

FUNDING STRATEGY STATEMENT CHECKLIST

Overview of content contained and how it relates to the underlying guidance

This checklist has been prepared in line with MHCLG's "Guidance for Preparing and Maintaining a Funding Strategy Statement FSS" dated January 2025, which was developed in conjunction with SAB and CIPFA
[FSS guidance.Final January 2025.pdf](#)

ANNEX C - Funding Strategy Statement (FSS) Checklist

To assist with the development of the FSS, funds are strongly encouraged to follow the structure and terminology within this guidance. The below checklist has been created as a short, high-level summary of the themes covered in this guidance, but the main contents of this guidance should be reviewed as it provides the fuller detail of what to include in each section of a FSS.

Fund	AVON PENSION FUND	
Completed by	Mercer	
Reviewed by		Avon Pension Fund
Date	15 May 2025	19 May 2025
Version of FSS	12 May 2025 Draft	12 May 2025 Draft

Section A: Purpose of the fund and the FSS	Guidance Paragraph	Location in current FSS / additional comment (where necessary)
Aims and objectives of the FSS So that all parties to the FSS share a common understanding, the FSS should set out clearly the aims and purpose of the fund, in the context of fiduciary duty and requirement to pay pension benefits according to the LGPS and wider regulations	31	Page 5
Aims and objectives of the fund in relation to long term benefit funding, how these are measured and how risks are managed	32	Page 5
Monitoring and review of the FSS Circumstances when the fund would review the FSS and considerations in undertaking the review	33-35	Page 8
Section B: Key funding principles		
This section of the FSS should explain in principle how the aims and purposes set out in the previous section are to be achieved. This section should provide a framework within which an employer (or other interested body) can understand the fund's approach to achieving its funding targets and how the funding framework is established, set, and monitored.	36-37	Page 9
Funding Target Explain that it is a regulatory requirement that fund solvency and long-term cost efficiency is secured	38-39	Page 9
Commentary explaining how the fund balances contributions, reliance on investment return and how there may be deficit or surplus periods	40	Page 9
How funding differs according to employer type, how this is considered and managed overtime	41	Page 10
Managing risk Identify and explore the risks specific to the funding strategy of the pension fund or employer covenant and the measures taken to mitigate those risks. Specifically:	42-44	Pages 11-16
Main actuarial assumptions A summary of the methodology used to determine and monitor the actuarial assumptions used at the valuation.	45	Page 17-19
Links to the Investment Strategy Statement (ISS) or Statement of Investment Principles (SIP) The FSS should provide information on the development of the FSS and ISS/SIP, how they interlink and the impact on funding if investment returns or income are lower than expected	46-49	Page 22
The FSS should explain how funding requirements have been considered in setting the strategic asset allocation, reflecting appetite for investment risk	50	Page 22
How employer contributions are calculated The approach by which employer contribution rates are calculated, specific employer profiles are treated, employer covenant has been taken into consideration and assurance in consistency in process is considered	51-52	Page 23
Primary rate of the employers' contribution The methodology and process of calculating the primary rate for employers, strategy, and risk-sharing arrangements	53-54	Pages 23-24
Secondary rate of the employers' contribution Explain the fund's approach to setting secondary contributions and how any potential conflict of interests are managed	55-57	Pages 24-25
Payment of additional contributions Set out when employers may need to make other payments to the fund in respect of member benefits, how they are paid	58-59	Pages 25-26
Actuarial valuation The regulatory requirement for an actuarial valuation should be explained in the FSS and, for employers understanding, a high-level commentary on the typical contents of the fund's valuation report	60-61	Page 26
Review of employer contributions between valuations The FSS should set out the fund's approach and process to reviewing contribution rates between valuations and the rationale for the approach taken	62-64	Page 27
Fund approach to managing surpluses and deficits The FSS should explain the fund's response to being in deficit or surplus and recognise that this may differ for groups of employers within a single fund (according to employer type and circumstances).	65-71	Pages 27-28

The FSS should enable employers to understand how their funding outcomes and contributions might change over time, together with any tailored options the administering authority may offer to manage these changes over time.	65-71	Pages 27-28
The FSS should set out how the costs of tailored approaches might be met and how they fit with their overall risk management approach	67	Pages 27-28
Employer covenant		
The FSS should explain how the fund assesses and keeps employer covenant under review, sets out the risk assessment methodology and criteria by which the fund will assess the long-term financial health of employers, and how this will be monitored.	72	Pages 28-29
The FSS should also specify the types of event or changes in circumstances that employers will be obliged to notify the fund about and the process that applies	73	Pages 28-29
Guarantors		
The FSS should outline how specific funding issues in relation to treatment, responsibilities, and interaction with a guarantor are managed	74,76	Pages 29-30
The FSS should outline the assumptions used and how it considers the existence of, guarantor type and any other relevant factors in actuarial calculations.	75	Pages 29-30
The FSS should explain the different guarantor types (e.g. subsuming, guarantor of last resort etc).	75	Pages 29-30
Admission bodies		
The FSS must outline how it assesses the risk of a proposed new admission body and its approach to these matters	77-81	Page 30
Pension Administration Strategy		
The FSS should emphasise the need for compliance with the fund's pension administration strategy and reference any related requirements which, if not adhered to, could have a material effect on the employer's liabilities in the fund	82	Pages 30-31
The FSS should mention throughout any events when the fund may consider it appropriate to use updated membership data, the important of data quality and how it monitors compliance with the regulations. One specific area which may be covered in the FSS, is whether pre-payment of contributions is permitted, and under which circumstances. The appropriate links to the fund's administration strategy should also be provided and referenced.	82	Pages 30-31
Section C: Employer Events		
This section of the FSS should set out the key events which could impact an employer's and the fund's funding circumstances.	83	Page 32
Joining the fund and employer contribution rate setting and monitoring		
The FSS should outline the process and the funding calculations which apply to new employers joining the fund, how contribution rates are assessed and calculated and how this applies to certain groups or types of employers (such as Academies, Multi-Academy Trusts, or Admitted Bodies) and what risks are shared	84-87	Pages 32-34
The FSS should also explain the basis on which such groupings are created and how decisions are taken on participation	84-87	Pages 32-34
The FSS should also set out how assets are identified in the event of a pooled employer ceasing participation in the pool or fund	87	Pages 32-34
Preparing for exit and events which may trigger termination		
The FSS should set out the fund's policy in the annex or clearly signpost to any separate policy on employers leaving the fund and the events which trigger or allow an exit from the fund.	88	Pages 34-35
Funds should include in their FSS a statement of principles to be followed in relation to process and the calculations involved with employer exits.		Pages 34-35
The FSS should clearly outline the justification and principles which would contribute to decisions around employer exits	89	Pages 34-35
The FSS should also set out in general terms the termination assumptions basis on which surpluses or deficits will be calculated and the factors that may be considered and the process to be followed in exercising discretion on exit payment to be paid	90	Pages 34-35
The FSS should also set out in general terms the termination assumptions basis on which surpluses or deficits will be calculated and the process to be followed	90	Pages 34-35
The FSS should be clear on the decision-making principles and process to be considered when exiting employers and others affected by the decision (such as guarantors) will be able to make representations, timescales for making decisions and any rights or options to have decisions reconsidered, including reference to the appeals and adjudication provisions contained in the relevant LGPS Regulations.	91	Pages 34-35
Deferred debt agreements or debt spreading arrangements		
Having regard to the statutory guidance and Scheme Advisory Board guidance on these matters, funds should include in their FSS a policy that covers the list in paragraph 91 of this guidance.	92	Page 35
Guidance on preparing and maintaining policies on review of employer contributions, employer exit payments and deferred debt agreements - GOV.UK		
LGPS Scheme Advisory Board - Employer Flexibilities		
Suspension notices		
The FSS should explain whether and in what circumstances the fund would consider using its discretion to issue a suspension notice, what happens if the conditions in a suspension notice are not met and the circumstances when a suspension notice can be withdrawn	93	Page 35
Partial terminations		
The FSS should explain how such an arrangement protects the interests of the fund and the interests of other employers in the fund.	94	Pages 35-36
The FSS must state the need for professional actuarial and legal advice in these circumstances and how the costs incurred for this will be met. There should also be full documented consideration of the range of risks, and appropriate due diligence.	95	Pages 35-36
Bulk transfers (both to or from the LGPS)		
The FSS should outline the general over-riding principles, processes and responsibilities applied	96	Page 36-37

Appendices included in current FSS

Appendix A - Asset Share policy	Pages 38-47
Appendix B - Demographic assumptions	Pages 48-49
Appendix C - Deficit recovery plans	Pages 50-52
Appendix D - Surplus policy	Pages 53-56
Appendix E - Employer types and Admission policy for new employers	Pages 57-61
Appendix F - New academy conversions and Multi-Academy Trusts	Pages 62-64
Appendix G - Termination policy, Flexibility for exit payments and Deferred Debt Agreements	Pages 65-75
Appendix H - Review of employer contributions between valuations	Pages 76-79
Appendix I - Employers moving between investment strategies	Pages 80-82
Appendix J - Covenant assessment and monitoring policy	Pages 83-85
Appendix K - Notifiable Events framework	Pages 86-89
Appendix L - ill-health insurance arrangements	Pages 90-91
Appendix M - Death-in-service captive policy	Pages 92-93
Appendix N - Roles and responsibilities of key parties	Pages 94-96
Appendix O - Glossary	Pages 97-105