

Pension Fund Committee

11 September 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 outcome of the consultation of the policy documents and to seek approval of these documents.

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 the Chartered Institute of Public Finance (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 CIPFA's 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 circulated to all relevant interested parties for comment.

Consultation

- 7 The Administration Regulations require the Administering Authority to consult with such persons that it considers appropriate, and that they 'have regard' to the 2004 CIPFA guidance.
- 8 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.
- 9 In line with Regulations, the FSS and SIP have been the subject of consultation with the Fund's employers before publication.
- 10 The documents were circulated to all employers in the Pension Fund, the Actuary and external Auditor on 9 June 2014 with a closing date of 31 July 2014. A copy of the e-mail is attached at Appendix 1.
- 11 No comments were received on the documents.
- 12 It is suggested that the versions of the FSS and SIP circulated at the Pension Fund Committee meeting on 6 June 2014 therefore now be published on the Council's website.
- 13 Any further changes to the information contained within the FSS or SIP that emerges before March 2015 will be part of the review of documents reported to the Committee in March 2015.

Recommendations

- 14 It is recommended that:
 - Members approve the contents of the revised 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
- (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
- (g) Pension Fund Committee – 5 June 2014 - Pension Fund Policy Documents – Funding Strategy Statement and Statement of Investment Principles

Contact: Hilary Appleton Tel: 03000 266239

Appendix 1: Consultation e-mail

Dear All,

Durham County Council Pension Fund Draft Funding Strategy Statement and Statement of Investment Principles

- 1 Durham County Council, as Administering Authority for the Durham County Council Pension Fund, is required by Regulation to publish a Funding Strategy Statement (FSS) and Statement of Investment Principles (SIP).
- 2 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 and the SIP details the current investment policy and the management of the investments.
- 3 Drafts of these two documents are attached to this e-mail.
- 4 In producing the two documents the following Regulations have been followed:
 - The Local Government Pension Scheme (England and Wales) (Amendment) Regulations 2004 which provides the statutory framework from which Local Government Pension Schemes (LGPS) administering authorities are required to have prepared a Funding Strategy Statement (FSS).
 - 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).
 - And, CIPFA guidance
- 5 The FSS is reviewed regularly and changes made when there is a material change to the SIP. Following the triennial valuation which was completed at 31 March 2013, changes to the FSS are now required.
- 6 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, in the case of any material change in the administering authority's policy on investments or their management. The SIP has been reviewed and changes made to reflect the current investments of the Pension Fund.

- 7 In line with Regulations, the FSS and SIP must, therefore, now be the subject of consultation with relevant interested parties involved with the Fund before publication.
- 8 I would therefore welcome your comments or proposed changes to the documents by **31 July 2014** so that I can present a report to the next meeting of the Pension Fund Committee, prior to publication of the documents.
- 9 Please send any comments to Hilary Appleton at the above e-mail address, or in writing to the address below.

Please accept my apologies if you receive this e-mail more than once. In order to ensure that all interested parties have been contacted, a number of mailing lists have been merged.

Kind Regards

Hilary

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