



PENSIONS COMMITTEE

10 DECEMBER 2019

Subject Heading:

FUNDING STRATEGY STATEMENT

CLT 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 (FSS) is a Statement of the Funds approach to funding its liabilities, focusing on how employer liabilities are measured, the pace at which these liabilities are funded and how employers pay for their own liabilities.

The FSS applies to **all** employers participating in the Fund.

RECOMMENDATIONS

That the Committee:

1. Agree the assumptions used by the Actuary to calculate employer contribution rates (Appendix E within Appendix 1), and
2. Agree the draft Funding Strategy Statement (Appendix 1) (subject to the outcome of consultation with employers).
3. In the event that there are any responses to the consultation by employers that the Chair and the Statutory Section 151 officer be authorised to consider these and approve the final version of the Funding Strategy Statement, making amendments if required.

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 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 current version of the investment strategy under regulation 7 (investment strategy statement) of the Local Government Pension

Scheme (Management and Investment of Funds) Regulations 2016.

2. Funding Strategy Statement

- 2.1 The **DRAFT Funding Strategy Statement** is attached as **Appendix 1** and 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 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 and later updated in November 2018 (to reflect a change in legislation in respect of exit credits), the main changes to the current version have been set out below:
- a. approach the fund has taken with regard to the McCloud court case (section 2.7 and 3.3 refers),
 - b. 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. actuarial assumptions used to calculate employers contribution rates– this section has been expanded to include more detail (Appendix E refers).

3 .Consultation and publication

- 3.1 In line with regulations the administering authority will consult 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 on the 19 November 2019 for comments. Deadline for responses is 20 December 2019.

- 3.2 All responses will be considered but ultimately, responsibility for finalisation and publication of the FSS lies with the administering authority. If after consideration of responses and no changes are made, then the draft as submitted with this report will be accepted as the final version and published accordingly.
- 3.3 If as a result of the consultation changes are required, the Committee is asked to delegate to the Chair and the Statutory Section 151 officer to approve the final version of the Funding Strategy Statement.
- 3.4 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.

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:

The requirements of a fair consultation include that the consultation proceeds at a formative stage before final decisions have been taken, that consultees are given sufficient time and information in order to comment meaningfully, and that any responses are conscientiously taken into consideration before a final decision is made.

These principles appear to have been applied so long as the final decision makers take the consultation responses into account before finalising the Funding Strategy Statement.

Human Resources implications and risks:

None arise directly from this report.

Equalities implications and risks:

Pensions Committee, 10 December 2019

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.

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.

An EIA is not considered necessary regarding this matter as the protected groups are not directly or indirectly affected

BACKGROUND PAPERS

Background Papers List

None