

# **Pension Fund Investment Sub-Committee**

**6 March 2023**

## **Funding Strategy Statement and Valuation**

### **Recommendation**

That the Pension Fund Investment Sub Committee approves the final version of the Funding Strategy Statement, attached as Appendix 1.

### **1. Executive Summary**

- 1.1 It is a requirement for local authority pension funds to carry out a valuation. The purpose of the valuation is to review the financial position of the Fund and to set employer contribution rates and is effectively the Fund's triennial budgeting exercise.
- 1.2 The actuary (Hymans Robertson) estimates the amount of assets that will be required to meet the benefit payments owed to members as they fall due. Separate calculations are carried out to identify the expected cost of members' benefits in respect of scheme membership completed before the valuation date (past service) and that which is expected to be calculated after the valuation date (future service).
- 1.3 A funding ratio is calculated by the actuary which compares the value of the assets and the past service liabilities at the date of the valuation. This ratio provides a check against the aim of meeting the longer-term funding level target.
- 1.4 The purpose of the Funding Strategy Statement, as set out by the Department for Communities and Local Government in 2003, is to 'establish a clear and transparent fund-specific funding strategy which will identify how employers' pension liabilities are best met going forward.' This can only be determined following the conclusion of the valuation itself.
- 1.5 Together with the release of the Draft Rates and Adjustment certificates to all fund employers, a consultation was held with all the Fund's Stakeholders to ask for their thoughts and feedback on the Fund Strategy Statement.
- 1.6 There was only one point raised during this consultation period, by an Academy Trust regarding the assumptions and mechanisms for dealing with pass-through arrangements. Pass-through arrangements can be used when a scheme employer outsources a service.

- 1.7 A pass-through allows the contractor providing the service for the Trust, to pay contributions at the same rate as the Trust, therefore a bespoke rate is not required. However, Funds can have a different approach as to how the pass-through rate is calculated. For Trusts, this can be difficult to administer when a Trust has schools in more than one Fund.
- 1.8 Funds generally use a consistent approach to calculate rates but will have different 'local' factors to take account of and differing appetites to risk when looking at what assumptions can be used.
- 1.9 The Funding Strategy Statement is attached at Appendix 1 and will be introduced and explained by Hymans Robertson (the Fund's advisors) within their presentation to the meeting.
- 1.10 The Pension Fund Investment Sub-Committee is requested to approve the Funding Strategy Statement.

## **2. Financial Implications**

- 2.1 The fund has an investment strategy and funding strategy specifically designed to sustainably manage the financial position of the Fund to ensure a high probability of the Fund being able to pay future pension liabilities for Members.

## **3. Environmental Implications**

- 3.1 None

## **4. Supporting Information**

- 4.1 None

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

- 5.1 None

## **Appendices**

1. Appendix 1 Funding Strategy Statement

	<b>Name</b>	<b>Contact Information</b>
Report Author	Victoria Moffett, Chris Norton	victoriamoffett@warwickshire.gov.uk, chrisnorton@warwickshire.gov.uk
Assistant Director	Andrew Felton, Assistant Director – Finance	andrewfelton@warwickshire.gov.uk
Strategic Director	Rob Powell, Strategic Director for Resources	robpowell@warwickshire.gov.uk
Portfolio Holder	Councillor Peter Butlin, Portfolio Holder for Finance and Property	peterbutlin@warwickshire.gov.uk

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

Local Member(s): not applicable

Other members: Cllrs Kettle and Gifford