

Draft Funding Strategy Statement Consultation Summary

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 a summary of the consultation on the Fund’s draft Funding Strategy Statement (“the FSS”) which forms part of the stakeholder engagement at 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.

Funding Strategy Statement (FSS)

Under LGPS Regulations, all funds have a statutory obligation to produce an FSS. It is a key document for the Fund, in two ways:

- 1 *The inputs it requires:* the Fund’s officers and Pensions Committee and Board (PCB) need to go through a process to be satisfied that the Fund is managing funding risks and will be collecting an appropriate level of contributions from all employers in the Fund. The FSS provides a helpful framework for organising this process and covering all the necessary areas.
- 2 *The outputs it gives:* the finalised FSS itself should be a clear and transparent reference point for the Fund’s stakeholders, to set out how the Fund manages funding risks and provide proof that the contribution arrangements are solidly derived, fair and consistent. It will also help in any future discussions with employers, perhaps where an approach is queried or questions are raised.

The FSS is prepared in collaboration with the Fund Actuary and forms an integral part of the framework within which to carry out the triennial valuation to set employer contributions. The FSS also outlines how the funding strategy fits in with the investment strategy.

The current FSS was approved by the Pensions Committee and Board at the 2022 valuation and is published on the Fund’s website [here](#).

2025 FSS review

In January 2025, updated [guidance](#) for preparing and maintain a FSS was published by the Ministry of Housing, Communities and Local Government (“MHCLG”), the Scheme Advisory Board’s (“SAB”s) Compliance and Reporting Committee and the Chartered Institute of Public Finance and Accountancy (“CIPFA”). The updated guidance replaces 2016 guidance produced by CIPFA.

The FSS and policy documents at the 2022 valuation were 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 has been carried out, with minor changes made to ensure the document is compliant with the updated FSS guidance and key principles document.

The Fund has also reviewed its policies and funding strategy at the 2025 valuation, and the most significant changes include:

1. Review of funding assumptions

The Fund Actuary has reviewed the funding assumptions as part of the 2025 valuation. These have been updated to reflect emerging experience and market conditions as at 31 March 2025. All assumptions are 'best estimate' except for the discount rate assumption which includes a margin of prudence required by the LGPS Regulations.

The Fund Actuary models 5,000 simulations of possible future economic outcomes to set robust funding plans at whole fund level and for each individual employer. At the 2025 valuation, the Fund has adopted a prudence level of 80% (previously 70% at the 2022 valuation) for 'ongoing' funding to reflect the increased uncertainty and volatility in markets, and this change was agreed by Pensions Committee in December 2025. This means that the Fund assumes a level of investment return (discount rate) that is achieved in 80% of the simulations of the future. The Fund believes this strikes an appropriate balance between managing longer-term risk and shorter-term affordability for employers in the current environment.

2. Review of contribution rate calculations

Section 2 of the draft FSS sets out the approach to setting employer contribution rates. The approach is largely unchanged from 2022, with the following exceptions:

- **Minimum likelihood of success** (in Table 1) - updated to 80% to align with the agreed prudence level at 2025, except for CABs (updated to 85% to reflect the differences in employer covenant)
- **Target funding level** (also in Table 1) - 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.

3. Review of additional policy documents

To help employers navigate the FSS, the Fund has set out specific policies in the following areas (and these will be included as appendices in the Final FSS document):

- Academies & free schools policy (new)
- New Employers policy
- Employers exits policy
- Contribution reviews policy (new)
- Ill-health risk management policy (new)

Each existing policy document from the last triennial valuation has been 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. The Fund also have drafted three additional funding policies to provide users of the FSS more information regarding these areas, improving understandability and transparency.

Employers were encouraged to read any of the additional policies that may impact their participation in the Fund (eg academies and MATs should read the academies policy, which documents operational aspects of the new pooling arrangements).

2025 FSS consultation

The draft FSS were agreed by Pension Committee in December 2025 and then put out for wider consultation. The consultation was open to all Fund employers and wider stakeholders such as the Department for Education (DfE).

The recently updated FSS guidance sets out best practice principles that funds should follow and encourages funds to consider the effectiveness of the of the FSS consultation. To help meet these expectations, the Fund has actively sought out engagement from all stakeholders using an employer engagement portal hosted by the Fund Actuary. Employers have been encouraged to provide feedback on the consultation process, the FSS accessibility, and to provide any further questions or comments on the content within the draft FSS.

From the responses received via the engagement portal, most employers found the FSS to be helpful and with sufficient detail and time to prepare a response (see appendix for a summary of responses to this accessibility survey). The Fund has engaged with employers (and other stakeholders) where specific comments (and questions) on the content of the Fund's FSS have been raised (see appendix for a summary of these questions and the Fund's responses).

Next steps

The FSS consultation period closed on 31 January 2026.

All comments received during the consultation are considered by Fund Officers before preparing the final 2025 valuation FSS for sign off (which will then take effect from 1 April 2026). The final FSS provides the framework (until the next review date), for all employers participating in the Fund including new employers joining and employers exiting the Fund over this period.

The PCB will be asked to approve the final version of the FSS at its March 2026 meeting.

The next full review of the FSS is due to take place as part of the 2028 formal funding valuation, however, ad-hoc revisions to the FSS and policies are to be expected in response to emerging issues and new legislation or guidance. Any material changes will be brought to PCB for noting and approval if necessary.

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For and on behalf of Hymans Robertson LLP

Appendix 1 – Survey on the FSS accessibility and consultation process

The Fund shared the draft FSS with all employers and requested that they all access an Employer Engagement Portal (hosted by the Fund Actuary) to share their views on the FSS, ensuring the fund has facilitated and can document an effective FSS consultation.

At the time of writing, 39% of the 44 employers who were issued employer results (and invited to respond to the consultation) have responded via the Portal. The Fund views this as a very successful response rate and is a significant increase in employer engagement from previous valuations. Note 11 active pass-through employers were also eligible to respond to the consultation however there was no responses received.

Employers were surveyed on the accessibility of the FSS document and the consultation process to ensure this has been effective (or otherwise). A summary of these responses is below:

1. Employer responses via the portal

<i>Employer responders</i>	39%
<i>Non responders</i>	61%

2. The FSS is clear and concise, it uses plain English and avoids acronyms, where possible

<i>Strongly agree</i>	29%
<i>Agree</i>	35%
<i>Neither agree or disagree</i>	35%
<i>Disagree</i>	0%
<i>Strongly disagree</i>	0%

3. The FSS is informative and I have sufficient time to prepare a response within the FSS consultation period

<i>Strongly agree</i>	29%
<i>Agree</i>	29%
<i>Neither agree or disagree</i>	41%
<i>Disagree</i>	0%
<i>Strongly disagree</i>	0%

4. I have been provided with sufficient detail about the policies adopted within or alongside the FSS, such as policies on employer exits

<i>Strongly agree</i>	29%
<i>Agree</i>	29%
<i>Neither agree or disagree</i>	41%
<i>Disagree</i>	0%
<i>Strongly disagree</i>	0%

5. I understand what the next steps in the process will be and how the outcome of the consultation will be communicated

<i>Strongly agree</i>	29%
<i>Agree</i>	29%
<i>Neither agree or disagree</i>	41%
<i>Disagree</i>	0%
<i>Strongly disagree</i>	0%

Appendix 2 – Employer questions and comments on the FSS

Within the Employer Engagement Portal, employers were asked to provide any specific questions or comments on the draft FSS. A summary of these questions / comments, including some additional questions we have observed from stakeholders (e.g. the DFE) across the LGPS in general, and the Fund's general view in response to these are below. Note, these have been grouped into the following categories:

- **Contribution strategy, including modelling approach & parameters:** how the fund has calculated employer contribution rates.
- **Surplus management:** how the fund is managing employer surpluses via contribution rates (and policies).
- **Policies:** questions on specific funding policies, either contained within the core FSS document or the additional policy documents.
- **Other funding factors:** other questions or comments on valuation outcomes, not specifically related to aspects of the FSS.

Contribution strategy, including modelling approach & parameters

Contribution setting factors - Minimum likelihood of success ('prudence')

Question / comment: *The fund is being too prudent / has increased prudence. What is the rationale? The ongoing basis is now as prudent as a basis typically used for exiting employers.*

Response: Regulations set out a requirement for the Fund to set prudent assumptions for valuing pension benefits to support the aims of solvency, stability and to ultimately protect member benefits. 'Prudence' is not clearly defined anywhere in the Regulations or supporting guidance. However, it is generally accepted that funds should aim to strike a balance of not being too prudent or imprudent. This typically leads to prudence levels falling somewhere between 66% and 85% across the LGPS. The level of prudence adopted at any point in time reflects several factors, including each fund's risk appetite and the prevailing funding and economic environment.

It is the Fund's view that there are increased uncertainties around inflation, future investment returns and wider risks such as climate at the 2025 valuation. Given the wider economic environment, coupled with the current funding position, the Fund has taken the view to increase prudence to 80% (from 70% in 2022) to support longer-term stability and cost efficiency.

Also note, exit valuations are typically carried out using assumptions that have an equivalent 85-90% prudence level attached, meaning the Fund's ongoing funding basis is lower.

The level of prudence has been approved by the PCB as part of the over-arching governance of the valuation process and will remain under review at future valuations. In the future, given different economic or funding conditions, it may be appropriate to reduce prudence to continue to support the Fund's aims of affordable, stable contributions for employers.

Contribution setting factors - time horizon

Question / comment: *the time horizon should be reduced by 3 years from the previous valuation, which would result in quicker surplus return.*

Response: The time horizon is set to reflect an employer's participation, eg a long-term, ongoing participant can have a longer-term funding plan to aid stability, and therefore we do not intend to change the time horizon whether an employer is in deficit or in surplus.

Contribution setting factors – target funding level

Question / comment: *the Fund is targeting a funding level greater than 100% which means that employers are not benefiting fully from the surplus position.*

Response: This higher funding target is being applied due to the significant increase in the funding position observed over a relatively short period of time since the 2022 valuation. 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. It is possible that the significant improvement in the funding position could be reversed at future valuations due to the volatile nature of asset returns and market factors underpinning liability valuations. For this reason, the Fund is of the view that the funding strategy should allow for a gradual release of surplus back to employers and the application of the 120% funding target is designed to achieve this. The Fund have adopted the approach for academies and local authority, maintaining consistency in treatment between academies and maintained schools.

In practice, however, this 120% funding target is not directly influencing rates payable following the 2025 valuation i.e. contribution rates are reducing in line with the maximum reduction permitted under the contribution stability mechanism. If a 100% funding target was applied, the rates payable by academies and the Local Authority would therefore be identical to those set at the 2025 valuation.

Surplus management

Contributions - stabilisation

Question / comment: *Stabilisation of contribution rates is leading to overfunding and not returning surplus quickly enough.*

Response: The use of stabilisation parameters for employers (which limits increases/decreases in contribution rates to $\pm 1\%$ of pay pa) is based on our aim to reduce contribution volatility and support long-term planning for employers. This approach is consistent with the Fund's broader funding strategy and risk management objectives, and this policy has been supported by employers throughout multiple valuations (noting this is a common approach adopted throughout the LGPS).

Recovery / surplus return periods

Question / comment: *the implied surplus return periods are too long and not consistent with the time horizons used when employers were in deficit.*

Time horizon for deficit recovery is clear, but it is unclear how quickly surplus is being returned. Application of a stabilisation and/or higher funding target means that surplus return period is longer than the stated time horizon.

Response: The Fund's approach to setting contribution rates is detailed in the Fund FSS's (and set out under 'modelling approach' above). The actuary has modelled an approach that aims for at least 120% funding in 20 years' time, not whether the employer is in surplus or deficit at a single snapshot in time (the valuation date, or time 0). This future time period reflects the ongoing, long-term nature of the employer.

Calculations that imply a longer surplus return period are more often based on a very simplistic approach that doesn't appropriately capture the future funding risks and the evolution of the funding position over the next 20 years and is not aligned to our FSS and the funding approach used by the Fund.

Policies

Asset allocation for converting academies

Question / comment: *initial funding levels of academies upon conversion are capped at 100% (even when the local authority is in significant surplus). The academy has contributed towards this surplus (as an LEA school) and should benefit in full. In the past, when local authorities were in deficit, academies took on a share of this deficit on conversion.*

Response: On conversion from LEA status, assets of no more than the fully funded (100%) value of the transferring liabilities are transferred to the Academy/MAT. When the local authority is in surplus, this ensures that any surplus in respect of the transferring liabilities is retained by the local authority. This is appropriate because the local authority is responsible for meeting the deferred and pensioners obligations of former staff of the transferring school. This provides protection to the local authority from adverse market conditions that may arise and worsen the funding position (specifically, in respect of the legacy deferred and pensioner obligations).

This common approach is applied across the LGPS in line with principles that generally apply when determining asset shares in other situations (eg bulk transfers of membership in/ out of the scheme or between LGPS funds).

If it was possible to identify the deferred and pensioners obligations of each converting LEA school, we could allow for the transfer of these liabilities to the Academy/MAT, and any surplus could also transfer (as the local authority wouldn't be on risk for any shortfall emerging in respect of these legacy liabilities). However, it is not practical (or possible in most cases) to identify the legacy deferred and pensioner obligations of each LEA school – this would be a significant and costly administration task / it would place a huge burden on the schools to provide this data / we would not be confident that the required data would be available.

Other funding factors

Post valuation experience

Question / comment: *the funding position of employers has likely improved significantly since the valuation date due to market movements, and this should be reflected in the contribution rates.*

Response: Where there is a significant event after the valuation, it is possible to take this into consideration when setting contribution rates. The Fund has experienced strong investment performance since 31 March 2025; however, we consider this to be simply a consequence of general market movements over that time. In our view, general market performance and fluctuations is not an appropriate factor to consider as 'post valuation experience'. This is also true had investment performance been poor over this period. The impact of this experience (if it holds in the future) will be reflected in the funding positions (and future contribution rate considerations) as part of the 2028 valuation.

Peer comparison of employer contribution rates

Question / comment: *Contribution rates being paid by similar employers in this fund or in other funds are lower. Other similar employers have received greater reductions in contribution rates.*

Response: Peer comparison with other employers in the Fund, or indeed across other LGPS funds, should be avoided. Comparing contribution outcomes can be misleading and does not mean that any employers are paying 'too much' or indeed 'too little' relative to another. The funding strategy (and contribution rate) for each employer in the Fund reflects its own unique circumstances - including the funding position, demographic profile and employer covenant. Similarly, contribution outcomes across different LGPS funds will vary, reflecting various funding and investment strategy decisions, local circumstances, and risk appetite.

Each employer is responsible for funding the benefits of their own employees (past and future), so employers paying more now are likely to pay less in the future, and vice versa (all else being equal).