

# 60-second summary

Guidance on preparing the Funding Strategy Statement



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The start of 2025 saw the release of [new guidance](#) for funds when preparing Funding Strategy Statements (FSSs). The timing of this release couldn't be better – LGPS funds in England and Wales can now prepare their FSSs early in the valuation process and use these to facilitate high quality consultations with employers.

The FSS captures how funds set funding strategies for participating employers. A clear and structured FSS helps each employer understand how the fund determined its contribution rates. This, in turn, leads to a better-informed and more engaged group of employers, and allows rates to be agreed and the valuation concluded well in advance of the statutory deadline.

## What's new in the guidance?

The new guidance has been jointly produced by MHCLG, CIPFA and the English & Welsh SAB, and replaces CIPFA's guidance from 2016.

Although prepared by the English & Welsh SAB, the guidance is for use by Scottish funds too, with the relevant Scottish regulations soon to be updated. Funds will adopt the guidance when updating their FSS in advance of the Scottish 2026 valuations; details of any FSS updates required before then may be provided by the Scottish SAB or Scottish Government.

There are a number of significant changes to the guidance to allow for changes in the regulatory environment and to reflect feedback received from LGPS funds. Crucially, the guidance includes a 'best practice' checklist for funds to ensure compliance for their own FSS document. Significant developments include:

- **The FSS is to be written in clear English.** This is an essential (and obvious) requirement for any document intended to communicate funding strategy to employers. The FSS is not a technical manual; it must be readable and useful for employers.
- The guidance encourages funds **to better explain the lifecycle of an employer.** Specifically, how the fund will set contribution rates when an employer joins, at each subsequent valuation, and as an employer approaches exit. The fund should also explain how it determines exit positions, and options around debt repayments and exit credits.
- The FSS should set out **the funding approach for each employer group.** The FSS should also include information on how an employer's funding requirements could change over time and the options that could

be explored to manage these changes. Funds are requested to align their FSS documents to the guidance for consistency in **structure and language and terminology**. This is intended to help employers participating across multiple funds to understand funding strategies in each separate fund.

- Funds should provide more information in the FSS to explain the impact **of employers being in surplus or deficit from time to time**, recognising a varying effect across different employer groups.
- The FSS should include detail on elements of funding strategy (if applicable), including: **employer investment strategies, effect of guarantees (e.g. from other participating employers or government bodies), partial cessations, and bulk transfers**.
- The guidance includes a comprehensive section on how funds should conduct the **FSS consultation** so that all stakeholders can participate and engage in meaningful dialogue.

### What does a high-quality consultation look like?

The guidance has been significantly expanded to set out best practice for consultations, including:

- **Consult with relevant parties** including employers and any guarantors. Funds may consider bringing the Department of Education (DfE) into the consultation process given the existence of the DfE guarantees for Academies and (since 2024) some Colleges.
- Utilise the **knowledge and experience in the Local Pensions Board** when formulating a consultation plan.
- **Consultation materials should be clear and concise**, avoiding jargon and acronyms. Information on supplementary funding policies should also form part of the consultation.
- **The consultation timetable should be shared in advance**. The length of the consultation should be sufficient to allow meaningful responses. It should also be structured to allow for any practical issues relating to holidays and employer meeting cycles.
- **Consider different types of communication methods** including employer forums, perhaps by employer group, and one-to-one meetings.
- **Post consultation** – communicate how the fund has taken responses into account. Consider evaluating the effectiveness of the consultation (which may include employer surveys) and ensure the FSS is published and made available on the fund's website.

The timing of the new FSS guidance provides an opportunity for funds to develop a detailed forward-looking consultation plan so that employers can fully understand the funding strategy and the impact of any proposed changes.



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