

# Pension Fund Investment Sub-Committee Funding Strategy Statement

8 June 2020

## **1. Recommendation(s)**

- 1.1 That the Sub-Committee approves the amended Funding Strategy Statement (FSS) as attached at Appendix 1.

## **2. Executive Summary**

- 2.1 The Funding Strategy Statement (FSS) focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers pay for their own liabilities.
- 2.2 Following an amendment to the Local Government Pension Scheme Regulations, the FSS (approved by the Sub-Committee at its meeting of 12 March 2020) requires amendment.
- 2.3 The regulations introduce discretions as to how a local authority pension fund will determine if an exit credit is due to a scheme employer leaving the Fund. Section 3.3 note j (pages 17 -19 Appendix 1) of the FSS has been revised to reflect the change to the Regulations.

## **3. Financial Implications**

- 3.1 The Funding Strategy Statement assists in ensuring the long-term financial viability of the pension scheme whilst also seeking to minimise the financial impact on individual employers.
- 3.2 The amendment seeks to ensure that an exiting employer does not make a profit from their membership of the pension fund.

## **4. Environmental Implications**

- 4.1 None

## **5. Supporting Information**

- 5.1 The Local Government Pension Scheme (Amendment) Regulations 2020 (the regulations), came into force on 20 March 2020 and were retrospective to 14 May 2018.
- 5.2 The regulations specifically refer to exit credits which may arise when a scheme employer exits a local authority pension fund. An exit credit may arise where, following an assessment by the Fund's Actuary, the assets attributed to the exiting employer exceed the liability retained by the Fund to meet any future pension liabilities.
- 5.3 The regulations were issued following a period of consultation on wider amendments and it is anticipated that further amending regulations will be issued in future regarding the introduction of Fair Deal (to replace the existing Directions Order) for LGPS members TUPE'd and in respect of whether Colleges of FE and Sixth Form colleges have to offer membership of the LGPS.
- 5.4 The regulations introduce discretions as to how a local authority pension fund will determine if an exit credit is due to a scheme employer leaving the Fund.
- 5.5 The Fund's Admissions and Termination Policy has been revised to show how this discretion will be exercised. Briefly:
  - No exit credit will be paid to an admission body which joined the Fund before 14 May 2018 or where the agreement was rolled over / extended on the same terms which applied on joining the Fund.
  - No exit credit will be paid where the admission body participates in the Fund by way of a pass-through arrangement.
  - The Fund will pay an exit credit in line with contractual or risk sharing arrangements which specifically cover the ownership of exit credits or surpluses.
  - An exit credit will not normally be paid to an exiting scheduled (e.g. an academy) or resolution body (e.g. a parish council). An exit credit could possibly arise for a schedule body if, for example, an academy closed and the assets and liabilities were not transferred to another academy or multiple academy trust (which generally happens) or for a parish council if the council chose to leave the pooling arrangement and exited because it no longer had active members.

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

- 6.1 Following approval by the Sub-Committee the amended FSS will be shared with all employers via the Fund's website.

## **Appendices**

Appendix 1 - Funding Strategy Statement (as amended)

## Background Papers

None.

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