

## **Pension Fund Committee**

**14 March 2019**

### **Pension Fund Policy Documents – Funding Strategy Statement and Investment Strategy Statement**

**Ordinary Decision**



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## **Report of John Hewitt, Corporate Director of Resources**

### **Purpose of the Report**

- 1 To inform Members of the draft of the revised Investment Strategy Statement (ISS) which is currently out to consultation with Pension Fund employers.

### **Executive summary**

- 2 In line with the Scheme Regulations, the Fund maintains both an ISS and Funding Strategy Statement (FSS). Due to proposed changes to the Fund's Strategic Asset Allocation, and the progress of asset pooling through Border to Coast Pension Partnership (BCPP) it has been necessary to update the ISS. The FSS will be updated following completion of the next triennial valuation of the Fund, as at 31 March 2019.

### **Recommendation(s)**

- 3 Members are asked to
  - i) note the report and to advise of any comments they may have on the draft ISS set out in the appendices to this report, and;
  - ii) authorise the Corporate Director Resources to finalise the wording of the ISS, where appropriate taking into account any comments received from employers, and publish final versions by 31 March 2019.

## **Background**

- 4 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 required administering authorities to prepare and review a written statement recording the investment policy of the Pension Fund – the ‘Statement of Investment Principles’ (SIP).
- 5 As reported at the December 2016 Pension Fund Committee meeting, these regulations were replaced by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (‘the 2016 investment regulations’), which took effect from 1 November 2016 and require administering authorities, after taking proper advice, to prepare and publish a written statement setting out their investment strategy in relation to the Fund – the ‘Investment Strategy Statement’ (ISS).
- 6 Regulation 58 of the Local Government Pension Scheme Regulations 2013 (‘the LGPS regulations’) requires Local Government Pension Schemes (LGPS) administering authorities to prepare, maintain and publish a ‘Funding Strategy Statement’ (FSS).
- 7 The key requirements for preparing the FSS can be summarised as follows:
  - After consultation with all relevant interested parties involved with the Fund the Administering Authority will prepare and publish their funding strategy;
  - In preparing the FSS, the Authority must have regard to:
    - the guidance issued by the Chartered Institute of Public Finance (CIPFA) for this purpose; and
    - their own Investment Strategy Statement
    - the FSS must be revised and published whenever there is a material change in either the policy on the matters set out in the FSS or the ISS

## **Investment Strategy Statement**

- 8 The revisions to the ISS have been undertaken after taking advice from the Fund’s investment consultants. The main revisions to the ISS are as follows:
  - A revision to the Fund’s Strategic Asset Allocation.
  - An update to the section setting out how the council as administering authority to the Pension Fund will comply with the

requirement to pool assets with Border to Coast Pension Partnership.

- A section setting out BCPP's commitment to Responsible Investment.

## **Funding Strategy Statement**

9 Following the most recent triennial valuation, as at 31 March 2016, the Pension Fund worked closely with the Actuary to update the FSS. Changes included:

- An additional section entitled 'Commencement of Employers' clarifying how (notional) asset transfers are calculated for new employers. This will be of particular relevance for new academy trusts.
- Reference was made to the role of the Local Pension Board in reviewing the valuation process.
- Reference is made to the LGPS regulations requirement for Funds to target long term cost efficiency as well as solvency.
- After discussions with, and advice from, the Pension Fund actuary the pooling of risks associated with payment of death in service lump sums was extended to include risks associated with payment of survivors' pensions on death in service and payment of ill health pensions. The effect of this is negligible for the larger Fund employers but for smaller employers will reduce contribution volatility and effectively self-insure what were previously significant risks.

10 The FSS will next be updated after the completion of the next triennial valuation of the Fund, as at 31 March 2019. The current FSS is included in the appendices for reference.

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