

Essex Pension Fund Strategy Board	PSB 03.B
Date: 11 September 2019	

Draft Funding Strategy Statement

Report by the Employer Manager

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1. Purpose of the Report

- 1.1 To provide the 2016 Funding Strategy Statement (FSS) to the Board to highlight the requirement for the Statement to be reviewed in conjunction with the Actuarial Valuation.

2. Recommendation

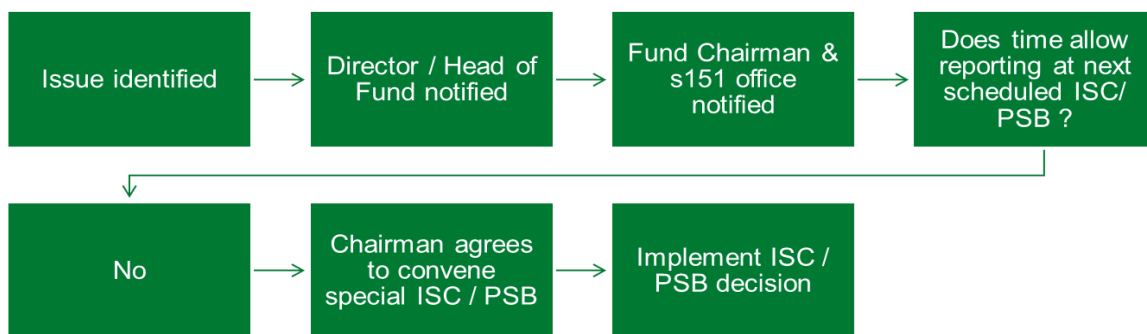
- 2.1 That the Board should:
 - agree to review the 2019 FSS out of committee using the decision-making process;
 - that the PSB approve the timescales outlined in paragraph 5.1; and
 - note the report.

3. Background

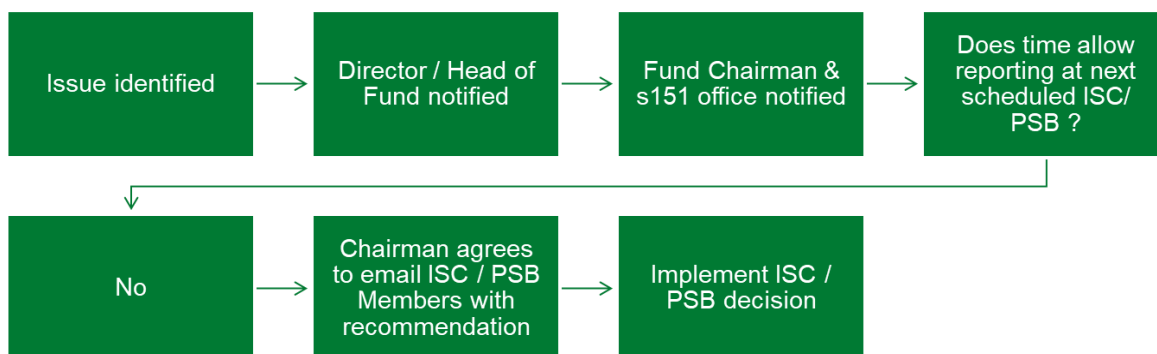
- 3.1 Essex County Council, as administering authority of the Essex Pension Fund (the Fund), is required under the Local Government Pension Scheme (LGPS) Regulations to prepare and publish a FSS and keep the statement under review; making appropriate revisions following any material change in its policy on the matters set out in either the FSS or investment strategy statement. In reviewing and making revisions to the statement, the authority must have regard to the guidance produced by the Chartered Institute of Public Finance & Accountancy and consult with relevant interested parties.
- 3.2 The current FSS was published in March 2017, following a review in conjunction with the triennial valuation of the Fund as at 31 March 2016. The strategy set out in the FSS has been kept under review in the years since its publication. In both December 2017 and July 2018, in the light of the Actuary's annual Interim Reviews, the PSB considered whether changes were required to the FSS. In December 2017 minor amendments were made with none being required in July 2018.
- 3.3 A further actuarial valuation of the Fund, as at 31 March 2019, is currently underway, with new employer contribution rates effective from 1 April 2020.

4. Draft 2019 FSS

- 4.1 As part of the 2019 Valuation process, the FSS will be reviewed by Officers. However, due to the valuation timetable, the draft FSS will not be ready for review by the Board at this meeting. Therefore, Members will be asked to consider and approve the draft FSS for issue for consultation out of committee.
- 4.2 Members can commence the decision-making process (stages 2 or 3) as detailed in the Fund's Governance Compliance Statement and below:
- Stage 2 - the process to be used when the Chairman agrees to convene a special ISC / PSB meeting:



- Stage 3 - The process when there is neither the time for the next scheduled meeting or to convene a special ISC /PSB meeting and the Chairman agrees to email ISC / PSB members with the recommendation:



- 4.3 Following consideration of responses to the consultation and matters emerging from the valuation as it progresses, a further draft will be brought to the March 2020 meeting of the Board.
- 4.4 The FSS should be completed and approved by the Board prior to completion of the Fund Valuation by 31 March 2020.

5. Future Actions

- 5.1 A timetable of the actions to complete the revision of the FSS and the Fund Valuation is summarised below:

Timescale	Action
September 2019	Funding Strategy timeline issued
October 2019	Draft Funding Strategy considered by PSB out of committee
November-December 2019	Issue draft FSS for consultation together with draft valuation results to remaining employers and any other consultees
October - December 2019	Employer Forums and meetings held to discuss valuation results
January 2020	Response deadline for employers and other consultees on FSS
February 2020	Review consultation responses and consider any further amendments required to the FSS
4 March 2020	Pension Strategy Board to consider and agree final FSS for subsequent publication
Mid-March 2020	Final FSS published
Mid to end March 2010	Final Valuation results issued to employers and other relevant bodies
April 2020	New employer contribution rates commence

6. Recommendations

- 6.1 That the Board agree which stage of the decision-making process they wish to utilise for the review of the FSS in draft for further consultation.

7. Link to Essex Pension Fund Objectives

- 7.1 To prudently set levels of employer contributions that aim to achieve a fully funded ongoing position in the timescales determined in the Funding Strategy Statement.
- 7.2 To recognise in drawing up the funding strategy the desirability of employer contribution rates that are as stable as possible.
- 7.3 To ensure consistency between the investment strategy and funding strategy.

8. Risk Implications

- 8.1 Failure to set and collect contributions sufficient to achieve a fully funded ongoing position in the timescales determined by the Funding Strategy Statement.
- 8.2 Mortality rates continue to improve, in excess of the allowances built into the evidence based actuarial assumptions, resulting in increased liabilities, reduced solvency levels and increased employer contributions.
- 8.3 Demographic experience of Fund population is not in line with actuarial assumptions resulting in increases required in Employer contributions.
- 8.4 Failure to apply and demonstrate fairness in the differentiated treatment of different fund employers by reference to their own circumstances and covenant.
- 8.5 Pay and price inflation significantly different from actuarial assumptions resulting in increases required in employers' contributions.
- 8.6 Funding strategy is not aligned with Investment Strategy leading to adverse funding outcomes (over/under funding).
- 8.7 The adoption of a funding strategy that causes the Fund to fail any of the GAD s13 tests or be named in the GAD s13 report that causes reputational damage.

9. Communication Implications

- 9.1 Following Board approval, a consultation will take place with participating employers and other interested parties.

10. Finance and Resource Implications

- 10.1 None directly as a result of this report. It is a requirement to complete the actuarial valuation and to keep the FSS under review. Resources are planned accordingly.

11. Background Papers

- 11.1 The Local Government Pension Scheme (LGPS) Regulations 2013.
- 11.2 The National Audit Office's Code of Audit Practice.
- 11.3 2016 Funding Strategy Statement.