



City of Westminster

# Committee Report

<b>Decision Maker:</b>	<b>PENSION FUND COMMITTEE</b>
<b>Date:</b>	<b>23 January 2020</b>
<b>Classification:</b>	<b>General Release</b>
<b>Title:</b>	<b>Draft Funding Strategy Statement</b>
<b>Wards Affected:</b>	<b>None</b>
<b>Policy Context:</b>	<b>Effective control over Council Activities</b>
<b>Financial Summary:</b>	<b>There are no immediate financial implications arising from this report, although the outcome of the valuation has an impact on the Council's employer contribution to the Pension Fund and this is a charge to the General Fund.</b>
<b>Report of:</b>	<b>Phil Triggs</b> <i>Tri-Borough Director of Treasury and Pensions</i> <a href="mailto:pdriggs@westminster.gov.uk">pdriggs@westminster.gov.uk</a> <b>020 7641 4136</b>

## 1 Executive Summary

- 1.1 Following the 2019 triennial valuation, the Fund Actuary (Barnett Waddingham) have produced a draft Funding Strategy Statement (FSS). The purpose of the FSS is to establish a clear and transparent strategy on how to meet pension liabilities going forward.

## 2 Recommendation

- 2.1 That the Committee approve the draft Funding Strategy Statement (FSS), pending consultation with the employers, and delegate authority to the Director of Treasury and Pensions in consultation with the Chairman to publish the final FSS.

### **3 Reasons for Decision**

- 3.1 The Fund is required to regularly review the FSS and to have regard to CIPFA 2016 guidance, Preparing and Maintaining a funding strategy statement in the Local Government Pension Scheme (LGPS).

### **4 Proposals and Issues**

- 4.1 Regulation 58 of the LGPS Regulations 2013 sets out the requirement for every LGPS fund to maintain a Funding Strategy Statement. The regulation requires the Fund to have regard to the guidance published by CIPFA and to consult with parties it considers appropriate when updating it. The current version of the statement was approved by the Pension Fund Committee in March 2017. Attached at Appendix 1 is a draft Funding Strategy Statement for 2020, which reflect the results of the 2019 actuarial valuation.
- 4.2 The financial assumptions adopted for the 2019 valuation show a decrease in the discount rate applied and an increase in the inflation rate compared to 2016. It should also be noted that long-term salary increases have decreased from 2016, along with a slow-down in the long-term longevity rate of improvement. The actuarial assumptions applied during the 2019 valuation result in the funding level increasing from 80% in 2016 to 100% as at 31 March 2019.
- 4.3 The FSS incorporates the funding approach of the admitted and scheduled bodies including admissions, new academies, bulk transfers and cessations. The strategy also takes in to consideration the impact which the McCloud judgement may have on the pension liabilities, although still uncertain this is anticipated to be less than reducing the discount rate assumption by 0.05%.
- 4.4 The major risks to the funding strategy are financial, although there are other external factors including maturity risks, demographic risks, employer risks, regulatory risks and governance risks. Whilst the FSS attempts to satisfy the funding objectives of ensuring sufficient assets to meet pension liabilities and stable levels of employer contributions, it is recognised that these risks may impact on the ability of the strategy to meet the funding objectives.
- 4.5 The next stage in the process of the actuarial valuation is consultation with the employers in the Fund on the results, proposed employer contribution rates and the draft FSS. A final version of the actuarial valuation report and the FSS will be presented to the Committee for approval at the next meeting on 19 March 2020.

### **5 Consultation**

- 5.1 Consultation with the employers in the Fund will take place in the coming weeks on the results, proposed employer contribution rates and the draft FSS.

**If you have any questions about this report, or wish to inspect one of the background papers, please contact the report author:**

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**BACKGROUND PAPERS:**       None

**APPENDICES:**

Appendix 1 Draft Funding Strategy Statement