

SOUTH YORKSHIRE PENSIONS AUTHORITY

16th March 2017

Revised Funding Strategy Statement

1. Purpose of the Report

To seek confirmation of changes to the funding strategy statement.

2. Recommendations

Members are recommended to confirm the changes.

3. Information

- 3.1 The pension regulations require the authority to prepare, maintain and publish a written statement setting out their funding strategy. In doing so, regard must be had to the guidance published by CIPFA and its own Investment Strategy Statement (ISS). It must be revised in accordance with any change in policy on the matters set out in the statement and any material change to the ISS. In particular, it must be revised so that the actuary can take account of it when preparing his report on the triennial valuation.
- 3.2 At the October meeting, Members received a presentation from the Fund Actuary, considered the preliminary whole-fund valuation results and the funding plan for the next three years. The results were based on a continuation of the plan agreed at the last valuation to return the Fund to full solvency by 2036.
- 3.3 Before adopting a revised funding strategy the regulations require the Authority to consult with interested parties. Employers were issued with a copy of the revised funding strategy along with their preliminary results and were invited to comment on the following,
- aspects relating to the actuarial assumptions adopted (including the short-term pay restraint assumption of 1.25% p.a. for 4 years);
 - the proposed approach in relation to periods over which deficit is recovered and any surplus is spread;
 - potential contribution phasing plans to the new requirements over 3 years , where applicable;
 - whether there were any post valuation date events applicable to each organisation that the actuary should be made aware of when setting the final contribution rates ;
 - potential pooling arrangements for academies under the control of the same Multi-Academy Trust where applicable.

- 3.4 The initial letter to employers invited comments by 13th January and of the few that responded with comments the overwhelming majority were in support of the revised strategy. There were a few changes made to better describe issues that had caused some confusion with employers together with specific adjustments emerging from the consultation in particular around termination assessments, and also recovery periods. A tracked changes version of the FSS is attached to enable comparison between the draft and final statement.
- 3.5 Formal agreement of the revised funding strategy statement allows the actuary to complete the triennial valuation and issue revised employer contribution rates by the 31st March deadline.

4. Implications and risks

- Financial – none
- Legal – the actuarial valuation report must be signed off by 31st March. Confirmation of the funding strategy will enable the actuary to complete the triennial valuation and issue revised employer contribution rates by the deadline.
- Diversity – none
- Risk – The key revisions to the funding strategy statement are designed to stabilise contribution requirements for employers at a time when affordability is an issue for them. The risk in taking this approach is that employers may find themselves in a worse position if the assumptions made are not borne out at the next valuation.

Gary Chapman
Head of Pensions Administration
Phone 01226 772954
E-mail gchapman@sypa.org.uk

Background papers used in the preparation of this report are available for inspection in the Pensions Administration Unit.