Funding Strategy Statement

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Cabinet Member: Not applicable
Division and Local Member: 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 27th August which come into force on 23rd September 2020.

1.3 In addition to reflecting the new regulations that came into force in September the draft also incorporates the requirements of new Statutory guidance issued by MHCLG and guidance prepared by the Scheme Advisory Board for the LGPS, both of which were issued at the start of March 2021.

1.3 It is a requirement for us to consult with employers on the FSS. A draft of the FSS provided to committee in June was sent to employers on 6th July 2020 with a deadline for comments of 4th September 2020. No comments were received that 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 27th August or the new guidance issued in March 2021. A draft incorporating all of the new requirements was sent to employers on 22nd April 2021 with a deadline for comments of 28th May 2021. No comments were received that required any re-drafting of the document.

2. Issues for consideration

2.1 The Committee is asked to formally adopt the draft FSS including the appended Contributions Review Policy and DSA and DDA Policy (attached at appendix A).

3. Background

3.1 On 27th August the Government laid before parliament new amendment regulations covering three areas.

3.2 **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.

3.3 **Review of contributions.** The Government has significantly expanded the provision for the Administrating Authority or an employer to request a review of contributions in between the required valuations.

3.4 **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.

3.5 New statutory and additional guidance on how these new provisions should be reflected in the FSS were issued by MHCLG and the Scheme Advisory Board in early March and these have been incorporated in the draft presented for adoption, which is appended to this report.

4. Consultations undertaken

4.1 2 consultations with employers have taken place. No significant points were raised.

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.