

## CLWYD PENSION FUND COMMITTEE

<b>Date of Meeting</b>	21 March 2017
<b>Report Subject</b>	Funding Strategy Statement
<b>Report Author</b>	Clwyd Pension Fund Manager

### EXECUTIVE SUMMARY

The Funding Strategy Statement (FSS) must be formally updated in detail at least triennially as part of the actuarial valuation and the Administering Authority must consult with all interested parties on the FSS as part of the valuation process. The Committee were provided with an updated draft FSS in July 2016. Since then:

- the formal FSS consultation with all interested parties was completed on 9 December 2016 and comments have been received. Employers also had the opportunity to attend the AJCM on the 8 November 2016 to discuss their individual valuation results and feedback comments.
- the draft FSS has since been updated to reflect the discussions from the employer meetings that have taken place
- the FSS now includes the facility to adopt internal captive insurance arrangements for smaller employers with regard to ill health retirement costs. This will be communicated to employers individually to ensure they are aware of it and to confirm that it will not affect their contributions at this valuation.
- The FSS now reflects the updated flightpath structure noting where this is currently being developed further.

The Actuary will present the main issues contained in the FSS at the meeting.

The proposed final Funding Strategy Statement in relation to the 2016 valuation is attached as Appendix 1 has been produced for ratification by the Committee. The Committee must approve the finalisation of the FSS in order for the Fund Actuary to produce the final valuation report and implement the new contribution requirements.

### RECOMMENDATIONS

1	The Committee notes the activity since the July 2016 meeting and the consultation carried out.
2	The Committee approve the final Funding Strategy Statement.

## **REPORT DETAILS**

<b>1.00</b>	<b>FUNDING STRATEGY STATEMENT</b>
1.01	<p>The LGPS Regulations provide the statutory framework under which the Administering Authority is required to prepare and publish a Funding Strategy Statement alongside each actuarial valuation. The Fund Actuary must have regard to the FSS as part of the actuarial valuation process.</p> <p>The FSS must also be revised and published whenever there is a material change in either the policy set out in the FSS or the Investment Strategy Statement.</p> <p>The training workshop held on 11 May 2016 discussed the purpose and aims of the FSS and highlighted the key points that are set out within it.</p>
1.02	<p>The draft FSS that was brought to Committee in July 2016 has since been updated to reflect the following:</p> <ul style="list-style-type: none"><li>• the discussions from the meetings that took place with the Steering Group and major employers</li><li>• the completion of the formal FSS consultation - this commenced with all interested parties in November 2016 with all employer responses required by 9 December 2016</li><li>• employers were provided with their individual results during early November and the Annual Joint Consultative Meeting (AJCM) took place on 8 November to allow employers the opportunity to have further discussions with the Fund and the Actuary and feedback on the Consultation process</li><li>• the FSS now includes the facility to adopt internal captive insurance arrangements for smaller employers with regard to ill health retirements costs. This will be communicated to employers individually so that they are aware of this and to confirm that it will not affect their contributions at this valuation.</li><li>• finalisation of the numbers within the FSS now that the valuation process is close to completion</li><li>• The FSS now reflects the updated flightpath structure noting where this is being currently developed further.</li></ul>
1.03	<p>Once the final FSS has been ratified by the Committee, the Fund Actuary will produce the final valuation report and contribution certificate no later than 31 March 2017 and the new contribution rates will be implemented from 1 April 2017 for the 3 years to 31 March 2020.</p>

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	<p>The Fund officers will confirm the final rates to the employers and also the details of the ill health captive arrangement. The Actuary will produce the valuation report which will be signed off by 31 March 2017.</p>

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	The Administering Authority consulted with employing bodies over the development of the Funding Strategy Statement during November/December 2016.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	<p>The funding strategy (along with the investment strategy) which comes from the actuarial valuation is a key determinant of the overall financial risk levels.</p> <p>The Fund currently has a risk register in place which will be used to monitor the key risks of the Fund throughout the valuation process, for example the risk that:</p> <ul style="list-style-type: none"> <li>• employer contributions are unaffordable and/or unstable</li> <li>• the value of the liabilities/contributions change due to the demographics being out of line with assumptions</li> <li>• there is a loss of employer income and/or other employers become liable for their deficits</li> </ul> <p>These are set out within 'Funding and Investment risks: F1 - F6' in the Risk Register</p> <p>The FSS is a key document setting out the overall governance and controls in place to manage these risks on a whole Fund and individual employer level.</p>

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix 1 – Funding Strategy Statement

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p>Report to Pension Fund Committee – 2016 Actuarial Valuation – 27 September 2016, Report to Pension Fund Committee – Funding Strategy Statement – 5 July 2016, Report to Pension Fund Committee – 2016 Actuarial Valuation – 24 May 2016, Report to Pension Fund Committee – 2016 Actuarial Valuation – 22 March 2016, Report to Pension Fund Committee – 2016 Actuarial Valuation – 26 November 2015, draft FSS, current FSS and 2013 Actuarial Valuation report.</p> <p><b>Contact Officer:</b> Philip Latham, Clwyd Pension Fund Manager  <b>Telephone:</b> 01352 702264  <b>E-mail:</b> <a href="mailto:philip.latham@flintshire.gov.uk">philip.latham@flintshire.gov.uk</a></p>

7.00	GLOSSARY OF TERMS
7.01	<p>(a) <b>CPF – Clwyd Pension Fund</b> – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region</p> <p>(b) <b>Administering authority or scheme manager</b> – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.</p> <p>(c) <b>PFC – Clwyd Pension Fund Committee</b> - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund</p> <p>(d) <b>LPB or PB – Local Pension Board or Pension Board</b> – each LGPS Fund has an LPB. Their purpose is to assist the administering authority in ensuring compliance with the scheme regulations, TPR requirements and efficient and effective governance and administration of the Fund.</p> <p>(e) <b>LGPS – Local Government Pension Scheme</b> – the national scheme, which Clwyd Pension Fund is part of</p> <p>(f) <b>FSS – Funding Strategy Statement</b> – the main document that outlines how we will manage employers contributions to the Fund</p> <p>(g) <b>Actuarial Valuation</b> - The formal valuation assessment of the Fund detailing the solvency position and determine the contribution rates payable by the employers to fund the cost of benefits and make good any existing shortfalls as set out in the separate Funding Strategy Statement. The Actuary’s formal report will set out the final valuation position and contribution requirements for the employers over a 3 year period.</p> <p>(h) <b>Actuary</b> - A professional advisor, specialising in financial risk, who is appointed by pension Funds to provide advice on financial related matters. In the LGPS, one of the Actuary’s primary responsibilities is the setting of contribution rates payable by all participating employers as part of the actuarial valuation exercise.</p> <p>(i) <b>GAD – Government Actuary’s Department</b> - The Government Actuary's Department is responsible for providing actuarial advice to public sector clients. GAD is a non-ministerial department of HM Treasury.</p> <p>(j) <b>Section 13 Actuarial Valuation</b> - Section 13 of the Public Service Pensions Act 2013 provides for a review of the LGPS valuations and employer contribution rates to check that they are appropriate and requires remedial steps to be taken where it is considered appropriate. The GAD will undertake this review based on the results of the 2016 actuarial valuations.</p>

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|  | <p>(k) <b>Deficit Recovery Period/Plan</b> - the target length of time over which the current deficit is intended to be paid off. A shorter period will give rise to a higher annual contribution, and vice versa.</p> <p>(l) <b>50/50 Scheme</b> - in the LGPS, active members are given the option of accruing a lower personal benefit in the 50/50 Scheme, in return for paying a lower level of contribution.</p> <p>(m) <b>CPI</b> - acronym standing for “Consumer Prices Index”. CPI is a measure of inflation with a basket of goods that is assessed on an annual basis. The reference goods and services differs from those of RPI. These goods are expected to provide lower, less volatile inflation increases. Pension increases in the LGPS are linked to the annual change in CPI.</p> |
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