



PENSIONS COMMITTEE

Subject Heading:

FUNDING STRATEGY STATEMENT -
UPDATE

SLT Lead:

JANE WEST

Report Author and contact details:

Debbie Ford
Pension Fund Manager (Finance)
01708432569
Debbie.ford@onesource.co.uk

Policy context:

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

Financial summary:

None directly

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

Communities making Havering	[x]
Places making Havering	[x]
Opportunities making Havering	[x]
Connections making Havering	[x]

SUMMARY

The Funding Strategy 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 Statement has been updated to reflect changes made under the LGPS (Amendment) Regulations 2018 that took effect from the 14 May 2018.

RECOMMENDATIONS

That the Committee:

- Agree the Funding Strategy Statement be updated to reflect regulation changes as shown in **Appendix A** attached.

REPORT DETAIL

1. The Funding Strategy Statement (FSS) is a Statement that has been prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations (LGPS) 2013 (as amended) and updated to reflect a change made in the LGPS (Amendment) Regulations 2018 which came into effect on the 14th May 2018.
2. The new regulations introduced 'exit payments' for the Fund to employers who leave the Fund and are assessed as being in surplus by the actuary. Previously, employers who were in deficit when they left the Fund had to make a termination payment, any surplus was retained by the Fund. The FSS now needs to be updated to meet these new regulations. The changes made can be seen in the tracked changes version attached as Appendix A, prepared by the Funds Actuary (Hymans) but also set out where indicated in **bold** below:
3. **Changes made to the FSS:**
4. (a) **Current wording - Page 17:** On cessation, the Administering Authority will instruct the Fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus. Where there is a deficit, payment of this amount in full would normally be sought from the Admission Body; where there is a surplus it should be noted that current legislation does not permit a refund payment to the Admission Body.

(b) **Changed to:** On cessation, the Administering Authority will instruct the Fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus. Where there is a deficit, payment of this amount in full would normally be sought from the Admission Body, where there is a surplus, ***an exit credit will be paid to the Admission Body within three months of the cessation date (or another date agreed between the Administering Authority and the Admission Body).***
5. (a) **Current wording - Page 18:** All Transferee Admitted Bodies (TABs) would have a cessation valuation carried out at the normal end of the contract period. Any sums due to the Fund to meet shortfalls at this time would require immediate payment. These sums may be subject to a 'pass-

through' arrangement with the Scheme employer but may not be covered by a bond, indemnity or guarantee.

(b) Changed to: All TABs would have a cessation valuation carried out at the normal end of the contract period. Any sums due to the Fund to meet shortfalls at this time would require immediate payment. ***Any exit credit as a result of a surplus on cessation would be paid to the TAB within 3 months (or another date agreed by the Administering Authority and the TAB).*** These sums may be subject to a 'risk sharing' arrangement with the Scheme employer, **a bond, an indemnity or other type of guarantee.**

6. **(a) Current wording - Page 21:** In general an employer ceasing in the Fund, due to the departure of the last active member, will pay a cessation debt on an appropriate basis.

(b) Changed to: In general, an employer ceasing in the Fund due to the departure of the last active member, will pay a cessation debt **or receive an exit credit** on an appropriate basis.

7. **(a) Current wording – Page 21:** In exceptional circumstances the Fund may permit an employer with no remaining active members to continue contributing to the Fund.

(b) Changed to: In exceptional circumstances, the Fund may permit an employer with no remaining active members and **a cessation deficit** to continue contributing to the Fund.

8. **(a) Current wording – Page 43:** At the natural end of a contract or when the last active member of an Employer retires, a cessation valuation is carried out to determine the final contribution due from the Employer. The final contribution due may be subject to a "risk sharing" arrangement with the scheme employer.

(b) Changed to: At the natural end of a contract or when the last active member of an Employer leaves active service, a cessation valuation is carried out to determine the final contribution due **or exit credit** to be paid to the Employer. The final contribution or exit credit may be subject to a 'pass-through' arrangement with the scheme employer.

9. Any references to the Department of Communities & Local Government (DCLG) has been changed to the Minister for Housing, Communities and Local Government (MCHLG) to reflect the change in the name of the Government Department.

10. Regulation 58(3) of the LGPS Regulations 2013 (as amended) states that following a material change in its policy the authority should consult with such persons it considers appropriate. In conjunction with the Funds actuary it has been determined that the updates are not material and that there were no persons it was appropriate to consult for such minor changes. The FSS

is reviewed in detail at least every three years as part of the triennial valuation and this statement will next be reviewed and consulted upon as part of the March 2019 valuation process.

11. 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.

There is a risk that for those Admitted Bodies who joined the fund before the new regulations were introduced that an exit credit payment may be payable in the near future. Officers will liaise with the Fund's Actuary to determine the level of risk of this likelihood and what mitigations can be implemented.

Legal implications and risks:

The changes made to the FSS ensure compliance with the amended Regulation 64 of the LGPS Regulations 2013 .brought into force on 14 May 2018.

No consultation has been deemed necessary as the changes are not considered to be material.

Human Resources implications and risks:

None arise from this report.

Equalities implications and risks:

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have due regard to:

- i. the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- ii. the need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- iii. foster good relations between those who have protected characteristics and those who do not.

Pensions Committee, 13 November 2018

Note: 'Protected characteristics' are: age, sex, race, disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment/identity.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants

BACKGROUND PAPERS

None.