



# Report to Pension Fund Committee

**Date:** 29<sup>th</sup> September 2022

**Reference number:** N/A

**Title:** Funding Strategy Statement

**Relevant councillor(s):** None specific

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**Ward(s) affected:** None specific

**Recommendations:** The Committee is asked to approve the revised Funding Strategy Statement (FSS).

**Reason for decision:** The Local Government Pension Scheme (LGPS) Regulations require all LGPS Administering Authorities to prepare a FSS. The current FSS needs to be updated to reflect pass-through arrangement for new admission bodies approved by the Pension Fund Committee in March 2022.

## Executive summary

- 1.1 The FSS seeks to set out how the administering authority has balanced the conflicting aims of affordability of contributions, transparency of processes, stability of employers' contributions and prudence in the funding basis. It is reviewed every three years following the triennial valuation. From time to time, ad hoc revisions to the FSS are required, the FSS has been updated to set out the position where admission bodies join the Fund under a pass-through arrangement. The pass-through arrangement was agreed by the Pension Fund Committee as the default approach for new admission bodies in March 2022. Under a pass-through arrangement the letting authority retains the pension risk.

## Content of report

- 1.2 Following completion of the 2019 Actuarial Valuation, a revised FSS was agreed by the Pension Fund Committee in February 2020. The Committee subsequently agreed

a revised FSS in July 2020 following an amendment to the LGPS Regulations covering exit credits, administering authorities were given a lot more flexibility in their approach to paying exit credits and the FSS was updated to reflect the flexibility given in respect of exit credits.

- 1.3 In March 2022, the Pension Fund Committee agreed a default approach for new admission bodies to join the Fund under a pass-through arrangement. Under a pass-through arrangement, the letting authority retains the pensions risk. The admission body is responsible for paying the agreed contribution rate and also additional costs as set out in each admission agreement e.g. redundancy and early retirement costs. Before 1 April 2022, the default approach was a full risk transfer. From a legal perspective the Fund continues to have a full claim against the admission body for the amounts payable to the Fund. The admission body enters into a back to back arrangement with the letting authority under which, as between the admission body and the letting authority, it is agreed that the letting authority will assume some or all of this risk but this in no way affects the claim that the Fund has against the admission body under the admission agreement.
- 1.4 Under a full risk transfer the admission body becomes responsible for all the pensions risk associated with the benefits accrued by transferring members and the benefits to be accrued over the contract length. The administering authority may consider requests for a full risk transfer from new admission bodies. The revised FSS sets out the position regarding funding at the start of the contract, employer contribution rates, accounting and risk sharing.
- 1.5 The FSS, attached as Appendix 1, sets out the approach to pass-through arrangements. Pages 15 and 16 have been updated to reflect the approach to new employers joining the Fund.

## Legal and financial implications

- 1.6 The Local Government Pension Scheme (LGPS) Regulations 2013 require all Pension Administering Authorities to prepare a FSS.

## Next steps and review

The FSS is reviewed every three years following the triennial actuarial valuation.

## Background papers

None.