

Pension Fund Committee

5 June 2014



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 and to seek approval to circulate the documents to all relevant interested parties to consult on their contents.

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.
- 6 At the last meeting of the Pension Fund Committee, it was agreed that the final versions would be brought to the next possible Pension Fund Committee for the agreement of the Committee prior to these documents being circulated to all relevant interested parties for comment.

Review of the FSS and SIP

- 7 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.
- 8 As the triennial valuation was completed as at 31 March 2014, the FSS was reviewed by the Pension Fund's Actuary and changes to the FSS reported to Committee in March 2014.
- 9 At that time, changes as a result of the Local Government Pension Scheme Regulations 2013 that came into force on 1 April 2014 were awaited and were to be included in the FSS when the final detail of the Regulations was received.
- 10 The Fund's Actuary is currently in discussion with CLG about whether it is necessary to update the FSS for the new regulations and as yet, no decision has been reached. It is therefore suggested that the FSS is consulted upon along with the SIP pending the decision of CLG.
- 11 The 2009 Regulations also 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.
- 12 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.
- 13 As the Pension Fund has finalised the appointments of new Investment Managers for Global Equity and Emerging Markets and all of the legal agreements have now been signed, the SIP has been updated in the light of these appointments.
- 14 The SIP has been amended from the approved 2012 document to reflect the most up-to-date position. The main revisions have been made to the Allocation Strategy and to Appendix B which details the investments by individual Investment Manager. The revised SIP is attached at Appendix 2.

Consultation

- 15 The Administration Regulations require the Administering Authority to consult with such persons that it considers appropriate, and the 'have regard' to the 2004 CIPFA guidance.
- 16 Although not mandatory, the 2012 CIPFA Guidance requires consultation with the employers, on both the process to revise the FSS and on the revision to the FSS.
- 17 In line with Regulations, the FSS and SIP must now be the subject of consultation with the Fund's employers before publication. Subject to the agreement of the Committee, these documents will be circulated to all relevant interested parties for comment.

Recommendations

- 18 It is recommended that:
 - Members approve the contents of the revised Pension Fund's policy documents.
 - the documents are circulated to all relevant interested parties to consult on their contents.

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
- (e) Pension Fund Committee – 7 March 2013 - Pension Fund Policy Documents – Funding Strategy Statement and Statement of Investment Principles
- (f) Pension Fund Committee – 6 March 2014 - Pension Fund Policy Documents – Funding Strategy Statement and Statement of Investment Principles