



PENSIONS COMMITTEE

28 MARCH 2017

Subject Heading:

CLT Lead:

Report Author and contact details:

Policy context:

Financial summary:

FUNDING STRATEGY STATEMENT

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Administration Authority must prepare, maintain & publish a statement setting out their Funding Strategy in accordance with regulations

None directly

The subject matter of this report deals with the following Council Objectives

Havering will be clean and its environment will be cared for
People will be safe, in their homes and in the community
Residents will be proud to live in Havering

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SUMMARY

The Funding Strategy Statement (FSS) is a Statement that has been prepared in accordance with Regulation 58(4) (a) of the Local Government Pension Scheme Regulations 2013 (as amended).

The Statement sets out the objectives of the London Borough of Havering's strategy, in its capacity as Administering Authority, for the funding of the London Borough of Havering Pension Fund.

The FSS applies to all employers participating in the Fund.

RECOMMENDATIONS

That the Committee:

1. Agree the Funding Strategy Statement.

REPORT DETAIL

1. **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 2012¹ 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 statement of investment principles published by the administering authority under regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009(a).*

¹ As amended by updated CIPFA guidance

2. Funding Strategy Statement

- 2.1 The **DRAFT Funding Strategy Statement** is attached as **Appendix A** and will be effective from **1 April 2017. This will be the second version of the FSS since the publication of the 2013 LGPS regulations.**
- 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, updated from 2004 in 2012 and later replaced with the 2016 version titled "Preparing and Maintaining a funding strategy statement".
- 2.3 Key points that the CIPFA guidance states should be addressed are:
- a) *After consultation with all relevant interested parties involved with the fund – for example, local authority employers, admitted bodies, scheduled/resolution bodies – the administering authority will prepare and publish its funding strategy.*
 - b) *In preparing the FSS, the administering authority must have regard to:*
 - i. this guidance*
 - ii. its statement of investment principles or investment strategy statement, whichever is appropriate.*
 - c) *The FSS must be revised and published whenever there is a material change in either the policy on the matters set out in the FSS, statement of investment principles or investment strategy statement.*
 - d) *The revised FSS should be completed and approved by the pensions committee (or equivalent) prior to the completion of each valuation.*
 - e) *Each fund actuary must have regard to the FSS as part of the fund valuation process.*
- 2.4 CIPFA guidance states that the FSS should have regard to the following key subjects that should be included, shown in italics and against these references are included to where these can be found within the Fund's FSS:
- a) *purpose of the FSS in policy terms* (covered throughout the FSS but can be found mainly within in Section 1 & Appendix A)
 - b) *aims and purpose of the pension fund* (covered throughout the FSS but mainly within Section 2 and Appendix A & D)

- c) *responsibilities of the key parties* (can be found within Appendix B of the FSS)
- d) *solvency issues, target funding levels and long-term cost efficiency* (covered throughout the FSS but mainly covered within Sections 3,5 and Appendix E)
- e) *links to investment policy set out in the statement of investment principles (SIP) or investment strategy statement (ISS)*(can be found within Section 4 of the FSS)
- f) *identification of risks and countermeasures* (can be found within Appendix C of the FSS).

2.5 The FSS is reviewed in detail at least every three years as part of the triennial valuation. This statement was reviewed during the revaluation process which commenced on the 31 March 2016. The Valuation results will be published by 31 March 2017.

2.6 In line with paragraph 58 (1) LGPS Regulations 2013 the Adminstrating Authority has consulted with all its participating employers in the Fund and all responses should be considered by the administrating authority. The DRAFT version of the Funding Strategy Statement was distributed to all participating employers in the fund on the **20 December 2016** for comments. Closing date for the consultation was the **10 February 2017**.

2.7 No comments were received from the other employers in the fund.

2.8 Following agreement by the Committee the FSS will be updated where required and published on the Council's website.

IMPLICATIONS AND RISKS

Financial implications and risks:

There are no financial implications arising directly, however the objective of the Fund's strategy is to ensure the long term solvency of the Fund. This will ensure that sufficient funds are available to meet all members'/dependents' benefits as they fall due for payment.

Legal implications and risks:

None arise from this report.

Human Resources implications and risks:

None arise from this report.

Equalities implications and risks:

None arise from this report.

BACKGROUND PAPERS

Background Papers List

DRAFT Funding Strategy Statement (February 2017)