

Pension Fund Committee

28th February 2011



Pension Fund Policy Documents – Funding Strategy Statement and Statement of Investment Principles

Report of Don McLure, Corporate Director Resources

Purpose of the Report

- 1 To inform Members of the review of the policy documents for the year ended 31st March 2011.

Background

- 2 The Local Government Pension Scheme (England and Wales) (Amendment) Regulations 2004 provide the statutory framework from which Local Government Pension Schemes (LGPS) administering authorities are required to have prepared a Funding Strategy Statement (FSS).
- 3 A copy of the FSS is attached at Appendix 1.
- 4 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 :
 - i. the guidance issued by CIPFA for this purpose; and
 - ii. their own Statement of Investment Principles (SIP) for the Fund.
 - iii. 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 Statement of Investment Principles.
- 5 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 consolidate the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (the "Regulations") which require administering authorities to prepare and review a written statement recording the investment policy of the Pension Fund – the 'Statement of Investment Principles' (SIP).

- 6 The 2009 regulations also require pension fund administering authorities to state the extent to which they comply with guidance given by the Secretary of State, previously the Chartered Institute of Public Finance (CIPFA) Pensions Panel Principles for Investment Decision Making in the Local Government Pension Scheme in the United Kingdom.
- 7 A copy of the SIP is attached at Appendix 2.

Review of the FSS and SIP

- 8 The FSS should be reviewed regularly and when there is a material change to the SIP. The FSS is the framework within which the Fund's actuary carries out triennial valuations to set contribution rates for individual scheme employer contribution rates. As the triennial valuation is due to be completed at 31st March 2011, no changes to the FSS are suggested at this time.
- 9 The 2009 Regulations required that the SIP containing the compliance statement was published by 1st July 2010 in line with the Regulations, and that it is reviewed and if necessary, revised from time to time, and in the case of any material change in the administering authority's policy on investments or their management.
- 10 The SIP has been reviewed and there have been no material changes since July 2010.
- 11 It is anticipated that review of the FSS and the SIP will be considered as part of the Review of the Pension Fund Arrangements.

Summary

- 12 Members are asked to note the contents of this report and the review of the Pension Fund's policy documents.

Background papers

- (a) Pension Fund Committee - 25th October 2004 – Funding Strategy Statement
- (b) Pension Fund Committee – 21st June 2010 – The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009