

**REPORT FOR: PENSION FUND
INVESTMENTS PANEL**

Date of Meeting: 6 March 2012

Subject: Review of the Funding Strategy Statement

Responsible Officer: Julie Alderson, Interim Corporate Director of Resources

Exempt: No

Enclosures: Funding Strategy Statement

Section 1 – Summary and Recommendations

This Funding Strategy Statement reports the Council's strategy to meet the liabilities of the pension fund.

RECOMMENDATIONS:

The Panel is invited to approve the Funding Strategy Statement

Section 2 – Report

1. The Funding Strategy Statement (FSS) is reviewed in detail at least every three years, ahead of triennial valuations being carried out. The purpose of the FSS is to:
 - (a) Establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;
 - (b) Support the regulatory framework to maintain as nearly constant employer contribution rates as possible; and
 - (c) Take a prudent longer-term view of funding those liabilities.
2. The FSS sets out how the Administering Authority has balanced the conflicting aims of affordability of contributions, transparency of processes, stability of employers' contributions, and prudence in the funding basis.
3. The FSS is a summary of the Fund's approach to funding liabilities. It is not an exhaustive statement of policy on all issues. The FSS has been drafted by the Actuary, but ownership rests with the Council. It is acknowledged that it is longwinded and following the next valuation it will be condensed. Attached to the statement, annex A, is employer specific contribution rates.
4. At the 2010 actuarial valuation the pension scheme liabilities exceeded fund assets by £157 million. The intention is to eliminate this deficit over a period of up to 20 years through earning investment returns in excess of the funding basis of gilts plus 1.6% together with increases in employer contributions. Changes to the structure of benefits and increases in employee contributions currently being consulted on by the Government may also help address the deficit. Prior to finalisation of the March 2013 valuation the Panel will have an opportunity to discuss the methodologies and assumptions to be applied.
5. The changes are mainly descriptive rather than substantive and are highlighted in the report. They reflect mainly the differences in approach between the 2007 and 2010 valuations and the treatment of academy status schools. In particular:
 - Para 3.1 – weaker statement on the requirement to pay strain costs.
 - Para 3.2 – additional language for academies.
 - Para 3.3 – longevity assumptions now reflect the post codes where members live rather than the more general LGPS experience. Also updated assumptions for salary growth and pension increases (RPI to CPI).
 - Para 3.7 – greater detail on the manner in which stabilisation is applied.
 - Annex A – new schedule of contribution rates.
6. The Panel is invited to comment and approve the FSS.
7. The next update will be undertaken in conjunction with finalising the 2013 actuarial valuation.

Financial Implications

8. The SIP addresses the high level risk and return objectives of the Fund.

Risk Management Implications

9. Risk included on Directorate risk register? No

10. Separate risk register in place? No

11. At the last actuarial valuation the liabilities of the pension fund exceeded the assets by £157 million. The FSS and the Statement of Investment Principles between them establish how this deficit will be eliminated.

Equalities implications

12. Was an Equality Impact Assessment carried out? No

13. There are no direct equalities implications relating to the pension fund.

Corporate Priorities

14. Corporate Priorities are not applicable to Pension Fund as it does not have a direct impact on Council's resources.

Section 3 - Statutory Officer Clearance

Name: Julie Alderson Chief Financial Officer

Date: 22 February 2012

Name: Matthew Adams on behalf of the
Monitoring Officer

Date: 24 February 2012

Section 4 - Contact Details and Background Papers

Contact: George Bruce (Treasury and Pension Fund Manager) Tel: 020-8424-1170 / Email: george.bruce@harrow.gov.uk

Background Papers: None

If appropriate, does the report include the following considerations?

1.	Consultation	N/A
2.	Corporate Priorities	N/A