MEETING:	**PENSIONS COMMITTEE**
DATE:	**24 JUNE 2021**
TITLE:	**AMENDMENTS TO THE FUNDING STRATEGY STATEMENT**
PURPOSE:	**To approve amendments to the Funding Strategy Statement following changes to the 2013 LGPS Regulations and update from the Goodwin Court Case**
RECOMMENDATION:	**APPROVE THE AMENDMENTS TO THE FUNDING STRATEGY STATEMENT**
AUTHOR:	**DELYTH JONES-THOMAS, INVESTMENT MANAGER**

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1. Introduction

Following amendments to the 2013 LGPS Regulations and update from the Goodwin Court Case we are required to update the fund's Funding Strategy Statement which was originally approved by the Committee on 18th March 2020.

Hymans Robertson, the Fund's actuary have been consulted and have suggested the following changes noted in sections 2, 3 and 4 of this report. The changes can be seen highlighted within appendix 1.

2. Contribution review

The change in regulation now allows the Fund to recalculate employer contributions outside of the triennial formal valuation in the following circumstances:

- There has been a significant change to the liabilities of an employer;
- There has been a significant change in the employer's covenant; or
- At the request of the employer.

<u>Changes to the FSS</u>

The FSS now consider an amendment to contribution rates between valuations only as a result of significant changes to the liabilities or covenant of an employer. While the Fund would consider requests from employers to review contributions, it is expected that the reason for the request is a material change in covenant or significant restructure which impacts their membership and consequently liabilities in the Fund.

3. Exit arrangements

The amendments also allow greater flexibility around managing the exit of an employer from the Fund. On exit from the Fund, where the employer is in deficit, the following options are now available:

- The employer pays a full cessation payment carried out in line with regulations;
- The Fund can agree a repayment schedule with an employer to allow them to spread the exit payment over a number of years; or
- The Fund and employer enter into a Deferred Debt Agreement (DDA) where an employer can continue in the Fund with no active members but continue to pay secondary contributions as determined at formal valuations. An employer entering into this arrangement would be known as a “deferred employer”.

Whilst many LGPS Funds, have entered into similar arrangements, these practises are now strengthened by the regulation amendments.

<u>Changes to the FSS</u>

- Despite the updates, for an employer ceasing with a deficit, the normal policy in the FSS remains the requirement to immediately pay any debt. Any variation away from this would be considered in the light of this benchmark and would primarily need to be in the interests of the Fund. However, the FSS updates allow the Fund to be mindful of the broader objectives and finances of the employer when considering a more flexible exit arrangement. For example, a flexible approach may in some cases still be appropriate where the employer covenant is weak as it may allow the employer to avoid building up further liabilities.

4. Goodwin Court Case

The Goodwin tribunal was raised in the Teachers’ scheme. It claimed members, or their survivors, were discriminated against due to their sexual orientation. The claim was because the Teachers’ scheme provides a survivor’s pension which is less favourable for a widower or surviving male partner, than for a widow or surviving female partner of a female scheme member. On 30 June 2020, the Tribunal found in favour of the claimant and agreed there was discrimination. This finding and remedy is expected to apply across all public service pension schemes, including the LGPS, however this is not certain and the details are not yet known.

The impact, if any, of the Goodwin case on Fund liabilities is expected to be very small and will largely be an administrative issue.

5. Recommendation

The Committee is asked to adopt the revised Funding Strategy Statement