



North East Scotland Pension Fund

**nespf**

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# **NESPF Funding Strategy Statement 2022**

**June 2022**

## 1. Background

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The NESPF are required to outline their Funding Strategy Statement under the Local Government Pension Fund (Scotland) Regulations 2018. The FSS clearly sets out how the Fund will meet the pension liabilities held within the Fund going forward.

The current finalised version of the FSS was drafted in line with the last triennial valuation and outlines the assumptions used to determine the funding level as at 31 March 2020 and the employer contribution requirements for the three years from 1 April 2021.

## 2. Regulation Changes

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In May 2022 the Local Government Pension Scheme (Scotland) (Miscellaneous Amendments) Regulations 2022 were published. These regulations, which came into effect on 1 June 2022, were much anticipated and included changes which provide administering authorities with greater flexibilities for dealing with employers exiting the Fund.

In addition to the new regulations and in advance of the 2023 valuation the Fund is looking to adopt different investment strategies known as 'investment buckets' as a risk management tool for managing employer liabilities and potential exits.

Two papers were brought to the Pensions Committee in December 2021 in advance of these changes. The first: PC/DEC21/RISK sought approval to move forward with a policy on investment buckets and the second PC/DEC21/DDA was a private paper covering employer flexibilities and the intention to enter into a Deferred Debt arrangement with an exiting employer.

As a result of the changes to the regulations and the introduction of investment buckets the scheme actuary has drafted the attached NESPF FSS 2022. The draft FSS outlines the Funds approach in relation to these changes and allows the Fund to adopt these changes where required.

## 3. Consultation

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In accordance with the regulations the draft FSS is required to be shared with all employers as the detail held in the document will have financial and operational impact on those that participate within the Fund.

We have therefore issued the draft FSS to all employers on 1 June 2022. The consultation period that allows employers to comment on the document runs from 1 June 2022 to 21 June 2022.

As the new regulations have been anticipated for some time and provide greater flexibility for exiting employers it is not expected that significant changes will be required. All

comments will be considered in advance of adopting the new strategy and finalising the document.

## **4. Finalising the FSS and Next Steps**

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Approval of the NESPF FSS 2022 will allow the Fund to comply with the Local Government Pension Scheme (Scotland) regulations and will ensure that we are transparent around our approach to the new changes.

As part of the 2023 valuation process the funding strategy for the NESPF will be considered in full and therefore a new FSS, including the 2023 assumptions and Fund approach, will be brought to Pensions Committee in advance of the valuation being signed off in early 2024.