

Item no 5 on Agenda

PENSIONS COMMITTEE – 16 DECEMBER 2022

Report of the Deputy Chief Executive & Director for Corporate Services

Actuarial Valuation 2022 – Draft Funding Strategy Statement (FSS)

Recommendations of the Chair

1. That the Pensions Committee note the content of the presentation from Hymans Robertson, attached at Appendix 2, outlining the results of the Actuarial Valuation of the Fund at 31 March 2022, and its impact on the contribution levels for the different groups of Employers in the Fund.
2. That the Pensions Committee note the draft Funding Strategy Statement (FSS), attached as Appendix 3, and the revisions to the format and content of the FSS, outlined in this report and referred to by Hymans Robertson in their presentation.
3. That subject to there being no significant comments received, as part of the consultation with stakeholders, the Final version of the FSS be signed off by the Deputy Chief Executive & Director of Corporate Services, in consultation with the Chair. Should there be any significant changes required, these will be presented to the Pensions Committee for approval, at their meeting in March 2023.

Background

4. All Local Government Pension Scheme (LGPS) Funds are required to prepare an FSS which must be formulated, maintained, and published in accordance with the Public Service Pensions Act 2013, The FSS must be kept under review and revised from time to time and at least every three years. The FSS must be issued for consultation during each triennial Actuarial Valuation and the Pensions Committee must also formally approve the FSS as part of the valuation process.
5. In preparing maintaining and reviewing the FSS, the administering authority must have regard to the statutory guidance published by CIPFA; the latest guidance for the FSS was published in September 2016.

Funding Strategy Statement (FSS)

6. The FSS governs how employer liabilities are measured, the pace at which these liabilities are funded and how employers, or pools of employers, pay for their own liabilities. Whilst the current FSS was reviewed as part of the 2019 Actuarial Valuation and was approved by the Pensions Committee at its meeting on 27 September 2019, there have been minor changes to the FSS since. The latest version was updated mid-valuation in February 2021.

7. As required by Regulation, a full review of the current FSS has been undertaken as part of the 2022 Actuarial Valuation. As well as a more general review, the opportunity to make some changes recommended by the Actuary has also been taken. These include a review of the structure and layout of the FSS and once published on the Fund's website, these will also improve accessibility and navigation for stakeholders.
8. Whilst there have been no significant changes to the funding strategy as part of the 2022 Actuarial Valuation of the Fund, the new draft FSS now includes separate and updated policies on:
 - Academy funding (*Appendix E of the draft FSS*);
 - Passthrough arrangements for Admission Bodies (*Appendix F of the draft FSS*); and
 - Cessations, including a revised 'risk-based' corridor approach where applicable (*Appendix H of the draft FSS*).
9. Other main changes to highlight include:
 - An increase in the time horizon allowed for Academies to reach full funding (*2.2 of the draft FSS*). This is now in line with that of local authorities and has changed from 15 years to 20-years;
 - Minor changes to the passthrough admissions process (*Appendix F of the draft FSS*); and
 - the fact that climate-related risks have been considered and documented when setting the funding strategy (*C3 of Appendix C of the draft FSS*).
10. The new draft FSS is available on the Pension Fund's website at:
<https://www.staffspf.org.uk/Employers/Latest-News/Latest-News.aspx>
and is now open for a period of consultation with all stakeholders and interested parties until 31 January 2023. Employers were advised of the revised FSS, when their results schedules were distributed but a reminder has been sent directly to all Employers with a further note to be included in the Employer Focus Newsletters for December and January 2023.
11. Subject to there being no significant comments received, the Committee is asked to approve that the final version of the FSS be signed off by the Deputy Chief Executive & Director of Corporate Services, in consultation with the Chair. Should there be any significant changes required, because of the consultation, these will be presented to the Pensions Committee for approval, at their meeting in March 2023, before the final FSS is published.
12. In line with best practice, once the FSS has been approved and published, it will be maintained and updated periodically as Regulation and good governance dictates. The new format should make this significantly easier, and thanks go to Hymans Robertson for their assistance with this revision of the FSS and the reformatting.

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Background Documents:

Public Service Pensions Act 2013
The Local Government Pension Scheme (Management and Investment of Funds)
Regulations 2016

Appendix 1

Equalities implications: There are no direct equalities implications arising from this report.

Legal implications: The legal implications are considered in the body of his report.

Resource and Value for money implications: The direct cost of producing the FSS is relatively small; they are published only on the web site. The wider resource and value for money implications are included in the body of the FSS report.

Risk implications: The publication of an FSS is a requirement of the Local Government Pension Scheme Regulations.

Climate Change implications: There are no direct implications arising from this report.

Health impact assessment screening: There are no direct implications arising from this report.

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