

STATUTORY STATEMENTS – FUNDING STRATEGY STATEMENT

Report of the County Treasurer

Please note that the following recommendation is subject to consideration and determination by the Board before taking effect.

Recommendation: that the Board notes the Funding Strategy Statement.

1. Introduction

- 1.1. The Funding Strategy Statement is one of the four statutory statements that the Fund is required to have in place. Its purpose is to explain the funding objectives of the Fund and how the costs of the benefits provided under the Local Government Pension Scheme are met through the Fund. It also defines the objectives in setting employer contribution rates and the funding strategy that is adopted to meet these objectives.
- 1.2. The Statement has been prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 and describes Devon County Council's strategy, in its capacity as Administering Authority, for the funding of the Devon County Council Pension Fund.
- 1.3. Following the completion of the 2013 Actuarial Valuation, the latest Statement was produced in conjunction with the Fund Actuary (Barnett Waddingham) and in consultation with all Employers participating in the Devon Pension Fund.
- 1.4. The Statement was approved by the Investment and Pension Fund Committee on 12th September 2014, and a copy is attached at Appendix 1.

2. Funding Strategy Statement

- 2.1. The Funding Strategy Statement covers the following areas:
- 2.2. Purpose of the Fund
This section clearly defines the overall purpose and responsibilities of the Devon Pension Fund.
- 2.3. Funding Objectives
This section defines the objective of setting employer contribution levels in such a way that that the rates are kept as low and stable as possible, but are sufficient to fund investments that will meet all future benefit payments.
- 2.4. Key Parties
There are a number of key parties involved in the funding process and this section sets out the roles and responsibilities of each, including Devon County Council (as the Administering authority), the Scheme Employers and the Fund Actuary.
- 2.5. Funding Strategy

This section explains how the actuarial valuation determines the level of employer contributions required in order to ensure that funding objectives are met.

2.6. Funding Method

The funding method is determined by calculating a funding target and setting contribution rates to meet the target over an agreed period. This section sets out the different factors that are taken into consideration when establishing the funding method for an employer.

2.7. Valuation Assumption and Funding Model

This section sets out the various statistical and financial assumptions made by the actuary when undertaking the valuation.

2.8. Deficit Recovery / Surplus Amortisation Periods

The actuarial valuation compares the Fund's assets with the liabilities and calculates any surplus or deficit. The employer's contribution levels will then be adjusted accordingly. This section sets out the factors that are taken into consideration when determining the recovery or amortisation period for an employer.

2.9. Pooling of Individual Employers

Some individual employers are pooled together with the aim of providing more stable contribution rates over the longer term. This section provides the rationale for pooling and the impact that this may have on affected employers.

2.10. Stepping

This section sets out how the Administering Authority will implement any changes to employer contribution rates, following a valuation.

2.11. Cessation Valuations

When an employer leaves the scheme, they may be required to pay a termination contribution in order to cover any deficit. This section looks at how the termination assessment is carried out by the actuary.

2.12. Links with the Statement of Investment Principles

This section highlights the links between the Funding Strategy Statement and the Statement of Investment Principles.

2.13. Risks and Counter Measures

The next sections of the Statement identify the various risks that could impact the funding strategy, and records any mitigating controls that are in place. The major risks to the strategy are those of a financial nature; however, the Statement also identifies demographic, regulatory and governance risks.

2.14. Monitoring and Review

The final section sets out the monitoring and review arrangements for the Statement.

3. Conclusion

3.1. The Board is asked to note the Funding Strategy Statement.

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Electoral Divisions: All
Local Government Act 1972

List of Background Papers - Nil

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