

Appendix 1 Funding Liability Risk Review

| 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 |
| FL1   | Funding / Liability | There is insufficient cash available in the Fund to meet pension payments leading to investment assets being sold at sub-optimal prices to meet pension payments.<br><br>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. | 5      | 3          | 15         | 1) The Pension Fund currently holds £37m within the Fund's custodian account. This should be sufficient to meet any short to medium term liquidity requirements.<br><br>2) Given the expected funding level as at the 31 March 2022 valuation, the Pension Fund expects to be in a cashflow negative position, meaning the benefits paid are greater than the contributions received. This will need to be considered as part of the overall investment strategy review.<br><br>3) The Pension Fund maintains a regularly updated cash flow forecast.  | <b>Treat</b><br>1) Officers, in consultation with the Fund's Advisors, will continue to monitor the Pension Fund's cash flow requirements and provide any advice to the Pensions Committee and Board as appropriate. | 2                  | 10               | 31/10/2022  |
| 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  | 5      | 3          | 15         | 1) The Pension Fund's has appointed Hymans Robertson as its Fund Actuary. Hymans Robertson is a reputable firm of Actuaries with a long history of providing advice to the LGPS.<br><br>2) The Fund Actuary applies prudent assumptions on the future of employees within the workforce, including the impact of salary increases and early leavers as part of the actuarial valuation.<br><br>3) There may be potential impacts associated with the financial pressures facing public services which may have implications on the Pension Fund's funding requirements.  | <b>Treat</b><br>1) Officers, in consultation with the Fund's Advisors will continue to monitor the impact of any Government funding announcements on the employers participating in the fund.                        | 2                  | 10               | 31/10/2022  |
| FL3   | Funding / Liability | Impact of increases to employer contributions following the actuarial valuation.<br><br>The next actuarial valuation is to take place as at 31 March 2022   | 5      | 2          | 10         | 1) The Fund Actuary applies a stabilisation mechanism to contribution rates to ensure that employer contributions remain consistent over time.<br><br>2) Officers will consult and engage with individual employers in the scheme regarding their new contributions rates as part of the valuation exercise.   | <b>Treat</b><br>1) Current process are in place to ensure employer contributions remain stable and in accordance with their liabilities.   | 2                  | 10               | 31/10/2022  |
| FL4   | Funding / Liability | Employee salary increases are significantly more than anticipated for employers participating in the Pension Fund.<br><br>Persistently high inflation could potentially lead to unexpectedly high pay awards.   | 4      | 3          | 12         | 1) Employee salary increases assumptions are reviewed by the Fund Actuary every 3 years as part of the actuarial valuation. The Fund Actuary has noted an increase in the salary increases assumptions as part of the 2022 actuarial valuation.<br><br>2) Employers are made aware of the impact that salary increases can have on final salary linked elements of the LGPS benefits as part of the consultation on contribution rates.<br><br>3) Officers meet regularly with the Fund Actuary to review the impact of any significant deviations from the assumptions set during the actuarial valuation exercise. | <b>Treat</b><br>1) Officers, in consultation with the Fund Actuary, will continue to review and monitor the impact persistently high inflation may have on future pay awards.  | 2                  | 8                | 31/10/2022  |

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|     |                     |  |   |   |    |   |  |   |   |            |
|-----|---------------------|--|---|---|----|---|--|---|---|------------|
| 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.<br><br>Current economic conditions could potentially cause strain on smaller employers. | 4 | 3 | 12 | <p>1) The Pension Fund's admission agreement policy requires potential admitted bodies to have a guarantor or bond in place, or in some instances, a pass through agreement. Where an admitted body is unable to secure a bond, the employer is required to provide a guarantor to indemnify the Pension Fund against any risk of from the employer becoming insolvent.</p> <p>2) Employers participating in the scheme are monitored on a regularly basis, which includes the review of bonds which are about to expire.</p>   | <p><b>Tolerate</b></p> <p>1) Officers will continue to review employers participating in the Pension Fund and ensure processes are in place to monitor employers that may be facing solvency issues.</p>   | 2 | 8 | 31/10/2022 |
| FL6 | Funding / Liability | Scheme members live longer than expected leading to higher than expected liabilities.  | 4 | 3 | 12 | <p>1) Longevity assumptions are reviewed by the Fund Actuary every 3 years as part of the actuarial valuation. The Fund Actuary has noted an increase in the life expectation assumptions as part of the 2022 actuarial valuation.</p>  | <p><b>Tolerate</b></p> <p>1) Officers, in consultation with the Fund Actuary, will continue to review and monitor the impact of life expectancy experience on future funding requirements.</p>   | 2 | 8 | 31/10/2022 |
| FL7 | Funding / Liability | Funding strategy and investment strategy are considered in isolation by the Pension Fund's decisionmakers and advisors   | 5 | 2 | 10 | <p>1) The Funding Strategy Statement (FSS) has explicit links to the Pension Fund's investment strategy. The Fund Actuary incorporates the Pension Fund's current investment strategy when setting the assumptions as part of the actuarial valuation.</p> <p>2) The Pension Fund's Investment Consultants and Fund Actuary provide advice to the Pensions Committee and Board on a regular basis.</p> <p>3) The Pensions Committee and Board is presented and required to review and approve a revised FSS following the completion of the actuarial valuation exercise.</p> <p>4) The Pension Fund undertakes a comprehensive review of the investment strategy following the completing of the actuarial valuation exercise to ensure that the investment strategy is still fit for purpose.</p> | <p><b>Treat</b></p> <p>1) Officers will continue to ensure that relevant issues regarding the funding and investment strategies are brought to the Pensions Committee and Board's attention, and were appropriate, the Pension Fund's advisors are invited to provide advice</p> | 1 | 5 | 31/10/2022 |
| FL8 | Funding / Liability | Inappropriate Funding Strategy is set at the Fund and employer level despite being considered in conjunction with the investment strategy.   | 5 | 2 | 10 | <p>1) The Pensions Fund's has appointed Hymans Robertson as its Fund Actuary. Hymans Robertson is a reputable firm of Actuaries with a long history of providing advice to the LGPS.</p> <p>2) The Fund Actuary is requested to provide advice on employer contribution rate modelling as well as assumptions regarding the long term funding objectives of the Pension Fund. The Pensions Committee and Board is provided with this advice at least once every 3 years as part of the actuarial valuation process.</p>   | <p><b>Treat</b></p> <p>1) Officers will continue to ensure that the the Pensions Committee and Board receives proper advice relating to the Funding Strategy of the Pension Fund, as appropriate.</p>  | 1 | 5 | 31/10/2022 |