

Pension Advisory Board

26 February 2020

Review of Pension Fund Policy Documents

Report by Director of Finance and Support Services

Summary

It has been agreed that the Pension Advisory Board review relevant policy documents as part of its ongoing agenda.

Recommendation

- (1) That the Board note the register of Policy Documents
- (2) That the Board provide feedback on the policy documents presented at the meeting in respect of their compliance with regulations and guidance.

Background

1. The Pension Regulators Code of Practice 14 requires that

Pension board members must be conversant with their scheme rules which are primarily found in the scheme regulations and documented administration policies currently in force for their pension scheme.

2. By reviewing policy documents on a regular basis the Board will be fulfilling their role in supporting the Scheme Manager by ensuring compliance with regulations. This would also assist members in ensuring they have the relevant knowledge and understanding of the Scheme.

Pension Fund Policy Documents

3. The Pension Fund is required by law to keep and maintain a number of policy documents. A list of all Pension Fund Policy Documents is included at Appendix 1. It is proposed that as policies are reviewed by officers they will be presented to the Board for review against Regulations or Guidance.

Funding Strategy Statement

4. The Funding Strategy Statement was considered by the Pension Advisory Board at their meeting on 22 May 2019.
5. The purpose of the Funding Strategy Statement is to set out the Administering Authority's approach to funding its liabilities and how employer liabilities are measured (the value of the benefits to be paid to members), the pace at which these liabilities are funded (the balance between investment risk and the level of contributions required) and how employers or pools of employers pay for their own liabilities.
6. Following the Actuary's work on individual employer results further amendments have been made to the Funding Strategy Statement and the

full document has been shared with employers for their comments. This reflects:

- Drafting amended to reflect McCloud movement and reserving of additional prudence given the uncertainty.
 - Reference to asset and liabilities remaining with the Local Authority / Police (ceding employer) for pass through arrangements – including on exit and the alignment of likelihood and time horizon for contribution modelling for pass through employers with their ceding employer to manage short term market conditions putting pressure on rates.
 - Inclusion of exception to reduce the primary rate (future service rate) where an employer is exceptionally well funded (>120%). This is to prevent a surplus building up – but acknowledges the need for a cushion.
 - Addition of specific reference to prepayment opportunity for some employers and timescales associated.
 - Addition of specific wording for cessation assessment.
7. The relevant Regulations and Guidance were provided to the Board when the document was reviewed in May 2019.
8. The Strategy will be published prior to 31 March 2020.

Treasury Management Strategy

9. The CIPFA “Treasury Management Code of Practice” requires the West Sussex Pension Fund to determine a treasury management strategy on an annual basis regarding the investment of its internally managed cash balances. The strategy includes the “Annual Investment Strategy” (AIS) that is a requirement of the Ministry of Housing, Communities and Local Government’s (MHCLG) “Investment Guidance”.
10. The latest Strategy was considered by the Pension Panel at their meeting on 27 January 2020 and approved.
11. The Board’s role is to review the Strategy in line with the Investment Management Regulations - in respect of restrictions to borrow and maintaining a separate bank account - and the CIPFA guidance (Treasury Management Code of Practice and Cross-Sectoral Guidance Notes).

Katharine Eberhart
Director of Finance and Support Services

Contact: Rachel Wood, Pension Strategist, 033 022 23387

Appendices

Appendix A – Register of Policy Documents
Appendix B – Funding Strategy Statement
Appendix C – Treasury Management Strategy

Background Papers

Original referral of Funding Strategy Statement - Agenda Item 10 Pension
Advisory Board Meeting 22 May 2019

<https://westsussex.moderngov.co.uk/documents/g2053/Public%20reports%20pack%2022nd-May-2019%2009.30%20Pension%20Advisory%20Board.pdf?T=10>

Investment Management Regulations

<http://www.legislation.gov.uk/uksi/2016/946/made/data.pdf>