



LOCAL PENSION BOARD

16 DECEMBER 2022

REPORT TITLE:	DRAFT FUNDING STRATEGY STATEMENT
REPORT OF:	DIRECTOR OF PENSIONS

REPORT SUMMARY

This report provides Local Pension Board members with a copy of a report recently taken to Pensions Committee seeking approval for a revised Funding Strategy Statement.

RECOMMENDATIONS

That the Local Pension Board be recommended to consider and note the report.

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATIONS

- 1.1 It is the responsibility of the Pension Committee to agree the Funding Strategy and it is important that the Board gives due consideration to the steps taken by officers in compiling, consulting on and preparing a Funding Strategy Statement.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 Not relevant for this report.

3.0 BACKGROUND INFORMATION

- 3.1 The Local Government Pension Scheme (LGPS) Regulations provide the statutory framework under which the Administering Authority is required to prepare and publish a Funding Strategy Statement (FSS) alongside each actuarial valuation. The Fund Actuary must have regard to the FSS as part of the actuarial valuation process.

- 3.2 The FSS sets out all the key assumptions which the actuary has used in preparing the actuarial valuation at 31 March 2022, together with the Administering Authority's policies in the areas where the Administering Authority has discretion to manage the funding position of the Fund. The FSS must be revised and published whenever there is a material change in either the policy set out in the FSS or the Investment Strategy Statement. As a matter of good governance, it will also be reviewed on an annual basis to ensure it remains up to date with changing legislation or other requirements.

- 3.3 The draft FSS has been streamlined for 2022 to make it easier for all parties navigate. The principal updates are set out in the accompanying report.

4.0 FINANCIAL IMPLICATIONS

- 4.1 As set out in the report.

5.0 LEGAL IMPLICATIONS

- 5.1 The Local Government Pension Scheme (LGPS) Regulations provide the statutory framework under which the Administering Authority is required to prepare and publish a Funding Strategy Statement (FSS) alongside each actuarial valuation. The Fund Actuary must have regard to the FSS as part of the actuarial valuation process.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

- 6.1 Further analysis by the Fund Actuary and discussion with Fund Officers is required to determine the appropriate assumptions to adopt within the termination policy.

7.0 RELEVANT RISKS

- 7.1 The actuarial valuation is a vital governance tool to control the risks relating to the funding position and employer contributions; requirements which can have a material impact on budgets and local services. The funding strategy, (along with the investment strategy) used to inform the actuarial valuation, is a key determinant of the overall financial risk levels in the Fund. The FSS is a crucial document setting out the overall governance and controls in place to manage these risks on a whole Fund and individual employer level.

8.0 ENGAGEMENT/CONSULTATION

- 8.1 A consultation with employers on the key changes to the FSS took place from 31 October to 2 December 2022.

9.0 EQUALITY IMPLICATIONS

- 9.1 Department for Levelling Up, Housing and Communities (DLUHC) and the Pensions Regulator undertake equality impact assessments regarding the provisions of the LGPS Regulations and the administration and governance of public service pension schemes.
- 9.2 The Equality Statement published on the introduction of the Local Government Pension Scheme 2014 can be viewed at:
<https://mpfund.uk/lgpsequalitystatement>
- 9.3 The differing characteristics and financial strength of employers have been reviewed to ensure that appropriate contribution easements have been applied equitably across all employers to prevent adverse risk falling on any individual employer.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

- 10.1 The Fund continues with its digital strategy across all operational areas and communications with stakeholders, with the aim to improve service delivery and to reduce its internal carbon footprint.

11.0 COMMUNITY WEALTH IMPLICATIONS

- 11.1 There are none directly arising from this report.

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APPENDICES

- Appendix 1 - Report to pensions Committee
- Appendix 2 - Draft Funding Strategy Statement

BACKGROUND PAPERS

Mercer Demographic Summary Report

<https://www.merseysidepensionfund.org.uk/Member/pdf/demogfx2022.pdf>

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
<p>Standing Agenda Item</p> <p>The Funding Strategy Statement is reviewed at least triennially with the last review taking place following amendments to the LGPS regulations effective from 23 September 2020</p>	<p>21 February 2021</p>