

Pension Fund Committee

Meeting to be held on Friday, 6 March 2020

Electoral Division affected: (All Divisions);
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Funding Strategy Statement

(Appendix 'A' refers)

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Executive Summary

This report sets out the Fund's revised Funding Strategy Statement following the results of the 2019 valuation, as noted by the Committee at its meeting on 7th February 2020. The revised Funding Strategy Statement incorporates the requirements set out in the Fund's Investment Strategy Statement and takes account of comments made under the recent consultation.

Recommendation

The Committee is requested to approve the revised Funding Strategy Statement as set out in Appendix 'A'.

Background and Advice

Regulation 58 of the Local Government Pension Scheme Regulation 2013 (as amended) provides the statutory framework from which Local Government Pension Scheme authorities are required to prepare their Funding Strategy Statement having regard to:

- CIPFA guidance on Preparing and Maintaining a Funding Strategy Statement in the LGPS;
- Its Investment Strategy Statement published under Regulation 7 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended).

The Funding Strategy Statement must be revised and published whenever there is a material change in either the policy set out in the Funding Strategy Statement or the Investment Strategy Statement. In practical terms this means that the Funding Strategy Statement will need to be comprehensively revisited at a minimum at each triennial valuation.

The Funding Strategy Statement set out at Appendix 'A' has been prepared by Lancashire County Council (the Administering Authority) to set out the funding strategy for the Lancashire County Pension Fund, as required by legislation.

Ensuring that the Fund has sufficient assets to meet its pension liabilities in the long term is the fiduciary responsibility of the Administering Authority. The long term objective is for the Fund to achieve this 100% solvency level over a reasonable time period and then maintain sufficient assets in order for it to pay all benefits arising as they fall due. Additionally it seeks to set out a clear and transparent funding strategy that will identify how each Fund employer's pension liabilities are to be met going forward.

The Administering Authority is required to prepare and publish its Funding Strategy Statement after consultation with all relevant interested parties involved with the Fund.

Given this, and in accordance with governing legislation, interested parties connected with the Lancashire County Pension Fund have been consulted and given opportunity to comment prior to the Funding Strategy Statement being finalised and adopted. The Funding Strategy Statement takes into consideration all comments and feedback received.

Five responses were received as part of the consultation process, two from scheme employers and three from members of the Lancashire Local Pension Board.

All the comments received were broadly supportive of the Funding Strategy Statement and the revised statement at Appendix 'A' remains largely unchanged apart from minor changes to wording and grammar to add clarity to the statement.

Perhaps the most important point of concern was the methodology that the Fund intends to adopt on employer risk scoring and associated investment strategy. This is a process that the Fund will now be developing with scheme employers and will form a more significant part of the future valuation process. Wording is also now included in the statement to reflect the requirement to discuss risks and options with employers.

The formal Actuarial Valuation report as at the 31 March 2019 is expected to be available no later than 31 March 2020. A copy of the report will be made available for members of the Committee via the secure online Pensions Library. In advance of this the Committee is requested to approve the revised Funding Strategy Statement as set out in Appendix 'A'.

Consultations

The Fund's Actuary, Mercer, individual employers, the Local Pension Board and Committee members have been consulted on the details of the Funding Strategy Statement.

Implications:

This item has the following implications, as indicated:

Risk management

Legal

Non- compliance with statutory regulation

Local Government (Access to Information) Act 1985 List of Background Papers

Paper	Date	Contact/Tel
Local Government Pension Scheme Regulation 2013 (as amended)	2013	Abigail Leech (01772 530808)
CIPFA guidance on Preparing and Maintaining a Funding Strategy Statement in the LGPS (2016 Edition)	2016	
The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended)	2016	

Reason for inclusion in Part II, if appropriate

N/A