

Compliance and Reporting Committee (CRC)

HYBRID MEETING – 21 October 2024

ITEM 6 PAPER C

Funding Strategy Statement guidance

Current position

1. As previously reported, Regulation 58 of the Local Government Pension Scheme Regulations (LGPS) 2013 requires funds in England and Wales to publish a written statement setting out its funding strategy. As a reminder, Part (4) of this regulation requires that:

‘(4) In preparing, maintaining, and reviewing the statement, the administering authority must have regard to -

(a) the guidance set out in the document published in October 2012 by CIPFA, the Chartered Institute of Public Finance and Accountancy and called "Preparing and Maintaining a Funding Strategy Statement in the Local Government Pension Scheme 2012(42); and

(b) the current version of the investment strategy under regulation 7 (investment strategy statement) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016’.

2. It should be noted that the LGPS regulations 2013 do reference the CIPFA guidance dated 2012 and this has been raised for amendment with the Ministry of Housing, Communities and Local Government (MHCLG).
3. As set out in the agreed Terms of Reference, the CRC’s Funding Strategy Statement (FSS) working group were given the opportunity to shape the new FSS guidance, using the previous guidance as a template. The working group consisted of fund practitioners, fund actuaries, the Government Actuary’s Department (GAD), scheme employers, LGPS legal advisors, scheme member representatives and the Scottish Scheme Advisory Board. The Secretariat wants to thank all those who participated in the working group for their contribution to the new guidance.
4. Since the project was first started in Autumn 2022, the workstream has received a significant amount of feedback to input into the final version. This feedback has included perspectives on the content which should be included in the FSS guidance from various parties, including responses to a stakeholder survey, comments from fund practitioners, fund actuaries, employer representatives, scheme member representatives, GAD and MHCLG. The Secretariat have also reviewed a sample of FSS documents currently being used by funds to review best practice. This research has meant the previous guidance has been developed to reflect the current

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funding scenarios faced by LGPS funds and as funds are preparing for the 2025 Actuarial Valuation.

5. The guidance should help funds create their own funding strategy, covering all the necessary topic areas but without being prescriptive in the policy approach to take. A priority in the development of the new guidance was also that the ultimate FSS document published by a fund should be better understood by its primary readership of scheme employers.
6. The group has also taken into consideration the recommendations made in the Government Actuary's [latest review](#) of local fund valuation reports. In particular, the guidance has tried to address the recommendations on standardising climate risk reporting, on the implications of being in surplus, on deficit recovery plans and on enhanced governance where an asset transfer is proposed by a local authority to the pension fund in lieu of cash payment. The draft of the guidance and proposed clearance timetable to ensure the guidance is available for the end of the year, has also been shared with MHCLG officials with an invite to raise any potential areas of concern.

Approvals process and timetable

7. The FSS guidance has been shared with CRC members for final comments and review with a view to approving a final version at this meeting. Whilst this accompanying report is being made publicly available on the SAB website, the FSS guidance is not being made publicly available until it receives final approval by the Board, CIPFA and MHCLG. To avoid possible confusion, the final guidance will only be made available on the Board's website once approved by all parties and the final design process and accessibility checks have been completed. This is the same approach as the Committee adopted in relation to the revised Annual Reporting guidance that was issued earlier this year.
8. The FSS guidance is required to be cleared through CIPFA's processes and is due to be submitted for approval by CIPFA at its Public Finance Management Board meeting on 7 November 2024. If approved there, it will be put for approval at the Board's meeting on 25 November 2024 and the Secretariat will then work with MHCLG officials to receive Ministerial approval, with the plan for final guidance to be issued before the end of December 2024.
9. The FSS guidance has been drafted so it can be applicable in Scotland and Northern Ireland and has been reviewed for comment by Scottish LGPS practitioners in the working group. The Secretariat have also shared the guidance with the Scottish Public Pensions Agency (SPPA) policy team and the Scottish Scheme Advisory Board (SSAB) for potential adoption by Scottish Ministers.

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Maintaining the guidance and review

10. As agreed at the creation of the CRC, the new guidance will be freely available and hosted on the SAB's website. The Secretariat will ensure that publication online is consistent with accessibility requirements and that the guidance is available as an accessible document on the SAB website.
11. Following the results of the 2025 Actuarial Valuations, the FSS guidance will be reviewed and therefore it may be necessary to reconvene the working group to collate comments on the application of the guidance once the updated FSS's have been published.

Recommendations:

For this Committee to approve the Funding Strategy Statement guidance shared separately by email, and for the Secretariat to subsequently submit the guidance for approval by CIPFA, the Scheme Advisory Board and then to MHCLG for Ministerial approval.
