

# Croydon Council

<b>REPORT TO:</b>	<b>PENSION COMMITTEE</b> <b>8 July 2014</b>
<b>AGENDA ITEM:</b>	<b>8</b>
<b>SUBJECT:</b>	<b>London Borough of Croydon Pension Fund Funding Strategy Statement</b>
<b>LEAD OFFICER:</b>	<b>Director of Finance and Assets</b>
<b>CABINET MEMBER</b>	<b>Councillor Simon Hall</b> <b>Cabinet Member for Finance and Treasury</b>
<b>WARDS:</b>	<b>All</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT:</b> Sound Financial Management: the Pensions Committee is responsible to other employers for the sound management of the Local Government Pension Scheme.	
<b>FINANCIAL SUMMARY:</b> The Strategy determines the underlying principles for the triennial valuation. The valuation determines the contribution rate for the Council and for all other Scheme employers.	
<b>FORWARD PLAN KEY DECISION REFERENCE NO.: N/A</b>	

## 1 RECOMMENDATIONS

The Committee is asked to adopt the Funding Strategy Statement.

## 2. EXECUTIVE SUMMARY

2.1 The Funding Strategy Statement summarises the Croydon Fund's approach to funding its liabilities. The key components of the Strategy are set out in this report which also provides some context by briefly describing how stakeholders are impacted by the processes described in the Strategy and how the Council have consulted these stakeholders.

## 3. DETAIL

3.1 This report sets out the reason why this authority needs a Funding Strategy Statement and provides the context for the strategy. In providing that context it

discusses how the strategy relates to key stakeholders and the financial strategy for the Fund. Finally the report presents the results of the consultation on the strategy. The statement has been drafted by the Pension Fund's actuary

3.2 Local Government Pension Scheme members' benefits are set out and guaranteed by the Scheme regulations. These current and future outflows from the Fund represent a liability to the Scheme. In the same way employees' tiered contributions are defined by regulation. A proportion of this liability will be met from the returns generated from the investment of the assets that comprise the Fund with the balance coming from employer contributions. The Funding Strategy Statement addresses three critical issues:

- ◆ How those employer liabilities are measured;
- ◆ The pace at which these liabilities are funded; and
- ◆ How employers pay for their own liabilities.

3.3 It will be apparent that in addressing these issues, there will be conflict, because of the different characteristics of Scheme employers and because of the different goals of stakeholders. The Strategy directly addresses the conflicting aims of:

- ◆ Affordability for all employers;
- ◆ Transparency;
- ◆ Stability; and
- ◆ Prudence.

3.4 There is a statutory requirement to produce this statement.

3.5 The Strategy is aimed at four groups of stakeholders, each with distinct and often conflicting interests.

3.5.1 **Scheme members** will look for assurance that there is sufficient liquidity to meet the requirements to pay their benefits.

3.5.2 **Employers** will have an interest in ensuring that equality underpins the basis for the calculation of contributions and liabilities.

3.5.3 **Elected Members** need to balance the level of contributions against other demands for scarce resources.

3.5.4 Finally, **Council Tax payers** will be interested in cross-subsidising between different generations.

The Council has consulted directly with all Scheme employers by circulating a copy of the Strategy for comment. One response to this exercise was received and is appended to this report. This report represents a level of engagement with elected members and with the wider groups of Scheme members and Council Tax payers. Further, the Strategy will be published on the Croydon Scheme website.

- 3.6 The Strategy provides an overview to the main principles behind the funding of the Scheme, covering the calculation of the contribution rate for the different categories of employer. To provide a more complete and rounded picture the Strategy discusses in detail the regulatory framework, key responsibilities, risk monitoring and an explanation of assumptions and technical terms.
- 3.7 The Committee is asked to note the response to the consultation exercise and to formally adopt the Strategy Statement. On adoption the Statement will be published on the Council's website.

#### **4. FINANCIAL CONSIDERATIONS**

- 4.1 There are not specific financial considerations within this report. This Strategy Statement provides the context for the Investment Strategy that addresses the specific financial implications for the Pensions Fund.

#### **5. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER**

- 5.1 The Council Solicitor comments there are no specific legal comments arising from this report

(**Approved by:** Gabriel MacGregor, Head of Corporate Law on behalf of the Council solicitor and Monitoring Officer)

#### **6. OTHER CONSIDERATIONS**

- 6.1 There are no Human Resources, Customer Focus, Equalities, Environment and Design, Crime and Disorder, Human Rights, Freedom of Information or Data Protection considerations arising from this report.

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**BACKGROUND DOCUMENTS:** none