

Croydon Council

REPORT TO:	PENSION COMMITTEE 7 March 2017
AGENDA ITEM:	8
SUBJECT:	Funding Strategy Statement and Valuation Report
LEAD OFFICER:	Richard Simpson Executive Director of Resources
CABINET MEMBER	Councillor Simon Hall Cabinet Member for Finance and Treasury
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT: Sound Financial Management: the Pensions Committee is responsible to other Scheme Employers for the sound management of the Local Government Pension Scheme.	
FINANCIAL SUMMARY: The Strategy determines the underlying principles for the triennial valuation. The valuation sets the contribution rate for the Council and for all other Scheme employers. Through considered timing of contribution payments a saving of £1.193m over the three-year period will be achieved.	
FORWARD PLAN KEY DECISION REFERENCE NO.: N/A	

1 RECOMMENDATIONS
1.1 The Committee is asked to note the outcome of the recent consultation on the Funding Strategy Statement.
1.2 The Committee is asked to adopt the Funding Strategy Statement and Valuation Report.

2 EXECUTIVE SUMMARY

- 2.1 The Funding Strategy Statement summarises the Croydon Fund's approach to funding its liabilities. The Valuation Report describes the process and assumptions included in the calculation of contribution rates for the next three-year period. The actuary certifies these results and this certificate forms the legal basis for collecting contributions due from each Scheme Employer.

3 DETAIL

- 3.1 The Pension Committee considered a report on the Funding Strategy Statement at its 6th December meeting (Minute A48/16 applies). That report set out the reason why this authority needs a Funding Strategy Statement and provided the context for the strategy. In providing that context it discussed how the strategy relates to key stakeholders and the financial strategy for the Fund. The report also set out the approach to be adopted for consultation on the strategy.
- 3.2 The final version of the statement, as drafted by the Pension Fund's actuary, is attached to this report as Appendix A. This also includes the valuation report and certificate that forms the legal basis for collecting contributions due from each Scheme Employer.
- 3.3 The consultation process involved circulating the statement to each of the Scheme Employers, inviting their views, following a launch at the Employers' Forum. That meeting was attended by representatives from:

The Brit School;
Croydon Citizens Advice Bureau;
Croydon Voluntary Action;
Atwood Primary School;
John Ruskin College;
Coulsdon College;
Shirley High School;
Croydon College;
St Joseph's College;
Pegasus Academy;
STEP Group;
St Cyprian's School
Coloma Convent Girls' School,
The Collegiate Trust,
Axis Europe, and
St Chad's Catholic Primary School.

Each attendee was given the opportunity to discuss the valuation process with the Scheme Actuary. The outcome of these discussions and subsequent work on deriving an affordable and sustainable contribution rate is reflected in the schedule appended to this report.

- 3.4 The Committee is asked to note the outcome of the recent consultation on the Funding Strategy Statement, represented by the final version of the FSS and Valuation Report and to adopt the Funding Strategy Statement and Valuation Report.

4 CONSULTATION

- 4.1 Officers have fully consulted with the Pension Fund's advisers in preparing this report. As set out above, other scheme employers have been consulted on the approach set out in the FSS.

5 FINANCIAL CONSIDERATIONS

- 5.1 This report contributes to the process whereby the employer contribution rates are set and therefore has a direct impact of the Council's General Fund.
- 5.2 The Council contributes to the Pension Fund with a percentage contribution calculated on the basis of pensionable pay plus a lump sum deficit contribution. The deficit contribution is intended to close the gap between the pension liability and the estimate of the value of assets invested to cover that liability. Over the three-year period the deficit cost is £11.795m x 3, equivalent to £35.385m. By paying that sum upfront a discount may be applied, so that the amount due is £33.192m. The time value of the contribution is the same. The valuation report shows the Council's employer contribution to be frozen for two years before increasing by 1% in 2010/2020. The estimated of cost of increasing rate by 1% in 2019/2020 is £1m. The saving accruing to the Council from adopting this funding strategy is therefore (£35.385m – £33.192m -£1.0m) £1.193m.
- 5.3 This table summarises the contributions from the Council.

Year	2017/2018	2018/2019	2019/2020
Total Rates payable (as a % of pensionable pay only)	25.2%	25.2%	26.2%
Total Rates payable (split between % of pensionable pay and monetary amount)	15.1% plus £11,795,000	15.1% plus £11,795,000	16.1% plus £11,795,000

6 COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

- 6.1 The Acting Council Solicitor comments that there are no additional legal considerations arising other than those already highlighted in relation to the previous report to members on 6 December 2016.

(Approved for and on behalf of Jacqueline Harris Baker, Acting Council Solicitor and Acting Monitoring Officer.)

7 FREEDOM OF INFORMATION/DATA PROTECTION CONSIDERATIONS

- 7.1 This report does not contain any information which will not be made publically available by being published on the Council's Pension Fund website.

CONTACT OFFICER:

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Appendix A:

Funding Strategy Statement and Valuation Report