

Dear Sir/Madam

DYFED PENSION FUND - FUNDING STRATEGY STATEMENT

The attached draft Funding Strategy Statement (“FSS”) has been prepared by Carmarthenshire County Council (the Administering Authority) to set out the funding strategy for the Dyfed Pension Fund (the “Fund”), as required by legislation.

Ensuring that the Fund has sufficient assets to meet its pension liabilities in the long term is the fiduciary responsibility of the Administering Authority. The long term objective is for the Fund to achieve this 100% solvency level over a reasonable time period and then maintain sufficient assets in order for it to pay all benefits arising as they fall due. The general principle is that the assumptions used, taken as a whole, will be chosen sufficiently prudently for pensions already in payment to continue to be paid, and to reflect the commitments that will arise from members’ accrued pension rights.

The strategy adopted by the Fund will therefore be critical in achieving this. The purpose of the FSS is to set out this strategy as it applies to each Fund employer. Particular changes from the 2016 actuarial valuation, and where employers may wish to focus their comments are:

- the appropriateness of the assumptions (in particular the real discount rate over and above price inflation has been reduced by 0.5% p.a. since 2016)
- the inclusion of the estimated costs of the McCloud judgment within the valuation results and contribution plans
- the implementation of an ill-health “captive” within the Fund, whereby the costs of ill-health retirements for smaller employers will be spread across all those smaller employers (rather than being charged to the particular employer)
- the maintaining of the same general end point for recovery plans as applied in 2016, so recovery plans following the 2019 valuation will in general be three years shorter than in 2016
- the proposal to have more regard to termination positions, so in general any funding surpluses may only be offset against future contribution requirements if the employer’s funding position is in surplus over and above termination position, and no reduction in overall contributions for closed employers will be allowed (there is, however, some flexibility here if the employer can provide a guarantee or security in relation to its termination position)
- Phasing/stepping of any contribution changes will be in line with the practice adopted at the 2016 actuarial valuation. In particular, the contribution plan for smaller employers will remain unchanged until 1 April 2021, with the revised rates being implemented from that date.

The draft FSS has been developed alongside the Fund’s investment strategy on an integrated basis taking into account the overall financial and demographic risks inherent in the Fund. Given this, and in accordance with governing legislation, all interested parties connected with the Fund will be consulted with and given the opportunity to comment prior to this Funding Strategy Statement being finalised and adopted. The final statement will then be issued taking into consideration any comments and feedback received.

Please respond to me by 28 February 2020.

Thanks/Diolch
Anthony

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