

FUNDING STRATEGY STATEMENT

Reason for this Report

1. The Pension Committee Terms of Reference set out the Committee's responsibility for the strategic governance of the Cardiff & Vale of Glamorgan Pension Fund.
2. The Terms of Reference include the review and approval of the Fund's Funding Strategy Statement (FSS). The draft amended FSS is attached as Appendix 1 to this report.

Background

3. The Funding Strategy Statement (FSS) sets out how the administering authority aims to meet the regulatory requirements to ensure that funds are available to meet pensions liabilities as they fall due whilst keeping employer contributions as constant as possible.
4. The FSS is normally reviewed every three years as part of the Triennial Valuation following consultation with the Fund Actuary although amendments to the FSS within this three year cycle may be necessary. The administering authority must also consult with "such persons as it considers appropriate" and have regard to guidance published by CIPFA, the Chartered Institute of Public Finance and Accountancy and other regulatory bodies such as the Scheme Advisory Board (SAB).

Issues

5. The Fund's actuaries have prepared the draft FSS (attached as Appendix 1) as a revision of the statement published after the 2019 valuation to incorporate recent updates in the LGPS Regulations in particular those in relation to Employer Flexibilities.
6. The key parts of the FSS to be amended in relation to Employer Flexibilities are in the new Appendices 4 and 5. Appendix 4 is titled "Policy on reviewing employer contributions between triennial actuarial valuations" and outlines the situation in which the Administering Authority will review employer contributions and the process it will follow to undertake those reviews. Appendix 5 is titled "Policy on spreading of exit payments and deferred debt agreements" and considers the appropriate period for the spreading of exit payments and the process for determining this period. Appendix 5 also covers Deferred Debt Agreements (DDA) whereby exiting employers continue to make contributions at the secondary rate and defer the payment of an exit payment and the process to determine whether it is appropriate to enter into a DDA.

7. The document includes updates in other areas to ensure that Employer Flexibilities are appropriately reflected in the drafting as well as taking the opportunity to update the document for a number of other small minor changes primarily to reflect any legislative changes since the last review, for example in relation to the payment of Exit Credits.
8. If the Pension Committee is content to approve the revised FSS document then the next step will be to commence a period of consultation with the draft document to be sent to the Fund's employers, and to the members of the Local Pension Board.
9. If there are no material amendments arising from the consultation then the FSS will be approved and published on the Fund's website. If there are significant amendments arising from the consultation then an amended FSS will be brought back to the Pension Committee for further consideration.
10. Updates to the FSS will also be included in the March 2022 triannual valuation process.

Legal Implications

11. The FSS must be revised and published in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (as amended), whenever there is a material change in policy on the matters set out in the FSS.
12. The recommendation seeks approval of the FSS. This is a technical document the content of which Legal Services are unable to comment upon. However, Legal Services understand that the Fund employers and the Fund Actuary have been consulted and that their views have been considered when formulating the FSS.
13. In considering this matter, the decision maker must have regard to the general legal advice set out below should be considered.

General Legal Advice

Any decision must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers on behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council eg. standing orders and financial regulations; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its tax payers; and (h) be reasonable and proper in all the circumstances and comply with any equalities legislation.

The Council also has to satisfy its public sector duties under the Equality Act 2010 (including specific Welsh public sector duties). Pursuant to these legal duties, Councils must in making decisions have due regard to the need to (1) eliminate unlawful discrimination, (2) advance equality of opportunity and (3) foster good relations on the basis of protected characteristics. The Protected characteristics are: age, gender reassignment, sex, race – including ethnic or national origin, colour or nationality, disability, pregnancy and maternity, marriage and civil partnership, sexual orientation, religion or belief – including lack of belief.

The Well-Being of Future Generations (Wales) Act 2015 ("the Act") places a 'well-being duty' on public bodies aimed at achieving 7 national well-being goals for Wales – a

Wales that is prosperous, resilient, healthier, more equal, has cohesive communities, a vibrant culture and thriving Welsh language, and is globally responsible.

In discharging its duties under the Act, the Council has set and published well-being objectives designed to maximise its contribution to achieving the national well-being goals. The well-being objectives are set out in Cardiff's Corporate Plan 2021-24

The well-being duty also requires the Council to act in accordance with 'sustainable development principle'. This principle requires the Council to act in a way, which seeks to ensure that the needs of the present are met without comprising the ability of future generations to meet their own needs. Put simply, this means that Council decision makers must take account of the impact of their decisions on people living their lives in Wales in the future. In doing so, the Council must:

- Look to the long term
- Focus on prevention by understanding the root causes of problems
- Deliver an integrates approach to achieving the 7 national well-being goals
- Work in collaboration with others to find shared sustainable solutions
- Involve people from all sections of the community in the decisions which affect them

The decision maker must be satisfied that the proposed decision accords with the principles above; and due regard must be given to the Statutory Guidance issued by the Welsh Ministers, which is accessible using the link below: <http://gov.wales/topics/people-and-communities/people/future-generations-act/statutory-guidance/?lang=en>

The Council has to be mindful of the Welsh Language (Wales) Measure 2011 and the Welsh Language Standards when making any policy decisions and consider the impact upon the Welsh language, the report and Equality Impact Assessment deals with all these obligations. The Council has to consider the Well-being of Future Generations (Wales) Act 2015 and how this strategy may improve the social, economic, environmental and cultural well-being of Wales.

Financial Implications

14. No financial implications arise directly from this report.

Recommendations

15. That the Committee approves the revised Funding Strategy Statement.

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CORPORATE DIRECTOR RESOURCES

Appendix 1 Funding Strategy Statement November 2021