

**CAMBRIDGESHIRE
PENSION FUND**



Pension Fund Committee

Date: 18th June 2020

Report by: Head of Pensions

Subject:	Update to Funding Strategy Statement
Purpose of the Report:	To update the Pension Fund Committee on required changes to the Funding Strategy Statement.
Recommendations:	That the Committee provide delegated authority to the Head of Pensions, in consultation with the Chairman of the Committee, to approve draft amendments to the Funding Strategy Statement.
Enquiries to:	Name – Cory Blose – Employer Services and Systems Manager Tel – 07990560829 E-mail – cblose@northamptonshire.gov.uk

1. Background

- 1.1 The Funding Strategy Statement was previously approved by the Pension Fund Committee as part of the valuation process. Since publication, there has been an amendment to the Local Government Pension Scheme Regulations 2013, affecting cessations from the Fund, requiring further revision to the strategy statement.
- 1.2 Officers previously informed the Committee that the Regulations had been updated in 2018 compelling administering authorities to pay an exit credit to a ceasing employer where they have a funding surplus at the point of cessation. The wording of the legislation introducing exit credits was very broad and, unfortunately, did not allow administering authorities to take into account any considerations that might make the payment of an exit credit inappropriate. For example, the Regulations did not allow a Fund to take into consideration any risk sharing arrangements between admitted bodies and their sponsoring Scheme employer.
- 1.3 The Regulations have now been amended to give administering authorities some discretion when determining whether or not an exit credit is payable and, if so, the value of that exit credit. Following the amendment Regulation 64, Paragraph 2ZC states the following:

In exercising its discretion to determine the amount of any exit credit the administering authority must have regard to the following factors

- a) the extent to which there is an excess of assets in the fund relating to that employer over the liabilities specified in paragraph (2)(a);*

b) the proportion of this excess of assets which has arisen because of the value of the employer's contributions;

c) any representations to the administering authority made by the exiting employer and, where that employer participates in the scheme by virtue of an admission agreement, any body listed in paragraphs (8)(a) to (d)(iii) of Part 3 to Schedule 2 to these Regulations; and

d) any other relevant factors.

2. Update to Funding Strategy Statement

- 2.1 The Funding Strategy Statement must now be updated to reflect the changes to the Regulations and set out the process that will be applied by the Administering Authority when exercising this discretion.
- 2.2 At the time of writing this report officers were working with the Fund's legal and actuarial advisors to develop draft amendments, unfortunately due to the technical nature of this work, it could not be completed in time for this meeting.
- 2.3 Once a draft is complete, a 30 day consultation must be held to seek any comments from employers. A final draft, incorporating any further amendments, would then be presented to the Pension Committee for final approval.
- 2.4 Due to the significance of these changes, it would be inappropriate to wait until the next available meeting of the Committee before consulting with employers. The Committee are asked to provide delegated authority for the Head of Pensions, in consultation with the Chairman, to approve the draft amendments, taking account of appropriate professional advice.
- 2.5 This would allow a final draft to be presented at the next quarterly Committee meeting, speeding up the process significantly and ensuring we have appropriate policies in place.

3. Relevant Pension Fund Objectives

Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance. (Objective no 1)
Manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers. (Objective 2)
Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. (Objective no 5)
Seek and review regular feedback from all stakeholders and use the feedback appropriately to shape the administration of the Fund. (Objective no 15)

4. Finance and Resources Implications

4.1 None

5. Risk Management

5.1 The Funding Strategy Statement sets out the policies that will apply to employers during and/or following certain events.

5.2 The amendments being made are required in order to ensure that the Funding Strategy Statement reflects current legislation and ensure that the Administering Authority acts fairly and equitably when exercising its discretion over the payment exit credits.

5.3 There are risks associated with making or not making this decision have been captured below.

5.4 In order to mitigate these risks, officers are seeking advice from the Fund's legal and actuarial advisors and will be consulting with employers before seeking Committee approval of a final draft.

Risk No	Risk	Residual risk rating
5	Fund assets are not sufficient to meet the obligations and liabilities	Amber
6	Information may not be provided to stakeholders as required	Green
8	Those charged with governance are unable to fulfil their responsibilities effectively	Green
14	Failure to administer the scheme in line with regulations and guidance	Green
20	Failure to act appropriately upon expert advice and/or risk of poor advice	Green

5.5 A full version of the Fund risk register can be found at the following link – <https://pensions.northamptonshire.gov.uk/app/uploads/2019/10/RiskRegisterCPF.pdf>

6. Communication Implications

Direct Communications	A communication will be issued to inform employers that the amended Funding Strategy Statement has been published for consultation
Website	The Funding Strategy Statement will be published on the Fund's website

7. Legal Implications

7.1 Advice is required from appropriate legal advisors

8. Consultation with Key Advisers

- 8.1 Consultation with the Fund Actuary and the Fund's legal advisors will be undertaken.

9. Alternative Options Considered

- 9.1 Presenting the draft Funding Strategy Statement at a later meeting of the Pension Fund Committee, thus delaying the consultation timeframe.

Checklist of Key Approvals	
Has this report been cleared by Section 151 Officer?	Sarah Heywood – 28 th May 2020
Has this report been cleared by Head of Pensions?	Mark Whitby – 19 th May 2020
Has the Chairman of the Pension Committee been consulted?	Councillor Rogers – 5 th June 2020
Has this report been cleared by Legal Services?	Fiona McMillan – 1 st June 2020