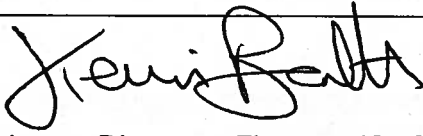


Haringey Council

Report for:	Corporate Committee 28 th January 2014	Item number	
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Title:	Pension Funding Strategy Statement
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Report authorised by :	 Assistant Director –Finance (CFO)
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Lead Officer:	George Bruce, Head of Finance – Treasury & Pensions George.bruce@haringey.gov.uk 020 8489 3726
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Ward(s) affected: N/A	Report for Non Key Decision
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1. Describe the issue under consideration

- 1.1 To consider the draft Funding Strategy Statement (annex 1) and agree to the statement being circulated for consultation with the participating employers. A final report will be presented to the March 2014 meeting together with the actuarial valuation report as at 31st March 2013.

2. Cabinet Member Introduction

- 2.1 Not applicable.

3. Recommendations

- 3.1 To agree that the draft Funding Strategy Statement is circulated for consultation with pension scheme employers.

4. Other options considered

- 4.1 None.



5. Background information

- 5.1 The Pension Fund is required to maintain a Funding Strategy Statement (FSS) that sets out the basis on which contributions are set and in particular the plan to achieve and maintain sufficient assets to meet the pension liabilities. The FSS is normally updated prior to agreeing the tri-annual valuation report to ensure that the two documents are consistent. There is a requirement that changes to the FSS are consulted upon with scheme employers prior to implementation.

6. Comments of the Chief Financial Officer and financial implications

- 6.1 The FSS determines the basis on which contributions are paid by the Council and other employers. To protect the Council, assumptions and procedures are prudent but not excessively so. There is provision to offer stability of contributions to those employers such as the Council that are financially strong

7. Head of Legal Services and Legal Implications

- 7.1 The recommendation to consult with scheme employers is in compliance with the duties on the administering authority arising from Regulation 35 of the LGPS (Administration) Regulations 2008 (as amended). The obligation on the administering authority is to keep the FSS under review and make revisions if there is a material change (a) in policy which affects matters in the FSS or (b) to the current version under Regulation 9A of the LGPS (Management and Investment of Funds) Regulations 1998 statement of principles (i.e. the 10 Principles of Investment Practice set out in CIPFA Guidance Note issue No.5); and to publish any revisions.
- 7.2 In reviewing and making revisions the administering authority must:
- (a) have regard to the CIPFA Pensions Panel Guidance on Preparing and Maintaining a FSS (Guidance Note issue No.6); and
 - (b) consults such person as is considered appropriate.

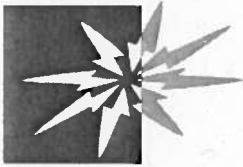
8. Equalities and Community Cohesion Comments

- 8.1 Not applicable.

9. Head of Procurement Comments

- 9.1 Not applicable.

10. Policy Implications



10.1 None.

11. Use of Appendices

11.1 Appendix 1: Draft Funding Strategy Statement

12. Local Government (Access to Information) Act 1985

12.1 Not applicable.

13. Background

13.1 The Local Government Pension Scheme (Administration) Regulations 2008 require all Pension Funds to publish a Funding Strategy Statement and keep it under review. The existing FSS has been reviewed in the light of the 2013 valuation and a consultation on the draft is required with employers in line with the regulations. Additional background information is included in Appendix 1.

13.2 The aim of the Funding Strategy Statement is to set out how the Pension Fund will seek to achieve full funding of pension liabilities. The policies set out in the document determine the basis on which the employer contribution rates are calculated for the Rates and Adjustments Certificate. The document is made up as follows:

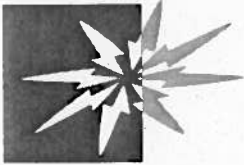
Section 1 & 2 Introduction & purpose, including the objectives (1.5).

Section 3 This section sets out the how employer contribution rates are calculated. It also sets out the policies on stabilisation, deficit recovery periods and phasing of increases which are the tools that enable the Pension Fund to balance affordability with ensuring that the required contributions are received.

Section 4 This section describes how the funding strategy links to the investment strategy.

Appendices These include:

Regulatory framework
Responsibilities of key parties
Key risks and controls
The calculation of employer contributions

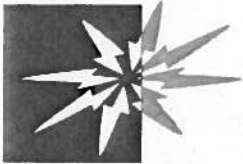


Actuarial Assumptions

13.3 The key changes from the existing strategy are:

- a) Policies on academies have been introduced mainly reflecting previous decisions by the Committee. A change is proposed to the basis on which academies are initially allocated assets (Page 11, note g(c)). Currently, academies on establishment are funded with assets at the same overall funding rate as the Council. The proposed approach for new academies is to first allocate assets to liabilities for deferred and pensioner members. The remaining assets would be used to calculate an active member funding level, which in periods when the scheme is in deficit will be lower than the overall funding level leading to a lower initial asset allocation to academies. The proposal is to bring Haringey in line with the majority of council's and the approach assumed by Government. This change will have no impact on existing academies. The Government is currently consulting on the compulsory pooling of academies with Local Authorities and may regulate requiring a change in approach.
- b) Increased formality of employer covenant assessment is implied (page 6, 2nd last paragraph).
- c) Collecting deficits by fixed annual monetary amounts rather than a percentage of earnings is the norm.
- d) Deficit recovery periods should decrease at future valuations e.g. the target date for full funding should not lengthen (page 10, note (c)).
- e) The criteria for community admission bodies to join the scheme have been tightened (page 12, note (h)).
- f) There is a commitment to annually monitor changes in the funding level (page 17, 4.5)

13.4 The next stage of the process is to consult with employers. Thereafter, in discussion with the Actuary a final version of the FSS will be presented to the March 2014 meeting.



Background Information

1. The attached Funding Strategy Statement has been prepared by London Borough of Haringey (the Administering Authority) to set out the funding strategy for the LB Haringey Pension Fund, in accordance with regulation 35 of the Local Government Pension Scheme (Administration) Regulations 2008 (as amended) and the revised guidance entitled "Preparing and Maintaining a Funding Strategy Statement" issued in October 2012 by the Chartered Institute of Public Finance and Accountancy (CIPFA).

2. Regulation 35 of the Local Government Pension Scheme (Administration) Regulations 2008 (as amended) (the "Administration Regulations") provides the statutory framework under which the Administering Authority is required to prepare a Funding Strategy Statement (FSS). The key requirements for preparing the FSS can be summarised as follows:

- After consultation with such persons as it considers appropriate the LB of Haringey Pension Fund, the Administering Authority, will prepare and publish its funding strategy;
- In preparing the FSS, the Administering Authority must have regard to:-
 - a. the guidance issued by CIPFA for this purpose; and
 - b. the Statement of Investment Principles (SIP) for the Fund
- The FSS will be revised and published whenever there is a material change in either the policy on the matters set out in the FSS or the Statement of Investment Principles.

3. The LB Haringey Pension Fund is a defined benefit scheme. Benefits payable by the Fund are specified in the LGPS Regulations and the pensions promise is secure. The FSS addresses the issue of managing the need to fund those benefits over the long term, whilst at the same time, facilitating scrutiny and accountability through improved transparency and disclosure.

4. The required levels of Employee contributions are specified in the LGPS Regulations. Employer contributions are also determined in accordance with the Regulations (principally Administration Regulation 36) which require that an actuarial valuation is completed every three years by the actuary. Employer contributions to the LB Haringey Pension Fund should be set so as to "secure its solvency", whilst the actuary must also have regard to the desirability of maintaining as nearly constant a rate of Employer contribution as possible. In accordance with Administration Regulation 36(6)(c) the actuary must also have regard to the FSS prepared by the Fund in carrying out the valuation.

