

Pension Fund Committee

7 March 2013



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 31 March 2013.

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 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.
- 4 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).

- 5 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.

Review of the FSS and SIP

- 6 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.
- 7 The FSS was updated following the last triennial valuation in 2010/11 and amendments made following consultation with stakeholders. In September 2012, a revised FSS was presented to committee and this current FSS is attached at Appendix 1.
- 8 The 2009 Regulations required that the SIP containing the compliance statement was published by 1 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.
- 9 The SIP was reviewed in March 2012 and changes made to reflect the introduction of a passive equity investment with BlackRock into the asset allocation. This revised SIP was presented to the committee in September 2012.
- 10 As the Pension Fund is currently undertaking a procurement for Global Equity and Emerging market managers, the SIP will need to be updated when the new managers are appointed. No change to the SIP is therefore suggested at this time. The SIP is attached at Appendix 2.
- 11 It is anticipated that further review of the FSS and the SIP will be considered as part of the on-going 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 - 25 October 2004 – Funding Strategy Statement
- (b) Pension Fund Committee – 21 June 2010 – The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009
- (c) Pension Fund Committee – 5 March 2012 - Pension Fund Policy Documents – Funding Strategy Statement and Statement of Investment Principles
- (d) Pension Fund Committee – 4 September 2012 - Pension Fund Policy Documents – Funding Strategy Statement and Statement of Investment Principles

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