

## Funding Strategy Statement

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<i>Executive Portfolio Holder:</i>	Not applicable
<i>Division and Local Member:</i>	Not applicable

### 1. Summary

- 1.1 The Fund is required under section 58 of the LGPS Regulations (2013), as amended, to publish and maintain a Funding Strategy Statement (FSS). The FSS sets out the Somerset Fund's strategy for its funding. The FSS is drafted in consultation with the Fund's actuary (Barnett Waddingham) and is typically refreshed immediately after the triannual valuation exercise to reflect the most recent valuation.
- 1.2 In addition to a general refresh of the FSS for the first time it reflects the Fund's position on exit credits. The draft attached as appendix A incorporates the Fund's proposed position including being in line with the latest amendment regulations laid before parliament on 27<sup>th</sup> August which come into force on 23<sup>rd</sup> September 2020.
- 1.3 It is a requirement for us to consult with employers on the FSS. The draft of the FSS provided to committee in June was sent to employers on 6<sup>th</sup> July with a deadline for comments of 4<sup>th</sup> September 2020. No comments were received required any re-drafting of the document but the version sent to employers did not include the provisions with respect to the regulations laid before parliament on 27<sup>th</sup> August.

### 2. Issues for consideration

- 2.1 The Committee is asked to formally adopt the revised Funding Strategy Statement (attached at appendix A).

### 3. Background

- 3.1 Committee will recall that officers provided a draft of the FSS at the June 2020 Committee meeting and it was agreed that officers would consult with employers using this draft.

- 3.2 The consultation with employers ran from the 6<sup>th</sup> July to 4<sup>th</sup> September and no comments necessitating any redrafting were received.
- 3.3 On the 27<sup>th</sup> August the Government laid before parliament new amendment regulations covering three areas.
- 3.4 **Deferred debt arrangements.** This is where an employer does not exit the fund when they no longer have any active members as would have been required previously. The actuary would review their deficit every three years as part of the standard valuation process and set deficit recovery payments as required.
- 3.5 **Review of contributions.** The Government has significantly expanded the provision for the Administering Authority or an employer to request a review of contributions in between the required valuations.
- 3.6 **Exit payments.** When an employer exits the fund if there is a deficit at that point the employer is required to pay the fund an amount calculated by the actuary to cover the deficit. Prior to the new regulations this deficit had to be paid as a single amount immediately. The new regulations allow for the employer and the Administering Authority to agreed a schedule of payments over a period of time.
- 3.7 Within the regulations there is a requirement for each Fund's policy on each of these three new areas to be set out in the FSS. Officers believe it is beneficial to address these new areas and incorporate them into the Fund's FSS as soon as possible and have re-drafted the FSS accordingly in conjunction with Barnett Waddingham. Largely speaking the new regulations favour employers and so we believe they will welcome their addition.
- 3.8 Officers believe that the best course is for Committee to adopt the current draft of the FSS and give effect to the new freedoms immediately. Officers will run another consultation with employers (post adoption if approved by Committee) to ensure they are aware of the changes against the version shared with them over the summer and allow the opportunity to comment. If there is significant comment from employers then officers will bring the matter back to Committee at the next meeting.

#### **4. Consultations undertaken**

- 4.1 Consultation with employers has taken place. No significant points were raised.
- 4.2 A further round of consultation is proposed but it is recommended that Committee adopt the policy ahead of this second consultation.

## **5. Financial Implications**

- 5.1 The FSS is a key component of managing the funding level of the Fund and ensuring in the long term sufficient assets are built up to cover the Fund's liabilities.

## **6. Background Papers**

None

**Note** For sight of individual background papers please contact the report author.