

Funding Strategy Statement
Report of the Director of Finance

Background

1.1 The Local Government Pension Schemes Regulations 2013, paragraph 58 states that:

(1) An administering authority must, after consultation with such persons as it considers appropriate, prepare, maintain and publish a written statement setting out its funding strategy.

(2) The statement must be published no later than 31st March 2015.

(3) The authority must keep the statement under review and, after consultation with such persons as it considers appropriate, make such revisions as are appropriate following a material change in its policy set out in the statement, and if revisions are made, publish the statement as revised.

(4) In preparing, maintaining and reviewing the statement, the administering authority must have regard to —

(a) the guidance set out in the document published in October 2012 by CIPFA, the Chartered Institute of Public Finance and Accountancy and called “Preparing and Maintaining a Funding Strategy Statement in the Local Government Pension Scheme 2012,

(b) the investment strategy statement (provided to the Committee under Agenda Item 13 on the agenda for the 14th February 2020 meeting of the Committee) under regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

Funding Strategy Statement

2.1 The proposed Funding Strategy Statement is attached as Appendix 1 and, if approved by the Committee, will be effective from 1 April 2020.

2.2. The Funding Strategy Statement (FSS) has been prepared:

- a) in conjunction with Fund’s Actuary Hymans Robertson,
- b) in accordance with Regulation 58 (4) (a) of the Local Government Pension Scheme (LGPS) Regulations 2013,
- c) with regard to guidance published by CIPFA, “Preparing and Maintaining a funding strategy statement”, 2016 version (updated from 2012), and
- d) with regard to the Investment Strategy Statement

2.3 The Funding Strategy Statement is an important document since it sets out, in detail, all of the key assumptions which the actuary used in preparing the 2019 actuarial valuation, together with the Administering Authority's policies in the areas where the Administering Authority has discretion to manage the Funding position of the Fund. These all have a direct impact on the employer contributions set under the valuation.

2.4 The FSS is reviewed in detail at least every three years as part of the triennial valuation process, unless there are any regulatory or general changes required.

2.4 Since the FSS was produced for the 2016 valuation, the main changes to the current version have been set out below:

a. The approach the fund has taken with regard to the McCloud court case (section 2.7 refers).

b. Details of how each employers asset share has been calculated – this section now includes expanded details on the methods used to apportion the asset share (Appendix D, Section D5 refers).

c. Details of actuarial assumptions used to calculate employers contribution rates– this section has been expanded to include more detail (Appendix E refers).

d. Details of the new ill health risk management arrangements which are being implemented from 1 April 2020, under which certain categories of employer are required to be covered by ill health insurance arranged by the Fund, whilst all other employers will, similarly, be covered by such insurance unless they formally opt out of cover (Sections 3.7 and 3.8)..

Regarding the new ill health risk management arrangements, it is pleasing to report that only three large employers have opted out of the new arrangements. This means that all other employers will be covered by the new arrangements from 1 April 2020, which significantly reduces the risk to the individual employers and the Fund as a whole.

Consultation and publication

3.1 In line with regulations, the administering authority has consulted with all its participating employers in the Fund. The DRAFT version of the Funding Strategy Statement was distributed to all participating employers in the fund in early December 2019, with their results from the 2019 valuation.

3.2 All Employers were informed that their contributions had been calculated in line with the Draft Funding Strategy Statement, which was attached to the email with their valuation results and contribution levels. All employers were asked to send any comments on the Funding Strategy Statement to the Funds generic email address by 10th January 2020. No responses were received under this consultation exercise.

3.3 Procedurally, the Fund's actuary cannot finalise the 2019 valuation until the FSS has been approved by the Pension Committee. Once the FSS has been approved it will be published on the administering authority websites and employers will be notified of where to access the FSS online. It will also be included in the Pension Fund Annual report.

Recommendation

That the Committee approves the Funding Strategy Statement.

Contact Officer

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