

# **Pension Fund Investment Sub-Committee**

## **Funding Strategy Statement**

14 June 2021

### **Recommendation(s)**

1. The Pension Fund Investment Sub-committee notes and comments on the report.

### **1. Executive Summary**

- 1.1 Following an amendment to the Local Government Pension Scheme Regulations, a review was undertaken of the Funding Strategy Statement and subsequent amendments are recommended which will provide additional flexibilities to manage the financial impact of certain pension fund issues on employers such as flexibilities in the making of exit payments and the facility to amend contribution in between valuations.
- 1.2 The new flexibilities become options for employers, but the Fund retains discretion over their use in any given case and the Fund will consider the risks and benefits in determining their use on a case by case basis.

### **2. Financial Implications**

- 2.1 The review of employer contributions allows the Fund to manage and mitigate risk for an employer which has experienced a significant change to their liabilities or covenant. Whilst the spreading of exit payments and deferred debt arrangements for exiting employers enables the Fund and the employer to manage a cessation payment.

### **3. Environmental Implications**

- 3.1 None.

### **4. Supporting Information**

- 4.1 The Funding Strategy Statement has been amended to reflect changes to the Local Government Pension Scheme Regulations. Briefly, these amendments (highlighted in yellow in Appendix 1, note j; pages 17, 18, 19 and 20) are:
  - The amended regulations enable the administering authority to enter into a deferred debt arrangement with an employer that is leaving the Pension Fund.
  - The amended regulations enable an administering authority to spread payment of an exit credit for an employer leaving the Pension Fund. This may be of use where the administering authority does not consider that

granting deferred employer status is in the interests of the Fund or other Scheme Employers.

- 4.2 The ability for an employer to apply to the administering authority for a review of the contribution rate part way through the valuation cycle is also permitted by the amending regulations to cover the following situations: (highlighted in Appendix 1, note f; pages 14 and 15)
- Where it appears likely to the administering authority that the Scheme Employer's liabilities have changed significantly since the previous valuation,
  - Where it appears likely to the administering authority that there has been a significant change in a Scheme Employer's ability to meet their statutory obligations (e.g. payment of employer contributions), or
  - Where a Scheme Employer has requested a review and undertaken to meet the costs of that review.
- 4.3 There is no requirement on an administering authority to use any of the new powers. The amendment regulations require that an authority may do so only where it has set out its policy in its Funding Strategy Statement. This is to ensure transparency.
- 4.4 A review of policies impacted by the amendment to the regulations is underway.
- 4.5 The revised Funding Strategy Statement has been commented upon by Hymans Robertson, the Fund's actuary, the Local Pension Board and has been circulated to all Scheme Employers as part of the consultation process.

## 5. Timescales associated with the decision and next steps

- 5.1 Subject to approval, following this meeting the Funding Strategy Statement will be adopted and uploaded to the Pension Fund's website.

## Appendices

1. Appendix 1 The Funding Strategy Statement (amended June 2021).

## Background Papers

1. Background paper 1 None

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The report was circulated to the following members prior to publication:

Local Member(s):

Other members: