

Paper C: Funding Strategy Statement – Research Project

Key points to note

At the June 30 CMBDA meeting, the new Funding Strategy Statement guidance was discussed alongside a [letter from the Association of Consulting Actuaries](#) concerning the different approaches being adopted to employer exits. It was agreed by the committee that the secretariat would review the content of a sample of FSS's produced by funds under the new guidance and provide an analysis of this back to the committee. This paper provides a proposal for this research project.

Recommendation

That the committee notes and agrees to the proposed FSS research project.

Background

Updated guidance on the preparation and maintenance of Funding Strategy Statements (FSS) was published in January 2025. The publication was jointly reviewed and approved by the Board's Compliance and Reporting Committee, the Chartered Institute of Public Finance and Accountancy (CIPFA), and the Ministry of Housing, Communities and Local Government. It supersedes CIPFA's 2016 guidance.

The FSS is a key governance and funding document required under the LGPS Regulations. It sets out how each fund intends to meet its long-term liabilities, employer contribution strategies and risk management framework. The LGPS is currently facing new challenges as well as uncertain market conditions; novel challenges include increasing funding surpluses and the extent of employer movement (including exits, mergers and organisational changes).

A review is therefore timely to:

- Support consistency and transparency across LGPS funds
- Identify if any updates or explanatory notes are needed in existing guidance

- Promote best practice across the LGPS and inform future guidance or training materials.

FSS Project Proposal

Overview

This project proposes that the Scheme Advisory Board (SAB) conduct a structured review of Local Government Pension Scheme (LGPS) pension funds' Funding Strategy Statements (FSS). The review will assess the degree to which individual funds comply with the [Guidance for Preparing and Maintaining a Funding Strategy Statement](#) and will examine how funds articulate their approaches to managing surpluses, dealing with employer exits, and calculating exit payments or credits.

A sample of 12–15 LGPS funds will be selected for review. Selection will be random but subject to constraints ensuring balanced representation across geographical regions, fund sizes and actuarial firms. This will enable the SAB to form a robust view of FSS consistency across the system, identify areas of good practice and highlight any systemic issues or ambiguity in FSS content.

This project will be led by the SAB secretariat.

Aims

This review aims to explore three main areas:

Compliance with Guidance

Assess whether each FSS aligns with the Guidance for Preparing and Maintaining a Funding Strategy Statement, including clarity, completeness, and structure.

- **Exit Policies and Methodology**

Evaluate how clearly funds describe:

- The statement of principles to be followed in relation to process and the calculations involved with employer exits.
- The justification and principles which would contribute to decisions around exits
- The whole decision-making process on exits.

- **Treatment of Surpluses**

Understand how FSS documents articulate funding surplus thresholds, the

use of surpluses in setting employer contributions, and how they fit this with their overall risk management approach.

Methodology

The review will begin with a full analysis of the most recently published Funding Strategy Statement for each selected fund. A sample of 12–15 funds will be identified using random selection, with constraints ensuring that at least two funds are selected from each geographical region, two from each of the four main actuarial firms, and representation from small, medium, and large funds.

A standardised review template will be developed to ensure consistency of approach across all assessments. Each FSS will then be reviewed independently using this template, with compliance assessed against the Funding Strategy Statement Guidance checklist (Annex C), classifying content as compliant, partially compliant, or unclear. Following individual reviews, the findings will be summarised thematically across the full sample, allowing patterns, inconsistencies, or areas of good clarity to be identified.

Proposed Timeline

Project scoping	February – March 2026
FSS review and analysis	April – June 2026
Report drafting	June – July 2026
Presentation of findings	July committee meeting