

## Funding &amp; Investment Risks

December 2025

Risk no:	Risk Overview (this will happen)	Risk Description (if this happens)	Strategic objectives at risk	Current Impact	Current Likelihood	Internal controls in place	Target Impact	Target Likelihood	Date Not Met Target From	Expected Back on Target	Further Action and Owner	Risk Manager	Next review date	Last Update
1	Strategy risk - failure to meet objectives through poor asset performance	Asset risks include the following: Concentration - over allocation to a single asset class or manager Illiquidity - insufficient liquid assets Currency risk – underperformance of asset currency Manager Underperformance	I1-I4, I6	Major	Possible	1 - Investment in a diversified range of asset classes 2 - Regular cash flow monitoring 3 - Currency hedging policy 4 - ESG and climate risk policy in place 5 - Multiple managers & performance monitoring	Major	Possible			1 - Ongoing monitoring (MA) 2. Committee agreed in September to invest in 2 new asset classes thereby reducing over concentration to any one asset class. (MA) 3. On going monitoring of SAA	Miriam Adams	31/3/2026	3/6/2025
2	Funding experience - current employer contributions are insufficient to meet the cost of benefits	If growth rate of liabilities outstrips assets the risk is that contributions being paid will be insufficient	F1 - F5	Minor	Unlikely	1 - Asset liability modelling shows low likelihood of not meeting objectives 2 - Assessment of liabilities at the triennial valuation and the roll-forward of liabilities between valuations 3 - Contribution rates assessed by actuary as having a low likelihood of not meeting objectives 4 - Actuary sets evidence-based assumptions using analysis of experience	Moderate	Possible		31/3/2026	1 - Ongoing monitoring (MA) 2. The Funding level of the fund increased from 105% in 2022 to 138% in 2025. The scheme actuary propose reducing employer contributions to release some of the surplus. 3. Intervaluation funding level monitoring will ensure the committee is kept up to date	Miriam Adams	31/03/2027	21/1/2026
3	Implementation - external providers or asset pool prevent Fund achieving objectives	Other provider risks include: Transition risk - unexpected/excessive costs in relation to the transition of assets Custody risk - losing economic rights to Fund assets Credit default - default of a counterparty Asset pooling risks include: Transition risks – excessive additional cost through transition to the pooled arrangement. Concentration and capacity risks – excessive concentration of assets amongst relatively few large institutions. Political risks – central Government changes Reputational risks – failure of a pooled arrangement could have significant consequences for the LGPS. Governance risks - potential lack of oversight of pool arrangements Lack of oversight of investment managers	I1-I4, I6	Major	Possible	1 - Regular scrutiny of providers 2 - Monitoring and management (may be delegated to investment managers in certain situations e.g. custody risk in relation to pooled funds) 3 - Seek appropriate advice where necessary (e.g. during a significant transition) 4 - Pensions Committee has the power to replace a provider should serious concerns exist 5 - Monitor proposed changes, consultations and guidance from Government on the pooling agenda, responding where appropriate to influence outcomes. Amend process where required to ensure compliance. 6 - Maintain good working relationship to ensure that the Fund is fully aware of developments at the pool level and the pool is aware of and responds to the Fund's strategic requirements. 7 - Planning for transition considered as part of Investment Strategy development to ensure assets are transitioned efficiently and within the required timeframes. 8 - Pensions Committee Chair and S151 officer members of Shareholder Committee 9 - Oversight and engagement of existing investment managers 10 - active engagement with managers to understand sources of RI risk	Major	Unlikely	1/12/2018	1/3/2024	1 - Transition planning for upcoming transitions (MA) 2 - Management of relationship with Northern Trust as transition phase moves to Business As Usual (MA) 3 - Maintain relationships with senior LCIV staff (JM/MA) 4 - Ensure LCIV aware of Hackney investment priorities and objectives to understand timing requirements (JM/MA) 5 - Meeting held with NT to resolve Outstanding transition issues. AUM differences between NT reported and manager report and benchmark differences resolved bar 1 manager Pemira with difference in NT reported AUM. This is being looked at by NT. Solution identified for benchmark issue with Index provider to send agreement (No fees). 6 - Ongoing monitoring will take place.	Miriam Adams	30/9/2026	21/1/2026
4	External Factor/Regulatory Risk	The risk that external (e.g. geopolitical) factors or the introduction of new regulations requires major changes to the operation of the Fund (e.g. McCloud, cost cap, Fit for the Future requirements).	F1, I1, I6	Major	Possible	1 - Asset liability modelling to ensure the Fund's Investment Strategy 5. Officers to keep up to date with legislative changes and conduct impact assessment where possible helps the Fund meets its objectives under a range of economic conditions 2 - Horizon scanning to ensure awareness of potential future risks and prepare 3 - Monitoring and analysis of impact, taking advice from advisors where appropriate 4 - Adding items to business plan when appropriate 5. Extension of Investment Management consultancy contract to ensure support for committee and officers during transition		Unlikely	1/12/2018	30/6/2026	1 - Ensure business plan kept up to date 2. Fit for the Future update is standing agenda at pensions committee meetings to ensure members are kept up to date. 3. Fit for the Future workshop arranged for February 2026 to ensure members are fully aware of changes and providing training support 4. external legal advice on IMA	Miriam Adams	31/3/2026	21/1/2026
5	Employer Covenant/Affordability risks	Employer Covenant and Affordability risks include: Employer default Rapidly increasing employer contribution rates Ability of employer to pay Substantial deficit or credit on termination	F4, F5	Minor	Unlikely	1 - Valuation and inter-valuation monitoring of employers near cessation (funding position and contract situation) 2 - Monitoring of payment of contributions 3 - Employer covenant checks with use of bonds/guarantees where necessary 4 - Employer engagement	Minor	Unlikely			1 - Implement default pass through policy for small employers 2 - Robust review process to be developed 3 - Employer review is planned as part of the triennial valuation	Morgan Williams/ Miriam Adams	31/3/2026	16/9/2025

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6	Cashflow	Employer contributions are insufficient to meet the cost of benefits in the short term	F1, F3	Moderate	Possible	<ul style="list-style-type: none"> <li>1 - Ensure sufficient liquid assets are available if needed</li> <li>2 - Contribution rates assessed by actuaries as having a low likelihood of not meeting objectives</li> <li>3 - Actuary sets evidence-based assumptions using analysis of experience</li> <li>4 - Annual monitoring of projected new cashflow position to reflect recent experience</li> <li>5 - Fund has processes in place to monitor and manage short term cashflow requirements</li> </ul>	Moderate	Unlikely	1/9/2022	1/3/2024	<ul style="list-style-type: none"> <li>1. - Ongoing monitoring (MA)</li> <li>2. Will be reviewed again when the long term cashflows are available as part of the triennial valuation.</li> <li>3. Fund is responsible for banking activities for pensions administration delivered by LPPA. Develop daily cash flow monitoring and Treasury Management Strategy</li> </ul>	Morgan Williams / Miriam Adams	31/3/2026	21/1/2026
7	Increase in inflation	Prolonged high inflation erodes asset value causing cashflow issues and affects employer affordability.	F1, I1, I5	Major	Likely	<ul style="list-style-type: none"> <li>1 - planning within funding assumptions</li> <li>2 - ensuring high level of inflation-sensitive assets held</li> <li>3 - inflation hedging</li> <li>4 - robust treasury management policy</li> </ul>	Moderate	Possible	1/9/2022	1/3/2024	<ul style="list-style-type: none"> <li>1. Implementation of 5% allocation Multi-Asset Credit has been agreed by Committee (MA)</li> <li>2. Reduce equity overweight in favour of income producing assets (MA)</li> <li>3. Committee has also agreed to procure other inflation-linked asset classes - UK Housing and Natural Capital in September 2024 (MA)</li> <li>4. Committee agreed changes to CTI bond fund, reduction in private credit and senior loans asset class from 20% to 7% will improve liquidity and investing in liquid public markets and Index Linked Gilts will improve liquidity..</li> </ul>		30/6/2026	21/1/2026
8	Funding experience - large surpluses emerge due to combination of fund experience and employer contributions	Change in economic environment has led to the emergence of large surpluses at the 2025 valuation. If situation persists, and surpluses grow, lead to pressure to significantly cut contribution rates at future (2028) valuations (which will exacerbate cashflow risks and increase the likelihood of future rate increases)	F1 - F5	Moderate	Possible	<ul style="list-style-type: none"> <li>1 - Review of prudence in actuarial assumptions each triennial valuation - led to increase in prudence at the 2025 valuation</li> <li>2 - Reductions to contribution rates applied at the 2025 valuation to reflect existence of surpluses</li> <li>3 - Actuary sets evidence-based assumptions using analysis of experience</li> <li>4 - Application of contribution stability mechanism (Academies) and contribution floors (TABs) at the 2025 valuation to ensure steady distribution of current surplus to employers</li> </ul>	Moderate	Possible			<ul style="list-style-type: none"> <li>1 - Ongoing monitoring (MA)</li> <li>2 - Annual review of (low ) contribution rates set for TAB employers</li> </ul>	Morgan Williams/ Miriam Adams	31/3/2026	11/1/2026
9	Climate change and Environmental Risks	Climate change and environmental risks have the potential to have significant impacts on both the Fund's assets and liabilities. This is likely to result in both transitional and physical risks to the Fund, where assets are diminished in value making it more difficult to meet future liabilities		Major	Likely	<ul style="list-style-type: none"> <li>1 - Understand, measure and monitor potential risks to the portfolio</li> <li>2 - Understand, measure and monitor potential impact on liabilities</li> <li>3 - Consider climate and environmental investment opportunities for the Fund</li> <li>4 - Tilt portfolio to assets that are better able to support climate transition and less exposed to physical risks</li> </ul>	Moderate	Possible			<ul style="list-style-type: none"> <li>1. Annual TCFD reporting to monitor the Fund's exposure to climate change</li> <li>2. Consideration of climate issues in Strategic Asset Allocation review</li> <li>3. Liaise with London CIV over their climate strategy</li> </ul>	Miriam Adams	1/9/2025	1/11/2024
10	Failure to carry out Engagement and Stewardship activities	The Fund is now a signatory of the Stewardship Code and places high importance on being a good steward of its assets. Being able to maintain stewardship and engagement activities is important to deliver the Fund's broader objectives on key themes such as human rights, climate change, etc. Reputational risks from failing to engage and seeking to drive change		Major	Possible	<ul style="list-style-type: none"> <li>1 - RIWG quarterly meetings to consider stewardship and engagement issues and to undertake oversight of external providers</li> <li>2 - Regular reporting on stewardship activities including the annual submission to the Financial Reporting Council for the Stewardship Code</li> <li>3 - Reviewing and liaison with the Fund's investment pool London CIV to monitor and assess their stewardship activities and feed into their priorities</li> <li>4 - Regular review of voting and engagement reporting</li> <li>5 - Regular review of RI related policies</li> <li>6. Regular monitoring of scheme member survey themes</li> </ul>	Moderate	Possible			<ul style="list-style-type: none"> <li>1. Annual Stewardship Report</li> <li>2. Actions arising from FRC review of 2024 Stewardship Code submission</li> <li>3. Actions arising from the scheme member survey</li> </ul>	Miriam Adams	3/2/2026	27/5/2025

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11	Failure of the Pool to meet Government's requirement in relation to Fit for the Future	Non compliance in meeting government request		Moderate	Possible	London CIV continues to recruit additional resources required. The Fund is aware that some of the Fit for the Future deliverables have been outsourced to 3rd party providers while the pool develop in house capabilities. It is unclear at this time which Fund services will be impacted by failure of LCIV to be fully Fit for Future ready by 1 April 2026. The Pool recently completed a significant amount of change at the senior leadership level and has now appointed a new CIO. LCIV attends SLT monthly to provide progress and updates.	Moderate	Possible	21/1/2026	31/3/2026	1. Fund officers meet with the pool regularly for updates and monitor transition progress 2. Fund drafted key questions following legal review on the LCIV IMA which covers readiness of LCIV and expectations 3. Fund officers attend LCIV Working Groups 4. LCIV CEO attends half yearly with Committee Chair, Vice Chair and Senior Officers. Meeting allows Fund to receive updates and raise concerns	Miriam Adams	June 2026	21/1/2026