

	<b>Pensions Fund Sub-Committee</b> 05 October 2022
	<b>Report from the Corporate Director  Finance and Resources</b>
<b>2022 Valuation - Funding Strategy Statement Update</b>	

<b>Wards Affected:</b>	ALL
<b>Key or Non-Key Decision:</b>	Non-Key
<b>Open or Part/Fully Exempt:</b> (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	OPEN
<b>No. of Appendices:</b>	Two <ul style="list-style-type: none"> <li>• 1 - Funding Strategy Statement (FSS) – Hymans Robertson update 15 Sep 2022</li> <li>• 2 - Current Funding Strategy Statement</li> </ul>
<b>Background Papers:</b>	<ul style="list-style-type: none"> <li>▪ N/A</li> </ul>
<b>Contact Officer(s):</b> (Name, Title, Contact Details)	Minesh Patel, Corporate Director Finance and Resources Ravinder Jassar, Deputy Director of Finance Flora Osiyemi, Head of Finance Sawan Shah, Senior Finance Analyst

## 1.0 Purpose of the Report

1.1 This report provides an update from the Fund Actuary to highlight the key changes being considered for the 2022 Funding Strategy Statement (FSS) review.

## 2.0 Recommendation(s)

2.1 The Committee is asked to note the key changes for the 2022 Funding Strategy Statement (FSS), that the draft FSS will be consulted with employers as required by LGPS Regulations, and that the FSS will come back to the committee in February 2023 for formal ratification.

## 3.0 Detail

3.1 Every three years, a formal valuation of the whole Fund is carried out under Regulation 62 (1) of LGPS Regulations 2013 to assess and examine the ongoing financial position of the Fund.

3.2 Its purpose is to:

- Compare actual experience against assumptions made at the last valuation;
- Value the assets and liabilities of each individual employer and the pension fund as a whole using data from the Fund's administration system and financial records;
- Set employer contribution rates, including for the Council, for the next 3 years (1 April 2023 to 31 March 2026);
- Review the Funding Strategy Statement (FSS);
- Perform a health check on the Fund's solvency.

3.3 The key governance document for the valuation is the Fund's Funding Strategy Statement (FSS). The FSS sets out the underlying assumptions and principles that are adopted when valuing the Fund's liabilities and setting contribution rates. The FSS also addresses the fact that different employers within the fund have different objectives and it includes deficit recovery periods for different employers. The FSS is normally reviewed during the valuation process in consultation with the Fund actuary and employers.

3.4 Attached in Appendix 1, is an update from the Fund Actuary to highlight the key changes being considered for the 2022 FSS review. These include:

- A review of the structure of the document. The existing single document will be replaced with a 'core' document and 'satellite' policies.
- A review of funding assumptions for the 2022 valuation.
- A summary of work undertaken relating to climate risk.
- To update the FSS in relation to new regulations relating to employer flexibilities and exit credits.

3.5 The existing FSS is attached in Appendix 2 for reference.

3.6 The draft FSS will be produced by the Fund actuary in the coming weeks. In line with LGPS regulations, the FSS will be subject to formal consultation with employers. This is currently scheduled for autumn 2022. The final version of the FSS will be presented to the Sub-committee at the February 2023 meeting for approval and will incorporate any amendments from comments received during the consultation period.

#### **4.0 Financial Implications**

4.1 There are no direct financial implications arising from this report. The Fund is required to produce an FSS which sets out the underlying assumptions and principles that are adopted when valuing the Fund's liabilities and setting

contribution rates. Appropriate contribution rates by the various employers are necessary for the Pension Fund to improve its funding level.

## **5.0 Legal Implications**

5.1 Not applicable.

## **6.0 Equality Implications**

6.1 Not applicable.

## **7.0 Consultation with Ward Members and Stakeholders**

7.1 Not applicable.

## **8.0 Human Resources**

8.1 Not applicable.

**Report sign off:**

***Minesh Patel***

Corporate Director Finance and  
Resources