

PENSION FUND COMMITTEE



13TH SEPTEMBER 2010

Statement of Accounts for the year ended

31ST March 2010

Report of Barry Scarr, Interim Corporate Director Resources

Purpose of the Report

- 1 To inform Members of the Pension Fund Accounts that are included in the Statement of Accounts for Durham County Council for the financial year ended 31st March 2010.

Background

- 2 The 'Accounts and Audit Regulations 2003' as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 and 2009 set out the requirements for the production and publication of the annual Statement of Accounts.
- 3 The Statement of Accounts as approved by the Audit Committee is subject to audit by our external auditor, the Audit Commission. The audit of the accounts is ongoing. On completion, the auditor's report will be incorporated into the published version of the document.

Pension Fund Accounts

- 4 The Statement of Accounts has been prepared in accordance with the requirements of the 2009 '*Code of Practice on Local Authority Accounting in Great Britain*' as updated and published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Pension Fund Accounts have been prepared in accordance with the accounting recommendations of Financial Reports of Pension Schemes Section 2: A Statement of Recommended Practice. However, disclosures have been limited to those required by the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice. As a result, the document contains a great deal of detailed financial information.
- 5 The Statement of Accounts includes the accounts for Durham County Council Pension Fund for which the County Council is the Administering Authority. An extract of the Statement of Accounts, relating to the Pension Fund Accounts is attached at Appendix 1.

Key Messages

6 The Pension Fund had positive investment returns for the year ended 31st March 2010 of £417.533m.

7 The cash received into the Fund, net of payments out of the Fund was £42.2m.

8 The value of the Pension Fund increased from £1.245 billion at 31st March 2009 to £1.663 billion at 31st March 2010.

Summary

12 Members are asked to note the contents of this report.

Contact: Hilary Appleton Tel: 0191 383 3544



This document is an extract from Durham County Council's Statement of Accounts for the year ended 31st March 2010.

The Statement of Accounts, as approved by the County Council on 27th July 2010, is subject to audit by our external auditor, the Audit Commission. The audit of accounts is ongoing, and on completion, the auditor's report will be incorporated into the published version of the document.

I hope that this document proves to be both informative and of interest to readers. It is important to try to improve the quality and suitability of information provided and feedback is welcomed.

If you have suggestions or comments on either the format of the report or its content, or you would like any further information or further copies of this document, please contact:

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B Scarr C.P.F.A. M. B. A.

Interim Corporate Director – Resources



Pension Fund

Accounts

For the year ended 31st March 2010

The Durham County Council Pension Fund is registered with the Pension Schemes Registry

No. 10079166

DURHAM COUNTY COUNCIL PENSION FUND ACCOUNTS

Pension Fund Account

31st March 2009			31st March 2010	
£000	£000		£000	£000
		DEALINGS WITH MEMBERS, EMPLOYERS AND OTHERS DIRECTLY INVOLVED IN THE SCHEME		
99,608		Contributions receivable (see note 10)	103,354	
8,463		Individual transfers in	11,186	
	108,071			114,540
(73,359)		Benefits payable (see note 11)	(85,473)	
(7,168)		Payments to and on account of leavers (see note 12)	(13,121)	
(1,077)		Administration expenses	(1,132)	
	(81,604)			(99,726)
	26,467	Net additions or withdrawals (-) from dealings with members		14,814
		RETURN ON INVESTMENTS		
37,942		Investment income (see note 13)	31,378	
(243,712)		Change in market value of investments (see note 5)	375,300	
(3,181)		Investment management fees (see note 9)	(3,959)	
	(208,951)	Net returns on investments		402,718
	(182,484)	NET INCREASE / DECREASE (-) IN THE FUND DURING THE YEAR		417,533
	<u>1,427,854</u>	NET ASSETS OF THE FUND AT 1ST APRIL		<u>1,245,370</u>
	<u>1,245,370</u>	NET ASSETS OF THE FUND AT 31ST MARCH		<u>1,662,903</u>

Pension fund Net Assets Statement

As at 31st March 2009			As at 31st March 2010	
£000	£000		£000	£000
		Investment assets		
25,431		Fixed interest securities (see note 4 & 5)	43,820	
529,019		Equities (see note 4 & 5)	879,152	
284,293		Index linked securities (see note 4 & 5)	313,638	
289,903		Managed and unitised funds (see note 4 & 5)	395,887	
115,510		Cash and short term investments (see note 4 & 5)	20,956	
-		Derivative contracts (see note 8)	5,383	
5,329		Dividend accruals	6,619	
668		Tax recovery	593	
9,881		Other investment balances	1,265	
	1,260,034			1,667,313
		Investment liabilities		
-		Derivative contracts (see note 8)	(6,401)	
(14,154)		Other investment balances	(3,730)	
	(14,154)			(10,130)
		Current assets		
8,392		Contributions due	8,247	
	-	Other	2,598	
	8,392			10,845
		Current liabilities		
(163)		Unpaid benefits	(465)	
(8,739)		Other	(4,660)	
	(8,902)			(5,125)
	<u>1,245,370</u>	NET ASSETS OF THE FUND AT 31ST MARCH		<u>1,662,903</u>

The accounts summarise the transactions of the scheme and deal with the net assets at the disposal of the trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the period.

The actuarial position of the scheme, which does take account of such obligations, is disclosed in Note 3 and the actuarial statement included in the Annual Report. These accounts should be read in conjunction with them.

1. FUND OPERATION AND MEMBERSHIP

Durham County Council is the Administering Authority for the Durham County Council Pension Fund. The County Council administers the Scheme on behalf of 68 contributing employers including Borough, Parish and Town Councils, Statutory Bodies and Colleges. Since Local Government Reorganisation on the 1st April 2009, the Local Authorities that were the district councils within County Durham ceased to exist and their assets, liabilities and services became part of the Durham County Council. The Administering Authority continues to make contributions for those staff transferred. Contributing authorities now include:

Local Authorities -

Durham County Council
Darlington Borough Council

Statutory Bodies -

Durham Police Authority
Valuation Tribunal Service
Central Durham Joint Crematorium Committee
County Durham and Darlington Fire and Rescue Authority
National Probation Service County Durham
East Durham Homes
Dale and Valley Homes
Eastbourne Academy

Parish Councils -

Brandon and Byshottles
Chilton
Easington Colliery
Easington Village
Esh
Fishburn
Framwellgate Moor
Horden
Hutton Henry
Monk Hesleden
Murton
North Lodge
Shotton
South Hetton
Thornley
Trimdon
Wheatley Hill
Wingate

Colleges -

Bishop Auckland College
Darlington College
Queen Elizabeth Sixth Form College
Derwentside College
New College, Durham
East Durham & Houghall Community College

Town Councils -

Barnard Castle
Ferryhill
Great Aycliffe
Peterlee
Seaham
Sedgefield
Shildon
Spennymoor
Stanley

Admitted Bodies -

Barnard Castle School
Leisureworks
Derwentside Leisure Ltd
Shildon & Darlington Training Ltd
Bowes Museum
Three Rivers Housing
Murton Welfare Association
Hobson Golf Club
Peterlee Fire Company
Mitie PFI Ltd
Compass Group UK
The Forge
Teesdale Housing Association
Mitie Cleaning
Derwentside Homes
Cestria Community Housing Association
Mears Limited
Sedgefield Borough Homes

Apart from teachers, who have their own unfunded arrangements, membership of the LGPS is open to all County Council employees. Membership is automatic for staff with a contract of employment of at least 3 months. Employees can opt not to join the Scheme. The County Council is not required to administer a Stakeholder Scheme, so employees have to make their own arrangements with an appropriate provider.

The Fund provides benefits for employees of the bodies listed above. On retirement, contributors receive payments of lump sums and annual pensions. Entitlement to these benefits arises mainly on the grounds of reaching retirement age and retirement through ill health, through early retirement schemes or being made redundant. Contributors who leave and who are not immediately entitled to these benefits may have their pension rights transferred or preserved until reaching retirement age. In a minority of cases refunds of contributions can be made.

In 2009/10, the number of pensionable employees in the Fund was 19,405 (19,303 in 2008/09), and the number of pensioners was 14,922 (14,641 in 2008/09).

Contributions represent the total amounts receivable from employing authorities in respect of their own contributions which are at a rate determined by the Fund's Actuary and those made by pensionable employees which are set by statute. The benefits and contributions are analysed as follows:

2008/09			2009/10	
Benefits £000	Contributions £000		Benefits £000	Contributions £000
32,814	45,982	Administering Authority	70,855	71,778
39,340	47,626	Scheduled Bodies	13,873	28,151
1,205	6,000	Admitted Bodies	746	3,425
73,359	99,608		85,473	103,354

The Corporate Director – Resources is responsible for the administration of the Pension Fund and is assisted by the Pensions Division and Strategic Finance in his statutory duty to ensure the Pension Fund remains solvent and is administered effectively. The Pension Fund Committee meet quarterly to assess investment performance and annually to consider wider matters. The Committee is comprised of Durham County Council and Darlington Borough Council members. Durham County Council officers, staff observers and other stakeholders are also present.

Further information about the Fund can be obtained from its separately published Annual Report, available from the Corporate Director of Resources, County Hall, Durham, DH1 5UE and is available on the County Council's website: www.durham.gov.uk.

2. STATEMENT OF ACCOUNTING POLICIES

BASIS OF PREPARATION

The Pension Fund accounts have been prepared in accordance with the accounting recommendations of Financial Reports of Pension Schemes Section 2: A Statement of Recommended Practice 2007. However, disclosures have been limited to those required by the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice.

The financial statements summarise the transactions and the net assets of the Pension Fund available to the trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial valuations of the Fund, which do take account of such obligations, are carried out every three years. The Actuary has undertaken a valuation during 2007/08, the results of which will determine the contribution rates from 1st April 2008 to 31st March 2011. The previous valuation was undertaken as at 31st March 2004, and set contribution rates from 1st April 2005 to 31st March 2008. Details of the latest valuation are included in Note 3.

The principal accounting policies below, which have been applied consistently, have been adopted in the preparation of the financial statements. These differ in their treatment of assets and liabilities from those shown in the pension liability in the Durham County Council's financial statements which are accounted for under FRS 17.

BASIS OF ACCOUNTING

The accounts have been prepared on the normal accruals basis of accounting.

Transfer values are the only exception to this; they have been prepared on a cash basis as the amount payable or receivable is not determined until payment is made and accepted by the recipient.

INVESTMENTS

a) Valuation of investments –

Investments are shown valued on a bid basis where possible, but often they have been valued on a mid-market basis where only this information is available. Mid-market value has been determined as follows:

- Securities traded through the Stock Exchange Electronic Trading Service (SETS) are valued on the basis of the latest mid-market price. Other quoted investments are valued on the basis of the mid-market value quoted on the relevant stock market at 31st March.
- Unit Trusts and managed funds are valued at the average of the bid and offer prices provided by the relevant fund managers, which reflect the market value of the underlying investments.
- Overseas securities and cash are translated into sterling at the rate ruling at the Balance Sheet date.
- Fixed Interest Stocks have been included in the accounts at market value, which does include accrued interest.
- Unlisted securities are valued by the fund managers at the year-end in accordance with generally accepted guidelines.
- Derivatives are included in the Net Assets Statement at fair value and gains and losses arising are recognised in the Fund Account as at 31st March. Fair value is determined by the gain or loss that would arise at the 31st March from entering into an equal and opposite contract at that date.

b) Investment income -

Income from equities is accounted for on the date stocks are quoted ex-dividend. Income from overseas investments is recorded net of any withholding tax where this cannot be recovered.

Income from fixed interest and index-linked securities, cash and short-term deposits is accounted for on an accruals basis.

Income from other investments is accounted for on an accruals basis.

Foreign income has been translated into sterling at the date of the transactions, when received during the year, or at the exchange rates applicable at 31st March where amounts were still outstanding at the year-end.

c) Investment transactions -

Investment transactions arising up to 31st March but not settled until later are accrued in the accounts.

d) Investment Management Expenses -

The fees relating to the managers are described in Note 9.

e) Acquisitions costs of investments -

Acquisition costs of investments are added to book cost at the time of purchase.

f) Interest on property development -

The Fund holds no direct property investments; all property investment is made through Pooled Investment Vehicles.

g) Administrative expenses -

A proportion of relevant officers' salaries have been charged to the Fund on the basis of actual time spent on investment and related matters and pensions administration. Certain specific expenses have been charged directly to the Fund and other office expenses and related overheads have been charged to the Fund in proportion to the salaries charged.

Independent advisers' fees are based on a retainer for attendance at Pension Fund Committee and Annual Meetings and the provision of advice to the Pension Fund Committee. Fees for any additional work are based on a daily or hourly rate, as provided for by agreement or by separate arrangement.

Any additional work will be subject to a suitable fee arrangement or subject to separate tendering exercises.

3. ACTUARIAL POSITION OF THE FUND

The accounts summarise the transactions and net assets of the fund. They do not take account of liabilities to pay pensions and other benefits in the future. Actuarial valuations, which do take account of such liabilities, are carried out every three years.

The latest valuation of the Fund was undertaken as at 31st March 2007, by the Pension Fund's actuary, Hewitt Associates Limited (formerly Hewitt Bacon and Woodrow Limited). Contribution rates were set for the period 1st April 2008 to 31st March 2011. The results disclosed a funding deficit of £382.1m and a funding ratio of 79%. This was the result of the market value of the fund's assets of £1,459.2m compared to a funding target of £1,841.3m.

The actuary has set contribution rates for all employers who contribute to the Fund to eliminate the funding deficit over an agreed period of time, the recovery period. The Administering Authority has agreed that the recovery period should be 19 years apart from those employers who are now closed to new entrants and those whose contract period ends at an earlier date. Nine of the 68 employers have recovery periods which are different to 19 years.

For some employers the contribution rate payable increases in 3 steps up to the rate required to finance the funding target over the recovery period. Different rates are payable by different employers.

The Projected Unit Method with a one year control period has been used for most employers to calculate the future service contribution rate. The Attained Age Method has been used for some employers who do not permit new employees to join the Fund. The actuary has taken into account the Pension Fund's funding strategy as described in the Funding Strategy Statement.

The valuation results are sensitive to the choice of financial assumptions. The table below shows the key financial assumptions used for the valuation:

	%
In service discount rate:	
Scheduled bodies	6.2
Admitted bodies	6.2
Left service discount rate:	
Scheduled bodies	6.2
Admitted bodies	5.2
Rate of pay increases	4.7
Rate of price inflation	3.2
Rate of pension increases:	
On benefits in excess of guaranteed minimum pension (GMP) on post 5th April 1988 GMP's	3.2
Rate of deferred pension increases	3.2
Rate of GMP increases in deferment	4.7

The shortfall relative to the funding target will be removed through payment of additional contributions, expressed as a percentage of pay, by employers over a range of different recovery periods. The majority of employers in the Fund will pay contributions over a recovery period of 19 years from 1st April 2008. The overall contribution rate applicable from 1st April 2008 to 31st March 2011 is 20.2% of pensionable pay. This consists of 13.9%, which is the long-term rate, the rate of contribution that would be appropriate if the Fund had no shortfall, and 6.3%, the rate of contribution which will recover the shortfall over 19 years.

The overall contribution rate applicable from 1st April 2008 to 31st March 2011 can be summarised as follows:

	% Pensionable Pay
Long term rate	13.9
Deficit funding (19 years from 1st April 2008)	6.3
Overall contribution rate	20.2

1. VALUATION OF INVESTMENTS

The Pension Fund has six investment managers: Edinburgh Partners Limited ('Edinburgh Partners'), BlackRock Investment Management (UK) Limited ('BlackRock'), AllianceBernstein Limited ('AllianceBernstein'), Royal London Asset Management ('RLAM'), CB Richard Ellis Collective Investors Limited ('CBRE') and Baring Asset Management Limited ('Barings') to manage its assets.

The long-term strategic allocation is as follows (the actual allocation may vary due to market movements):

Investment Manager	%	Asset Classes	Investment Style
Edinburgh Partners	28	Global Equities	Active
BlackRock	20	UK Equities	Active
AllianceBernstein	16	Global Bonds	Active
RLAM	20	Investment grade sterling bonds	Active
CBRE	8	Global Property	Active
Barings	8	Dynamic Asset Allocation – All major asset classes with derivative overlay	Active

The market values of investments in the hands of each manager were as follows:

At 31st March 2009		At 31st March 2010		
£000	%	£000	%	
319,548	28.28	Edinburgh Partners	492,935	30.19
191,487	16.95	Blackrock	346,118	21.20
191,498	16.95	Alliance Bernstein	265,212	16.25
281,618	24.93	RLAM	325,628	19.95
47,576	4.21	CBRE	75,019	4.60
97,193	8.60	Baring Asset Management	127,387	7.80
362	0.03	DCC - Residual	-	-
544	0.05	Other	197	0.01
1,129,826	100.00		1,632,497	100.00

2. ANALYSIS OF INVESTMENTS

Investment category	Purchases at		Change in market		Value at 31/03/10
	Value at 31/03/09	cost	Sales proceeds	value	
	£000	£000	£000	£000	£000
Fixed interest securities	25,431	156,149	(143,426)	5,666	43,820
Equities	529,019	391,792	(316,744)	275,085	879,152
Index linked securities	284,293	536,343	(533,098)	26,100	313,638
Managed and unitised funds	289,903	67,101	(35,436)	74,319	395,887
Cash and short term investments	115,510		(89,702)	(4,853)	20,956
Derivative contracts	-		-	(1,017)	(1,017)
	1,244,156	1,151,385	(1,118,406)	375,300	1,652,435

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investment during the year.

31/03/2009 £000		31/03/2010 £000
Fixed interest securities		
13	UK - Public sector	11,751
8,322	UK - other	10,540
10,151	Overseas - Public sector	21,529
6,945	Overseas - other	-
25,431		43,820
Equities		
241,439	UK quoted	438,211
544	UK unquoted	197
287,036	Overseas quoted	440,744
529,019		879,152
Index linked securities		
284,293	UK quoted - Public sector	309,975
-	Overseas quoted -Public sector	3,663
284,293		313,638
Managed and unitised funds		
191,498	Managed funds - non property - UK - quoted	265,212
49,043	Managed funds - non property - Overseas - quoted	52,174
20,839	Unit Trusts - property - UK	30,462
28,523	Unit Trusts - property - Overseas	48,038
289,903		395,887
Cash and Short Term Investments		
471	Loans - long term - local authorities	466
95,035	Loans - short term - money market	5,441
23,897	Managers' cash	15,049
(3,893)	Cash in Hand	-
115,510		20,956

3. CURRENCY HEDGING

All investment managers have agreement to enter into foreign exchange contracts in order to hedge against adverse movements in foreign exchange rates. Several forward foreign currency contracts were open at the period end as shown in note 8. This agreement was subject to prior consultation with the Corporate Director of Resources.

4. TAXATION

The SORP requires that any withholding tax that is irrecoverable should be disclosed in the Fund Account as a tax charge. No amount of irrecoverable withholding tax is disclosed as Fund Managers have not been able to supply information for the full year.

- **United Kingdom Tax**

The Fund is an exempt approved Fund under the Finance Act 1970 and is therefore not liable to UK income tax on interest, dividends and property income, or to capital gains tax.

- **Value Added Tax**

As Durham County Council is the administering authority for the Fund, VAT input tax is recoverable on most fund activities.

- **Foreign Withholding Tax**

Income earned from investments in stocks and securities in the United States, Australia and Belgium is exempt from tax. In all other countries dividends are taxed at source and, where the tax paid at source is greater than the rate of tax under the 'Double Taxation Agreement', the excess tax is reclaimable except in the case of Malaysia.

5. DERIVATIVES

2008/09 £000	2009/10 £000
- Forward foreign exchange contracts - assets	5,383
- Forward foreign exchange contracts - liabilities	(6,401)
- Market value of derivative contracts	(1,017)

Currency is bought and sold by fund managers for future settlement at a pre determined exchange rate. Fund managers use these contracts to hedge against the risk of adverse currency movement on the Fund's investments. Contracts are by their nature over the counter and are primarily in US dollars, Euros and Sterling.

6. INVESTMENT MANAGEMENT FEES

The six investment managers' fees are based on the value of assets under management. In the case of four investment managers, a performance related fee structure is in place based on a base fee plus a percentage of out-performance. In the case of the two remaining investment managers an ad-valorem fee is payable. All fees are payable quarterly in arrears.

Included as 'Other advisory fees', Independent Advisers' fees are based on a retainer for attendance at Pension Fund Committee and Annual Meetings and the provision of advice to the Pension Fund Committee. Fees for any additional work are based on a daily or hourly rate, as provided for by agreement or by separate arrangement.

2008/09 £000	2009/10 £000
3,124 Administration, management and custody	3,923
57 Other advisory fees	36
3,181	3,959

7. CONTRIBUTIONS RECEIVABLE

2008/09 £000		2009/10 £000
	Employers -	
70,092	normal contributions	75,191
2,625	special (augmentation) contributions	3,905
2,700	deficit payments	-
	Employees -	
24,191	normal contributions	24,258
99,608		103,354
45,982	Durham County Council	71,778
47,626	Scheduled Bodies	28,151
6,000	Admitted Bodies	3,425
99,608		103,354

8. BENEFITS PAYABLE

2008/09 £000		2009/10 £000
63,514	Pensions	68,734
13,176	Commutations and lump sum retirement grants	19,772
1,675	Lump sum death grants	1,938
(5,006)	Recharged benefits	(4,971)
73,359		85,473
32,814	Durham County Council	70,855
39,340	Scheduled Bodies	13,873
1,205	Admitted Bodies	746
73,359		85,473

9. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2008/09 £000		2009/10 £000
20	Refunds to members leaving service	12
(1)	Payments for members joining state scheme	(0)
7,149	Individual transfers to other schemes	13,109
7,168		13,121

10. INVESTMENT INCOME

2008/09 £000		2009/10 £000
1,130	Fixed interest securities	1,522
4,298	Index linked securities	6,007
20,708	Equities	21,102
1,405	Income from cash deposits	116
10,401	Property unit trusts	2,632
37,942		31,378

11. RELATED PARTY TRANSACTIONS

Durham County Council: Durham County Council administers the Durham County Council Pension Fund on behalf of 68 bodies, including borough, parish and town councils, colleges, statutory bodies and admitted bodies. During 2009/10, the Pension Fund had an average balance of £66.793m (£84.386m in 2008/09) of surplus cash deposited with the Council. In 2009/10 the Council paid the fund a total of £0.536m (£4.085m in 2008/09) in interest on these deposits. The Council charged the fund £1.142m in 2009/10 (£1.077m in 2008/09) for expenses incurred in administering the Fund. Due to being the administering authority Durham County Council has a number of members who are on the Pension Fund Committee. These members are subjected to a declaration of interest circulation as with all Durham County Council members.

Long-Term Loans: The Long-Term Loans referred to in note 5 are loans made to a number of the current and former participating employers of the Fund. The loans outstanding were made between March 1964 and May 1967, this being common practice at the time. No further loans have been granted since January 1974. The Pension Fund receives interest of between 5.75% and 9.875% of the outstanding balance per annum in addition to capital repayments. The maximum amount outstanding on these loans at any time during the year was the opening balance. The table below shows the balance outstanding on these loans as at 31st March 2010:

Amount outstanding 31st March 2009 £000	Employer	Amount outstanding 31st March 2010 £000
309	Sedgefield District Council	n/a
-	- Durham County Council	310
162	Sunderland City Council	156
471		466

12. STATEMENT OF INVESTMENT PRINCIPLES

The Local Government Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 1999 require the County Council to prepare and review a written statement of the investment policy of the Pension Fund. Such a Statement has been adopted by the Pension Fund Committee and is published in the Annual Report.

A copy of the Annual Report can be obtained from the Corporate Director of Resources, County Hall, Durham DH1 5UE and is available on the County Council's website: www.durham.gov.uk

13. FUNDING STRATEGY STATEMENT

The Local Government Pension Scheme (England and Wales) (Amendment) Regulations 2004 require Administering Authorities to prepare a Funding Strategy Statement. The Funding Strategy Statement was published in March 2005. It is to be revised whenever there is a material change in policy in matters set out in the Funding Strategy Statement or the Statement of Investment Principles. The Funding Strategy Statement is available on the County Council's website: www.durham.gov.uk

14. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC)

The Pension Fund offers two types of AVC arrangement:

- Purchase of additional pension, which is invested as an integral part of the Fund's assets; and
- Money purchase scheme, managed separately by HECM, Standard Life and Prudential. AVCs may be invested in a range of different funds.

The table below refers only to the money purchase AVCs:

	Value at 31/03/09 £000	Purchases £000	Sales £000	Change in Market Value £000	Value at 31/03/10 £000
HECM	2,305	78	(239)	266	2,410
Prudential	2,522	980	(949)	217	2,770
Standard Life	1,165	100	(188)	324	1,401
Total	5,992	1,158	(1,376)	807	6,581

The financial statement above, relating to money purchase AVCs, are not audited by the Audit Commission as they do not form part of the Pension Fund's Net Asset Statement or Fund Account.