

FUNDING STRATEGY STATEMENT

Report by Director Finance and Procurement

JOINT MEETING OF PENSION FUND COMMITTEE AND PENSION BOARD

4 March 2024

1 PURPOSE AND SUMMARY

- 1.1 **This report proposes the adoption of the revised Funding Strategy Statement, along with the introduction of the Contribution Review Policy and Cessations Policy, following the completion of the 2023 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 2023 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, resulting in a change in the structure of the FSS and the creation of the Contribution Review Policy and the Cessations Policy as separate supporting documents, which will assist with reviewing these going forward as discrete policies.
- 1.4 All active employers within the Fund have been consulted on the proposed changes within the FSS and creation of the additional policies. Feedback received has been considered in conjunction with the Fund Actuary and updates made where appropriate.
- 1.5 The revised FSS, shown in **Appendix 1**, the new Contribution Review Policy, shown in **Appendix 2**, and the new Cessations Policy, shown in **Appendix 3**, have 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.

2 RECOMMENDATIONS

2.1 It is recommended that the Pension Fund Committee approve: -

- (a) The Funding Strategy Statement;**
- (b) The Contribution Review Policy;**
- (c) The Cessations Policy.**

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 triennial 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.
- 3.3 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.
- 3.4 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.
- 3.5 As part of the previous triennial valuation, which concluded in March 2021, the FSS was reviewed to incorporate the Cessation Policy as a sub section within FSS.

4 FUNDING STRATEGY STATEMENT

- 4.1 **Appendix 1** contains the revised Funding Strategy Statement (FSS).
- 4.2 The review of the FSS has been undertaken in collaboration with Hymans Robertson the Funds' Actuary, resulting in a change in the structure of the FSS and the creation of the Contribution Review Policy, contained in **Appendix 2**, and the Cessations Policy, contained in **Appendix 3**, as separate supporting documents, which will assist with reviewing these going forward as discrete policies.
- 4.3 All active employers within the Fund have been consulted on the proposed changes within the FSS and separation into the additional policies. Feedback received has been considered in conjunction with the Fund Actuary and where appropriate changes have been made within the FSS and associated policies.
- 4.4 The separation of the two policies from the FSS remain in compliance with the CIPFA guidance. The creation of the two separate policies allow these to be considered both collaboratively or independently to the FSS, making this more concise and easier for the Fund employers to navigate.

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 reporting framework to manage the operation of the Pension Fund and reflects the compliance with the best practice recommendations. Risks regarding the admission of any new employer organisation have been identified and form part of the considerations for admission to the Fund.

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 2018. 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 Sustainable Development Goals

There are no direct impacts from this report on the sustainable development goals of the Council.

5.5 Climate Change

There are no direct climate change 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 Data Protection Impact Statement

There are no personal data implications arising from the proposals contained in this report.

5.8 Changes to Scheme of Administration or Scheme of Delegation

No changes are required as a result of this report.

6 CONSULTATION

6.1 The Director (People Performance and Change), the Director (Corporate Governance), the Chief Officer Audit and Risk, the Clerk to the Council and Corporate Communications and any comments received will need to be incorporated into the final report.

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

Approved by

Name **Suzy Douglas** **Director Finance and Procurement**

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Background Papers:
Previous Minute Reference:

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