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Funding Strategy Statement and Employer Policy Changes - Consultation

The Funding Strategy Statement and Employer Policy document are the way in which the Administering Authority manages employer participation in the Fund. We keep these policies under review to ensure that they remain relevant and have recently made some draft amendments relating to the payment of any surplus when an employer leaves the Fund. Both documents, with the proposed changes highlighted in yellow, are attached to this email.

The Pension Fund Panel and Board approved these draft changes for consultation at their meeting on 28 September 2018 and we are now inviting your comments on the changes. We will report your feedback to the Panel and Board at their next meeting on 15 November 2018, with a final recommendation and therefore would ask that you send any comments by **31 October 2018** by email to the Employer Services team. The Panel and Board paper can be accessed from the Hampshire web pages.

The LGPS regulations were amended earlier in 2018 to allow the Fund to repay any surplus on exit to the employer leaving the Fund. Previously, the employer would have had to make good any deficit but the regulations did not allow a surplus to be repaid, and it was instead kept in the Fund. Under the proposed changes to the FSS and Employer Policy, the Fund will pay the exit credit to the exiting employer in most circumstances, regardless of any side agreement which may be in place between the exiting employer and its guarantor. (Some employers may have side agreements with contractors which allow the deficit to be recharged by the contractor back to the letting authority). Employers will have to ensure that existing and future contracts allow for the possibility of surpluses on exit or else they may find an unintended situation whereby they would pay for a deficit but would not receive a refund from the contractor for a surplus. This issue was highlighted to employers in the May newsletter.

The proposed policy changes allow for a surplus on exit to be retained in the Fund where this is an explicit part of a subsumption agreement from a continuing employer. The particular circumstance that this allows for is the recent commitment from employers in the scheduled body group to subsume liabilities of community admission bodies in the admitted body group. The retention of any surplus will mitigate the risk of any future deficits that do arise.

Employer Services

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