2025 Valuation - Governance Audit Trail

This paper is addressed to Haringey Council, in its capacity as Administering Authority of the Haringey Pension Fund (“the Fund”). It has been prepared for the purpose of providing an audit trail of the Fund’s governance process and key decisions taken throughout the 2025 triennial funding valuation (”the valuation”).

This paper has not been prepared for use for any other purpose and should not be so used. The paper should not be disclosed to any third party except as required by law or regulatory obligation or with our prior written consent. We accept no liability where the paper is used by or disclosed to a third party unless we have expressly accepted such liability in writing. Where this is permitted, the paper may only be released or otherwise disclosed in a complete form which fully discloses our advice and the basis on which it is given.

Overview

Under LGPS Regulations, all funds have a statutory obligation to carry out a formal valuation every three years. The Regulations set out the responsibilities of the Administering Authority to obtain the following:

- An actuarial valuation report setting out the assets and liabilities of the Fund, including
- A Rates and Adjustments Certificate setting out the contribution rates payable by all participating employers in the Fund for the next three years.

To complete the formal valuation, the Administering Authority undertakes actuarial advice to review assumptions and funding strategy with key decisions being taken to the Pensions Committee and Board (PCB) for approval.

Throughout the valuation, the Fund engages with various stakeholders including the Pensions Committee and Board, and Employers, which includes a formal consultation period on funding strategy and outcomes.

To ensure a robust governance process has been followed, and in line with best practice, the Fund has maintained a governance audit trail throughout the valuation to document key decisions (and decision-makers) that have affected funding strategy and outcomes. This paper summarises the audit trail – the Fund also holds a full decisions log for future reference and audit.

2025 governance process

The triennial actuarial valuation is a significant exercise carried out by the Fund. A high-level audit trail is set out below. This is split into two areas – section A covering the key funding strategy decisions and section B covering stakeholder engagement.

Section A: Funding strategy

1. *Review of assumptions*

The Fund Actuary reviewed the funding assumptions as part of the valuation (as set out in a paper entitled ‘Advice on assumptions’, dated 27 May 2025).All assumptions are the Fund Actuary’s ‘best estimate’ except for the discount rate assumption which includes a margin of prudence required by the LGPS Regulations. Based on the analysis and wider factors, the Fund officers considered an appropriate prudence level to reflect the current funding and economic environment.

Key decisions or outcomes:

- The Fund adopted a prudence level of 80% (previously 70% at the 2022 valuation) for ‘ongoing’ funding to reflect the increased uncertainty and volatility in markets. This change was noted by the PCB on 24 July 2025, following an assumptions training session held before the meeting. The PCB formally agreed to the change in prudence level on 1 December 2025. The Fund believes this level of prudence strikes an appropriate balance between managing longer-term risk and shorter-term affordability for employers in the current environment.

- All other assumptions were adopted in line with the Fund Actuary's best estimate assumptions set out in the assumptions advice.

2. *Valuation of assets and liabilities (whole Fund)*

The whole Fund result provides a solvency check to ensure that it continues to meet the objectives set out under Regulation 62. The Fund Actuary valued the Fund's liabilities at 31 March 2025 using the assumption noted at the July 2025 PCB meeting. The liability value was compared to the market value of the Fund's assets at the valuation date to give a funding level of 139% as set out in a paper entitled 'Initial results' dated 8 October 2025. The paper also provides other funding metrics, experience analysis, risks and sensitivities to inform the Fund's ongoing risk management framework.

Key decisions or outcomes:

- The whole Fund position was noted at the PCB meeting on 1 December 2025.

3. *Review of funding strategy (Local Authority and Academies)*

The Fund currently operates a stabilisation policy for the Local Authority (Haringey Council) and Academies which restricts increase/decreases in contribution rates to +/-1% of pay per annum. The Fund carried out a review of the funding strategy for these employers (as set out in a paper entitled '2025 valuation funding and investment strategy review', dated 17 April 2025). The ALM analysis carried out by the Fund Actuary reviewed the longer-term strategy (measured by likelihood of success), short-term risks (such as the risk of contributions having to increase at the next valuation, known as the 'Risk of Regret') and various stress tests (such as the impact of higher inflation, or lower returns on growth assets, on outcomes). The funding strategy also considered the importance of qualitative factors such as inter-generational fairness, the long-term cost of the scheme and the existing stabilisation policy.

The Fund also carried out a review of the academy funding strategy (as set out in a paper entitled 'Academy funding considerations', dated 28 October 2025). The analysis considered various options of academy pooling, how to set contribution rates and other funding matters.

Key decisions or outcomes:

- Given the increased uncertainty in the wider environment and benefits of the stability mechanism it was decided that now was an appropriate time to align the stabilisation parameters of +1%/-1% for the Council and academies (previously +/-0.5% for Haringey Council and +/-2% for Academies). This will help provide greater stability of contribution rates and consistency of reductions between academies and LEA schools since future increases are limited in pace. Therefore, the update to the stability mechanism will also provide protection against larger changes upwards or downwards in contribution rates in the future, supporting affordability and providing increased budgeting certainty.
- The outcomes were discussed at the PCB meeting on 11 September 2025, and it was formally agreed at the 1 December Pensions Committee and Board that the Council would benefit from the maximum reduction permitted under the existing stabilisation approach. This was reflected through no phasing of the reduction (i.e. an immediate reduction). Therefore, the Council will receive a 3% reduction of pay in year 1 and will remain at this level for the next 2 years. Given the strong results from the quantitative analysis and consideration of qualitative factors it was deemed an immediate reduction would still comfortably meet the Fund's long term funding objectives.
- Following the academy review, it was decided to operate an Academy Pool under a "full pooling" arrangement which helps share funding risks across employers in the pool. The 2025-26 academy pool common

contribution rate was calculated as 17.6% of pay using a payroll-weighted average approach. The actuarial modelling supported an immediate 3% reduction and further details can be found in the Academies policy in Appendix F of the Funding Strategy Statement.

4. *Review of funding strategy (all other employers)*

To set contributions for all other employers, the Fund Actuary carried out risk-based contribution rate modelling to project each employer's asset share over a range of future economic scenarios. The contribution rate depends on the following factors:

- **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.

The Fund (with advice from the Fund Actuary) carried out a review of the funding strategy for the other employers to assess appropriate factors for setting contributions to be paid over the next 3 years. These factors include the modelling parameters (as set out above) and any broader qualitative factors such as surplus management considerations to meet intergenerational fairness, long-term cost efficiency and stability objectives set out in the Regulations.

Key decisions or outcomes:

- For the 2025 valuation, the *minimum likelihood of success* used to set employer contribution rates was updated to 80% to align with the agreed prudence level at 2025, except for CABs who use 85% due to the difference in employer covenant.
- *Time horizons* for each employer group remain unchanged from 2022.
- A higher *Target funding level* of 120% was agreed to be applied to the Local Authority and Academies to help protect the employers from future market volatility. In addition, it aligns with the update to the Fund's investment approach regarding adopting a 'Reserve management' framework which considers a 20% funding buffer.
- Rates for TABs and CAB, which typically have shorter time horizons and may be approaching exit, were permitted to be as low as 0% of pay if supported by contribution modelling outcomes i.e. there was no restrictions to contribution reductions.
- Pass-through employers remain at their current contribution rate as per the funding strategy statement (i.e. the contribution rate for pass-through employers is fixed for the duration of their contract).

5. *Review of Funding Strategy Statement and policies*

The Funding Strategy Statement ("the FSS") forms an integral part of the framework that sets employer contributions. The Fund officers reviewed an updated draft FSS in October 2025 in collaboration with the Fund Actuary. Furthermore, additional funding policies were reviewed in quarter 1 of 2026.

Key decisions or outcomes:

- The FSS and policy documents at the 2022 valuation were already broadly in line with the new FSS guidance requirements and therefore no fundamental changes have been made to the structure or content of the FSS as part of this review for the 2025 valuation. However, a full review of the Fund's FSS was carried out, with minor changes to make the document compliant with the updated FSS guidance and key principles document.

- Changes in assumptions and employer funding strategy (as set out above in sections 1, 2 and 3) were included in the draft FSS.
- Each policy was reviewed at 2025 to reflect the new guidance and any technical or regulatory changes; however, the content of each policy remains largely unchanged from 2022, with the exception of the academy policy with the Fund adopting a ‘full pooling’ approach.
- The draft FSS and policies were agreed by the PCB on 1 December 2025 and put out for consultation in during December 2025 (with a closing date of 31 January 2026). The consultation was sent to all Fund employers and the Department for Education (“DfE”).
- The Fund created three new additional funding policies, namely, an academy policy, an ill-health risk management policy, and a contribution rate review policy. This provides users of the FSS more information regarding these areas, improving understandability and transparency. These policies can be found in the appendices to the Fund’s FSS.
- The final FSS is set to be approved at the March 2026 PCB and takes effect from 1 April 2026.

6. Final valuation report (including Rates & Adjustments Certificate and other appendices)

The final valuation report must be formally signed off by 31 March 2026 in line with the Regulations. This report must include a Rates & Adjustments Certificate setting out the contributions payable by all participating employers. The report should also include further appendices to meet additional reporting requirements for national benchmarking and disclosures, as set out in guidance from the Government Actuary’s Department (GAD).

Key decisions or outcomes:

- The draft version of the final valuation report is set to be noted by PCB in March 2026.
- The final valuation report includes the following appendices:
  - Rates and Adjustments Certificate setting out all employer contributions for the next 3 years.
  - Section 13 dashboard in line with GAD requirements, noting the funding level using national standardised assumptions (known as the SAB basis) was 114%.
  - Gender Pension Gap reporting in line with requirements
  - Summary of the climate change scenario analysis which tests the resilience of the Fund’s funding strategy to climate change scenarios (noting further detail was provided to the Fund and discussed with Fund officers in the paper entitled ‘2025 Climate Scenario Analysis Output Report’, dated July 2025)

Section B: Stakeholder engagement

In addition to setting funding strategy, the Fund has engaged with employers and the PCB throughout the valuation exercise. A summary of this stakeholder engagement is detailed below.

1. *Employer pre-valuation communication*

   The Fund issued all employers with a document in June 2025 setting out key themes and provided an early indication of high-level valuation outcomes to provide a platform for future engagement throughout the valuation process.

2. *Employer results*

   The Fund issued individual employer results schedules during December 2025 (and January 2026), detailing their own funding position and the proposed contribution rates from the next three years. The Fund also notified pass-through employers of the contribution rate to be paid. Alongside these results, the Fund issued each employer with a copy of the draft FSS for consultation.

3. *Employer forum*

   All employers were invited to attend an employer forum on 8 December 2025 hosted by the Fund (alongside the Fund Actuary) to discuss the valuation, employer results, funding strategy and next steps (including the consultation process).

4. *FSS consultation*

   All employers (and wider stakeholder, such as DfE) were invited to comment on the draft FSS during the consultation period which ran from early December 2025 to 31 January 2026. To help meet expectations set out in new guidance on running an effective FSS consultation, the Fund has actively sought out engagement from all stakeholders using an employer engagement portal hosted by the Fund Actuary.

5. *Officer meetings*

   Throughout the valuation, Fund officers and the Fund Actuary participated in regular meetings (at least once a month) to ensure that the governance of the valuation and the key decisions were duly considered, with supporting analysis where necessary.

6. *Pensions Committee and Board (PCB)*

   Key decisions on funding strategy have been approved (or noted) by the PCB throughout the valuation to ensure best practice and robust governance of decision making (as set out in Section A above). Committee and Board training has been provided where necessary to improve committee skills and knowledge on technical subject matter. This helps members to be equipped to make informed decisions or challenge outcomes if required.

Summary & next steps

The Fund has carried out the formal valuation in line with Regulation 62 and has sought to meet best practice guidance throughout, with robust decision making and effective stakeholder engagement. A summary of this Governance Audit Trail timeline is contained in the Appendix below.

The formal valuation process concludes on 31 March 2026, and the employer contribution rates (and new FSS) will take effect from 1 April 2026.

The next formal valuation will take place as at 31 March 2028, although the Fund will begin to prepare for key decisions and outcomes in advance of this date.

The Fund will seek to maintain (and improve) on the level of disclosure of governance at future valuations to ensure best practice and transparency of key decisions.

Julie Baillie FFA C.Act	Allan Woodhouse FFA C.Act
Fund Actuary	Actuary

For and on behalf of Hymans Robertson LLP

Appendix – Governance audit trail timeline

The timeline of key decisions and governance process throughout the valuation is below:

Item	Date	Decision makers	Key decision(s)
Valuation planning	23 April 2025	Fund officers & Fund Actuary	Agreed valuation timetable (updating an earlier version from summer 2024)
Local Authority contribution rates (proposed)	17 April 2025	Fund officers & Fund Actuary	Consider allowing maximum reductions permitted under stabilisation mechanism (effective from 1 April 2026 for 3 years)
Assumptions (proposed)	27 May 2025	Fund officers & Fund Actuary	Increase prudence to 80% (from 70%)
Data (provided)	31 August 2025	Fund officers & Fund Actuary	n/a - see 2025 Valuation Data report for more information
Whole Fund results (draft)	8 October 2025	Fund officers, Fund Actuary & PCB	n/a - Funding level of 139% was noted at December PCB
Academy Funding Considerations	26 November 2025	Fund officers & Fund Actuary	Move to full pooling for academies
Funding strategy (other employers)	November 2025	Fund officers & Fund Actuary	Agreed funding parameters and employer contribution rates (as described in section 3)
Local authority contribution rates, assumptions, draft FSS and employer results (approved)	1 December 2025	PCB	Contributions approved (immediate 3% p.a. reduction for Local Authority), draft FSS and Assumptions approved
Draft employer results issued	December 2025 and January 2026	Fund officers, Fund Actuary & Employers	n/a
Consultation period	Early December to 31 January 2026	Fund officers & Employers	n/a

Item	Date	Decision makers	Key decision(s)
Additional funding policies review	Quarter 1 2026	Fund officers & Fund Actuary	Creation of two new additional funding policies, namely, contribution rate reviews and ill-health risk management
Final valuation report (incl. R&A certificate) and final FSS	March 2026	Fund officers, Fund Actuary & PCB	Final report (incl. R&A) and final FSS approved. Governance audit trail and FSS Consultation Summary noted.