

Policies and Statements

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

1. Summary

- 1.1 The pension fund is required to maintain a significant number of policies and statements in accordance with the LGPS regulations. 3 of these need to be refreshed for a variety of reasons.

2. Issues for consideration

- 2.1 The Committee is asked to review a draft of the Funding Strategy Statement (appendix 1) and if content formally adopt it.

3. Background

- 3.1 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.
- 3.2 The previous version of the FSS was adopted by Pensions Committee at the September 2021 meeting, this incorporated the Fund's position on exit credits as permitted by amendment regulations laid before parliament on 27th August 2020 which come into force on 23rd September 2020.
- 3.3 In addition to reflecting the new regulations that came into force in September 2020 that update also incorporated the requirements of new Statutory guidance issued by MHCLG (now DLUHC) and guidance prepared by the Scheme Advisory Board for the LGPS, both of which were issued at the start of March 2021.

- 3.4 The draft as attached as appendix 1 is substantially the same as the version adopted in September 2021 although with updated sections regarding inflation, McCloud and GMP as applicable. The major change is in the section regarding "Cessation valuations". It is proposed that for exits where the full cessation approach is required we change to a discount rate based on the same methodology as the valuation, but adjusted for an added level of prudence. Previously for these types of cessation the discount rate was set with regard to gilt yields at the cessation date.
- 3.5 The advantages of the new proposed methodology are that it provides a much more consistent value to liabilities for full cessation exits through time than under the current reference to gilt yields, which are very volatile through time.
- 3.6 The draft as presented has been considered by the Pension Fund Board at their meeting in April. No amendments were proposed by the Board.
- 3.7 The draft as presented is the same as the one considered by Committee at their June meeting before it went to consultation with the employers.
- 3.8 It is a requirement of the regulations that we consult the employers on amendments to the Funding Strategy Statement. The employers were sent the draft on 5th July with any feedback requested by 25th August. A small number of responses were received confirming they were happy with the draft. We received one detailed response which has been shared with Committee separately which raised some reservations.

4. Consultations undertaken

- 4.1 As noted above The Pension Fund Board and employers have been consulted on the draft of the Funding Strategy Statement.

5. Financial Implications

- 5.1 Over time the performance of the pension fund investments will impact the amount that the County Council and other sponsoring employers have to pay into the fund to meet their liabilities. The fund actuary calculates these amounts every three years and sets payments for the intervening periods.

6. Background Papers

None

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