
FUNDING STRATEGY STATEMENT

Report by Executive Director Finance & Regulatory

JOINT MEETING OF PENSION FUND COMMITTEE AND PENSION BOARD

04 March 2021

1 PURPOSE AND SUMMARY

- 1.1 This report proposes the revised Funding Strategy Statement following the completion of the 2020 Triennial Valuation.**
- 1.2 The Pension Fund is required by the Local Government Pension Scheme Regulations to have an up-to-date Funding Strategy Statement (FSS). The 2020 Triennial Valuation of the Fund has triggered a review and revision of the existing document.
- 1.3 The review of the FSS has been undertaken in collaboration with Hymans Robertson the Funds' Actuary and active employers within the Fund have been consulted.
- 1.4 The revised FSS, shown in Appendix, 1 has been developed to be transparent and to clearly set out the objectives of the Fund, the methodology used in the valuations and the key policies of the Fund in a number of areas.
- 1.5 Within the 2020-21 Business Plan it was agreed that there should be a cessation policy developed. Based on advice from the Fund Actuary it was determined that it is more appropriate that this be included within the FSS and this has now been incorporated in the revised version submitted for Committee Approval.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Committee approve the Funding Strategy Statement contained in Appendix 1.**

3 BACKGROUND

- 3.1 It is a requirement of the Local Government Pension Scheme (Scotland) Regulations 2014 that the Pension Fund maintains a Funding Strategy Statement (FSS) and keeps this under review. The FSS must be reviewed and approved prior to the completion of each valuation.
- 3.2 Guidance issued by CIPFA on preparing and maintain an FSS sets out the key elements to be included and the requirement to consult with appropriate parties.
- 3.2 The FSS provides the context for communication on funding, employer contribution rates and funding risks with scheme employers and other Pension Fund stakeholders. Additionally, the FSS provides employers with an understanding of their obligations to the Fund.
- 3.3 The FSS is required to provide sufficient detail on how the funding strategy and associated funding risks are managed in respect of the main categories of employer and other stakeholders.

4 FUNDING STRATEGY STATEMENT

- 4.1 Appendix 1 contains the revised Funding Strategy Statement (FSS).
- 4.2 As part of the 2020 triennial valuation the Fund, in collaboration with Hymans Robertson the Funds Actuary, and in consultation with the Fund's active employers, a review has been undertaken of the FSS approved at the joint meeting held on 22 June 2020.
- 4.3 The review of the Strategy has resulted in a more detailed and transparent content which fully adheres to the CIPFA guidance. Key areas which have been included or expanded upon from the previous strategy are as follows:
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1.4	How does the Fund and FSS affect me? – new section to aid readers understanding on how the contents of the FSS relate to them.
2.1	How does the actuary calculate the required contribution rate? – increased content along with a detailed appendix to provide a clear and full explanation of the methodology used in the calculation of the employer contribution rates.
2.3	What different types of employer participate in the Fund? – new section describing the different admission types of employers.
2.4	How does the calculated contributions rate vary for different employers? – new section which details considerations used in the calculation of contribution rates.
2.5	How is a funding level calculated? – revised explanation of how the funding level is calculated.
2.7	What approach has the Fund taken to dealing with uncertainty arising from the McCloud Court case.....? – new section to explain the approach taken in the valuation to allow for the potential impact on the LGPS Funds as a result of the McCloud case. An allowance has been included in the Fund's

	liabilities, as per the instructions from SPPA.
2.8	What approach has the Fund taken to dealing with uncertainty arising from the Goodwin case? – new section highlighting the Goodwin case and that no allowance has been included in the valuation. No allowance has been included in the Fund’s liabilities as impact is expected to be small and more of an administrative burden.
2.9	What approach has the Fund taken to dealing with uncertainty arising from the paused Cost Cap mechanism.....? – new section highlighting the risk to the Fund from the Cost Cap and the steps taken by the Fund in the valuation and setting of employer contribution rates. No explicit allowance has been included, however, there is a minimum 0.5% increase prior to 31 March 2024 on employer contribution rate.
2.10	When will the next actuarial valuation be? – new section highlighting the consultation on the future valuation cycle and including the right of the Fund to review contributions if the intervaluation period is extended.
3	Calculating contributions for individual Employers – new section detailing the considerations included in the calculation of individual employers rates and setting out the rights of the Administrating Authority and individual employer in the setting of contribution rates.
3.3 (note g)	New Admission Bodies – new section setting out the requirements of any new body requesting admittance to the Fund. Individual admission agreements will still be required in accordance with the Funds Admission Policy.
3.3 (note h)	Admission Bodies Ceasing – increased detail setting out the Funds policy on the calculation of cessation valuations. This section fulfils the action outlined within the Business Plan for 2020-21 to create a Cessation Policy.
3.7	Ill health early retirement costs – new section which requires employers to fund any strain costs resulting from ill health early retirement where it exceeds the allowance in previous valuation. This will be monitored by the Pensions Administration Team for any breach of the allowance.
3.8	Employers with no remaining active members – new section detailing the Funds approach.
3.9	Policies on bulk transfers – new section detailing the Funds approach.

5 IMPLICATIONS

5.1 Financial

There are no direct financial implications of this report. Any substantive changes arising from future actuarial valuations and revisions to funding objectives and/or strategies could potentially have an impact on employers contribution rates.

5.2 Risk and Mitigations

This report is part of the governance framework to manage the operation of the Pension Fund and reflects the compliance with the best practice recommendations. Risks are managed in line with the Corporate Risk Management framework, with risks and controls monitored and reported on a quarterly basis.

5.3 Integrated Impact Assessment

There is no impact or relevance to Equality Duty or the Fairer Scotland Duty for this report. This is a routine good governance required under the Local Government Pension Scheme (Governance) (Scotland) Regulations 2014. Nevertheless, a light touch assessment has been conducted and this will be published on SBC's Equality and Diversity Pages of the website as in doing so, signifies that equality, diversity and socio-economic factors have duly been considered when preparing this report.

5.4 Acting Sustainably

There are no direct economic, social or environmental issues with this report which would affect the Council's sustainability policy.

5.5 Carbon Management

There are no direct carbon emissions impacts as a result of this report.

5.6 Rural Proofing

It is anticipated there will be no adverse impact on the rural area from the proposals contained in this report.

5.7 Changes to Scheme of Administration or Scheme of Delegation

There are not changes to the Scheme of Administration or the Scheme of Delegation required as a result of this report.

6 CONSULTATION

6.1 The Monitoring Officer/Chief Legal Officer, the Chief Officer Audit and Risk, the Service Director HR & Communications, the Clerk to the Council and Corporate Communications have been consulted and any comments received have been incorporated into the final report.

6.2 As part of the development of the FSS all active employers of the Fund have been consulted on the draft FSS and comments have been considered in the finalisation of the FSS.

Approved by

David Robertson

Executive Director Finance & Regulatory

Signature

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Background Papers: Funding Strategy Statement & Statement of Investment Principles 2020

Previous Minute Reference: Joint Pension Fund Committee & Pension Fund Board 22 June 2020

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. The Pension & Investment Team can also give information on other language translations as well as providing additional copies.

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