

LONDON BOROUGH OF CAMDEN	WARD: All
REPORT TITLE: Funding Strategy Statement	
REPORT OF: Executive Director Corporate Services	
FOR SUBMISSION TO: Pension Committee	DATE: 3 March 2020
SUMMARY OF REPORT: This report sets out revisions to the Funding Strategy Statement (FSS) which establishes how scheme employers in the Pension Fund are treated. It sets out how employer liabilities are measured, the pace at which these liabilities are funded and how employers or pools within the Fund pay for their liabilities.	
<p>Local Government Act 1972 – Access to Information No documents required to be listed were used in the preparation of this report.</p> <p>Contact Officer: Nigel Mascarenhas Head of Treasury and Financial Services Finance and Procurement Camley Street London. N1C 4DG</p> <p>Telephone: 0207 974 1904 Email: nigel.mascarenhas@camden.gov.uk</p>	
RECOMMENDATIONS: The Committee is requested to agree to the revised Funding Strategy Statement set out in Appendix A.	
Signed by Director of Finance Agreed	
Date20.02.2020	

1. INTRODUCTION

- 1.1 All Local Government Pension Scheme (LGPS) Funds are required to prepare, maintain and publish a Funding Strategy Statement (FSS) in accordance with the Public Service Pension Act 2013.
- 1.2 The FSS governs how employer liabilities are measured, the pace at which these liabilities are funded, and how employers, or pools of employers, pay for their own liabilities. It must be reviewed and issued for consultation during each triennial valuation.
- 1.3 In preparing, maintaining and reviewing the statement, the administering authority must have regard to guidance published by CIPFA. The latest guidance was published in September 2016.
- 1.4 The FSS is a useful document in two particular respects:

(a) The inputs it requires: the Fund's officers, Pension Committee and Pension Board need to go through discussions and governance processes, to be satisfied that the Fund will be collecting appropriate contributions from each and every employer. The FSS provides a helpful framework for capturing these discussions across all the necessary areas;

(b) The outputs it provides: the finalised FSS itself should be a clear and transparent reference point for all of the Fund's stakeholders. This will demonstrate to all that the Fund's contribution arrangements are robust, fair and consistent. It will also help in any future discussions with employers, perhaps where an approach is queried or questions are raised.

2. BACKGROUND

- 2.1 The FSS was last revised in December 2018 following the revision to 'trapped surpluses' which allowed employers exiting the fund to be refunded any surplus built up. The FSS is very useful when discussing how an employer should be treated in the Fund especially around valuation issues but also when a new employer is admitted and upon exit.
- 2.2 The attached FSS is set out in Appendix A and has been reviewed by the Fund's Actuary, Hymans Robertson. The only major changes are revisions for the McCloud judgement, an age discrimination court case that stemmed from when the government reformed public sector pensions in 2015, but offered "transitional protection" to some members of the judges' and firefighters' schemes. In December 2018, the Court of Appeal ruled that this amounted to unlawful discrimination and in June 2019 the Supreme Court refused the government permission to appeal. As a result, the LGPS benefit structure is currently under review, which may mean the benefit structure needs to change, and revisions to update for trapped surpluses. These occurred where employers had paid contributions over the life of their contract that were more than required to fund liabilities at cessation i.e. a surplus of contributions. Previously

any credit amounts could not be paid back to employers. The Government has now introduced new regulations allowing Funds to pay back surplus money.

- 2.3 The draft FSS was circulated to employers in the Fund for consultation on 4 February and any comments will be verbally reported at Committee.

3. FINANCE COMMENTS OF THE EXECUTIVE DIRECTOR CORPORATE SERVICES

- 3.1 The Funding Strategy Statement is an important document that sets out transparently the basis upon which employers contributions are assessed and employers are treated in a fair and consistent manner.

4. LEGAL COMMENTS OF THE BOROUGH SOLICITOR

- 4.1 This report is in accord with Regulation 58 LGPS Regulations 2013 which provides that an Administering Authority should, after consulting with appropriate persons, prepare, maintain and publish a written funding strategy statement, which should take into account CIPFA Guidance
- 4.2 The Administering Authority's actuary must consider the FSS as part of the fund valuation process.

APPENDICES

APPENDIX A – Funding Strategy Statement