

<b>LONDON BOROUGH OF CAMDEN</b>	<b>WARDS:</b> All
<b>REPORT TITLE:</b> Funding Strategy Statement	
<b>REPORT OF:</b> Executive Director Corporate Services Interim	
<b>FOR SUBMISSION TO:</b> Pension Committee	<b>DATE:</b> 18 March 2026
<b>SUMMARY OF REPORT:</b>  This report sets out revisions to the Funding Strategy Statement (FSS) which establishes how scheme employers in the Pension Fund are treated. It sets out how employer liabilities are measured, the pace at which these liabilities are funded and how employers or pools within the Fund pay for their liabilities.	
<b>Local Government Act 1972 – Access to Information</b>  No documents required to be listed were used in the preparation of this report.  <b>Contact Officer:</b> Saul Omuco Head of Finance Treasury & Pensions Finance Corporate Services 5 Pancras Square London N1C 4AG  <b>Telephone</b> 0207 974 7116 <b>Email</b> <a href="mailto:saul.omuco@camden.gov.uk">saul.omuco@camden.gov.uk</a>	
<b>RECOMMENDATIONS:</b>  The Pension Committee is requested to: <ol style="list-style-type: none"><li>1. Consider the outcome of the consultation at paragraph 3.</li><li>2. Approve the Funding Strategy Statement set out in Appendix A, effective from 1 April 2026.</li></ol>	
<b>Signed by</b>  Director of Finance: <b>Agreed</b>  Date: <b>6 March 2026</b>	

## 1. INTRODUCTION

- 1.1 All Local Government Pension Scheme (LGPS) Funds are required to prepare, maintain and publish a Funding Strategy Statement (FSS) in accordance with the Public Service Pensions Act 2013.
- 1.2 The FSS governs how employer liabilities are measured, the pace at which these liabilities are funded, and how employers, or pools of employers, pay for their own liabilities. It must be reviewed and issued for consultation during each triennial valuation.
- 1.3 In preparing, maintaining and reviewing the statement, the administering authority must have regard to guidance published by Chartered Institute of Public Finance and Accountancy (CIPFA), the Scheme Advisory Board (SAB) and the Ministry of Housing, Communities and Local Government (MHCLG). The latest joint [guidance](#) was issued in January 2025.
- 1.4 The FSS is an important document in two respects:
  - a) Inputs – it requires the Fund’s officers, the Pension Committee and Pension Board to engage in discussions to ensure the Fund collects appropriate contributions from each employer. The FSS provides the governance framework within which these decisions are made.
  - b) Outputs – the published FSS serves as a transparent reference for all Fund stakeholders, demonstrating that contribution arrangements are fair, robust and consistent. It also provides a clear audit trail to support future discussions with employers where queries or disputes arise.

## 2. BACKGROUND

- 2.1 The FSS was last reviewed in December 2022 as part of the previous valuation process. The latest version has been comprehensively updated in line with the 2025 actuarial valuation and reflects the new guidance from SAB, CIPFA and MHCLG issued in January 2025. Key updates include:
  - Incorporation of new regulatory guidance on long-term cost efficiency and solvency, consistent with the Government Actuary’s Department (GAD) “Section 13” framework.
  - Explicit recognition of the three-tier employer classification (Tiers 1–3) introduced by SAB.
  - Clarification of Camden’s approach to employer contribution stability, including the continuation of the Council’s stabilisation mechanism and modelling of climate stress tests.
  - Updated approach to academies and multi-academy trusts (MATs) following dialogue with the Department for Education.
  - Strengthened articulation of funding governance, risk management and employer covenant monitoring, with references to the Fund’s risk register and Task Force on Climate Related Financial Disclosures (TCFD) -aligned climate stress testing.

- Updated actuarial assumptions for discount rates, CPI inflation and longevity improvements consistent with Hymans Robertson's 2025 Economic Scenario Service (ESS) model calibration.
- 2.2 The attached draft FSS (Appendix A) has been prepared by the Fund's actuary, Hymans Robertson LLP, in consultation with Fund officers, and reflects the Fund's investment strategy and current employer base as at 31 March 2025.
- 2.3 Section 1 of the FSS sets out the funding strategy objectives, which remain consistent with the previous version, namely to:
- Take a prudent long-term view to secure the Fund's solvency and ensure sufficient assets to pay member benefits.
  - Use a balanced investment strategy to minimise long-term employer contributions.
  - Ensure, where appropriate, stability in employer contribution rates.
  - Reflect different employer characteristics through a transparent and equitable funding approach.
  - Use reasonable measures to mitigate the risk of employer default.
- 2.4 Section 2 explains how employer contributions are calculated, covering the primary rate (future benefits), the secondary rate (past service adjustments), funding targets, time horizons, and likelihood of success. It also sets out the stabilised contribution mechanism applicable to the Council, which - based on modelling - results in a cumulative 3% of payroll reduction over the 2025–2029 valuation period, applied immediately from 1 April 2026 in light of the Fund's strong funding position.
- 2.5 Section 3 details additional contributions payable for early retirements and the Fund's policy on cost spreading and strain payments.
- 2.6 Section 4 outlines the methodology for asset and liability calculations, including the use of a cashflow-based asset tracking model and actuarial assumptions defined in Annex E.
- 2.7 Sections 5 - 7 address employer lifecycle events - including entry, bulk transfers, and exits from the Fund - with updated narrative on deferred debt and debt spreading arrangements and clarified treatment of cessation surpluses and deficits.
- 2.8 Section 8 sets out the statutory reporting requirements, referencing the Government Actuary's Section 13 review criteria of compliance, consistency, solvency, and long-term cost efficiency.
- 2.9 Annex D has been enhanced to describe how the Fund's climate risk modelling and stress testing has been integrated into the funding strategy. The 2025 valuation included climate scenario testing for the Council's contribution modelling, which confirmed the resilience of the strategy within the Fund's risk tolerance parameters.

### **3. CONSULTATION OUTCOME**

- 3.1. Following Committee approval of the draft, the FSS was:
  - Discussed at the Employer Forum on 9 December 2025
  - Circulated to all participating employers for consultation in December 2025 and was open for comments until 31 January 2026
- 3.2. No participating employers raised objections or material concerns regarding the proposed funding approach.
- 3.3. The draft FSS was also shared with the Department for Education (DfE). DfE provided comments seeking clarification on aspects of the document, including consultation wording, terminology used within Table 1, and the presentation of certain funding framework elements. These comments were considered in detail alongside the Fund's actuary, Hymans Robertson. Having taken actuarial advice, the underlying funding approach remains appropriate and consistent with statutory guidance.
- 3.4. Minor drafting amendments have been made to enhance clarity and transparency. These do not alter the funding methodology or contribution strategy approved in principle by Committee in December 2025.
- 3.5. The final FSS will also be shared with the Local Pension Board on 25 March 2026 as part of its statutory role in assisting the Administering Authority in securing compliance with LGPS regulations and guidance. Any material comments raised by the Board will be reported to the Pension Committee for consideration.

### **4. FINANCE COMMENTS OF THE DIRECTOR OF FINANCE**

- 4.1. The Funding Strategy Statement provides the overarching framework within which employer contribution rates are set and reviewed. It ensures that all participating employers are treated equitably and that the Fund remains on a stable and sustainable long-term footing.
- 4.2. The strategy also demonstrates alignment between the Fund's funding approach and its investment strategy, ensuring the delivery of pension benefits in a cost-efficient manner consistent with Camden's fiduciary responsibilities

### **5. LEGAL COMMENTS OF THE BOROUGH SOLICITOR**

- 5.1. This report accords with Regulation 58 of the Local Government Pension Scheme Regulations 2013, which requires administering authorities to prepare, maintain and publish a written statement setting out its funding policy. The authority must keep the statement under review and, after consultation with such persons as it considers appropriate, make such revisions as are appropriate following a material change in its policy set out in the statement, and if revisions are made, publish the statement as revised. The results of the consultation must be conscientiously taken into account when the ultimate decision is taken. In preparing, maintaining and reviewing the statement, the administering authority must have regard to CIPFA guidance and the current version of the

investment strategy statement. Regulation 58 refers to guidance set out in a document published in October 2012 by CIPFA. However, The Guidance for Preparing and maintaining a Funding Strategy Statement (FSS) in January 2025 states that it replaces the previous CIPFA Pensions Panel guidance issued in October 2016 and October 2012. It includes guidance on best practice for funds to consider when undertaking a consultation exercise and best practice engagement principles to ensure all key stakeholders with interest in the Funding Strategy Statement are considered. The Pension Committee is charged with performing the functions of the Administering Authority and therefore approval of the Funding Strategy Statement. It may seek input from the actuary, or take other professional advice, to prepare the document. However, the FSS must be owned and adopted by the administering authority. Members have a fiduciary duty to scheme members, and employers to administer the scheme competently to keep employer contributions at an affordable level.

- 5.2. In accordance with Regulation 62, the Fund's actuary must take the FSS into account when undertaking the triennial valuation and determining employer contribution rates.

## **6. APPENDICES**

Appendix A – Funding Strategy Statement