	84th %ile	4.9%	1.9%	10.2%	10.2%	16.1%	8.8%	11.7%	10.3%	7.1%	10.0%	3.7%
	Volatility (5 yr)	2%	9%	18%	19%	30%	15%	26%	15%	6%	10%	3%

D3 What financial assumptions were used?

Future investment returns and discount rate

The Fund uses a risk-based approach to generate assumptions about future investment returns over the funding time horizon, based on the investment strategy.

The discount rate is the annual rate of future investment return assumed to be earned on assets after the end of the funding time horizon. The discount rate assumption is set as a margin above the risk-free rate.

Assumptions for future investment returns depend on the funding objective.

	Employer type	Margin above risk-free rate
Ongoing basis	All employers except transferee admission bodies and closed community admission bodies	2.0%
Low-risk exit basis	Community admission bodies closed to new entrants	0%
Contractor exit basis	Transferee admission bodies	Equal to the margin used to allocate assets to the employer on joining the fund

Discount rate (for funding level calculation as at 31 March 2022 only)

For the purpose of calculating a funding level at the 2022 valuation, a discount rate of 4.3% applies. This is based on a prudent estimate of investment returns, specifically, that there is a 70% likelihood that the Fund's assets will achieve future investment returns of 4.3% pa over the 20 years following the 2022 valuation date.

Pension increases and CARE revaluation

Deferment and payment increases to pensions and revaluation of CARE benefits are in line with the Consumer Price Index (CPI) and determined by the regulations.

The CPI assumption is based on Hymans Robertson's ESS model. The median value of CPI inflation from the ESS was 2.7% pa on 31 March 2022.

Salary growth

The salary increase assumption at the latest valuation has been set to CPI only, plus a promotional salary scale.

D4 What demographic assumptions were used?

Demographic assumptions are best estimates of future experience. The Fund uses advice from Club Vita to set demographic assumptions, as well as analysis and judgement based on the Fund's experience.

Demographic assumptions vary by type of member, so each employer's own membership profile is reflected in their results.

Life expectancy

The longevity assumptions are a bespoke set of VitaCurves produced by detailed analysis and tailored to fit the Fund's membership profile.

Allowance has been made for future improvements to mortality, in line with the 2021 version of the continuous mortality investigation (CMI) published by the actuarial profession. The starting point has been adjusted by +0.25% to reflect the difference between the population-wide data used in the CMI and LGPS membership. A long-term rate of mortality improvements of 1.5% pa applies.

The smoothing parameter used in the CMI model is 7.0. There is little evidence currently available on the long-term effect of Covid-19 on life expectancies. To avoid an undue impact from recently mortality experience on long-term assumptions, no weighting has been placed on data from 2020 and 2021 in the CMI.

Other demographic assumptions

Retirement in normal health	Members are assumed to retire at the earliest age possible with no pension reduction.
Promotional salary increases	Sample increases below
Death in service	Sample rates below
Withdrawals	Sample rates below
Retirement in ill health	Sample rates below
Family details	A varying proportion of members are assumed to have a dependant partner at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. Males are assumed to be 3 years older than females, and partner dependants are assumed to be opposite sex to members.
Commutation	52% of maximum tax-free cash
50:50 option	0.7% of members will choose the 50:50 option.

Males

Incidence per 1000 active members per year								
Age	Salary scale	Death before retirement	Withdrawals		Ill-health tier 1		Ill-health tier 2	
		FT &PT	FT	PT	FT	PT	FT	PT
20	0.14	586.25	1016.26	0.00	0.00	0.00	0.00	0.14
25	0.14	387.24	671.28	0.00	0.00	0.00	0.00	0.14
30	0.16	274.76	476.22	0.00	0.00	0.00	0.00	0.16
35	0.19	214.67	372.03	0.10	0.07	0.02	0.01	0.19
40	0.33	172.83	299.43	0.16	0.12	0.03	0.02	0.33
45	0.54	162.35	281.20	0.35	0.27	0.07	0.05	0.54
50	0.87	133.82	231.53	0.90	0.68	0.23	0.17	0.87
55	1.36	105.38	182.42	3.54	2.65	0.51	0.38	1.36
60	2.45	93.93	162.52	6.23	4.67	0.44	0.33	2.45

Females

Incidence per 1000 active members per year								
Age	Salary scale	Death before retirement	Withdrawals		Ill-health tier 1		Ill-health tier 2	
		FT &PT	FT	PT	FT	PT	FT	PT
20	0.08	528.64	514.11	0.00	0.00	0.00	0.00	0.08
25	0.08	355.71	345.88	0.10	0.07	0.02	0.01	0.08
30	0.11	298.17	289.90	0.13	0.10	0.03	0.02	0.11

35	0.19	257.35	250.12	0.26	0.19	0.05	0.04	0.19
40	0.30	214.19	208.09	0.39	0.29	0.08	0.06	0.30
45	0.50	199.88	194.16	0.52	0.39	0.10	0.08	0.50
50	0.72	168.51	163.52	0.97	0.73	0.24	0.18	0.72
55	0.95	125.74	122.13	3.59	2.69	0.52	0.39	0.95
60	1.22	101.33	98.31	5.71	4.28	0.54	0.40	1.22

D5 What assumptions apply in a cessation valuation following an employer's exit from the fund?

The LGPS benefit structure is expected to change, to reflect the outcome of the McCloud case which will increase some benefits for some members. The regulations have not yet been formally updated and it is not possible to accurately calculate the eventual benefit increase for any particular member.

To reflect this uncertainty (along with continuing uncertainty from the 2016 cost management exercise) the Fund's policy is that the actuary will apply an adjustment of 1.5% to the ceasing employer's total liabilities, as an estimate of the possible impact of resulting benefit changes. This will not be applied where the ceasing employer's liabilities, and share of the assets, are subsumed by another employer in the fund.

Low-risk exit basis

Where there is no guarantor, the low-risk exit basis will apply.

Prior to the Fund's change to a risk-based exit approach the financial and demographic assumptions underlying the low-risk exit basis were set as follows:

1. The discount rate is set equal to the annualised yield on long dated government bonds at the cessation date, with a 0% margin. This was 2.0% pa on 31 March 2022.
2. The CPI assumption is based on Hymans Robertson's ESS model. The median value of CPI inflation from the ESS was 2.7% pa on 31 March 2022.
3. Life expectancy assumptions are those used to set contribution rates, with one adjustment. A higher long-term rate of mortality improvements of 1.75% pa is assumed.

The new low-risk exit basis will follow a risk-based approach based on the future expected returns from the appropriate investment strategy, similar to the funding approach set out above. After exit there will be no further contributions from the exited employer so there is more uncertainty about whether there will be enough assets to pay the benefits. The low-risk exit basis therefore uses a higher likelihood of success to reflect the need for the fund to be more certain about having sufficient assets.

Contractor exit basis

Where there is a guarantor (e.g., in the case of contractors where the local authority guarantees the contractor's admission in the fund), the contractor exit basis will apply.

The financial and demographic assumptions underlying the contractor exit basis are equal to those set for calculating contributions rates. Specifically, the discount rate is set equal to the risk-free rate at the cessation date, plus a margin equal to that set to allocate assets to the employer on joining the Fund.

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Agenda Item 12

Report for: Pensions Committee and Board – 21 March 2023

Title: Forward Plan

Report authorised by: Toyin Bamidele, Assistant Director of Finance (Deputy Section 151 Officer)

Lead Officer: Tim Mpofu, Head of Pensions and Treasury, tim.mpofu@haringey.gov.uk

Ward(s) affected: N/A

Report for Key/ Non Key Decision: Non Key Decision

1. Describe the issue under consideration

1.1. This paper has been prepared to identify and agree upon the key priorities for the Pensions Committee and Board over the upcoming months, as well as seek members' input into future agendas.

1.2. An overview of the planned investment strategy review work that will follow the completion of the actuarial valuation exercise has also been included for members' consideration.

2. Cabinet Member Introduction

2.1. Not applicable

3. Recommendations

The Pensions Committee and Board is recommended:

3.1. To note and agree to the proposed key priorities identified in section 6 of the report regarding the investment strategy review work.

3.2. To identify additional matters and training requirements for inclusion within the Pensions Committee and Board's forward plan.

4. Reason for Decision

4.1. Haringey Council, in its role as the Administering Authority for the Haringey Pension Fund, is required to keep its investment strategy under regular review and revised from time to time, and at least once every three years.

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4.2. The Council has delegated the responsibility for exercising all the Council's functions as the Pension Fund's administering authority, to the Pensions Committee and Board.

5. Other options considered

5.1. Not applicable.

6. Background information

6.1. The Local Government Pension Scheme (LGPS) Regulations require that those responsible for the governance, decision making, and operational functions of the pension fund must acquire and maintain the necessary knowledge and skills to appropriately carry out of their duties.

6.2. To support this requirement, it is best practice for a pension fund to maintain a work plan. The plan sets out the key activities anticipated over the upcoming months in the areas of governance, members/employers, investments, and accounting.

Overview of Investment Strategy Review Process

6.3. According to the LGPS Regulations, administering authorities are required to formulate, publish, and maintain an Investment Strategy Statement (ISS). The ISS must be kept under regular review and revised from to time, and at least once every three years.

6.4. Following the conclusion of the actuarial valuation exercise, it is prudent for the Fund to conduct an extensive review its existing investment strategy. This will ensure it is aligned with the expected increase in Fund's long-term obligations, as well as expected future investment return requirements.

6.5. A high-level overview of the investment strategy review process is detailed in the table below.

Activity	Objective
Review of current investment strategy	To identify key sources of risk and return in the current investment strategy. This includes an assessment of current income levels, inflation-linkage, liquidity, and sustainable investment integration.
Setting investment objectives	To review and agree the Fund's investment objectives including a thorough review of the Fund's approach to responsible investment.
Agree and publish a revised ISS	To investment strategy is in accordance with LGPS regulations.

Activity	Objective
Explore investment opportunities	To identify investment opportunities that align with the agreed investment objectives and are consistent with the current macroeconomic environment.
Implementation and ongoing performance monitoring	To identify the appropriate investment managers through manager selection and ongoing performance review and monitoring.

Key Priorities Identified

6.6. The Fund has undertaken a high-level investment strategy review with the support of its officers and investment advisors. The outcome of this work has resulted in the following key priorities being identified and a proposed work plan for the next 9-12 months has been detailed below.

Activity	Objective	Key Dates
Review of the Fund's cashflow requirement	The Fund's cashflow requirements to meet benefit payments as they fall due are likely to have increased due to sustained higher levels of inflation and changes to contribution rates effective from 1 April 2023. The Fund should consider reviewing the cash flow requirements and agreeing an effective strategy for managing any potential mismatch.	July 2023
Setting investment objectives	The Fund should consider reviewing its investment objectives and responsible investment goals/criteria. This work will involve setting a target benchmark return for the next 3 – 5 years and agreeing a common set of responsible investment criteria for manager selection.	July 2023 – September 2023
Agree any changes to ISS and explore investment opportunities	Following the completion of process of setting investment objectives, the Fund should consider investment opportunities that are consistent with the agreed-upon investment objectives. This may involve a review of the role of fixed income investments in the portfolio, evaluating the Fund's listed equities allocation and conducting a thorough review of the Fund's private markets allocation. This work would be expected to continue throughout 2024.	September 2023 – January 2024

6.7. The PCB is invited to provide comments on the proposed work plan above and suggest any necessary amendments. This will enable officers to ensure that members receive the necessary support to inform their decisions.

Knowledge and Skills

6.8. The Pensions Committee and Board (PCB) has adopted the revised CIPFA 2021 Code of Practice on Local Government Pension Scheme (LGPS) Knowledge and Skills which was issued in June 2021.

6.9. The appendices attached to this paper set out the PCB's current work plan over the next 12 months, including the Training Plan. The PCB is requested to consider whether it wishes to amend any future agenda items as set out in the papers.

7. Contribution to Strategic Outcomes

7.1. Not applicable

8. Statutory Officer Comments

Finance and Procurement

8.1. There are no financial implications arising from this report.

Legal

8.2. The Head of Legal and Governance (Monitoring Officer) has been consulted on the content of this report. There are no specific legal implications arising from this report.

Equalities

8.3. Not applicable.

9. Use of Appendices

9.1. Appendix 1: Forward Plan

9.2. Appendix 2: Training Plan

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

Appendix 1 - Forward Plan

March 2023	July 2023	September 2023	November 2023	January 2023
Standing Items				
Administration Report	Administration Report	Administration Report	Administration Report	Administration Report
Governance/LGPS Update Report (if required)	Governance/LGPS Update Report (if required)	Governance/LGPS Update Report (if required)	Governance/LGPS Update Report (if required)	Governance/LGPS Update Report (if required)
Work/Forward Plan and Training Opportunities	Work/Forward Plan and Training Opportunities	Work/Forward Plan and Training Opportunities	Work/Forward Plan and Training Opportunities	Work/Forward Plan and Training Opportunities
Risk Register Review	Risk Register Review	Risk Register Review	Risk Register Review	Risk Register Review
Quarterly Pension Fund Performance & Investment Update	Quarterly Pension Fund Performance & Investment Update	Quarterly Pension Fund Performance & Investment Update	Quarterly Pension Fund Performance & Investment Update	LAPFF Voting update
LAPFF Voting update	LAPFF Voting update	LAPFF Voting update	LAPFF Voting update	
Adminstration & Governance				
Exernal Audit Progress Report	Draft Statement of Accounts 22/23	Annual Pension Fund Accounts 22/23 and Annual Report (including various statutory documents)	Exernal Audit Plan	
	Adminstration Strategy			
	Business Plan and Annual Budget			
Investment & Funding Strategy				
Funding Strategy Statement 2022 Actuarial Valuation Final Results	Cashflow Requirement Review	Investment Strategy Statement	Investment Opportunities Review	Investment Opportunities Review
	Investment Objectives	Investment Objectives		
Knowledge & Skills Development				
Training & Conferences Update	Training & Conferences Update	Training & Conferences Update	Training & Conferences Update	Training & Conferences Update
	Pensions Committee and Board Induction Training			

Appendix 2 Training Plan Conferences

Date	Conference / Event	Training/ Event Organiser	Website	Cost	Delegates Allowed
Member Self-Directed	Scheme Advisory Board Website	LGPS Scheme Advisory Board	http://www.lgpsboard.org	Free - Online	N/A
Member Self-Directed	The Pension Regulator's Pension Education Portal	The Pension Regulator	www.thepensionsregulator.gov.uk	Free - Online	N/A
Member Self-Directed	The Pension Regulator's Trustee Toolkit	The Pension Regulator	https://trusteetoolkit.thepensionsregulator.gov.uk/?redirect=0	Free - Online	N/A
Member Self-Directed	LGPS Regulation and Guidance	LGPS Regulation and Guidance	http://www.lgpsregs.org/	Free - Online	N/A
Member Self-Directed	LGPS Members Website	LGPS	http://www.lgps2014.org/	Free - Online	N/A
Member Self-Directed	Local Government Association (LGA) Website	LGA	www.local.gov.uk	Free - Online	N/A

Please contact Tim Mpofu, Head of Pensions & Treasury if you require any further information on the available training
Email: tim.mpofu@haringey.gov.uk

Agenda Item 13

Report for: Pensions Committee and Board – 21 March 2023

Title: Risk Register

Report authorised by: Josephine Lyseight, Assistant Director of Finance (Deputy Section 151 Officer)

Lead Officer: Tim Mpofu, Head of Pensions and Treasury, tim.mpofu@haringey.gov.uk

Ward(s) affected: N/A

Report for Key/ Non Key Decision: Non Key Decision

1. Describe the issue under consideration

1.1. This paper has been prepared to update the Pensions Committee and Board on the Pension Fund's risk register and provide an opportunity for the Pension Committee and Board to further review the risk score allocation.

2. Cabinet Member Introduction

2.1. Not applicable

3. Recommendations

The Pensions Committee and Board is recommended:

3.1. To note and provide any comments on the Pension Fund's risk register. The area of focus for review at the meeting is the Investment related risks.

4. Reason for Decision

4.1. Not applicable.

5. Other options considered

5.1. Not applicable.

6. Background information

6.1. The Pensions Regulator requires that the Pension Committee and Board (PCB) establish and operate internal controls for the Pension Fund. These must be adequate for the purpose of securing that the scheme is administered and managed in accordance with the scheme rules and in accordance with the requirements of the law.

6.2. The PCB initially approved a full version of the risk register on 20 September 2016 and from each meeting after this date, different areas of the register have been reviewed and agreed so that the risk register remains current.

6.3. The Pension Fund's risk register covers administration, governance, investment, accounting, funding, and legislation risks. Appendix 1 to this paper includes an assessment of the investment related risks which have been reviewed and updated for the PCB to provide feedback on at the meeting. The other risk areas will be presented to the PCB for an in-depth review in forthcoming meetings.

Risk Scoring

6.4. The Pension Fund's risk scoring assesses the impact and likelihood of an identified risk occurring. This is assessed based on a score of 1 (low impact, unlikely to occur) – 5 (high impact, likely to occur). The overall score for each risk is grouped using the RAG (Red-Amber-Green) rating system below.

RAG Rating	Scoring Range
	25 - 16
	15 - 10
	Less than 10

Key identified risks

6.5. The Pension Fund has identified a few key risks of particular concern over the short to medium term. These have been summarised in the table below.

Key identified risk	RAG Rating	Update on Risk	Actions taken to manage and mitigate risks
INV13 – High inflation		Consumer Prices Index (CPI) inflation in January 2023 came in at 10.1%. Inflation has remained elevated for longer than initially anticipated, although expectations are that it has likely peaked.	The Pension Fund has several investment mandates in inflation linked strategies which should provide some level of inflation protection. The Pension Fund will be conducting a thorough review of its investment strategy following the actuarial valuation exercise. This will include an assessment on the impact of inflation on the Fund's cashflows and asset specific expected returns.
ACC1 – Delay of publication of Statement of Accounts		Although the Council has now published the draft Statement of Accounts for 2021/22, the external audit	The Fund's external auditors, BDO will provide a progress update to the PCB at this meeting.

Key identified risk	RAG Rating	Update on Risk	Actions taken to manage and mitigate risks
		for 2020/21 is still outstanding. This means that the Pension Fund's has not had audited Annual Report for two years, resulting in failure to publish the audited reports in accordance with the statutory requirements.	Officers are continuing to actively engage with the external auditors to complete this activity soon as possible.
INV2 – Increasing risk of a market downturn		The Bank of England's Monetary Policy Committee (MPC) has stated that it will take the necessary actions to return inflation to the 2% target. Following the February MPC meeting, the Bank of England Governor further rate rises expected during 2023.	Officers will continue to monitor the situation as it develops, consulting with investment managers were necessary, and making the appropriate recommendations to the Pensions Committee and Board. The Pension Fund will be conducting a thorough review of its investment strategy following the actuarial valuation exercise which will consider the investment risks and opportunities given the prevailing macroeconomic environment.

6.6. Officers will continue to keep the Pension Fund's risk register under constant review.

7. Contribution to Strategic Outcomes

7.1. Not applicable

8. Statutory Officer Comments

Finance and Procurement

8.1. There are no financial implications arising from this report.

Legal

8.2. The Head of Legal and Governance (Monitoring Officer) has been consulted on the content of this report. Members should refer to the matters referred to in paragraph 6.5 of this report and the risks that these poses to the Pension Fund. Actions taken must not only manage but also mitigate the risk.

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8.3. Section 70 of the Pensions Act 2004 imposes a reporting requirement on the administering authority where there is reasonable cause to believe that a duty which is relevant to the administration of the scheme and imposed by legislation has not been complied with and the failure is one which is of "material significance" then a report must be made to the Pension Regulator.

Equalities

8.4. Not applicable

9. Use of Appendices

9.1. Appendix 1: Haringey Pension Fund Risk Register Review – Investment Risks

9.2. Appendix 2: Haringey Pension Fund Summary Risk Register

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

London Borough of Haringey Pension Fund Risk Register										
Risk Ref	**Risk Group**	**Risk Description**	**Impact**	**Likelihood**	**Risk Score**	**Controls and Mitigations In Place**	**Further Actions**	**Revised Likelihood**	**Total Risk Score**	**Reviewed on**
INV13	Investment Risk	High inflation is sustained over the long term leading to investment underperformance and higher costs for the Fund. Consumer Prices Index (CPI) inflation in Janaury came in at 10.1%. Inflation has remained elavated for longer than initially anticipated.	5	5	25	1) The Fund's liability increases at the rate of CPI inflation. Officers regularly discuss the implications of inflation the Fund's actuary which helps inform the Fund's investment strategy. 2) Several of the Fund's investment mandates are in inflation linked strategies such as property and renewable infrastruture. 3) The Fund's investment consultant regularly provides advice to the PCB on the Fund's investment strategy including the impact of inflation on the Fund's investment performance.	**Treat** 1) Officers will continue to monitor the situation as it develops, consulting with investment managers and advisors, and where necessary, making the appropriate recommendations to the Pensions Committee and Board. 2) As part of the investment strategy review planning, the PCB will assess the impact of sustained higher levels of inflation fund's cashflow management and asset specific expected returns.	4	20	28/02/2023
INV2	Investment Risk	Increasing risk of a financial downturn due to rising cost of living and global central banks increasing base interest rates.	4	4	16	1) The Pension Fund's holds a well diversified investment portfolio which includes a mixture of growth and defensive assets 2) The PCB regularly reviews investment performance and the Fund's investment consultant regularly provides advice on the Fund's investment strategy	**Treat** 1) Officers will continue to monitor the situation as it develops, consulting with investment managers and advisors, and where necessary, making the appropriate recommendations to the Pensions Committee and Board.	3	12	28/02/2023
INV1	Investment Risk	Significant volatitility and negative sentiment in global investment markets following disruptive geopolitical and economic uncertainity including the ongoing crisis between Russia and Ukraine.	4	4	16	1) Officers are actively engaging with the Fund's investment managers and advisors on an ongoing basis to assess the implications of the response to the various geopolitical risks 2) The Fund's investment consultant regularly provides advice to the PCB on the Fund's investment strategy.	**Treat** 1) Officers will continue to monitor the situation as it develops, consulting with investment managers and advisors, and where necessary, making the appropriate recommendations to the Pensions Committee and Board.	3	12	28/02/2023
INV3	Investment Risk	Increased scrutiny on environmental, social and governance (ESG) issues, leading to reputational damage. It is widely anticipated that legislation and guidance will be issued on reporting and managing climated-related risks.	4	3	12	1) The Fund's entire listed equity allocation is invested in low carbon strategies. The RAFI Climate Transition Fund aims to reduces carbon emissions by 7% annually in line with the Paris-Agreement. 2) The Fund also has several investments in renewable energy infrastructure funds. 3) The Department for Levelling Up, Housing and Communities issued a consultation on climate reporting in the autumn of 2022, with regulations and guidance widely expected in 2023.	**Treat** 1) Officers and the Fund's investment consultants will continue to monitor developments in legislation, investment products and reporting requires, and where necessary, making the appropriate recommendations to the Pensions Committee and Board. 2) The PCB will be undertaking a through review of its responsible investment approach as part of the overall investment strategy review.	3	12	28/02/2023
INV8	Investment Risk	Investment managers fail to achieve benchmark/outperform targets over the longer term: a shortfall of 0.1% on the investment target will result in an annual impact of £1.6m.	5	3	15	1) The Fund conducts a rigorious selection process to ensure that it appoints the most suitable investment managers based on available information during the tendering process of a new mandate. 2) Expert professional advice is provided by the Fund's investment consultant supporting manager selection and ongoing monitoring of performance. 3)The Fund's Custodian provides a manager monitoring service which is reported to the PCB on a quarterly basis. Recent performance shows that the Fund has outperformed the benchmark over the last year.	**Treat** 1) Officers to regularly monitor the Fund's investment performance and highlight any areas of concern to the Committee and Board when they arise.	2	10	28/02/2023

INV6	Investment Risk	The Fund has insufficient cash available to meet pension payments when they fall due, especially if inflation remains at sustained higher levels and contributions reduce as a result of the actuarial valuation outcome	5	3	15	1) The Fund plans to review is cashflow management strategy later in 2023 to ensure that increases in benefit payments are matched with contributions and income received from investments. 2) The Fund currently receives income from its private equity, multi-asset credit and property funds.	**Treat** 1) Officers regularly monitor the Fund's cashflow position. 2) An annual cashflow review at fund level is undertaken by the Head of Pensions and utilised to inform the Fund's investment strategy.	2	10	28/02/2023
INV5	Investment Risk	The adequacy of the London CIV's resources regarding investment manager appointments and ongoing monitoring of the investment strategy implementation.	4	3	12	**Tolerate** 1) The LCIV has to reach consensus among its 32 member funds, meaning there is a persistent risk that the full completement of mandates in the Fund many not be replicated by the LCIV, particularly the illiquid mandates. 2) The LCIV has recently added more resources to their team across the different mandates and shared plans to develop more illiquid mandates, with a focus on property in 2022.	**Treat** 1) Officers and the Chair of the PCB regularly participate and contribute to various LCIV working groups.	2	8	28/02/2023
INV7	Investment Risk	The Pension Fund's actual asset allocations move away from the strategic benchmark.	4	3	12	1) The Fund continually reviews its asset allocation and rebalances the portfolio in line with the Investment Strateguy Statement. The Fund's asset allocation is included as part of the PCB's quarterly update report. 2) The Pension Fund's passive equity investments are rebalanced by the investment manager based on pre-agreed thresholds.	**Treat** 1) Officers will regularly monitor the strategic asset allocation and make recommendations for any necessary adjustments.	2	8	28/02/2023
INV10	Investment Risk	Mismatching of assets and liabilities, inappropriate long-term asset allocation or investment strategy, mistiming of investment strategy	3	3	9	1) The Pension Fund's investment and funding strategy statements are regularly reviewed and discussed at the PCB meetings. As at the last funding update, the Pension Fund is well funded. 2) The Pension Fund has appointed actuarial and investment consultants to provide advice on matters relating to investment and funding. 3) The PCB is presented with the Pension Fund's Annual report each year.	**Treat** 1) Officers to regularly monitor the Fund's investment performance and highlight any areas of concern to the Committee and Board when they arise. 2) Further training on investment strategy will be provided in the upcoming months	2	6	28/02/2023
INV11	Investment Risk	Strategic investment advice received from the investment consultants is inappropriate for the Fund	3	3	9	1) The Fund has appointed Mercer, one of the largest global investment consultants, to provide strategic investment advice to the PCB. In addition to this, the fund has also engaged an experienced investment advisor to challenge/confirm investment strategy decisions. This ensures that the advice provided is subject to peer review to ensure that it is fit for purpose.	**Treat** 1) The investment consultant's objectives are set on a regular basis, and performance reviewed annually.	2	6	28/02/2023
INV9	Investment Risk	Implementation of proposed changes to the LGPS (pooling) requires the fund to adapt its investment strategy	3	2	6	1) The Department for Levelling Up, Housing and Communities (DLUHC) is expected to issue its consultation on the pooling guidance before the end of the year.	**Tolerate** 1) Officers to consult and engage with the DLUCH, LGPS Scheme Advisory Board, advisors and consultations once the consultation has been issued	2	6	28/02/2023

INV12	Investment Risk	Financial failure of an investment manager leads to negative financial impact on the fund	4	2	8	1) Officers receive and review internal control reports from investment managers on an annual basis. 2) The Pension Fund's investment consultants regularly reviews and assigns ratings to the Fund's investment strategies.	**Treat** 1) Officers to continue to work closely with the investment consultants and independent advisor to monitor the financial and operational performance of investments managers.	1	4	28/02/2023
INV4	Investment Risk	Economic uncertainity caused by the implementation some of the post-Brexit agreements	2	2	4	1) The Fund's investment portfolio is well diversified, most of the mandates have a global focus (other than property investments and the index linked gilts). 2) A segment of the Fund's equity investments have been hedged to protect against currency movements.	**Treat** 1) Officers to consult and engage with advisors and investment managers on an ongoing basis.	1	2	28/02/2023

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Appendix 2 Summary of Haringey Pension Risk Register

London Borough of Haringey Pension Fund Risk Register			
Governance			
Risk Ref	Risk Group	Risk Description	Risk Score
GOV1	Governance	The nature of appointments to the Pensions Committee and Board leads to frequent and/or extensive turnover of members resulting in a loss of technical and operational knowledge about the Pension Fund and therefore, an inexperienced Pensions Committee and Board.	12
GOV2	Governance	Members have insufficient knowledge of regulations, guidance and best practice to make good and informed decisions.	12
GOV3	Governance	Officers lack the knowledge and skills required to effectively advise elected members and/or carry out administrative duties.	8
GOV4	Governance	Lack of engagement from employers and members means that communicating decisions becomes a "tick box" exercise resulting in a lack of accountability.	10
GOV5	Governance	Weak procurement processes lead to legal challenge or failure to secure the best value for the value when procuring new services.	5
GOV6	Governance	Failure to comply with legislation and regulations leads to illegal actions/decisions resulting in financial loss and / or reputational damage	5
GOV7	Governance	Pension Fund objectives are not defined and agreed leading to lack of focus of strategy to facilitate the aims of the LGPS.	4
GOV8	Governance	The Committee's decision making process is too rigid to allow for the making of expedient decisions leading to an inability to respond to problems and/or to exploit opportunities.	4
GOV9	Governance	Known risks not monitored leading to adverse financial, reputational or resource impact.	4
GOV10	Governance	Failure to review existing contracts means that opportunities are not exploited.	6
GOV11	Governance	Pensions Committee and Board members have undisclosed conflicts of interest.	3

Appendix 2 Summary of Haringey Pension Risk Register

London Borough of Haringey Pension Fund Risk Register			
Investments			
Risk Ref	Risk Group	Risk Description	Risk Score
INV1	Investments	Significant volatitility and negative sentiment in global investment markets following disruptive geopolitical and economic uncertainity including	16
INV2	Investments	Increasing risk of a financial downturn due to rising cost of living and global central banks increasing base interest rates.	16
INV3	Investments	Increased scrutiny on environmental, social and governance (ESG) issues, leading to reputational damage. It is widely anticipated that legislation and guidance will be issued on reporting and managing climated-related risks.	12
INV4	Investments	Economic uncertainity caused by the implementation some of the post-Brexit agreements	4
INV5	Investments	The adequacy of the London CIV's resources regarding investment manager appointments and ongoing monitoring of the investment strategy implementation.	12
INV6	Investments	The Fund has insufficient cash available to meet pension payments when they fall due, especially if	15
INV7	Investments	The Pension Fund's actual asset allocations move away from the strategic benchmark.	12
INV8	Investments	Investment managers fail to achieve benchmark/outperform targets over the longer term: a shortfall of 0.1% on the investment target will result in an annual impact of £1.6m.	15
INV9	Investments	Implementation of proposed changes to the LGPS (pooling) requires the fund to adapt its investment strategy	6
INV10	Investments	Mismatching of assets and liabilities, inappropriate long-term asset allocation or investment strategy, mistiming of investment strategy	9
INV11	Investments	Strategic investment advice received from the investment consultants is inappropriate for the Fund	9

Appendix 2 Summary of Haringey Pension Risk Register

London Borough of Haringey Pension Fund Risk Register			
Investments			
Risk Ref	Risk Group	Risk Description	Risk Score
INV12	Investments	Financial failure of an investment manager leads to negative financial impact on the fund	8
INV13	Investments	High inflation is sustained over the long term leading to investment underperformance and higher costs for the Fund. Consumer Prices Index (CPI) inflation in Janaury came in at 10.1%. Inflation has remained elavated for longer than initially anticipated.	25

London Borough of Haringey Pension Fund Risk Register			
Accounting			
Risk Ref	Risk Group	Risk Description	Risk Score
ACC1	Accounting	Risk of the Pension Fund's statement of accounts being delayed beyond statutory deadlines due to impacts of coronavirus pandemic. A delay beyond 30 November would mean the Fund would be unable to produce its annual report by the statutory deadline.	16
ACC2	Accounting	Internal controls are not in place to protect against fraud/misamanagement	10
ACC3	Accounting	The Pension Fund's Statement of Accounts do not represent a true and fair view of the Pension Fund's financing and assets.	10
ACC4	Accounting	Risk of misstatement of figures in the Pension Fund's accounts and potential audit qualification due to material uncertainty over year end valuations	12

Appendix 2 Summary of Haringey Pension Risk Register

London Borough of Haringey Pension Fund Risk Register			
Accounting			
Risk Ref	Risk Group	Risk Description	Risk Score
ACC5	Accounting	The Pension Fund does not have robust internal montoring and reconciliation process in place, leading to incorrect figures in the accounts	8
ACC6	Accounting	Contributions received from employers participating in the Pension Fund are not in line with what is specified in actuarial reports and adjustment certificates, potentially leading to an increased funding deficit or surplus.	8
ACC7	Accounting	The market value of assets recorded in the Statement of Accounts figures are incorrect leading to a material misstatement and potentially a qualified audit opinion.	10
ACC8	Accounting	Inadequate monitoring of contributions and investment income leads to cash flow issues for the Pension Fund.	8

London Borough of Haringey Pension Fund Risk Register			
Funding/Liabilitity			
Risk Ref	Risk Group	Risk Description	Risk Score
FL1	Funding / Liability	There is insuffiencient cash available in the Fund to meet pension payments leading to investment assets being sold at sub-optimal prices to meet pension payments. LGPS benefits are uplifted by CPI inflation report in September preceeding the new financial year (1 April). This figure came in at 10.1% in September 2022.	15
FL2	Funding / Liability	Impact of economic and political decisions on the Pension Fund's employer workforce. Government funding level affecting the Council's spending decisions	15

Appendix 2 Summary of Haringey Pension Risk Register

London Borough of Haringey Pension Fund Risk Register			
Funding/Liabilitity			
Risk Ref	Risk Group	Risk Description	Risk Score
FL3	Funding / Liability	Impact of increases to employer contributions following the actuarial valuation. The next actuarial valuation is to take place as at 31 March 2022	10
FL4	Funding / Liability	Employee salary increases are significantly more than anticipated for employers participating in the Pension Fund. Persistently high inflation could potentially lead to unexpectedly high pay awards.	12
FL5	Funding / Liability	Failure of an admitted body or scheduled body leads to unpaid liabilities being left in the Pension Fund to be met by other participating employers. Current economic conditions could potentially cause strain on smaller employers.	12
FL6	Funding / Liability	Scheme members live longer than expected leading to higher than expected liabilities.	12
FL7	Funding / Liability	Funding strategy and investment strategy are considered in isolation by the Pension Fund's decisionmakers and advisors	10
FL8	Funding / Liability	Inappropriate Funding Strategy is set at the Fund and employer level despite being considered in conjunction with the investment strategy.	10

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Agenda Item 14

Report for: Pensions Committee and Board – 21 March 2023

Title: Local Authority Pension Fund Forum (LAPFF) Update

Report authorised by: Josephine Lyseight, Assistant Director of Finance (Deputy Section 151 Officer)

Lead Officer: Tim Mpofu, Head of Pensions and Treasury, tim.mpofu@haringey.gov.uk

Ward(s) affected: N/A

Report for Key/ Non Key Decision: Non Key Decision

1. Describe the issue under consideration

1.1. This paper provides an update on the Local Authority Pension Fund Forum's (LAPFF) engagement and voting activities on behalf of the Pension Fund. The Pension Fund is a member of LAPFF, and the Pensions Committee and Board has previously agreed that the Fund's investment managers should cast its votes at investor meetings in line with the LAPFF voting recommendations.

2. Cabinet Member Introduction

2.1. Not applicable

3. Recommendations

The Pensions Committee and Board is recommended:

3.1. To note the report.

4. Reason for Decision

4.1. Not applicable

5. Other options considered

5.1. Not applicable.

6. Background information

6.1. Haringey Pension Fund is a member of the Local Authority Pension Fund Forum (LAPFF), a shareholder engagement group that regularly engages with companies to encourage best practice and effect positive change. LAPFF engages directly

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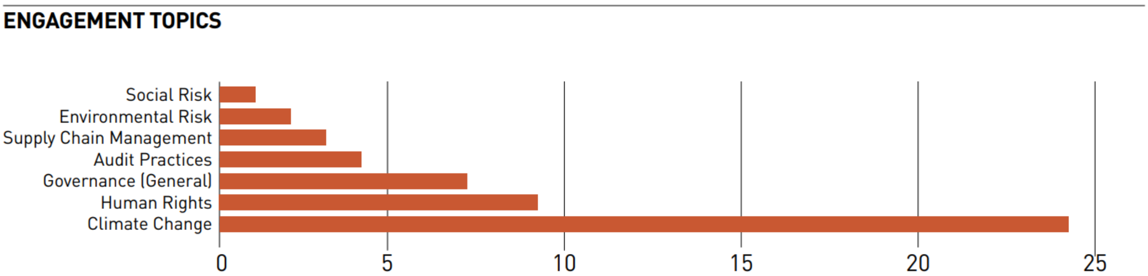
with senior management and company boards to ensure they have the right policies in place to create value responsibly.

Engagement Report

6.2. During the quarter ending on 31 December 2022, LAPFF engaged with 26 companies domiciled across 12 jurisdictions. Most of the engagement focused on issues related to climate change.

6.3. The chart below shows the breakdown of engagement topics during the quarter.



Voting Alerts

6.4. During the quarter, LAPFF issued two voting alerts. The table below provides details on the outcome of the votes, as well as how Legal and General Investment Management (LGIM), the Pension Fund's equity manager, voted.

6.5. LGIM, the Pension Fund's manager of the listed equities mandate voted in alignment with LAPFF recommendations.

Table 1 – Quarterly Voting Summary

Company	Description	LAPFF Recommendation	LGIM Vote	AGM Vote Outcome
BHP	Shareholder Resolution requesting an amendment to the company's Constitution	For	For	Against (90.77%)
KLA Corporation	Shareholder Resolution requesting the development of a climate risk strategy	For	For	Against

7. Contribution to Strategic Outcomes

7.1. Not applicable

8. Statutory Officer Comments

Finance and Procurement

8.1. There are no financial implications arising from this report.

Legal

8.2. The Head of Legal and Governance (Monitoring Officer) has been consulted on the content of this report. There are no specific legal implications arising from this report.

Equalities

8.3. Not applicable.

9. Use of Appendices

9.1. None.

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

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of the Local Government Act 1972.

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