Foreword

Ensuring that an LGPS pension fund has sufficient assets to meet pensions liabilities in the long term is the primary responsibility of those charged with managing the fund. Getting the funding strategy right is critical to achieving this. The purpose of the funding strategy statement, as set out by the Department for Communities and Local Government (DCLG) in 2003, is *"to establish a clear and transparent fund specific funding strategy which would identify how employers' pension liabilities are best met going forward"*.

To support the requirement for a funding strategy statement, CIPFA produced its 2004 *Guidance on Preparing and Maintaining a Funding Strategy Statement,* and in 2012 updated this guidance to reflect changes in the LGPS Regulations and the wider investment landscape. While much of this guidance from the original version remains relevant, the context in which the LGPS operates has changed a great deal.

Given the increasing focus on the affordability and sustainability of public sector pensions since the Hutton Report, the funding strategy statement has become a key document in defining how an administering authority will meet its responsibilities in managing an LGPS fund.

Users of this guidance will find that the purposes and principles that underpin the funding strategy statement are fundamentally unchanged. However, in updating the guidance, CIPFA has sought to place these purposes and principles in the context of the LGPS as it stands in 2016.

Mike Ellsmore
Chair of the CIPFA Pensions Panel

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Introduction

CIPFA has produced this guidance to support LGPS pension fund administering authorities in the preparation and maintenance of the funding strategy statement (FSS) that they are required to produce under LGPS Regulations.

This revised and updated guidance replaces the CIPFA Pensions Panel guidance *Preparing and Maintaining a Funding Strategy Statement in the Local Government Pension Scheme* that was issued in October 2012. That guidance has now been withdrawn.

As the overriding statutory requirements with regard to the FSS have not changed since they were introduced in 2004, much of the detail in the 2004 guidance remains relevant and has been retained. However, over the course of the last 12 years, there have been a number of regulatory, industry and environmental changes, which cumulatively require that the 2004 guidance be updated. In particular:

- the introduction of the Public Service Pensions Act 2013 and the Public Service Pensions Act (Northern Ireland) 2014, in particular Section 13 of those Acts
- the new 2014 scheme (2015 in Scotland and Northern Ireland) and associated regulations
- changes to the LGPS Investment Regulations
- the changing maturity profile of the LGPS
- the growth in the number of admitted bodies and the evolving nature of the provision of public services
- the growth in the number of scheduled bodies (in particular academies)
- the investment landscape, the global economic downturn and the effect on investment yield
- public sector austerity and the effects on fund membership, scheme maturity and cash flow profiles.

For consistency and ease of reference, this updated guidance follows the same layout as the 2012 version, with certain sections enhanced to reflect the above changes.