

PENSIONS COMMITTEE – 22 MARCH 2024

Report of the Director of Finance

**ANNUAL REVIEW OF FUNDING STRATEGY STATEMENT (FSS) &
INVESTMENT STRATEGY STATEMENT (ISS)**

Recommendations of the Chair

1. That the Pensions Committee notes that following the full review of the Staffordshire Pension Fund's Funding Strategy Statement (FSS) in March 2023 and the further update in October 2023, which dealt with changes around Academy Guarantees, there are no further changes required as part of the annual review process.
2. That the Pensions Committee notes the recommendation of the Pensions Panel and approves the minor changes to the Staffordshire Pension Fund's Investment Strategy Statement (ISS) attached at Appendix 1.

Background

3. All Local Government Pension Scheme (LGPS) Funds are required to prepare, maintain, and publish FSS and ISS documents. The FSS must be formulated, maintained, and published in accordance with the Public Service Pension Act 2013, whilst the ISS must be formulated, maintained, and published in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. Both documents 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 and ISS as part of the triennial Actuarial Valuation process.
4. In preparing maintaining and reviewing both statements, the administering authority must have regard to guidance published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The latest guidance for both documents was published in September 2016.

Funding Strategy Statement (FSS)

5. The FSS governs how employer liabilities are measured, the pace at which these liabilities are funded and how employers, or pools of employers, are admitted to the Fund and pay for their own liabilities.
6. As required by Regulation, a full review of the FSS was undertaken as part of the 2022 Actuarial Valuation and this was approved by the Pensions Committee at their meeting on 31 March 2023. In line with best practice, the FSS was updated in November 2023 to reflect changes in the financial guarantee for Academies being provided by the Department for Education.

7. Whilst there are no further changes required following this annual review of the FSS, we understand that, ahead of the 2025 Actuarial Valuation, CIPFA are due to publish updated FSS guidance. The Fund will review the implications of this guidance, together with the Fund Actuary, as part of the preparation for the valuation.
8. The latest version of the FSS is available on the Fund's website [Staffordshire Pension Fund - Funding Strategy Statement \(staffspf.org.uk\)](https://staffspf.org.uk)

Investment Strategy Statement (ISS)

9. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 came into force in 2017 and under Regulation 7(6) and 7(7), the first ISS had to be published by 1 April 2017, kept under review, and revised from time to time and at least every three years.
10. The ISS documents how the investment strategy for the Fund is determined and implemented and is required to cover numerous areas, specifically:
 - The requirement to invest money across a wide range of investments;
 - An assessment of the suitability of particular investments and investment types;
 - The maximum percentage authorities deem should be allocated to different asset classes or types of investment;
 - The authority's attitude to risk, including the measurement and management of risk;
 - The authority's approach to investment pooling;
 - The authority's policy on social, environmental and corporate governance considerations; and
 - The authority's policy with regard to stewardship of assets, including the exercise of voting rights.
11. The last major review of the ISS was undertaken in 2023. This incorporated the outcome of the 2022 Strategic Asset Allocation review and the assumptions and outputs from the 2022 Actuarial Valuation. The annual review of the ISS has resulted in a few minor revisions, which reflect the progress made in the implementation of the Fund's 2022 Strategic Asset Allocation and the recommendations on such approved by the Pensions Panel over the past 12 months. Predominantly this has affected benchmark changes in Appendix A and Appendix B of the ISS; the latest version of which is attached at Appendix 1.
12. Following on from the Department for Levelling Up, Housing and Communities (DLUHC) response to their formal consultation - Local Government Pension Scheme (England and Wales): Next steps on investments, which was published in November 2023, we are also expecting to see revised guidance from CIPFA on the ISS. Once published, this will be reviewed and suitable amendments to the ISS will be made, or additional information incorporated.

13. Under Regulation 7(5), the authority must consult such persons as it considers appropriate as to the proposed contents of its ISS. Although the revisions to the ISS in 2024 are relatively minor, the Fund has consulted with its Investment Consultant – Hymans Robertson.
14. A full review of the ISS will be undertaken in 2026 at which point a wider consultation may be considered appropriate.

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Background Documents:

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

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 triennial Actuarial Valuation is a significant cost to the Pension Fund but is a legal requirement. The direct cost of producing the FSS and ISS 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 reports.

Risk implications: The publication of these documents is a requirement under Regulation.

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.