

Committee: Pensions Committee	Dated: 8 February 2023
Subject: Funding Strategy Statement	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	All
Does this proposal require extra revenue and/or capital spending?	No
If so, how much?	N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain's Department?	N/A
Report of: The Chamberlain	For Decision
Report author: Amanda Luk – Chamberlain's Department	

Summary

All Local Government Pension Scheme (LGPS) Funds are required to prepare, maintain and publish a Funding Strategy Statement (the 'FSS') in accordance with the Public Service Pension Act 2013. The FSS governs how employer liabilities are measured, the pace at which these liabilities are funded, and how employers, or pools of employers, pay for their own liabilities. It is subject to periodic review at least every three years and must be reviewed during each triennial valuation. In preparing, maintaining and reviewing the FSS, the administering authority must have regard to guidance published by CIPFA. The latest guidance was published in September 2016. The revised FSS has been amended following the triennial actuarial review.

The FSS was last revised in 2020 and included amendments for the McCloud/Sargent judgement on age discrimination, regular reviews of contribution rates between valuations and procedures for admission bodies exiting the Fund (known as deferred debt arrangements).

Following the 2022 Triennial Valuation, the Funding Strategy Statement has been revised and reviewed by the Fund's Actuary, Barnett Waddingham, and is attached as an appendix to this report.

Recommendations

Members are asked to agree the revised Funding Strategy Statement.

Main Report

Background

1. All LGPS Funds are required to prepare, maintain and publish a Funding Strategy Statement (FSS) in accordance with the Public Service Pension Act 2013. The FSS is subject to periodic review at least every three years and has been amended following the 2022 triennial actuarial review.
2. The FSS was last revised in 2020 and included amendments for the McCloud/Sargent judgement on age discrimination, regular reviews of contribution rates between valuations and procedures for admission bodies exiting the Fund (known as deferred debt arrangements). For this review, a new section has been included on “Climate Change Risk and opportunities”.
3. The FSS is a “living” document and is subject to periodic review at least every three years.

Current Position

4. As the administering authority of the City of London Pension Fund (the ‘Fund’), the City of London Corporation has a duty to set out the main aims of the Fund and explain how employers’ contribution rates are set to achieve those aims. The FSS also has links with two other key strategic documents:
 - The Investment Strategy Statement (‘ISS’), documents the principles, policies and beliefs by which the Corporation manages the Fund’s investment assets.
 - The Governance Compliance Statement which sets out the structure of delegations of responsibilities for the Fund.

Both Statements along with the Funding Strategy Statement are incorporated into the Pension Fund Annual Report.

5. The FSS objectives are to:
 - reflect different employers’ **characteristics** to set their contribution rates, using a **transparent** funding strategy;
 - where appropriate, ensure **stable employer contribution rates**;
 - use a **balanced investment strategy** to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency;
 - take a **prudent long-term view** to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants; and
 - use reasonable measures to **reduce the risk** of an employer defaulting on its pension obligations.
6. The FSS has been prepared in line with the latest guidance published by CIPFA, September 2016. The Fund’s Actuary, Barnett Waddingham, have, in consultation with Officers reviewed and updated the FSS (attached at Appendix 1) with all amendments highlighted and underlined.

Conclusion

7. As the administering authority for the City of London Pension Fund, a Funding Strategy Statement must be prepared, maintained, published and reviewed periodically, but at least every three years. The attached FSS has been reviewed following the 2022 triennial valuation.

Appendices

- Appendix 1 – Funding Strategy Statement

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