

## REPORT OF THE GROUP DIRECTOR, FINANCE & CORPORATE RESOURCES

<b>Funding Strategy Statement - Employer Flexibilities</b>	<b>Classification</b> <b>Public</b>	<b>Enclosures</b> <b>One</b>
	<b>Ward(s) affected</b>  <b>ALL</b>	<b>AGENDA ITEM NO.</b>  <b>8</b>
<b>Pensions Committee</b> <b>30 September 2021</b>		

### 1. INTRODUCTION

- 1.1 This report presents further additions to the approved Funding Strategy Statement relating to employer flexibility as provided for in updated regulations. It follows on from the report to June Committee that set out the issues to be considered in relation to updated regulations and approved changes in respect of exit credits

### 2. RECOMMENDATIONS

- 2.1 The Committee is asked to consider and approve the further changes to the FSS to reflect the Fund's policy on the application of the Employer flexibilities regulations.
- 2.2 The Committee is also asked to agree that Officers should consult employers in the Fund on the proposed changes to the FSS as required by regulations.

### 3. RELATED DECISIONS

- Pensions Committee (Urgency Delegation March 2020) – 2019 Final Valuation Report and Funding Strategy Statement
- Pensions Committee 29<sup>th</sup> March 2017 – Investment Strategy Statement
- Pensions Committee - 31 March 2021 - Investment Strategy Implementation
- Pensions Committee 16 June 2021 - Funding Strategy Statement Update

### 4. COMMENTS OF THE GROUP DIRECTOR< FINANCE AND CORPORATE RESOURCES

- 4.1 This report asks the Committee to approve further additions to the FSS arising from changes in the relevant regulations and to consult participating employers in the Fund on those changes.
- 4.2 The FSS is an important document for the Fund, setting out its funding strategy following the finalisation of the triennial valuation. It sets out details of how employer contribution rates are set, the overall funding strategy and the appropriate links to the Fund's Investment Strategy, and several policies that might affect the funding of the Pension Fund if certain events occur.
- 4.3 The policies set out within the FSS can have a material impact on the funding level of the Fund and therefore impact on the Council's and other participating

employers budgets via the contribution rates set.

## **5. COMMENTS OF THE DIRECTOR OF LEGAL AND GOVERNANCE**

- 5.1 The Council's Constitution gives the Pensions Committee responsibility for various specified functions relating to management of the Council's Pension fund. In carrying out those functions the Committee must have regard to the various legislative obligations imposed on the Council as the Fund's Administering Authority, particularly by the 2013 Regulations.
- 5.2 Those requirements include the requirement for a triennial valuation carried out by an actuary. At the time the valuation is agreed, a Funding Strategy Statement is also approved and this is required to be updated as regulations are amended.
- 5.3 Given these requirements, it is appropriate that the Committee consider these latest updates to the FSS, required by changes to relevant legislation since the last valuation took place.

## **6. EMPLOYER FLEXIBILITIES**

- 6.1 At its June meeting the Committee considered a paper regarding updates to the Funding Strategy Statement and were informed that Officers were working with advisers to develop its policy in respect of employer flexibilities.
- 6.2 The LGPS Regulations 2013 were amended from 23 September 2020 to allow the Fund to recalculate employer contributions outside of the triennial formal valuation in the following circumstances:
  - There has been a significant change to the liabilities of an employer;
  - There has been a significant change in the employer's covenant; or
  - At the request of the employer.
- 6.3 The amendments also allow greater flexibility around managing the exit of an employer from the Fund. On exit from the Fund, where the employer is in deficit, the following options are available:
  - The employer pays a full cessation payment carried out in line with regulations;
  - The Fund can agree a repayment schedule with an employer to allow them to spread the exit payment over a number of years; or
  - The Fund and employer enter into a Deferred Debt Agreement (DDA) where an employer can continue in the Fund with no active members but continue to pay secondary contributions as determined at formal valuations. An employer entering into this arrangement would be known as a "deferred employer".
- 6.4 Whilst each employer's circumstances will be assessed on a case-by-case basis, they will be guided by the principles set out in the Fund's Employer Flexibilities

Policy which will be an Appendix to the FSS. That Appendix is attached to this report for the approval of Committee members.

Ian Williams

**Acting Chief Executive / S151 Officer**

**Appendices:**

Appendix - Funding Strategy Statement Employer Flexibilities

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