DYFED PENSION FUND

www.dyfedpensionfund.org.uk

Annual Report & Accounts

2014 - 2015

Administered by:

Cyngor Sir Gâr
Carmarthenshire County Council

LGC Investment Awards 2014 WINNER

CONTENTS

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CHAIRMAN'S FOREWORD

JOINTWORKING
RELATIONSHIPS COMMUNICATION
COLLABORATION
PARTNERSHIPS CO-OPERATION
SHARED GOALS FRAMEWORKS
OPPORTUNITIES

The UK Government Department for Communities and Local Government (DCLG) issued a consultation document in May 2014 on 'Local Government Pension Scheme (LGPS): Opportunities for collaboration, cost savings and efficiencies'. One of the proposals for reform was the use of Common Investment Vehicles (CIV). Our response was in line with the rest of the LGPS in that parties to a CIV should work together willingly, openly and transparently. The Society of Welsh Treasurers (SWT) pensions sub group, building on the 2013 'Working Together' report, agreed to priortise research into a CIV and collaboration in all aspects of pensions management.

Hence I am pleased to report that collaboration is growing across the LGPS either by country, region or between funds with similar priorities.

As I mentioned in last year's Annual Report every LGPS fund had to establish a pension board by 1 April 2015. Carmarthenshire County Council (CCC), the administering authority for the Dyfed Pension Fund, approved the board in February 2015 and the Fund now has three employer representatives, three employee representatives and an independent chair who assist in ensuring the continued effective and efficient governance and administration of the Fund.

The LGPS2014 has now been in operation for 12 months. It has created a challenging working environment for the Administration Team particularly because some regulatory amendments were not issued until February 2015. The team have also started undertaking the reconciliation of the Guaranteed Minimum Pension (GMP) values we hold for members with those calculated by HMRC in preparation for the end of contracting out in April 2016. With over 40,000 members in our Fund you can only imagine what a time consuming exercise that is!

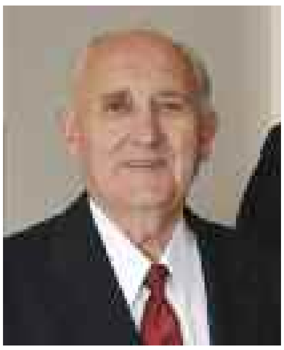
The investment managers continue to perform well on our behalf. The Fund return of 15.2% was the best since 2009-10, underperforming the benchmark by 0.4% but outperforming the average return for all the LGPS funds by 2.0%, ranking the Fund in the 17th percentile.

The Fund value has grown from £848m in 2005 to £1,908m in 2015, an astonishing increase of 225% in ten years. This, together with an increase of 43% in membership figures from 30,839 to 44,211 in the same period, results in an continuing reliance on dedicated and professional staff to manage the Fund.

The Fund continues to work well as a team and this was acknowledged by the Local Government Chronicle when we won the Investment Award for Communications in November 2014. Effective communication to all stakeholders is of paramount importance to us. The Fund undertakes a series of member road shows and Employer briefing meetings, as well as cascading a variety of up to date material in hard copy, via the Fund website and the My Pension Online facility.

I would like to thank my ever present fellow panel members, Councillor Siân Thomas, Councillor Terry Davies and the substitute member Councillor Philip Hughes who have again this year discharged their panel duties with enthusiasm and dedication.

May I congratulate Mr Chris Moore in his appointment as Director of Corporate Services for CCC where he assumes responsibility for the previous Director of Resources' pension fund duties, one of which is the introduction to the annual report. We all knew that Mr Roger Jones' boots would be difficult to fill so no pressure Chris!



I can assure you that the Fund recognises that the LGPS continues to be a high quality and highly valued defined benefit pension scheme for public sector workers. There are challenges in relation to the costs, affordability and sustainability of the scheme but we are as well placed as other funds to meet these challenges.

Councillor Wyn Evans
Chairman of the Pension Panel

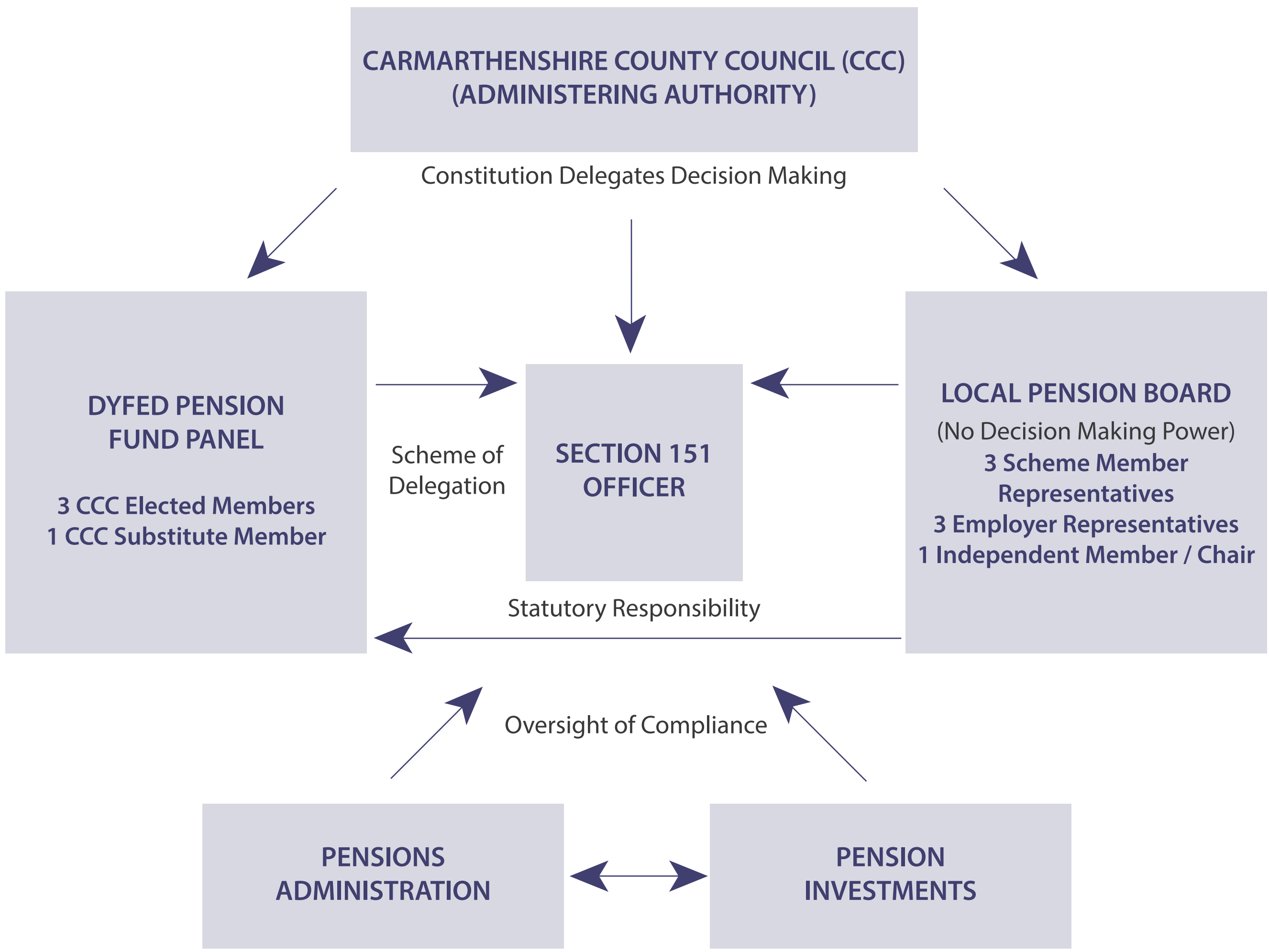
INTRODUCTION

My inaugural annual report article builds on the governance of the Fund and the collaboration theme.

The governance structure of the Fund, following the establishment of the pension board, is shown below.

The Local Pension Board was established on 1 April 2015 under the requirements of the Public Service Pensions Act (PSPA) 2013. It has an oversight/assisting role with the Administering Authority in securing compliance with regulations and requirements and ensuring effective and efficient governance and administration of the Fund.

I know that we have an excellent mix of employer/employee representatives as well as an experienced chair on the pension board and it is my role to ensure that they are trained sufficiently to fulfil their duties.



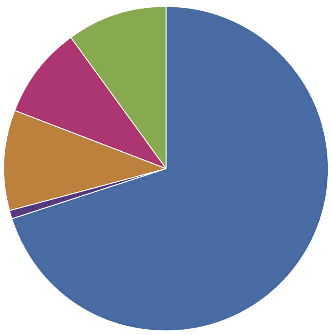
Our Fund has been collaborating and engaging with colleague LGPS Fund authorities in Wales on administration issues for many years now. We have taken the lead on a number of exercises including specific Newsletters outlining changes to Scheme rules, development of the new style Annual Benefit Statements and production of a number of specific 'factsheets' on key legislative aspects. We have also now commenced discussions relating to fund investments as the Chairman has alluded to.

Mercer have completed a detailed report on a business case to identify how in practice a Collective Investment Vehicle (CIV) for the eight Welsh pension funds can be implemented including any anticipated costs and the potential for financial savings. The major recommendations from the report were:

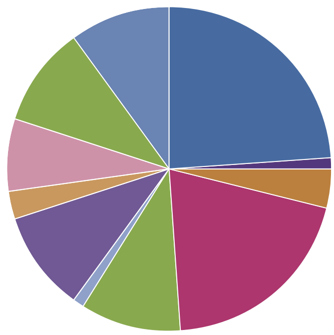
- Develop a shared set of principles for collaboration
- Select a single passive provider for passive global equities
- Establish a pooling framework to extend on collaboration beyond passive global equities
- Adopt a regulated pooling vehicle along with a model that supports leveraging the infrastructure of a third party provider (rather than building such infrastructure internally).
- Look to appoint a provider with appropriate experience who can provide an optimal level of governance and operational support
- Agree a set of next steps to take forward the project, including a workshop/training session and development of a project plan, including the potential tender process to assess suitable partners/providers to support the new collaborative framework.

These recommendations have been agreed in principle by the SWT Pensions Sub Group and are being considered by the respective pension panels/committees. I will update you on progress in next year's annual report.

The value of the assets of the Fund as at 31 March 2015 was £1,908m, % split by fund managers and asset category was:



- BlackRock £1,329m (70%)
- Schroders £161m (9%)
- Partners Group £27m (1%)
- Columbia Threadneedle £190m (10%)
- Baillie Gifford £201m (10%)



- UK Equities £464m (24%)
- Canadian Equities £8m (1%)
- Japanese Equities £73m (4%)
- Global Equities £391m (20%)
- UK Corporate Bonds £186m (10%)
- Cash £6m (1%)
- US Equities £215m (10%)
- Pacific (Ex Japan) Equities £58m (3%)
- Emerging Markets Equities £133m (7%)
- UK Index Linked Bonds £186m (10%)
- Property £188m (10%)

I would like to thank my administration and investment teams for the commitment and professionalism they continue to demonstrate in the face of continuous change and scrutiny.

Mr Chris Moore FCCA
Director of Corporate Services

MANAGEMENT AND FINANCIAL PERFORMANCE REPORTS

Fund Management and Advisers

The Dyfed Pension Fund is administered by Carmarthenshire County Council (the administering authority) and under the Council's constitution the Dyfed Pension Fund Panel has overall strategic responsibility for managing the Fund.

The Fund's Governance Policy sets out the roles and responsibilities of the Panel. During 2014-2015 the Panel members were:

Councillor Wyn Evans	- Chairman of the Panel
Councillor Terry Davies (MBE)	- Panel Member
Councillor Siân Thomas (M.A., M.Ed)	- Panel Member
Councillor Philip Hughes	- Substitute Panel Member

The following officers from Carmarthenshire County Council also attended Panel meetings and/or acted as advisers:

Mr Roger Jones, BSc (Hons) Econ, CPFA	- Director of Resources (up to September 2014)
Mr Chris Moore, FCCA	- Director of Corporate Services
Mr Anthony Parnell, FCCA	- Treasury and Pension Investments Manager
Mr Kevin Gerard, MIPPM	- Pensions Manager

The Dyfed Pension Fund Panel has adopted the Code of Practice on Public Sector Pensions Finance Knowledge and Skills. The Code sets out the knowledge and skills needed for those involved with pension scheme governance as recommended by Lord Hutton in his report on public sector pensions.

The Panel and officers attended various training courses, seminars and conferences on administration and investment matters. These were provided by the investment managers, consultants, officers, national and local government associations.

The meeting attendance and training events for each panel member are shown overleaf.

	Cllr Wyn Evans	Cllr Terry Davies	Cllr Siân Thomas
Voting rights	✔	✔	✔
2014-15 Meeting attendance:			
Panel meetings 18/19 June 2014 (BlackRock, Schroders and Partners Group)	✔	✔	✔
ACM 16 October 2014	✔	✔	✔
Panel meetings 16/17 October 2014 (BlackRock, Schroders, Partners Group, Baillie Gifford and Columbia Threadneedle)	✔	✔	✔
Panel meetings 27 November 2014 (BlackRock)	✔	✔	✔
Panel meetings 10/11 March 2015 (BlackRock, Schroders, Partners Group, Baillie Gifford and Columbia Threadneedle)	✔	✔	✔
2014-15 Training events:			
LA Conference (NAPF) May 2014	✔		
Investment Summit (LGC) September 2014	✔		✔
Global Equities Investor Forum (Baillie Gifford) November 2014	✔	✔	✔
Annual Conference (LAPFF) December 2014		✔	
AGM (LAPFF) January 2015		✔	

The Pension Panel

The Independent Investment Adviser to the Fund is Mr Eric Lambert - He advises Panel on all aspects of investment management at quarterly meetings and ad hoc meetings as necessary.

Investment Managers:
BlackRock, Schroders, Partners Group, Columbia Threadneedle and Baillie Gifford

Legal Advisers	- Eversheds
Performance Measurement Company	- WM Performance Services
Fund Actuary	- Mercer
Custodian	- Northern Trust
Bankers	- Barclays Bank Plc
AVC Providers	- Prudential, Standard Life and Equitable Life
External Auditor	- Auditor General for Wales

Risk Management

Carmarthenshire County Council, the Administering Authority to the Dyfed Pension Fund, recognises the importance of effective risk management. Risk management is the process by which the council systematically identifies and addresses the risks associated with its activities.

Risk management is a key part of Carmarthenshire County Council's corporate governance arrangements and the council has a formal risk management strategy which is regularly reviewed and developed in response to changes within the council and the external environment.

As required by the risk management strategy the Fund uses the risk register tool to identify, prioritise, manage and monitor risks associated with the Dyfed Pension Fund. This register can be found on the Dyfed Pension Fund's website.

The Funding Strategy Statement (FSS) (Section 7) and the Statement of Investment Principles (SIP) (Section 8) explain the Fund's key risks and how they are identified, mitigated, managed and reviewed.
Investment advice is received from Mr Eric Lambert, the Independent Investment Adviser, and the Dyfed Pension Fund Panel meet and review fund manager performance and activity at least quarterly.

JOINTWORKING
RELATIONSHIPS COMMUNICATION
COLLABORATION
PARTNERSHIPS CO-OPERATION
SHARED GOALS FRAMEWORKS
OPPORTUNITIES

Financial Performance

Income and Expenditure

The table below shows 2014-15 actual income and expenditure against budget with reasons for any significant variances.

Budgets are not used for changes in market value, dividend yields on shares or interest receipts from bonds as these are outside the control of the panel and can be volatile. The majority of income received is re-invested in the funds by the investment managers together with any asset sale proceeds.

	Actual 2013-14	**Budget 2014-15**	**Actual 2014-15**	**Variance 2014-15**
	£'000	£'000	£'000	£'000
Income				
Employee Contributions	17,256	17,437	17,750	313
Employer Contributions	42,424	43,343	43,611	268
Investment Interest / Dividends	32,497	19,974	26,383	6,409
Total Income	**92,177**	**80,754**	**87,744**	**6,990**
Expenditure				
Pensions Payable	(48,075)	(51,605)	(51,779)	(174)
Administration fees	(375)	(338)	(402)	(64)
Investment Management Expenses	(1,868)	(3,223)	(3,586)	(363)
Central Recharges	(839)	(903)	(843)	60
Audit Fee	(25)	(26)	(24)	2
Total Expenditure	**(51,182)**	**(56,095)**	**(56,634)**	**(539)**

Income

Investment Interest / Dividends – Positive variance of £6.9m as a result of an increase in holdings and increases in dividend rates from the assumptions used when setting the budget.

Expenditure

Investment Management Expenses – actual expenditure was £363k more than budgeted, due to the revised BlackRock fee structure which was implemented in April 2014 and the increase in market value of the fund.

Administration fees include postage and printing, staff training, staff travel, computer software, subsistence, hospitality conference/seminar expenses, subscriptions and advertising.

Other costs such as staff costs, premises, IT, democracy, supplies and services are included in Central Recharges.

Administrative Management Performance

Membership Statistics

A schedule of employers (as at 31 March 2015) who either participate or have a relationship with the Dyfed Pension Fund is attached to the Statement of Accounts (Section 6).

The table below illustrates the increase in scheme membership over the last 5 years:

	31/03/2011	31/03/2012	31/03/2013	31/03/2014	31/03/2015
Active	17,655	17,569	17,596	19,375	19,451
Deferred	10,547	11,365	12,177	13,066	13,854
Pensioner	9,003	9,407	9,872	10,270	10,906
Total	**37,205**	**38,341**	**39,645**	**42,711**	**44,211**

Member Movement Statistics

The data below illustrates the number of individual member status movements performed by the administration team over the last 5 years:

Year	Status Entry	Status Exit	Total
2010-11	3,848	3,167	7,015
2011-12	3,887	2,647	6,534
2012-13	4,588	2,298	6,886
2013-14	6,214	2,696	8,910
2014-15	5,111	2,599	7,710

This provides a reflection of the work undertaken in relation to New Members, Leavers and Retired Members.

The table below shows how the Fund has met its commitment to service standards over the past year and outlines the Fund's performance against its benchmark:

2014 - 2015	Total Completed	Benchmark	Performance
New Starters	1,176	95.00%	97.87%
Transfers into the Fund	162	95.00%	95.30%
Retirement Quotes	655	95.00%	97.09%
Payment of Retirement Benefits	1,030	95.00%	97.17%

In addition to the primary role of administering the Local Government Pension Scheme and its provisions, the Pension's Administration Section provides, by agreement, similar services to the Chief Constable and Chief Fire Officers administering the Police and Fire-fighter's Pension Schemes, Office for the Police and Crime Commissioner for Dyfed - Powys, Mid & West Wales Fire and Rescue Service and North Wales Fire and Rescue Service.

INVESTMENT POLICY AND PERFORMANCE REPORTS

Fund Investments

Investment Policy

The Fund sets out a broad statement of the principles it has employed in establishing its investment and funding strategy in the Statement of Investment Principles (SIP) (Section 8). The SIP also sets out the Fund's policies in respect of responsible investment and other environmental or social issues.

The Investment Policy and the approach to the management of risk for the Fund as a whole and in respect of the investment managers is outlined in the SIP.

A summary of how the administration of investments is controlled, who deals with each element of the portfolio and how voting rights have been exercised can also be found in the SIP.

Responsible Investment Policy

The Fund has a paramount fiduciary duty to obtain the best possible financial return on it's investments against a suitable degree of risk. It also considers a company's good practice in terms of social, environmental and ethical issues is generally likely to have a favourable effect on the long-term financial performance of the company and improve investment returns to its shareholders.

The investment managers, acting in the best financial interests of the Fund, are expected to consider, amongst other factors, the effects of social, environmental and ethical issues on the performance of a company when considering the acquisition, retention or realisation of investments for the Fund. In the execution of this, the Panel have considered and found it appropriate to adopt the investment managers' socially responsible investment policies. These policies will be reviewed with the investment managers regularly both by officers and the Panel.

Membership of Pension Fund Institutions

The Fund subscribes to and is a member of National Association of Pension Funds (NAPF) and Local Authority Pension Fund Forum (LAPFF).

Voting

Managers are instructed to vote the Fund's shares in companies in line with the Fund's Voting Policy and the NAPF voting guidelines. These guidelines set out principles that should be followed when voting.

Manager changes

The Fund appointed Baillie Gifford & Columbia Threadneedle as Global Equity Managers during 2013 and commenced investments with them in April 2014. There was no change to the other Investment Managers.

Asset Allocation

As mentioned, the Fund invested in Global Equities during the year hence benchmarks for asset allocations have been amended during 2014-2015. The asset allocation as at 31 March 2015 is shown below:

Mandate	Approach	Manager	Benchmark %	Actual %
UK Equities				
UK	Passive	BlackRock	25.00	24.30
Overseas Equities				
US	Active	BlackRock	9.40	11.00
Canadian	Passive	BlackRock	0.60	0.70
Japanese	Active	BlackRock	3.50	3.80
Pacific Rim	Passive	BlackRock	3.25	3.00
Emerging Markets	Passive	BlackRock	8.25	7.00
Global	Active	Baillie Gifford / Columbia Threadneedle	19.00	20.50
Fixed Interest				
Index Linked Bonds	Passive	BlackRock	10.00	9.70
Corporate Bonds	Active	BlackRock	10.00	9.70
Property				
Pan European	Active	Schroders	8.00	8.40
Pan European	Active	Partners Group	2.00	1.40
Other				
Cash	Active	BlackRock	1.00	0.50
Total			**100.00**	**100.00**

The Fund's asset allocation strategy can also be found in the SIP (Section 8).

The table below shows the change in fund value from the beginning of the year to the end of the year and is broken down by asset class. The value of the Fund rose by 14.45% from 2013-14 to 2014-15.

	Value as at 31/03/14 £'000	Value as at 31/03/15 £'000
Equities - UK Quoted	651,730	463,834
Index Linked	161,398	185,896
Fixed Interest	161,653	185,611
Pooled Funds - Global Equities & Overseas Equities	518,792	878,459
Property	12,671	11,449
Pooled Property Investments	152,720	177,139
Cash	4,675	2,774
Accrued Income	3,801	3,294
Total	**1,667,440**	**1,908,456**

Investment Performance

10 Year Returns

Periods to 31/03/15	Fund (%)	Benchmark (%)	Difference (%)
1 year	15.2	13.2	+ 2.0
3 year	11.8	11.0	+ 0.8
5 year	9.5	8.7	+ 0.8
10 year	8.3	7.9	+ 0.4

Performance is measured on both a quarterly and an annual basis. For the year to 31 March 2015 the Fund had a return of +15.2% (compared with a return of +13.2% for the performance of the average local authority fund) and was ranked at the 17th percentile. The rolling three year return for the Fund is +11.8% (compared with the average local authority fund return of +11%) and ranked at the 27th percentile. The benchmark is measured and compiled independently by WM Performance Services.

Top ten equity holdings by market value 31 March 2015

HSBC
The world's local bank
£23.8m

bp
£17.3m

A share holdings
£17m

gsk GlaxoSmithKline
£16.4m

British American Tobacco
£14.2m

vodafone
£12.7m

AstraZeneca
£12.7m

B share holdings
£11.2m

DIAGEO
£10.2m

PRUDENTIAL
£9.3m

Individual Managers' Performance

The following tables show the performance of each manager for the year ending 31 March 2015.

BlackRock

The active US and Japanese equity strategies and the UK corporate bond strategies outperformed their indices during the year.

	Fund Return	Index	L A Universe (WM)	Ranking
	(%)	(%)	(%)	(out of 100)
US Equities	29.3	26.5	24.8	10
Japanese Equities	29.3	26.9	27.3	22
UK Corporate Bonds	13.3	13.1	13.0	58

Partners Group

(Pan European Property)

The performance of investments in private property is measured by Internal Rate of Return (IRR), a figure that will be volatile until the Fund reaches maturity. The current portfolio IRR is 14%. As a time weighted return based on cash flows it is not a meaningful performance measurement until all capital contributed and earnings has been returned to the investor. Until then the IRR will peak and dip based on the timing of cash inflows and outflows. The portfolio of investments continue to meet Partners Group's expectations in terms of performance.

The table illustrates the cash flows as at 31 March 2015. The valuation of the property portfolio is above the original cost of investment. Further information can be found in the Partners Group report.

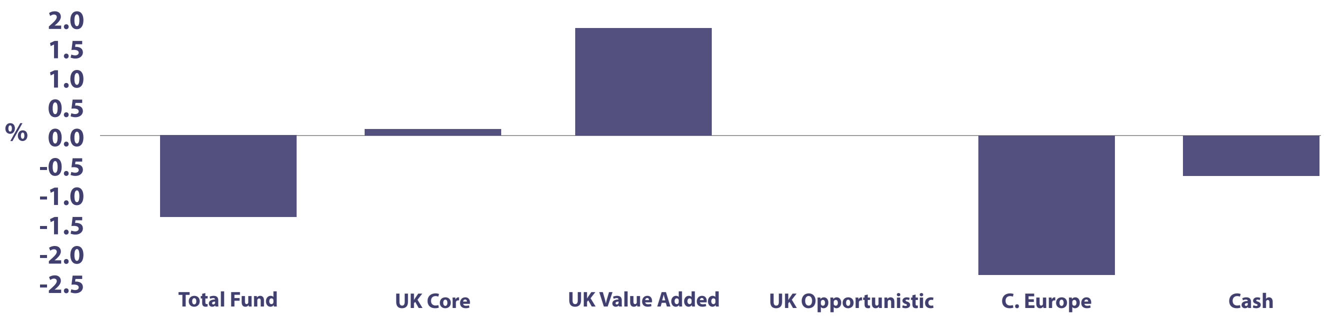
Portfolio investments	
Committed	£42.1m
Commitment level	62.85%
Commitment level - directs	13.36%
Commitment level - secondaries	16.74%
Commitment level - primaries	32.74%
Invested	£32.7m
Investment level	77.70%

Partners Group Red Dragon L.P.	
Commitments	£67.0m
Capital contributions	£34.6m
Capital contributions (in % of commitments)	51.58%
Unfunded commitments	£32.4m
Distributions	£12.3m
Net asset value	£27.2m

Schroders

(Pan European Property)

Performance was below the benchmark over the one year period (-1.3%) but remains above benchmark over three years (+0.6%p.a). The portfolio now has a five year performance record for the first time at 7.6%p.a (0.8%p.a). The underperformance is driven predominantly by the portfolio's exposure to Continental Europe. Although exposure to Continental Europe produced positive absolute returns on the whole in euros, this has been entirely offset by the depreciation of the euro by 12.8% over the year. UK value added funds are the main positive driver of performance over twelve months.



The property portfolio was in the 60th percentile in the LA Universe (46th out of 76 LGPS funds that invest in property)

Columbia Threadneedle

The investment objective of the Global Equity Income Fund is to achieve a high and growing income over the long term combined with prospects for capital growth. The objective of the Global Alpha strategy in which Dyfed Pension Fund is invested is to outperform the MSCI AC World Index by 2.0 - 3.0% p.a. (before fees) over rolling five year periods.

Value as at 31/03/15	
Units Held	167,310,428
Unit Price (£)	1.14
Valuation (£)	189,947,530

Performance to 31/03/15	**Fund (%)**	**Benchmark (%)**
1 year	13.32	19.01
3 year*	13.78	14.11
5 year*	12.09	10.05

Performance figures are total returns in sterling terms with fund prices calculated from month end global close valuations, gross of fees.

*Annualised returns for 3 and 5 year figures.

Baillie Gifford

The objective of the Global Alpha strategy in which Dyfed Pension Fund is invested is to outperform the MSCI AC World Index by 2.0 - 3.0% p.a. (before fees) over rolling five year periods.

Value as at 31/03/15	
Units Held	87,021,209
Unit Price (£)	2.31
Valuation (£)	200,810,141

Performance to 31/03/15	**Fund (%)**	**Benchmark (%)**
1 year	18.64	19.01
3 year*	16.43	14.11
5 year*	12.39	10.05

*Annualised returns for 3 and 5 year figures.

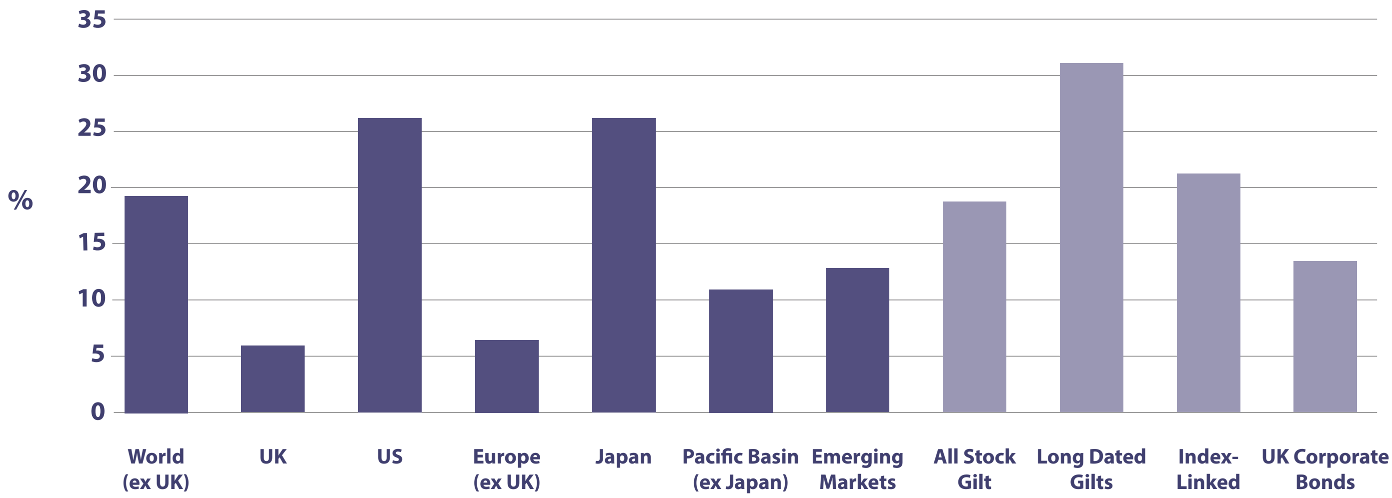
BlackRock Performance

Global equities performed strongly over the period with a total return of 14% in local currencies over the 12 months to 31 March 2015. However, the good performance arose against a backdrop of rising volatility.

Key macro themes combined to create a more challenging environment for investors during this period including:

1. Diverging policy action and dispersion in returns across developed economies,
2. Slowing growth and rising geopolitical tension in emerging regions,
3. The second order effect on currency markets, most notably US dollar strength, and
4. An unexpected collapse in energy prices,

Market returns 1 April 2014 to 31 March 2015
Source: BlackRock. All returns in sterling



Over the year Dyfed Pension Fund's Portfolio returned 14.9% for the period compared to a composite index return of 14.3%, thereby outperforming the index by 0.6%.

The passively managed funds tracked the indices they are managed against and the active funds outperformed their benchmark by +2.9% for the US and +2.4% for Japan with the Corporate Bonds just ahead of benchmark.

Market & economic background
April - June 2014

Despite historically low levels of volatility across asset classes, the second quarter of 2014 was far from mundane. A widely unanticipated fall in fixed income yields, coupled with developed market equity indices breaking new highs, meant that the second quarter was a positive one for risk assets. Central banks continued to drive markets as the divergence between regional monetary policies became increasingly pronounced.

European equities had a mixed quarter, driven by monetary policy and worse than expected macroeconomic data. In June, Mario Draghi exceeded already high expectations for future ECB monetary policy by announcing a negative deposit rate, a cut in the main refinancing rate, a further liquidity injection of €400bn and indicated a willingness to engage in full quantitative easing via an asset purchase programme.

In the UK, Bank of England governor Mark Carney unnerved fixed income markets by indicating that rate rises in the UK may happen 'sooner than markets currently expect'. Despite some backtracking, the pound reached its highest level against the US dollar in over five years (c. £1/$1.70).

In the US, the conundrum of falling US treasury yields and rising equity markets kept investors on edge despite a continuation of markedly low volatility across fixed income and equities. Positive sentiment helped drive the S&P 500 and the Dow Jones Industrial Average to record highs.

Emerging markets fixed income and equities saw positive performance. A positive election result in India, evidence that macroeconomic data in China was bottoming out, and a reduction in geopolitical concerns in Eastern Europe were all supportive of emerging market risk assets.

July – September 2014

Volatility increased over the period, despite equities generally ending the quarter higher and sovereign bond yields lower. European equities marginally declined over the quarter on the back of a deceleration in macroeconomic momentum. In response, the European Central Bank unexpectedly cut interest rates and announced a new stimulus programme at the start of September to purchase a range of asset-backed securities and covered bonds. In fixed income, bond yields moved lower, reaching multiple new all-time lows.

Expectations of further accommodative monetary policy was also a driver of performance of Japanese equities. A weaker yen, share buybacks and the prospect of increased domestic equity purchases provided additional impetus to a stock market rally. These moves were largely in response to comments by the Bank of Japan that further stimulus would be considered if inflation remained stuck below targeted levels.

The US Federal Reserve increased growth expectations and fourteen out of seventeen officials indicated they would expect interest rates to rise in 2015, most likely in the summer. Yet from a dovish stance, the Fed maintained its key phrase to keep rates low for a 'considerable time'.

October – December 2014

The fourth quarter of 2014 can be characterised by increased uncertainty as equity market volatility spiked to levels last seen back in 2011. The period also saw a sharp fall in oil prices, as OPEC nations did not agree to reduce supply despite predictions that demand will be lower in 2015. US equities again outperformed most global markets, while government bonds rallied in the developed world with yields falling steeply.

European news flow continued to revolve around the potential for broad-based quantitative easing early in 2015. Fresh fears around a Greek exit from the Eurozone also resurfaced in December with calls for a snap presidential election and comments on debt sustainability.

In the UK, although unemployment dropped to 6.0% and indicators continued to point to recovery, persistently low inflation led the Bank of England to keep interest rates unchanged.

January – March 2015

Global equity markets posted consistent positive returns in each of the months of the first quarter of 2015. Developed equity markets' performance diverged, with Japan outpacing both Europe and the US. Powered by a massive monetary stimulus programme and increased domestic equity buying, the Nikkei held up without the benefit of further weakness in the yen, which has been regarded as a positive sign.

Emerging markets held up relatively well, finishing the month in positive territory while dealing with a slowdown in China, US interest rate dynamics and big falls in commodity prices. In fixed income, US treasuries generated positive returns as the Federal Reserve's dovish rhetoric combined with the US dollar's strength saw a re-assessment of the likely path of future rate hikes.

Changes to the portfolio

Over the period the actively managed UK and European Equities were transferred out of BlackRock, the Index Linked Gilts were transitioned into a pooled fund from their segregated holdings, and the benchmark weightings were amended, as is set out in the following table:

Asset Class	Benchmark allocation (%)
UK Equities	**35.7**
Passive	35.7
Overseas equities	**35.7**
North America*	14.3
Japan*	5.0
Pacific Rim ex-Japan**	4.6
Emerging Markets**	11.8
Bonds	**28.6**
UK Corporate Bonds*	14.3
UK Index-Linked Gilts**	14.3
TOTAL	**100.00**

* indicates that the assets are managed actively; in the case of North American equities, US equities are managed actively while Canadian equities are passively managed;

** indicates that the assets are passively managed.

Collaboration

BlackRock is firmly committed to participating in the LGPS discussions on collaboration and to leading efforts in the asset manager community to support these efforts. We responded to the Government's consultation on collaboration, cost savings, and efficiencies in July 2014 and agree with the Government that the priority for determining the sustainability of the LGPS in the long term is the repair of deficits to lower employer contribution volatility and ensure success of member pension payments over time.

Key to resolving this issue remains updating governance in key areas such as:

1. Consistent measurement
2. Appropriate resources
3. Demonstrated accountability

Reducing investment costs is an important consideration and was a large focus of the consultation. We believe this can be achieved in a simpler manner than establishing national Collective Investment Vehicles (CIVs) where no current governance structures exist to support such structures. Further, we believe the ongoing responsibility for each LGPS fund to customise their asset allocation and use of Alternative assets precludes the effective establishment of national CIVs.

We also believe that restructuring active manager fee scales to include performance fees whilst utilising a national asset manager framework is the most effective way to lower investment costs. BlackRock continues to work with the LGPS community and other asset managers through the Investment Association to provide leadership on how this can be implemented.

Contact over the year

Over the review period, BlackRock reported formally to the Panel four times: twice at BlackRock's offices in London and twice in Carmarthenshire.

The Dyfed Pension Fund Relationship Manager changed from Alex Carpenter to the Head of UK Local Authorities Christopher Head.

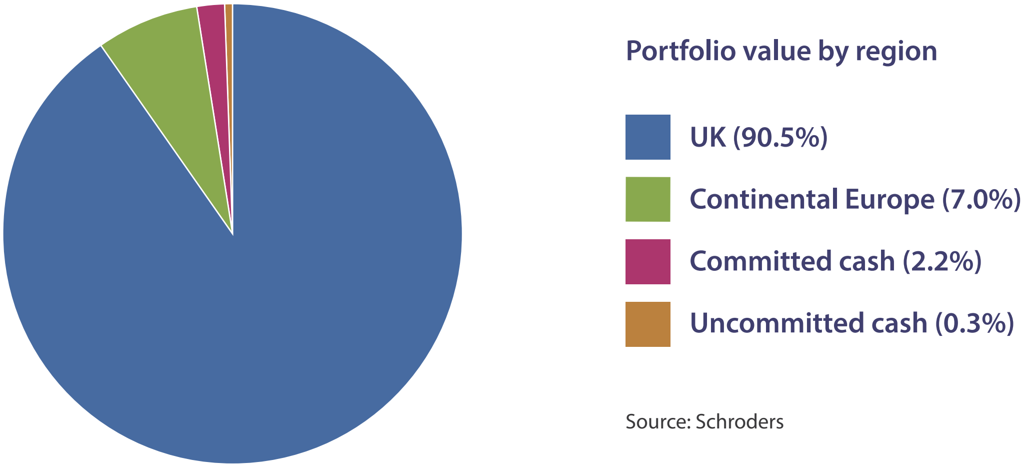
Christopher Head
Client Director

Background

Schroders was appointed to manage a pan–European portfolio of indirect investments in March 2010. An initial allocation of £88m was committed at inception, with a further £32m committed in July 2013.

Progress

As at 31 March 2015 the value of the portfolio was approximately £165m, around £45m above the amount committed, with 90.5% by value invested in the UK, 7.0% invested in Continental Europe and the balance of 2.5% held in cash. Of the £4.1m of cash on account at quarter end, £3.8m is committed to new investments. Uncommitted cash on account totals 0.3% of portfolio value.



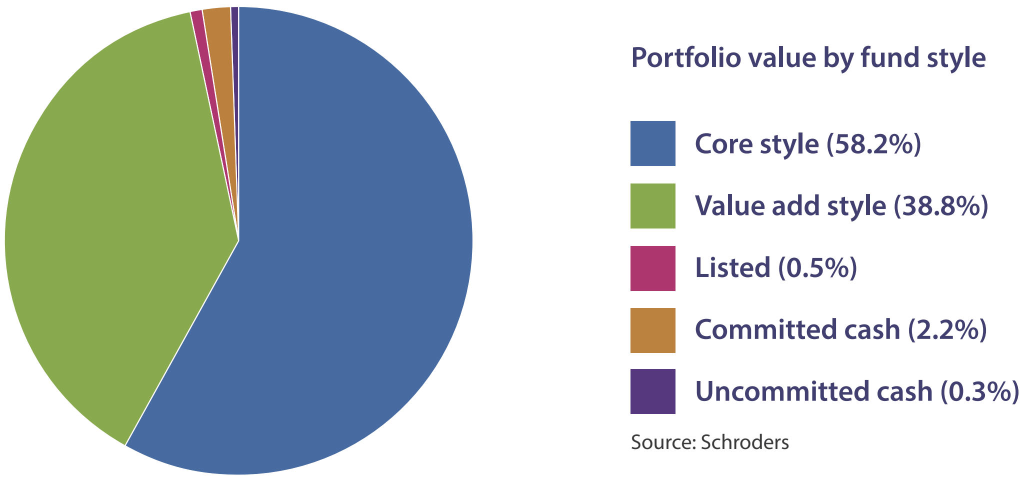
Source: Schroders

When fully drawn we expect the UK element of the portfolio to comprise 93% of portfolio value.

Exposure to Continental Europe has reduced by almost one third over the past twelve months. This is due to a combination of weaker relative performance from the European holdings, stronger relative performance from UK holdings and the depreciation of the euro.

Once fully invested we expect the sector structure of the UK portfolio to reflect our house view i.e. overweight relative to benchmark in industrial and alternatives (sectors such as student accommodation and healthcare), neutral to central London offices and underweight to the retail sector. We favour industrial and alternatives for their higher than average income returns and the potential for rental value growth. Over the past 12 months we have reduced exposure to central London offices to crystallise profits on the best performing UK market segment of the past five years. We remain concerned about the retail sector due to competition from online providers and due to the changing store requirements of retailers, as seen in the supermarket sector. Cash is dilutive to performance in strong property market conditions so we shall continue to minimise the amount of cash held on account.

By fund style, approximately 58.2% of the portfolio by value is invested in core style strategies. These are typically balanced portfolios providing access to office, retail industrial and alternative markets at a country or regional level. Core funds have low or no exposure to gearing and aim to provide a proxy for the broad property market, whilst seeking to modestly outperform it. 38.8% by portfolio value is invested in value add funds, these are typically sector focussed funds where the property advisor is an expert in a specialist field. In general, value add funds have some exposure to leverage and follow more intensive asset management strategies such as refurbishment or development and offer the prospect of higher returns than core style funds. Finally, 0.6% by value of the portfolio is invested in the listed sector, in this case to access a specialist manager operating in Continental Europe.



Source: Schroders

The Continental European portfolio (7.0% of portfolio value) provides access to six individual investments, 14 underlying countries and a variety of property sectors. Within Europe the underlying property exposure is generally skewed towards northern and western countries, with 27.1% in Sweden being the largest exposure. By value 49.8% of the portfolio is invested in the retail sector with the balance mainly invested in the industrial and office markets.

Performance

Performance has exceeded benchmark over the three years to 31 March 2015, but has underperformed over one and five years. The UK portfolio has outperformed benchmark over all time periods, whilst the Continental European holdings have detracted from relative returns over all time periods, except the most recent three months, in significant part due to the depreciation of the euro relative to sterling.

The strongest positive drivers of performance have been the UK holdings in value add style central London office and industrial funds. The holdings in Continental Europe and the dilutive impact of cash have been the negative influences on relative performance.

UK property outlook

The investment market was very active in 2014 and the total value of real estate transactions at £63b matched the previous annual record set in 2006 (source: Property Data). Central London offices were once again the most liquid part of the market, but last year also saw a recovery in shopping centre and industrial transactions, along with a number of deals in student accommodation and healthcare. Although the fall in oil prices means that interest from Middle Eastern and Russian buyers is likely to wane in 2015, we expect that Japanese and Taiwanese pension funds and Chinese insurers will become more active.

As a result of strong competition in the investment market, the IPD all property initial yield fell to 5.3% at the end of February 2015, its lowest level since early 2008. On the one hand, this looks reasonable in the context of 10-year gilt yields at 1.5% and given prospects for steady rental growth over the next few years. Our pricing model suggests that the gap over gilts could narrow to 1.5-2.0% without putting much upward pressure on real estate yields. On the other hand, we are aware that certain parts of the investment market have got ahead of occupier fundamentals (e.g. prime West End offices, shopping centres and distribution warehouses). We are therefore tilting our portfolios towards those assets and sectors (e.g. alternatives and multi-let industrials) which should be relatively resilient if investor sentiment turns.

The latest IPF (Investment Property Forum) Consensus Forecast suggests that commercial real estate could achieve total returns of 12% in 2015. Our view is that total returns in 2015 should probably be closer to 15%, although the more yields fall this year, the greater the risk of a potential correction in the future.

Continental European property outlook

The total value of investment transactions in Continental Europe rose by 10% in 2014 to €145b (source: RCA) as liquidity rippled out from the core markets of France and Germany to Benelux, Italy, Portugal and Spain. The majority of capital invested was equity, but the last year has seen a definite increase in real estate lending, as finance costs have fallen further to rates of 1-2% and new entrants, such as insurers and debt funds, have come into the market.

The weight of capital means that prime office and shopping centre yields have fallen to 4-5% in most major cities in western Europe, while yields on prime logistics-related properties are down to 6%. This might look rational in the context of 10-year government bond yields at 0.2-1.25%, but investors are increasingly concerned that pricing of prime assets has become indiscriminate.

We see better value in central business district offices that have short leases, or which can be repositioned, offices in mixed-use areas with a good range of amenities, convenience retail, mid-sized warehouses around big cities and certain alternative types (e.g. hotels). Yields on these assets are typically 0.5-2.0% above those on prime assets and we expect them to outperform over the medium-term, assuming the eurozone economy continues to grow.

We forecast total returns on average investment grade European real estate will be 7-9% per year between end-2014 and end-2018. Total returns and capital growth are likely to be front loaded, benefiting from yield compression in 2015-2016 and rental growth from 2016 onwards.

The main upside risk is that the low financing costs and the weight of money targeting real estate triggers an even bigger fall in yields through 2015-2016, boosting total returns in the short-term. The main downside risks are increased uncertainty surrounding the stability of the eurozone following a potential Greek exit of the euro and elections in Spain, or that deflation becomes entrenched.

Strategy

We expect continued capital and rental appreciation in 2015. We have been allocating capital returned from value added funds to core funds, where capital can be deployed efficiently rather than waiting to be called.

Another effective way for us to deploy capital in a timely and efficient manner is via the bespoke strategies we have created exclusively for our clients. The range of strategies is broad, reflecting our preferred investment opportunities. These include two diversified core funds, a fund focused on alternative real estate, a convenience retail fund and, more recently, the Multi-Let Industrial Property Unit Trust.

Collaboration

These partnerships are a good illustration of this year's annual report theme of "collaboration". Each of these funds has been created in partnership with property advisors who are specialists in their particular areas. Each fund is created to exploit a particular market theme or opportunity and there is a close alignment of interest between investor and advisor through performance related fee structures. Our working relationship with our advisors is vital to the success of each of these partnership funds.

Sector strategy

In the past few quarters we have focused on positioning the portfolio for long-term income as well as more immediate market opportunities. Our preference is for industrials, where yields are attractive and where supply/demand fundamentals are positive. In addition to traditional occupiers, there is continuing demand from distribution companies servicing e-commerce operations. We continue to favour alternatives which are less correlated with the performance of the wider economy, delivering an attractive yield and a relatively resilient income stream.

A key focus remains to ensure the portfolio's cash holding is kept to a minimum. At quarter end, £3.8m of the portfolio's £4.1m cash position was committed awaiting investment.

As discussed previously, we are seeking to address the underweight exposure, both to benchmark and our target House View, to rest of UK offices. There is currently not a specialist rest of UK office fund on our Investment Platform of approved funds, although we are likely to seek to increase our holding in Metro Property Unit Trust which has a high exposure to rest UK offices.

Europe

In the near term the portfolio's exposure to Continental Europe is likely to reduce when capital proceeds from NREP Logistics are expected to be received in Q2 2015. We continue to explore benchmark options for the portfolio to allow for a more representative measurement of the portfolio's overall performance.

Summary

Portfolio performance is above benchmark over three years per annum but below over one and five years. The underlying performance from the UK holdings has been strong (ahead of benchmark over all time periods), but performance from the Continental European holdings with the impact of euro depreciation has been very weak in comparison to the UK benchmark.

We will look to minimise cash held on account as this is likely to dilute performance in a period of strong returns for the property sector. Within the UK we favour regional markets and higher yielding sectors.

2015 is expected to be a strong year of absolute returns for European property markets.

Mr Graeme Rutter
Head of Schroder Real Estate Capital Partners

Partners Group
Passion for Private Markets

JOINTWORKING RELATIONSHIPS COMMUNICATION COLLABORATION PARTNERSHIPS CO-OPERATION SHARED GOALS FRAMEWORKS OPPORTUNITIES

A market for selective investing and plentiful exits amid excess demand for core properties

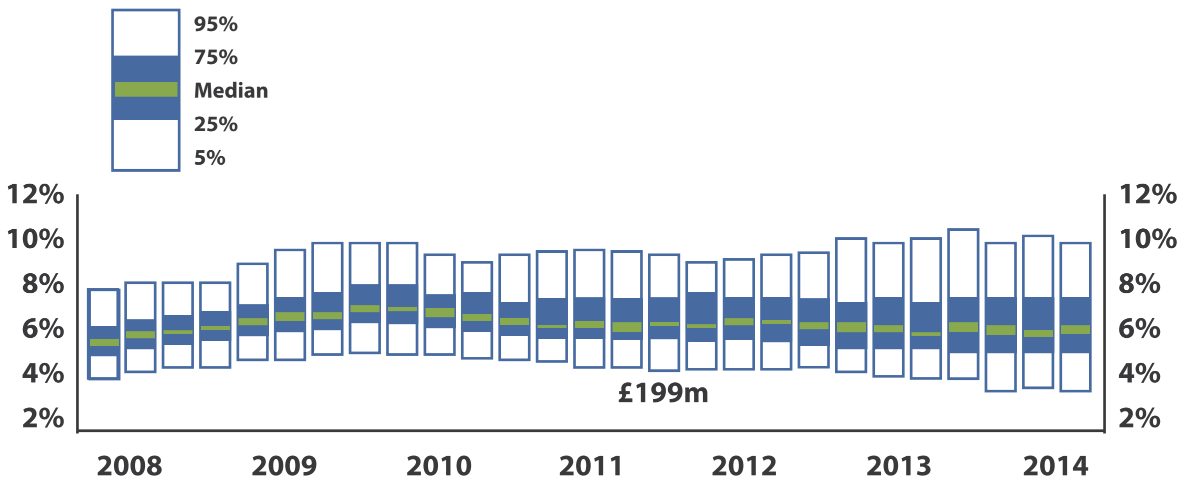
Core real estate pricing edged higher in 2014 due to continued cheap financing and expected returns on new core investments fell to low levels with pricing rising faster than net operating income. In this environment, our collaborative approach to real estate investment continued to centre on our ability to work with local operators and specialist investment partners to "manufacture" core globally, to feed the excess demand for core property.

The wall of liquidity searching for yield, the gradual economic expansion and extraordinarily low fixed income yields have all continued to drive investor interest and capital flows to private real estate. This demand for stable, income-producing core assets has lifted asset valuations in most major markets past previous peaks, further skewing the risk/return profile, and reinforced our conviction in three key investment strategies amid a low growth and high price real estate environment: buy properties below replacement cost, identify deficient and unattractive properties to buy-fix-and-sell through owner-oriented asset management and develop core properties in markets with strengthening fundamentals.

Investors taking on more risk

On behalf of the Dyfed Pension Fund, Partners Group's focus continues to be finding compelling opportunities to execute our strategy to manufacture core properties that appeal to institutional investors seeking stable, income-producing assets in major markets. Generally, the bulk of institutional capital is aimed at prime buildings in highly liquid, key gateway markets (i.e. New York, London, Tokyo), which tend to be on the lower end of the cap rate spectrum due to high demand and competitive pricing. Conversely, cap rates for buildings in need of lease-up, renovation or properties situated in secondary locations tend to have higher cap rates as a result of lower demand and greater price variability. An interesting trend that developed throughout 2014 was the increase in capital flow driving transaction activity throughout the cap rate spectrum, as highlighted in the European office transaction chart below. The widening of the cap rate range apparent in European office transactions can be interpreted as a broadening in the property characteristics favoured by investors.

Office transaction cap rate ranges in Europe



As an example, the narrow spread experienced at the height of the financial crisis illustrates investors' flight to safety and elevated emphasis on a narrow segment of core properties in defensive locations. To the contrary, today's transaction cap rate range is at a historically wide level, highlighting investors' wider appetite for properties further up the risk curve. The chart visually depicts transaction activity taking place on both ends of the cap rate spectrum, both in core properties (at relatively low cap rates) and non-core properties (at relatively higher cap rates). Thus, investments where we have implemented "buy-fix-and-sell" and "develop core" strategies have benefited from this increased demand. Selectively, we have realised investments in tier 2 markets as secondary cities and locations have benefited from improving fundamentals and private real estate investment capital has followed suit. Similarly, our "develop core" strategy has delivered high-quality properties in key markets that are facing acute supply constraints of class A space amid voracious demand from tenants and investors alike.

In Europe, the expansion of Northern Europe's retail sector and the relatively low supply of shopping centres there have supported the early exit of Partners Group's financing of a Scandinavian department store and an early distribution of proceeds to Dyfed Pension Fund. In the first half of 2014, Partners Group's mezzanine loan was repaid above and ahead of underwriting expectations.

Beyond this isolated example, investors' broader focus on transactions in tier 1 as well as tier 2 markets, strong rental growth and accelerated asset appreciation in most regions bodes well for a pipeline of forthcoming exits. The current market environment has already compelled us to realise several direct investments and we are currently reviewing additional opportunities to exit select investments ahead of their originally underwritten holding periods at highly attractive returns.

Simultaneously, these trends have created challenges in acquiring high-quality assets in prime locations at attractive valuations. In the current market, we maintain a disciplined approach, prudently investing on behalf of our clients where we believe we can conservatively underwrite attractive risk-adjusted returns. At the current point in the real estate cycle, our investment approach is most reliant on our ability to execute our buy-fix-and-sell strategy, where there are opportunities to exploit supply/demand imbalances and keep investment durations short. In more niche market segments, the ability to acquire properties at a discount to replacement cost remains viable. Selectively, we also believe there are compelling opportunities to develop core properties through ground-up construction, where fundamentals support additional absorption and in markets where future supply is limited.

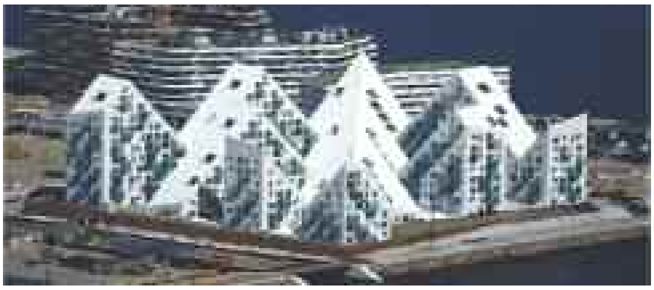
Scandinavian residential: favourable fundamentals

In Europe, our investment focus primarily targets opportunities in Northern Europe, where fundamentals are still favourable and demographic trends support growing residential demand. We believe the stability of the Danish economy combined with the urbanisation trend and scarcity of owner-occupier stock make the Danish residential market stand out as a highly attractive environment in which to pursue multi-family acquisitions. Copenhagen in particular is experiencing a population boom, growing by approximately 1,000 new inhabitants per month. Denmark's overall home ownership ratio stands at 51% and in Copenhagen this figure is at a mere 18%.

Apartments make up 90% of the existing residential stock in Copenhagen and 82% of this stock was built before 1964. The date of original construction is significant, as properties built before 1966 are legally disqualified from conversion into common-hold units for sale to owner-occupiers. In the current context of an increasing population and limited development activity, there is nearly no vacancy in the Copenhagen residential market.

Given this market dynamic, in September 2014 we closed on a compelling opportunity to purchase a portfolio of eight rental properties with over 700 rental apartments totaling 73,000 square metres, primarily located in Copenhagen. The Nordic Living portfolio was sold by a Danish pension fund with an over-allocation to residential real estate. The portfolio of properties benefits from a modern build, is well-located and would be expected to attract a premium over other Copenhagen rental properties (82% of which are pre-1964 builds).

The business plan is a soft buy-fix-sell strategy, assuming only minor capital expenditure adjustments for the kitchen and bathrooms of certain assets to make them more attractive to owner-occupiers. Inflation and downside protection are offered by way of strong demand for the units as rental properties from both users and institutional owners.



Isbjerget, Mariane Thomsens Gade 30, 8000 Aarhus C, Denmark

Kanalfronten, Staevnen 31, 7100 Vejle, Denmark

Tail-end solutions meet investors' liquidity needs

From a secondary perspective, Partners Group continues to possess a competitive advantage through the ability to custom-structure favourable solutions for complex transactions that provide liquidity to existing program investors and offer Partners Group an attractive entry point to unrealised projects within mature programs. A recent example of this strategy in practice was the purchase of a real estate portfolio of retail and office properties in Finland and Sweden on behalf of our clients, via a secondary transaction that closed in July 2014.

The portfolio was acquired at a discount and comprises a total leasable area of approximately 380,000 square metres with a remaining value of around EUR 300m. The portfolio was originally built up in 2006-2007 and operated by Niam AB. Niam sought a buyer that was capable of acquiring a multi-sector, multi-country portfolio and who recognised the potential in further developing the asset management strategy. Partners Group provided an off-market solution, allowing an exit for investors and time to maximise the value creation potential of remaining assets over the next three to five years.

In conjunction with the eventual transaction, Partners Group was involved in negotiating the refinancing of all existing debt facilities, as well as the buyout of minority shareholders and joint venture partners and the prepayment of a mezzanine facility incumbent in the capital structure of one of the investments at preferential terms.

Robert Lamb
Senior Vice President

Background

Major investment markets delivered positive returns over the period, helped by the continuing increase in investor confidence, signs of general improvement in the economic backdrop, and continuing loose monetary policy in many developed countries.

Although there were several flashpoints around the world, and these situations created uncertainty in terms of global security, most had a limited impact on investment markets. However, a sharp fall in the oil price and the resulting weakness in the Russian currency were of greater concern to investors and caused an increase in volatility in financial markets. However, the falling oil price was beneficial for some countries, businesses such as airlines and cruise companies, and consumers more generally.

Portfolio

The problems in Russia led to a fall in the share price of Sberbank and enabled us to add to our holding in Russia's largest commercial bank. It has advantages over rivals in terms of branch network and funding costs. Sberbank has excellent longer-term prospects but this could be a bumpy ride.

We also invested in CyberAgent, a Japanese internet conglomerate likely to benefit from secular growth in digital advertising, and took a holding in Fiat Chrysler Automobiles, the car maker which is looking to retrench from a declining European mass-market business and shift to high-end vehicles. Other purchases included the Japanese insurer MS&AD, which has returned to profitable underwriting and aims to increase overseas earnings, and Monsanto, the global leader in seeds and plant biotechnology, which offers good growth prospects at an attractive stock valuation.

Other new holdings in the portfolio include HDFC Corp, India's oldest private housing finance company and a beneficiary of rising income levels and improving housing affordability, and CH Robinson, a third-party logistics company which acts as an intermediary between shippers and carriers and has scale advantages over its competitors. More recently, we took a position in Zillow, a US-based online real estate portal which should benefit from growing scale and has successfully incorporated mobile users into its business model.

Among the complete sales was Roche, the Swiss pharmaceuticals company, given concerns that its biologic drugs can be replicated. In addition, patents on three important drugs will expire within the next four years. We also sold Norsk Hydro which operates in the aluminium business after its share price rose sharply, limiting the potential upside. Similarly, the share of Bunzl, which distributes consumable items to supermarkets, hotels and caterers, rose 15% between October and January and this prompted us to sell. Other activity included the disposal of British American Tobacco on weakening prospects for the industry, Jyske Bank which we bought in 2009 and now has a less exciting outlook, and Tullow Oil, which has suffered because of the falling oil price and has curtailed exploration activity.

Performance

Over shorter term time periods returns may vary considerably from the index in either direction and some relative volatility should be expected. Having said that, since the initial investment on 4 April 2014 the portfolio returned 18% after fees which compares with an index return of 18.1%.

The best performing stocks included Royal Caribbean, the cruise line business which is benefitting from an improving economic outlook, falling capacity growth in the industry and increased pricing power. Other winners came from a wide range of industries and countries including Naspers (South African listed media company with significant Chinese internet interests), Anthem (a US health insurer), CarMax (US used car retailer) and Prudential (UK insurer with fast growing Asian businesses).

Less successful were oil related holdings including Ultra Petroleum, Distribution NOW, Inpex and Tullow. Hellenic Bottling and Sberbank were weak due to concerns about their Greek and Russian home markets respectively.

Governance

As long term investors who frequently hold significant stakes in companies on our clients' behalf, we recognise the importance of taking governance issues into account. When assessing a company's prospects over the next 5 years and beyond we have to understand management incentives, board structure and their awareness of environmental and social risks and opportunities. We therefore build this into our investment research before investing in a company and engage with company managements to ensure that your interests as shareholders are being looked after. Examples of our activity this year include trips to Japan to review companies' reactions to its new Stewardship Code, to Bangladesh and Myanmar to review conditions in garment factories and votes and engagement on a wide range of issues including executive pay, board composition, disclosure, sustainability strategies and social responsibility.

Contact over the year

We were delighted to be entrusted with such a significant amount of Dyfed Pension Fund's assets and have enjoyed meeting with the Pension Fund Panel on a number of occasions to report on our progress.

Since our appointment the most significant development at Baillie Gifford has been the closure of the Global Alpha strategy to investment by new clients. We believe that all strategies have natural capacity limits and wanted to close in good time to ensure that there was headroom for existing clients to invest more should they wish to do so. This policy of putting existing clients' interests before short term asset growth has stood our firm and clients in good stead over many years and has contributed to our and their long term investment success.

We have also spent a lot of time over the past year engaging with the Department for Communities & Local Government on its consultation on efficiencies within the LGPS. Our core message was that active management, done properly, adds value net of fees and plays a key role in making the LGPS affordable and sustainable for generations to come. Costs are important however, so we aim to keep transaction costs low by maintaining a long term, low turnover investment approach and by negotiating keen commission rates with the brokers with whom we trade on our clients' behalf. We have led discussions with clients on how efficiencies can be achieved and are happy to aggregate assets for a number of clients if collaboration between them introduces economies of scale. This can lead to immediate and meaningful reductions in fees.

Outlook

As ever, much political and macroeconomic uncertainty remains, but we prefer to concentrate on selecting growth businesses with strong prospects over a multi-year period. In our annual Research Agenda, we have outlined four areas where we are particularly enthusiastic. These are "Continued US Resurgence", "Global Divergence", "Positive Reform Agendas" and "Innovation, Accelerating Change and Disruption".

We are excited about the future and are confident our approach will continue to produce attractive returns in years to come.

Geraldine Deighan
Client Service Director

Tom Wright
Director

Market background

- Global equity markets delivered a positive performance over the year, but the headline result masked increasing divergence between markets around the world. Among the developed markets, Japan was particularly strong in local-currency terms, while Europe and the US also produced good returns. However, the UK lagged given the large weighting of energy and mining companies in the index, which were hurt by the fall in commodity prices. Moreover, currency movements had an important effect on overall returns for UK-based investors, with the yen and the euro weakening over the period, whereas the dollar strengthened. Markets in Asia also had a good year, with China performing particularly well, while in Latin America, Brazil underperformed.

- Central banks' monetary policy was a key theme throughout the year, as markets in weaker economies – primarily the eurozone and China – were buoyed by more aggressive quantitative easing (QE). Toward the end of the period, a bigger-than-expected programme of QE from the European Central Bank boosted equities in Europe and beyond, and took the euro to multi-year lows against the US dollar.

- In the second half of the period, markets and currencies increasingly came under the sway of slumping oil prices. While cheaper oil offered the prospect of a boost to consumer spending, it also ravaged the economies of oil exporters, primarily Russia. As price declines persisted into 2015, concern mounted that the real culprit was weakening demand in slowing economies.

- In Japan, earlier in the period, investor sentiment deteriorated as a result of a consumption-tax hike, and questions were raised about the sustainability of stimulus policies. The yen weakened considerably, diluting returns for UK-based investors. In the autumn of 2014, a bigger-than-expected boost to QE buoyed markets, while meagre returns on bonds further whetted investors' appetite for risk.

- During the period under review, Asian markets' performance was driven largely by the ebb and flow of sentiment regarding global liquidity. Along with geopolitical tensions in Ukraine, the Fed's reductions in QE put pressure on Asian equities earlier in the period. A strengthening US economy and dollar placed emerging-market currencies under increasing pressure in the opening quarter of 2015. While slowing growth in China also weighed on sentiment, emerging-market equities received some succour from looser money in the eurozone and Japan.

- Faced with the prospect of an economic slowdown, China injected extra liquidity into its banking systems, which helped bolster its stock markets. Concerns over the shadow-banking sector abated as the growth rate slowed, while a solid export performance helped mitigate the drag on growth from slowing investment spending, particularly in the real estate sector. Overall, Chinese markets performed strongly as investors responded favourably to stimulus measures from the central bank, including cuts in official interest rates in November and February.

Performance

- The Global Equity Income Fund underperformed its benchmark over the year.

- During 2014 we saw a significant divergence of performance between major regions. Our strategy has a structural bias to an overweight in Europe and Asia where dividend yields are higher. As a consequence, our regional allocation significantly detracted throughout 2014.

- In sector terms, technology and healthcare led the market, and the portfolio was underweight in both. Historically, we have found opportunities in healthcare; however, new drug pipelines and investor demand for defensive growth supported momentum in the sector. As a result elevated valuations have made the sector less attractive and seen us move underweight. Although the portfolio was underweight in the energy sector for much of the period, it suffered from exposure to stocks with high sensitivity to the oil price.

- During the first quarter of 2015, the Fund outperformed its benchmark despite style significantly detracting as dividend stocks underperformed riskier growth and cyclical stocks. Regional allocation detracted as the UK, where the Fund is overweight, underperformed, while Japan, where the Fund is underweight, outperformed. US dollar strength continued to be a headwind to performance. Sector allocation detracted as the portfolio was underweight in healthcare, which outperformed. Stock selection added significant value, particularly within the financials, consumer-staples and technology sectors.

- While recent performance has disappointed, our strategy has built an excellent long-term track record over the last seven years by patiently investing in "Quality Income", i.e. companies with high, sustainable, and growing dividends. We are not making any changes to our approach, but are working hard to ensure our good record is maintained. Our strategy has a defensive bias, and therefore our best relative performance usually occurs in weaker periods for the market. In that respect, we would remind investors that the last few years have seen markets post strong gains, and that caution should be exercised in extrapolating recent relative performance trends over a longer period.

Environmental, Social and Governance (ESG) integration statement

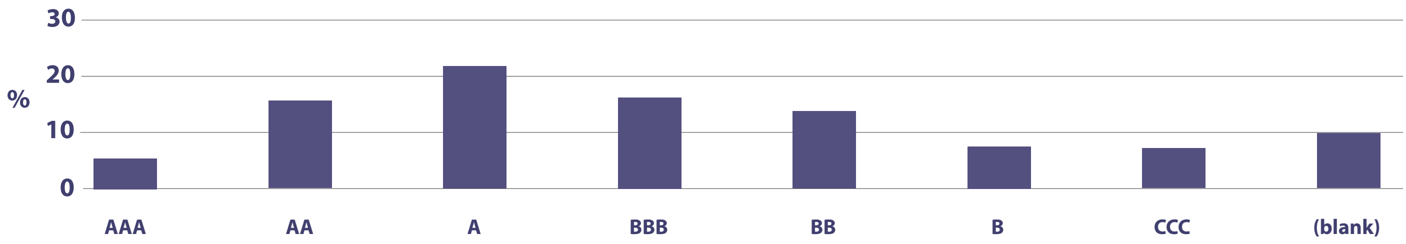
- Columbia Threadneedle Investments is a founding signatory of the UN sponsored Principles of Responsible Investment (PRI) and signatory to the UK's Stewardship Code. Our approach to Governance and Responsible Investment is aligned with our philosophy of teamwork, debate and collaboration. We believe this approach creates a 'perspective advantage' and underpins our ability to generate superior returns for our clients. As active investors we seek, amongst other things, to monitor and assess company strategy, leadership, performance and accounting, as well as the management of risk and capital. Consideration of a company's approach to environmental, social and governance (ESG) issues is an integral part of this.

- ESG analysis is embedded in the research and analysis of global equities as part of our wider commitment to ESG integration in the investment process across equities and fixed income. The Global Equity Income investment process begins with research driven idea generation. Ideas are focussed on stocks with appropriate, yield characteristics for the strategy. Ideas are thoroughly researched and debated and finally are implemented via portfolio construction to deliver an income portfolio that is balanced and diversified. The main areas of ESG input in this process include: stock reviews, themes and sector reviews, company meetings, and weekly and ad-hoc updates. The Global Stock review template used by our analysts to evaluate stocks automatically includes externally sourced company ratings from MSCI ESG research which rates companies on their ESG policies, involvement in controversies against the UN Global Compact and international conventions, as well as accounting practices relative to peers. These serve as flags for our analysts to consider and, for poor ratings, seek additional input from our internal team of specialist ESG analysts. ESG characteristics are in this way considered as part of the overall investment case and may increase or decrease conviction in a stock idea.

- Columbia Threadneedle Investments EMEA implements a non-investment policy in controversial weapons. This is based on legal and business risks. We do not make ethical exclusions of industries or sectors, unless instructed to do so, by clients in separately managed mandates. The nature of income strategies in general means that, within a diversified portfolio, there may be some individual companies whose activities may be less palatable to some investors, including tobacco, gambling and arms. These companies must however display the necessary yield and growth characteristics, and the risk associated with their activities are managed within the ESG process described above. The Global Equity Income Strategy also invests in companies globally recognised for sustainable development such as Pattern Energy, a Northern American wind-farm operator and Unilever, with these companies also displaying the necessary yield and growth characteristics sought by the strategy.

- As at 31 March, the overall skew of the portfolio towards better performing companies from an ESG perspective is illustrated below. Better performing ESG Companies are those with a rating of AAA to A. BBB is an average rating and any given industry will tend to have mostly BBBs. BB and B are below average ESG performance and CCC is poor.

ESG distribution of Portfolio



Columbia Threadneedle Investments 31 March 2015

Moira Gorman
Client Director

PERFORMANCE AND RISK

Local Authority Funds

The average local authority pension fund returned a very robust 13% in 2014-15.

Equity markets performed strongly but with marked regional variations. Domestic equities returned only 6% for the year with investors concerned about the possibility of political uncertainty resulting from a hung parliament post the upcoming general election. Japan was the strongest performing of the major overseas markets returning over 30% to local investors, but a slightly lower 27% to UK investors as the Yen continued to weaken against Sterling. Conversely UK investors benefited from the strength of the US Dollar over the year which accounted for almost half of the US equity return of 25%. Pacific and emerging markets returned 16% and 14% respectively whilst Europe returned a respectable 9% for the year.

After the near flat outcome in 2013 - 14, UK bonds bounced back strongly, producing an aggregate return of 12%. Duration was the big story in the latest year with marked differences in return depending upon where funds were invested across the yield curve. Long dated gilts produced returns approaching 30% as yields reached historic lows. Investors needing to hold them for liability matching purposes continued to buy them at any price. In contrast, short dated bonds returned only 3% for the year. The index–linked story for the year was much the same; funds returning 20% on average with the return driven by longer dated issues.

Alternative investments in aggregate also enjoyed a good year. Private equity returned 16% whilst hedge funds averaged 9%. Pooled multi asset (diversified growth) investments, which have recently been gaining traction amongst funds, returned a strong 10%, well ahead of most funds' targets for this asset class. Property returned 16% for the year, continuing the recovery that began in 2009.

In terms of asset allocation, there was little change at the macro (growth/matching asset) level during the year. The bond allocation increased marginally but this was a function of relative performance as opposed to active re-balancing. The allocation to alternative investments broke through the 10% level for the first time. Absolute return (multi-asset or diversified growth) products have now become a more prominent feature within funds, joining the well-established hedge fund and private equity programmes whereas 'tactical asset allocation' and 'active currency' have fallen completely out of favour.

The positive latest year outturn brings the average fund's three year return to 11%p.a. and the five year return to almost 9%p.a. Whilst these returns are welcome, and ahead of actuaries' assumptions for asset growth, the continued downward pressure on bond yields has had a very unwelcome impact on the value of funds' liabilities. It is unlikely that funds will have seen deficits reduce from the 2013 level.

Longer term returns have continued to improve for the sector as a whole which has enjoyed returns in the region of 8% p.a. over the last 10 and 20 years, well in excess of both price and wage inflation.

Returns

In the latest year, the Fund returned an excellent 15.2% after the deduction of fees, in absolute terms, the best since 2009-10. There was however a small measure of underperformance with the benchmark indicating an expected return of 15.6%. The year saw the addition of two new investments managers to run a portion of the Fund's assets; Baillie Gifford and Columbia Threadneedle appointed to manage global equity portfolios. The modest underperformance was due in part to this transitional activity.

Whilst it is absolutely correct that short-term performance is monitored by the Panel, it is equally, and probably more important to focus on the longer term particularly for the LGPS which evaluates its liabilities in terms of decades as opposed to years and quarters. We measure the Fund's performance and that of its managers over a number of time periods.

The three year view is an important one in that it spans the period between actuarial valuations as well as the period over which most asset managers' performance is evaluated (and remuneration calculated). Five to ten years will tend to span ever lengthening economic cycles and is a better time period over which to evaluate the efficacy of less liquid assets such as property. Twenty and thirty years give the true measure of the strategy the Fund has embarked upon (the influence of the managers appointed by a fund will typically have a very small influence on this outcome). The table below captures these measures:

Time-period	Dyfed Pension Fund (% p.a.)	Fund Benchmark (% p.a.)	Out/underperformance (% p.a.)
3 Years	11.8	12.0	-0.2
5 Years	9.5	9.8	-0.2
10 Years	8.3	8.6	-0.2
20 Years	8.6	8.5	0.2
30 Years	9.8	9.8	0.0
Longest Term	11.5	11.4	0.1

Over all longer term periods, the Fund's assets have delivered very strong absolute returns. The Fund has lagged benchmark over the shorter periods, but outperformed long term.

Importantly, in all periods noted in the table, returns have been significantly better than inflation (more than 6% p.a. ahead over the very longest term). The asset side of funds' balance sheets remains in very good health.

Our primary monitoring role is to evaluate the Fund's performance relative to the benchmark set by the Panel, but we also compare the results to that of the local authority sector as a whole. It is pleasing to report that the Fund outperformed other funds by a sizeable margin in the latest year and has done so consistently over time.

Risk

Return volatility across funds fell back further in the latest year to levels not seen since the run-up to the collapse of Lehman's and ensuing global financial crisis. The Fund's volatility remained higher than for the sector as a whole but this was as expected given the Fund's higher equity exposure and lower exposure to alternative investments. Viewed over the last three years, the higher volatility was rewarded with higher than average return.

A small proportion of this volatility will have been generated by decisions taken by the asset managers in an effort to outperform their benchmarks. This is known as 'relative' or 'active' risk. This risk has been rewarded over the long term but not over the immediate near or medium terms.

In the latest period, relative risk of 0.6% p.a. picked up moderately, but remained significantly below the range of risks exhibited by most other authorities. This element of risk might be expected to pick up with the appointment of the new active managers.

In closing, the Fund's success has not come about by accident, rather the effective collaboration amongst its many stakeholders, the list of which keeps expanding - members, officers, actuaries, auditors and managers to name but a few. This Fund prides itself on its long associations and deep relationships with these stakeholders, and its continued success will depend crucially on this collaboration.

Mr David Cullinan
Head of Performance Consultancy
WM Performance Services

INDEPENDENT INVESTMENT ADVISER

Recently I chaired an LGPS funds conference in London and asked the following questions to the audience who were a broad mix of asset owners, asset managers and other service providers: 'Do you like me, feel there is a new, reinvigorated desire and willingness for LGPS funds to collaborate and co-operate?' and 'Should LGPS funds be doing more to collaborate and co-operate?' An overwhelming majority, c90%, responded 'yes' to both.

I was not surprised as the local government pension funds market is under intense scrutiny and facing possible Government restructure and so funds are proactively exploring every possible avenue that makes them more robust and more effective investors, especially as this impacts on the costs of running the schemes. Always better to 'volunteer' to find ways to improve than have something much less palatable made mandatory!

Of course the benefits of such collaboration and co-operation are specific and unique to every fund. The most high profile example currently is the setting up of CIVs (Common Investment Vehicles) in London where almost all the London Boroughs have 'signed up' to the creation of CIVs and their ongoing management. While having actual assets managed in the CIVs is still many months away, the necessary framework has been established. The CIVs are there to bring cost savings as it is generally true that larger pools of assets benefit from lower asset management fees and so can generate higher 'net of fees' returns. The 'net of fees' returns are really important as they, along with contributions from employees and employers, enhance - while benefit payments erode - the asset pool.

What dictates the returns from asset pools? Some would answer – and act accordingly as if this was true - 'asset managers' the correct answer is asset strategy: the allocation to the broad asset categories of equities, bonds and real estate (property). Some funds also make allocations, although rarely significant (so why make them?) to the so-called 'alternative' investments, such as private equity, absolute return, infrastructure and diversified growth. Older – less fashionable and now somewhat tarnished - alternatives include active currency, global tactical asset allocation and hedge funds. It is this high level strategy that dictates the gross investment returns a fund achieves. Who, and how, these assets are actually managed adds or subtracts a relatively small amount and the asset management costs are a final deduction to give the critical 'net of fees' returns.

It is an unfortunate, not to say inconvenient, truth that getting asset strategy right is the most difficult skill in investment. Each fund must make the decision as it best represents the circumstances of the Fund. Every such decision is a matter of balancing risk versus possible reward and there are only right answers in hindsight!

The Dyfed Pension Fund has a first class record on this important issue, having set a proper long term strategy and then had the patience – especially difficult in investment when markets are volatile – to wait for the rewards. Our implementation through managers also reflects this 'long-term' philosophy and again has been to the fund's benefit. The Fund has been prepared in the past to be quite different to other LGPS funds, both in strategy and management, although currently is less different other than we have found few alternatives that interest us.

In last year's report I discussed the areas that funds are either potentially being dictated to by Government or are seeking to improve through collaboration and co-operation. While we can never be complacent, our Fund has a proud - and award winning – history of getting the big picture more right than most. As this is not something that is impacted by collaboration and co-operation – which more concerns the implementation of strategy rather than strategy itself the Fund can feel relatively sanguine about any such developments.

On a slightly different tack within the same collaboration and co-operation pension theme, as I have said many times but I believe this bears repeating, it is a great fund strength that the Dyfed Fund operates in a very 'inclusive' way. The Panel and officers make strenuous efforts – successfully - to foster a genuine team spirit amongst the fund's advisers and managers. This team approach provides a stronger platform to progress and, where changes have to be made, everyone on the team is aware of why the changes are being made; to improve and strengthen the Fund. Large egos, prima donnas and short-termism are shunned. Everyone is aware they are working for a greater collective good, and I believe everyone does their very best for the Fund for knowing exactly that.

The Dyfed Pension Fund continues to perform very well in an investment context. One significant factor outwith the Fund's control is the global low long-term interest rate (yield) environment, which is forecast to be with us for a considerable time yet - the so-called 'lower for longer' yields. The scheme's liabilities are valued with reference to these yields and lower yields increase the value. Thus while our fund's assets have made terrific progress, as will be reported extensively elsewhere in the report, the value placed on our liabilities has been rising even faster and so the funding level has not been improving. Until there is some return towards 'normal' long term yields the Fund will continue to struggle to close the gap. The long-term philosophy and patience the Fund has demonstrated superbly in the past will again be sorely tested in the months and years ahead. I am confident we will rise to the challenge but worry that others, not least Government, do not share our beliefs and will try and 'micro manage'. This would be unlikely to benefit the Fund and more likely could do more damage than good.

Mr Eric Lambert
Independent Investment Adviser

FUND ADMINISTRATION REPORT

The Dyfed Pension Fund is governed by regulations issued by the Department for Communities and Local Government (DCLG). Under the provisions of the Local Government Pension Scheme (Local Government Reorganisation in Wales) Regulation 1995, the administering authority function was transferred to Carmarthenshire County Council. While employee contributions and benefits payable are set by regulation, employer contributions are actuarially assessed at each valuation and areas of discretion are subject to local policies determined by each participating Fund employer.

Central Government issued regulations from autumn of 2013 onwards and Government Actuary's Department guidance was received on 31 March 2014 in respect of a new pension scheme (LGPS 2014) which applied from 1 April 2014. The scheme changed from being a final salary scheme to a Career Average Revalued Earnings (CARE) scheme. If you were an active member of the 2008 Scheme as at 31 March 2014 you will have automatically transferred to the LGPS 2014 on 1 April 2014.

Main provisions of the LGPS 2014 scheme

- **Benefit Accrual** - From 1 April 2014, you will have a pension account per employment, which will be credited annually with the amount of pension that you have built up from 1 April to 31 March each year. This is based on your actual pensionable pay from 1 April to 31 March and the new 1/49th accrual rate. Your pension account will then be re-valued each April in line with the Consumer Price Index (CPI). Your membership up to 31 March 2014 will be protected and continue to be calculated on a final salary basis when you retire with reference to your pensionable pay upon retirement and under the 2008 definition of pensionable pay.
- **Tax free Lump Sum** - individuals may convert an element of pension into an additional tax free cash lump sum, on the basis of £12 for each £1 of pension. Benefits accrued upto and including 31st March 2008 will automatically provide a Tax Free Cash Lump Sum at retirement.
- **50/50 Option** - From 1 April 2014, you will have the option to pay half your normal contribution, to receive half the level of pension in return during this period. However, you will retain full ill health and death cover during this time.
- **Normal Pension Age (NPA)** - your NPA will be linked to your State Pension Age (SPA), therefore any future changes in your SPA will impact on your NPA.
- **Enhanced pension** - if you retire on the grounds of ill-health.
- **Death in Service** - a Tax Free Cash Lump Sum of three times the annual salary payable to the estate. In addition, Spouse's, Civil Partners and Dependent's benefits are payable.
- **A cohabiting partners** pension may also be payable if certain conditions are met.
- **Death after retirement** - Spouse's Pension, Dependents Pensions and in certain circumstances a Lump Sum Death Grant.
- **Transfer of Pension Rights** - to either a new employers approved scheme or to an approved personal pension plan.
- **Employees who leave with more than 2 years service** (or less than 2 years service where a transfer payment has been received) are entitled to a Preserved Inflation Proofed Pension payable at Normal Retirement Age.
- **Additional pension contributions** may be paid to increase pension benefits.

Pensions Increase

Pensions are reviewed annually under the Pensions Increase Act as prescribed by Social Security legislation in line with the upgrading of various state benefits.

This year, pensions were increased by 1.2% from 6 April 2015 which represents the increase in the Consumer Price Index for the 12 month period to 30 September 2014. Pensions increase is normally applied to pensioners who are aged 55 or over, or have retired at any age on ill-health grounds or are in receipt of a spouse's or child's pension. A pensioner who retired in the last 12 months will have a proportionate increase applied.

Local Government Pensioner pay dates for 2015-2016 are as follows:

30 April 2015	28 August 2015	24 December 2015
29 May 2015	30 September 2015	29 January 2016
26 June 2015	30 October 2015	26 February 2016
31 July 2015	27 November 2015	31 March 2016

National Fraud Initiative

The Dyfed Pension Fund continues to participate within the anti-fraud initiative organised by the Audit Commission where data provision includes Employee and Pensioner Payroll and Occupational Pension details. Such information is compared with other public body data which helps ensure:

- The best use of public funds
- No pension is paid to a person who has deceased, and
- Occupational Pension and employment income is declared by Housing Benefit claimants

Legislative update

Cohabiting Partners benefits

Changes to Scheme rules from 1 April 2014 provide that a survivor's pension will automatically be payable to a cohabiting partner without the need for the scheme member to have completed a form nominating them to receive a survivor's pension. In order to qualify the following regulatory conditions must apply to you and your partner:

- Individual A is able to marry, or form a civil partnership with B,
- A and B are living together as if they were husband and wife or as if they were civil partners,
- Neither A nor B is living with a third person as if they were husband or wife or as if they were civil partners, and
- Either B is financially dependent on A or A and B are financially inter-dependent.

Employee Contribution Rates

The LGPS2014 has amended the method of assessing your contribution rate from 'full time equivalent' pensionable pay to your 'actual pensionable pay'. Pensions contributions will now also be payable on overtime. Responsibility for determining a member's earnings and contribution rate, including notification requirements, falls on the employer. Where a member holds more than one post with an employer, a separate assessment will be undertaken for each post held.

The earnings bands and contribution rates applicable from April 2015 are as follows:

Band	Actual Pensionable Pay (£)	Gross Rate (%)
1	Up to 13,600	5.5
2	13,601 - 21,200	5.8
3	21,201 - 34,400	6.5
4	34,401 - 43,500	6.8
5	43,501 - 60,700	8.5
6	60,701 - 86,000	9.9
7	86,001 - 101,200	10.5
8	101,201 - 151,800	11.4
9	151,801 or more	12.5

Statutory Underpin Protections

Protections are in place if you are nearing retirement to ensure that you will get a pension at least equal to that which you would have received in the scheme had it not changed on 1 April 2014. This protection is known as the 'underpin'.

The underpin applies to you if you were:

- paying into the Scheme on 31 March 2012 and,
- you were within 10 years of your Normal Pension Age on 1 April 2012,
- you haven't had a disqualifying break in service of more than 5 years
- you've not drawn any benefits in the LGPS before Normal Pension Age and
- you leave with an immediate entitlement to benefits.

The Pensions Administration Section will automatically carry out the underpin calculation when you leave the Scheme.

The Rule of 85

The rule of 85 protects some or all of your benefits from the normal early payment reduction. To have rule of 85 protection you must have been a member of the LGPS on 30 September 2006. The rule of 85 is satisfied if your age at the date when you draw your pension plus your Scheme membership (each in whole years) adds up to 85 years or more.

If you have rule of 85 protection this will continue to apply from April 2014. The only occasion where this protection does not automatically apply is if you choose to voluntarily draw your pension on or after age 55 and before age 60 without your employer's permission.

For a more detailed understanding of your own position you should log in to 'My Pension Online' or contact the pension administration section directly.

Tax Changes

Further changes have been made to the maximum amount of tax exempt pension savings that can be built up in any given year (Annual Allowance or AA) , and during the time before your pension benefits come into payment (Lifetime Allowance or LTA). From April 2014, the LTA for tax-privileged pension saving decreased from £1.5m to £1.25m. This is the total value of all pension benefits you are able to build without triggering an excess benefits tax charge. Upon retirement you are required to declare all non LGPS pension benefits in payment, or due to come into payment, so that your LTA can be assessed. The Government has indicated that it intends to decrease the LTA from £1.25m to £1m from April 2016. At the date of printing the annual report, guidance for scheme members who may be affected had not been published by HMRC. Members who believe they will be affected will need to seek financial advice on the most appropriate course of action.

The AA limit was reduced to £40,000 from April 2014. To calculate the value of any annual increase in the LGPS you need to work out the difference in the total value of any accrued pension benefits between two 'pension input periods', usually April to March. This is done by multiplying the value of the increase in pension by 16 and adding the increased value of any lump sum and AVC fund. The outcome of this calculation must then be added to any increases in pension entitlement that may arise from any other pension arrangement an individual may have to ascertain whether the annual limit has been breached. Your 2015 Annual Benefit Statement will contain further information regarding the impact of the annual allowance on your pension accrual in the LGPS.

Please note that pensions administration staff cannot give financial or personal taxation advice.

Reform of the state pension scheme

You may already be aware of the reforms that will see the introduction of a new larger single tier-state pension and the removal of contracting-out from April 2016.

What is contracting-out?

As an employee, if you are paying National Insurance contributions, you will be contributing towards the Basic State Pension (BSP), payable from your State Pension Age (SPA) . Some employees though, also contribute to an earnings related pension top up to their BSP by paying more National Insurance Contributions. This additional pension is known as S2P. Whilst you have been a member of the Local Government Pension Scheme (LGPS) you will have been paying a lower percentage of National Insurance contributions because you have been contracted out of the earnings related part of the State Pension (S2P). For periods of contracted out employment you have paid National Insurance Contributions towards your BSP but have not built up any rights to the additional pension (S2P).

When you reach State Pension Age, you will be advised of the amount of Guaranteed Minimum Pension (GMP) which is included in your pension. The GMP relates to the part of your pension for the period between April 1978 and April 1997 for which you were 'contracted-out'. For this period, the Scheme has to guarantee that your pension will be at least the same as it would have been, had you not been 'contracted-out'. Following the end of contracting out in April 2016, HMRC will be sending a statement to all individuals affected stating who is responsible for paying their Guaranteed Minimum Pension (GMP). Ahead of this, the pensions section will reconcile the GMP values and dates it holds for members with those calculated by HMRC.

What happens when contracting out ceases?

The removal of contracting out means that both employers and Scheme members will see an increase to the level of national insurance contribution paid from 6 April 2016 onwards. For Scheme members, the increase to their national insurance contribution will be about 1.4% (currently on earnings that fall between £5,564 and £40,040). Employees retiring after 6 April 2016 will receive a single state pension ranging from £110.15 to a potential £148.40 per week depending upon your National Insurance contributions record.

National insurance contributions paid from 6 April 2016 onwards will start counting towards the new level of maximum pension. As everyone's circumstances are different, there is no simple way of describing how this reform will affect individuals. Instead, if you would like more information about how the reform will affect you, the gov.uk web site has a useful guide to the new State Pension that will provide many of the answers to questions raised. The guide can be accessed using the web address:

www.gov.uk/new-state-pension/overview

Councillor Pensions

The LGPS 2014 has not impacted on the provisions for elected member pensions as their arrangement remains continues:

- on a career average revalued earning basis
- with contribution rates at 6%
- benefits accruing on a 1/80ths basis for Pensions and a 3/80ths for tax free lump sum.

Communications Policy Statement

The Dyfed Pension Fund strives to provide a high quality and consistent service to our customers in the most efficient and effective manner possible, particularly in an ever changing pensions environment. There are five distinct groups with whom the Fund needs to communicate:

- Scheme Members
- Prospective Scheme Members
- Scheme Employers
- Other Bodies
- Fund Staff

The policy document (section 9) sets out the mechanisms which are used to meet those communication needs and is subject to periodic review.

The Dyfed Pension Fund aims to use the most appropriate communication method for the audiences receiving the information. This may involve using more than one method of communication as considered appropriate and meet all regulatory requirements regarding provision of Scheme and related information.

This has been further enhanced with the introduction of 'My Pension Online' for active, deferred and pensioner members of the scheme. This is an internet based application that enables members to securely access and update their pension information online via the Fund's website. By developing its e-communication, the Fund aims to improve its service delivery as well as reducing printing & postage costs and its carbon footprint.

Administration Strategy

In accordance with the Local Government Pension Scheme Regulations the Pension Fund has prepared an Administration Strategy. The objective of the strategy is to clearly define the roles and responsibilities of the Dyfed Pension Fund and the participating employers under the Regulations.

Customer Charter & Service Standards

To complement the administration strategy the Fund has also produced a Customer Charter which outlines our commitment to each stakeholder and a Service Standards directive which outlines the processing times of our administrative procedures. All documents are available on the Fund website.

Your Pension's Administration Section

In addition to implementing legislative changes and responding to numerous consultation documents by set timescales, which included website updates and ensuring model fund data was received by the Government Actuary's Department, we:

- Ensured all preparatory work was undertaken and project targets were met to ensure a seamless transition from LGPS 2008 to LGPS 2014.
- Ensured employers formulate, publish and keep under review a policy statement in respect of their discretions under the LGPS 2014.
- Undertook further employer and scheme member presentations on 'My Pension On-line'. This internet based application enables you to securely access and update your own pension record(s). The initiative is designed to provide statutory information and improve service delivery whilst also reducing printing & postage costs and the funds carbon footprint.
- Continued with their internal staff training programme where additional staff members attained Degree status in Pensions Administration and management. Alongside its training for participating Fund Employers, this investment is viewed as key for the effective delivery of pension administration services in an ever changing regulation environment and increasing stakeholder expectations.
- Continued with the production and issue of Annual Benefit Statements (ABS) for Deferred (individuals who have left the Scheme with a future entitlement to pension benefits) and Active (contributing) Scheme members. With the Dyfed Pension Fund again taking the lead, the ABS production was undertaken on an all Wales Pension Funds basis.
- Continued with the 'Life Certificate' exercise aimed at pension payments paid by cheque.
- Continued with the production of a more detailed and personalised update for each pensioner outlining the increase in pensions arising from annual pension increase awards.
- Participated in the Audit Commission's - National Fraud Initiative exercise as outlined above.
- Continued the engagement with colleague LGPS Fund authorities in Wales to examine available partnership opportunities and share best practice in Scheme administration. The Dyfed Pension Fund taking the lead on a number of exercises including specific Newsletters outlining changes to Scheme rules, development of the new style Annual Benefit Statements and production of a number of specific 'factsheets' on key legislative aspects.
- Through the FRS17 / IAS19 exercise ensured that each employer who had to comply with these pension accounting requirements received their results and disclosure needs by their required account closure timescales.
- Commenced work on the GMP Reconciliation exercise which must be undertaken in respect of all scheme members to ensure HMRC do not have incorrect information on their records.

Looking Forward

The Pensions Administration Section anticipates yet another busy year, as in addition to the core functions, we intend to:

- Increase the number of registered 'My Pension On-line' users by conducting further promotional events with each employing authority to actively encourage scheme member take up by increasing the number of desktop visits.
- Respond to consultations on scheme governance arrangements and implement changed structures as a result of amending legislation.
- Continue to liaise with all scheme employers to ensure appropriate processes and procedures are in place in order to comply with auto enrolment requirements.
- Continue to undertake data validation and integrity in respect of the GMP Reconciliation exercise.
- Undertake preparatory work with employers for the 2016 Fund Valuation.

The introduction of the new scheme has brought more inherent complexities and retrospective protections that staff will have to ensure are applied appropriately in each individual case. I would like to record my sincere thanks to all staff involved on Scheme administration not only for the work done over the last scheme year along with the implementation of the LGPS 2014 but also for their enthusiasm to embrace change and meet ever changing regulatory and stakeholder requirements.

My Pension On-line

What will My Pension On-line allow me to do?

Whether you're an active, deferred or pensioner member of the Scheme, you will be able to view and update your basic details, access relevant forms and receive all publications immediately, including your annual benefit statement, newsletters and factsheets. If you're an active member, you will be able to perform benefit calculations at your convenience, so that you can actively plan for your retirement.

If you are a pensioner, you will be able to view your pension details, submit any change of bank or building society account details or change of address, view your payment history and tax code, your payment dates, payment advice slips, P60 statements and pension increase statements.

How do I register for My Pension On-line?

It couldn't be easier, all you need to do is contact the Dyfed Pension Fund by either telephoning 01267 224043 or by e-mailing: pensions@carmarthenshire.gov.uk to request an activation key. Your activation key will then be sent to your home address and you will be required to log in to the 'My Pension Online' area via the Fund website:

www.dyfedpensionfund.org.uk.

You will be asked to enter your surname, National Insurance number, date of birth and activation key and then prompted to set up your own username, password and security questions.

ACTUARIAL REPORT

JOINTWORKING RELATIONSHIPS COMMUNICATION COLLABORATION PARTNERSHIPS CO-OPERATION SHARED GOALS FRAMEWORKS OPPORTUNITIES

All LGPS Pension Funds are required to commission and publish a valuation of the Fund on a specified date every three years. The last valuation of the Dyfed Pension Fund took place in March 2013, the Actuarial Statement is detailed in the Statement of Accounts (Section 6) and the full report can be found on the Dyfed Pension Fund website.

The Actuary's View

No matter whether you're a fan of football, rugby or cricket you just can't help but be interested in how your team compares with everyone else. Those league tables make wonderful reading if you're a Swansea City fan, but less so if, like my beloved Blackburn Rovers, you're languishing somewhere outside the top flight.

And it's the same with the Local Government Pension Scheme. We now have an LGPS National Board which has been charged with helping funds to improve standards, increase efficiency, and make them run more effectively for the benefit of all stakeholders. LGPS Funds aren't that used to being ranked against one another, but it looks as though league tables will be a feature of the National Board's approach in a number of areas. Of course funding levels and contribution rates have already been compared across funds to an extent, and I'm pleased to say that the Dyfed Pension Fund fares very well against the rest of the LGPS.

Drawing direct comparisons is, however, more difficult, as there is a variety of funding bases in use across the LGPS, so any comparisons are distorted by differences in the underlying funding strategies, and the National Board is therefore working to ensure a greater consistency of approach when carrying out these measures. Over and above this, the National Board is also developing a set of Key Performance Indicators, aimed at trying to establish a series of early warning signs, and encourage action before problems become insurmountable. But in any case I am confident that, due to the efforts of past and current officers, the Dyfed Pension Fund will fare well against the "competition".

But I use that word competition with my tongue firmly in my cheek. For the LGPS it's not about beating the rest, the whole point of the league tables is to raise standards across all Funds, and provide assistance for them all to perform in line with the best. Just because there is a league table out there, it doesn't mean that the Funds have to compete with one another. The entire sector will work better if we have collaboration rather than competition.

John Livesey
Actuary
Mercer Limited

GOVERNANCE POLICY STATEMENT

Introduction

The Dyfed Pension Fund is administered by Carmarthenshire County Council (the administering authority). All Local Government Pension Scheme (LGPS) Funds in England and Wales are required to publish a Governance Policy, under Regulation 73A of the LGPS 1997 Regulations. This regulation is superseded by Regulation 31 of the LGPS (Administration) Regulations 2008 and the 2013 Regulations. Additionally, one of the key requirements in the Public Service Pensions Act (PSPA) 2013 is for each Administering Authority in the LGPS to create a local Pension Board. This policy has been prepared by the administering authority in consultation with appropriate interested persons.

Purpose of the Governance Policy

The regulations on governance policy requires an administering authority, after consultation with such persons as they consider appropriate, to prepare, maintain, publish and keep under review a written statement setting out:

- whether it delegates its function, or part of its function, in relation to maintaining a pension fund to a committee, sub-committee or officer of the authority
- if it does so:
    - The frequency of any committee or sub-committee meetings
    - The terms, structure and operational procedures of the delegation
    - Whether such a committee or sub-committee includes representatives of employing authorities (including non-scheme employers) or scheme members, and if so, whether those representatives have voting rights
- the extent to which a delegation, or absence of a delegation, complies with guidance given by the Secretary of State and, to the extent it does not so comply, the reasons for not complying.

Governance of the Dyfed Pension Fund

Within Carmarthenshire County Council's constitution, a panel must be set up for the Dyfed Pension Fund to:

- review the performance of the Fund, decide on the strategic direction of all matters relating to the investment of the Fund and monitor all aspects of the investment function
- to determine on Administering Pension Fund Authority matters.

Powers delegated to the Director of Corporate Services for Pensions Administration include:

- In accordance with The Local Government Pension Scheme Regulations 1997 or subsequent amending legislation:
    - To collect employee and employer contributions from participating employers
    - To make payments in respect of scheme benefits
    - To collect and make pension transfer payments as elected by scheme members
    - To determine non policy related discretions as an Employing/Administering Pension Authority
    - To undertake Stage 1 determinations on disputes arising from the Local Government Pensions Scheme or related legislation
    - To update and maintain the Fund's website: **www.dyfedpensionfund.org.uk**
    - Maintenance and update of membership records
    - The calculation and authorisation of benefit payments
    - Provision of membership data for actuarial valuation purposes
    - Preparation and maintenance of the Communication Policy Statement and the Pensions Administration Strategy Statement.

The Director of Corporate Services will accept for admission into the Dyfed Pension Fund employees of authorities and bodies as prescribed in Regulations, subject to an approved Admission Agreement, and subject to any necessary indemnities as appropriate.

The Pension Panel

Terms of Reference

- To exercise the County Council's responsibility for the management of the Dyfed Pension Fund, including the management of the administration of the benefits and strategic management of Fund assets
- To meet at least quarterly, or otherwise as necessary
- To produce an Annual Report by 30 September each year on the state of the Fund and on the investment activities during the year
- To have overall responsibility for investment policy and monitor overall performance
- To review governance arrangements and the effective use of its advisers to ensure good decision-making
- To receive regular reports on Scheme administration to ensure that best practice standards are satisfied and met and to satisfy itself that and justify to all stakeholders, including Fund Employers that the Fund is being run on an effective basis
- To appoint Investment Managers to discharge functions relating to the management of the Fund's investments
- To appoint the Fund's custodian, performance measurement adviser, actuary, independent adviser and AVC provider
- To approve a Funding Strategy Statement and Statement of Investment Principles.

Membership

The Panel comprises of:

- three members (one acting as Chair) plus a nominated substitute to act in the absence of a member. Each member of the Panel has voting rights and each Panel member and the substitute are nominated by Carmarthenshire County Council, the Administering Authority, from its elected membership. At least three members must attend each panel meeting
- two officers from Carmarthenshire County Council. The Director of Corporate Services and Treasury and Pension Investments Manager.
- the Independent Investment Adviser.

The Director of Corporate Services, as Treasurer of the Dyfed Pension Fund, will also maintain all necessary accounts and records in relation to the Fund.

The Treasury and Pension Investments Manager and officers in the Treasury and Pension Investments team support the Director of Corporate Services in the responsibility for the monitoring and review of the investments of the Fund including:

- preparation and maintenance of the accounts of the Dyfed Pension Fund including preparation of the Dyfed Pension Fund Annual Report
- preparation and distribution of the annual Dyfed Pension Fund Newsletter
- servicing the Panel meetings
- regular dialogue with the Fund's advisers, investment managers and custodian
- monitoring and reconciliation of investment manager and custodian records
- preparation and maintenance of the Fund's Statement of Investment Principles, Funding Strategy Statement, Governance Policy and compliance with the Myners review
- monitoring the activity and performance of the Fund's investment managers including compliance with policy and performance objectives
- interpretation of new legislation and research in respect of the investments and accounts of the Fund
- monitoring the corporate governance activity of the Fund including attendance at the Local Authority Pension Fund Forum (LAPFF)
- arrangement and provision of appropriate training for panel members.

Panel Meetings

The Pension Panel meets four times a year. Meetings are held in London at the offices of the Fund Managers and in Carmarthenshire.

An agenda, minutes from the previous meeting and written reports are sent to each Panel member before each meeting. During the Panel meeting the Panel members receive reports presented by Officers of Carmarthenshire County Council, its Independent Investment Adviser, the Performance Measurement Consultant, the Fund Managers and any other person the Panel invites to speak at the meeting. Panel decisions are formally minuted. After each Panel a meeting is held with the finance officers of the three County Councils, where Fund performance and other items dealt with at Panel are discussed. Issues raised at this meeting that Panel need to be made aware of are reported back to the following Panel meeting for discussion.

The Annual Consultative Meeting (ACM)

The Dyfed Pension Fund is committed to the widest inclusion of all stakeholders in respect of consultation and communication arrangements. Any major policy changes are put to consultation with all participating employers, Trade Union representatives and retired member representative, before a decision is made.

An Annual Consultative Meeting (ACM) is held in October in Carmarthenshire. The ACM is open to all participating employers, retired member representatives and Trade Union representatives. Interested bodies are notified of the ACM in advance. The Chair of the Fund, the Director of Corporate Services, the Fund Advisers and Investment Managers attend the ACM to answer any questions.

Local Pension Board

The Board has an oversight/assisting role not a decision making role. It assists the Administering Authority (Carmarthenshire County Council) in securing compliance with regulations and requirements imposed by the Pensions Regulator and the Department for Communities and Local Government and ensuring effective and efficient governance and administration of the Fund.

There must be equal numbers of scheme member representatives and employer representatives on the Board. The Dyfed Pension Fund Board has 3 scheme member and 3 employer representatives and an independent member who is also the Chair of the Board.

GOVERNANCE COMPLIANCE STATEMENT

The purpose of the guidance is:

- To provide best practice principles against which compliance can be measured.
- To provide guidance on how the compliance statement should be completed.

The guidance sets out the best practice principles in relation to the following governance areas:

A. Structure
B. Representation
C. Selection
D. Voting
E. Training, facility time and expenses
F. Meetings (frequency / quorum)
G. Access
H. Scope
I. Publicity

Best Practice Principle A: Structure

The guidance acknowledges that not all administering authorities are structured in the same way. It is not the intention to level out these differences but to ensure that structures reflect the following principles:

- The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council
- Representatives of participating LGPS employers, admitted bodies and scheme members (including pensioners and deferreds) are members of either the main or secondary committee (established to underpin the work of the main committee)
- Where a secondary committee or panel has been established the structure ensures effective communication across both levels
- Where a secondary committee or panel has been established at least one seat on the main committee is allocated for a member from the secondary committee or panel.

Compliance Statement: Not Fully Compliant

Justification:

The Dyfed Pension Fund Panel exists and meets four times a year. The Panel has three members and a substitute, officers (all from Carmarthenshire County Council) and an independent investment adviser. Other scheme employers, admitted bodies and scheme members do not attend Panel but they are all invited to the annual ACM where all Panel members and advisers report and are available to answer questions. Carmarthenshire County Council officers meet with officers of the other 2 major employers (Pembrokeshire County Council and Ceredigion County Council) after each Panel meeting where Panel minutes are made available. There is no secondary committee for the Dyfed Pension Fund.

Best Practice Principle B: Representation

The number of stakeholders affected by the local management of the pension scheme and governance of pension funds is vast and it is accepted that it would be impractical to expect individual committee structures to encompass every group or sector that has an interest in the decisions that fall to be made under the scheme's regulations.

That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure.

These include:

- employing authorities (including non-scheme employers, e.g. admitted bodies as well as scheduled bodies)
- scheme members (including deferred and pensioner scheme members),
- independent professional observers, and expert advisors (on an ad-hoc basis)
- That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.

Compliance Statement: Not Fully Compliant

Justification:

The Panel has representatives from Carmarthenshire County Council and the independent investment adviser. Other scheme employers, admitted bodies and scheme members do not attend Panel but they are all invited to the annual ACM where all Panel members and advisers report and are available to answer questions.

Carmarthenshire County Council officers meet with officers of the other 2 major employers (Pembrokeshire County Council and Ceredigion County Council) after each Panel meeting where Panel minutes are made available. There is no secondary committee for the Dyfed Pension Fund.

Best Practice Principle C: Selection

It is important to emphasise that it is not part of the Fund authority's remit to administer the selection process for lay members sitting on main or secondary committees or to ensure their attendance at meetings, unless they wish to do so. Their role is to determine what sectors or groups are to be invited to sit on LGPS committees or panels and to make places available.

Effective representation is a two way process involving the Fund authorities providing the opportunity and the representative bodies initiating and taking forward the selection process under the general oversight of fund authority.

That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.

Compliance Statement: Fully Compliant

Justification:

The Dyfed Pension Fund's Governance Policy lists the delegated functions the Panel is to perform. If Panel members change the new member/members are informed of their status, role and function they are required to perform.

Best Practice Principle D: Voting

The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.

Compliance Statement: Fully Compliant

Justification:

All Panel members can vote. Carmarthenshire County Council is the Administering Authority and all functions are delegated to the Panel.

Best Practice Principle E: Training, facility time and expenses

In 2001, the Government accepted the ten investment principles recommended by Paul Myners in his report, 'Institutional Investment in the UK'. The first of those principles, 'Effective Decision Making', called for decisions to be made only by persons or organisations with the skills, information and resources necessary to take them effectively. Furthermore, where trustees - or in the case of the LGPS, members of formal committees - take investment decisions, that they have sufficient expertise to be able to evaluate critically any advice they take.

- That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision- making process
- That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum

Compliance Statement: Fully Compliant

Justification:

The Panel have regular training sessions run by the Fund Managers, the Actuary, and officers. New Panel members attend intense training sessions on commencement of their panel duties, including the LGE pension training session.

Best Practice Principle F: Meetings (frequency / quorum)

- That an administering authority's main committee or committees meet at least quarterly
- That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits
- That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.

Compliance Statement: Fully Compliant

Justification:

The Dyfed Pension Fund Panel meets quarterly. The Annual Consultative Meeting is held annually where other scheme employers, admitted bodies and scheme members are invited.

Best Practice Principle G: Access

That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.

Compliance Statement: Fully Compliant

Justification:

All papers are circulated in advance to all members of the Panel, including the Panel's independent investment adviser.

Best Practice Principle H: Scope

That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements

Compliance Statement: Fully Compliant

Justification:

The Panel receives and votes, on an ad-hoc basis, any major administration issues that affect the Fund. The officer managing the administration of the Fund provides regular training and updates for Panel members.

Best Practice Principle I: Publicity

That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.

Compliance Statement: Fully Compliant

Justification:

The Dyfed Pension Fund Governance Policy is reviewed annually. A Newsletter and Annual Report are produced annually. All published material (including the Governance Policy) are on the Dyfed Pension Fund website.

Summary

Best Practice Principle	Fully Compliant	Not Fully Compliant	Explanation for Non-Compliance
Structure		✔	The DPF structure is supported by all parties and has worked well
Representation		✔	Regular meetings and discussion with other major stakeholders occur and an Annual Consultative Meeting is held
Selection	✔		
Voting	✔		
Training, facility time & expenses	✔		
Meetings (frequency/quorum)	✔		
Access	✔		
Scope	✔		
Publicity	✔		

STATEMENT OF ACCOUNTS

The Dyfed Pension Fund accounts are set out on the following pages and provide information about the financial position, performance and financial adaptability of the Fund for the year 2014-2015. They show the results of the stewardship of management, that is, the accountability of management for the resources entrusted to it, and of the disposition of its assets at the period end.

The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014-2015, which is based upon International Financial Reporting Standards (IFRS), as amended for the public sector. Reference is also made to the Financial Reports of Pension Schemes – A Statement of Recommended Practice (Revised May 2007) published by the Pensions Research Accountants Group (PRAG) where it is felt that these disclosures provide more sufficient detail.

For readers with a more detailed or specialist interest of the operation of the Dyfed Pension Fund during 2014-2015, reference should be made to the Annual Report and Accounts 2014-2015.

The main accounts and reports contained within this Statement of Accounts are as follows:

- The Fund Account
- The Net Assets Statement
- The Statement by the Consulting Actuary

The Pension Investments Team

Fund Account for the Year Ended 31 March 2015

2013-14			Note	2014-15
£'000				£'000
		Dealings with members, employers and others directly involved in the Fund		
		Contributions		
		Employer		
41,012	*	Normal		37,244
7,896	*	Augmentation		7,465
1,356	*	Deficit		6,368
		Member		
17,257		Normal		17,750
22		Additional voluntary		56
3,820		Transfers in from other pension funds	6	1,317
71,363				**70,200**
		Benefits payable		
(52,720)		Pensions payable		(56,527)
(15,871)		Commutation and lump sum retirement benefits		(14,764)
(1,470)		Lump sum death benefits		(1,214)
(5,709)		Payments to and on account of leavers	7	(2,421)
(75,770)				(74,926)
(4,407)		**Net Additions (Withdrawals) from dealings with Members**		**(4,726)**
		Returns on Investments		
32,507		Investment Income	9	26,383
0		Other Income		106
(30)		Taxes on Income (Irrecoverable Withholding Tax)	10	(33)
		Changes in the market value of investments		
17,043		Unrealised	11.2	103,751
47,649		Realised	11.3	122,088
(3,112)	*	Management Expenses	8	(4,856)
94,057		**Net Return on Investments**		**247,439**
89,650		**Net Increase (Decrease) in the net assets available for benefits during the year**		**242,713**
1,581,258		Opening Net Assets of Scheme		1,670,908
1,670,908		**Closing Net Assets of Scheme**		**1,913,621**

* 2013-14 re-presented to comply with CIPFA code guidance.

Net Assets Statement

31/03/14			Note	31/03/15
£'000				**£'000**
1,663,306		Investment Assets		1,905,698
4,623		Cash deposits		2,774
(489)		Investment liabilities		(16)
1,667,440			**11.1**	**1,908,456**
10,050		Current assets	16	9,926
(6,582)		Current liabilities	17	(4,761)
3,468		**Net Current Assets/(Liabilities)**		**5,165**
1,670,908		**Total Net Assets**		**1,913,621**

Reconciliation of the movement in Fund Net Assets

2013-14			2014-15
£'000			**£'000**
1,581,258		Opening Net Assets	1,670,908
24,958		Net New Money Invested	16,873
64,692		Profit and losses on disposal of investments and changes in the market value of investments	225,840
1,670,908		**Closing Net Assets of Fund**	**1,913,621**

Notes to the Dyfed Pension Fund Accounts for the year ended 31 March 2015

1 Description of the Fund

The Dyfed Pension Fund (the Fund) is part of the Local Government Pension Scheme and is administered by Carmarthenshire County Council.

The following description of the Fund is a summary only. For more detail, reference should be made to the Annual Report and Accounts 2014-2015 and the underlying statutory powers underpinning the scheme, namely the Superannuation Act 1972 and the Local Government Pension Scheme (LGPS) Regulations.

1.1 General

The Fund is governed by the Public Service Pensions Act 2013 and is administered in accordance with the following secondary legislation:

- the LGPS Scheme Regulations 2013 (as amended)
- the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2009.

It is a contributory defined pension scheme administered by Carmarthenshire County Council to provide pensions and other benefits for pensionable employees of Carmarthenshire County Council, Pembrokeshire County Council, Ceredigion County Council and a range of other scheduled and admission bodies within the former Dyfed geographical area. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The Fund is overseen by the Dyfed Pension Fund Panel (the Panel).

1.2 Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Dyfed Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admission bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admission bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 64 employer organisations within the Dyfed Pension Fund as at 31 March 2015 and these are detailed in Note 21. The membership details of these organisations are summarised overleaf:

31/03/14			31/03/15
19,375		Number of active contributors in the Fund	19,451
10,270		Number of pensioners	10,906
13,066		Number of deferred pensioners	13,854
42,711		**Total membership**	**44,211**
50		Number of employers with active members	49

These figures reflect the recorded position as at 31 March 2015 but are always subject to some movement post year end for notifications from employing bodies received after this date.

1.3 Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2015. Employee contributions are matched by employers' contributions which are set based on the triennial actuarial funding valuation as at 31 March 2013. Currently, employer contribution rates range from 5.6% to 46.8% of pensionable pay as detailed in Note 21.

1.4 Benefits

Pension benefits under the LGPS are based on final pensionable pay and length of pensionable service, summarised below:

	Service pre 1 April 2008	Service post 31 March 2008
Pension	Each year is worth 1/80 x final pensionable salary.	Each year is worth 1/60 x final pensionable salary.
Lump Sum	Automatic lump sum of 3 x salary. In addition, part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

From 1st April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is updated annually in line with the Consumer Price Index (CPI).

There are a range of other benefits provided under the scheme including early retirement, ill-health pensions and death benefits. For more details, please refer to the Dyfed Pension Fund website: **www.dyfedpensionfund.org.uk**

2 Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2014-2015 financial year and its position at year end as at 31 March 2015. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014-2015 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits.

The accounts do not take account of obligations to pay pensions and benefits which fall after the end of the financial year. The actuarial present value of promised retirement benefits is disclosed in the Statement by the Consulting Actuary.

3 Summary of significant accounting policies

Fund Account – revenue recognition

3.1 Contributions

Normal contributions, both from members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

3.2 Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations.

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

3.3 Investment income

3.3.1 Interest income

Interest income is recognised in the fund as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

3.3.2 Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a financial asset.

3.3.3 Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

3.4 Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

3.5 Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

As Carmarthenshire County Council is the administering Authority, VAT is recoverable on all Fund Activities. The Accounts are shown exclusive of VAT.

3.6 Management expenses

All administrative expenses are accounted for on an accruals basis. All staff, management, accommodation and other overheads are apportioned to the Fund in accordance with council policy.

All investment management expenses are accounted for on an accruals basis.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

An element of one of the Investment Managers' fees is performance related. The performance related fee was £0.11m in 2014-2015 (2013-2014: Penalty fee £0.61m).

Net assets statement

3.7 Financial assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised by the Fund.

The values of investments as shown in the net assets statement have been determined as follows:

3.7.1 Market-quoted investments

The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.

3.7.2 Fixed interest securities

Fixed interest securities are recorded at net market value.

3.7.3 Unquoted investments

Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the investment manager.

3.7.4 Limited partnerships

Fair value is based on the net asset value ascertained from periodic valuations by those controlling the partnership.

3.7.5 Pooled investment vehicles

Pooled investment vehicles are valued at closing bid price if available. If this is not available then these investments will be valued at the closing single price. In the case of accumulation funds, the change in market value will also include income which is reinvested in the Fund.

3.8 Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market value of overseas investments and purchases and sales outstanding at the end of the reporting period.

3.9 Cash and cash equivalents

Cash comprises cash in hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

The Fund has had its own bank accounts, which deal with the transactions of the Fund, since 1 April 2011, in accordance with section 6 of the Local Government Pension Scheme (Management and Investment of Pension Funds) Regulations 2009.

Cash balances held by the Fund are invested on a short term basis on the London Money Market by Carmarthenshire County Council until it is required to meet its liabilities or to transfer surplus cash to the investment managers for reinvestment.

3.10 Financial liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net asset statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

3.11 Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS19 and relevant actuarial standards.

As permitted under IAS26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a reference in the accompanying actuarial report.

3.12 Additional voluntary contributions (AVC)

Occupational Pension Schemes are required by Statute to provide in-house AVC arrangements. The Fund has joint providers: Prudential, Standard Life and Equitable Life, where a range of investment options are available.

It is for individual scheme members to determine how much they contribute (subject to HM Revenue & Customs limits) and the investment components or its mix.

AVC's are invested separately from the assets of the Fund and are not included in the accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Pension Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only - Note 18.

4 Critical judgements in applying accounting policies

4.1 Fund liability

The Fund's liability is calculated every three years by the appointed actuary. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 22. This estimate is subject to significant variances based on changes to the underlying assumptions.

4.2 Unquoted Property investments – Partners Group Red Dragon Limited Partnership

In assessing the fair value of non-traded financial instruments, the Limited Partnership uses a variety of market and income methods such as time of last financing, earnings and multiple analysis, discounted cash flow method and third party valuation and makes assumptions that are based on market conditions and expected market participant assumptions existing at the end of each reporting period.

Other information used in determining the fair value of non-traded financial instruments include latest financial reports, subsequent cash flows and internally performed monitoring of triggering events (such as exits and IPOs) as well as pricing movements in comparable investments together with techniques such as option pricing models and estimated discounted value of future cash flows.

These practices are in line with widely used international industry guidelines. The value of the Partners Group Red Dragon Limited Partnership as at 31 March 2015 was £27.2m (31 March 2014: £27.6m).

5 Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the net assets statement at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	**Uncertainties**	**Effect if actual results differ from assumptions**
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £20.7m for 2014-15. However, the assumptions interact in complex ways. During 2014-15, the Authority's actuaries advised that the net pensions liability had increased by £153m attributable to updating of the assumptions.
Property – Limited Partnership investments	The Limited Partnership property investments are valued in line with widely used industry guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total Limited Partnership property investments are £27.2m. There is a risk that this investment may be under or overstated in the accounts.

6 Transfers in from other pension funds

2013-14			**2014-15**
£'000			**£'000**
0		Group transfers in from other schemes and scheme mergers	0
3,820		Individual transfers in from other schemes	1,317
3,820			**1,317**

7 Payments to and on account of Leavers

2013-14			2014-15
£'000			**£'000**
(19)		Refunds to members leaving service	(126)
(5)		Payments for members joining state scheme	(26)
(3,490)		Group transfers to other schemes	0
(2,195)		Individual transfers to other schemes	(2,269)
(5,709)			**(2,421)**

8 Management Expenses

2013-14			2014-15
£'000			**£'000**
(1,101)		Administrative costs	(1,155)
(1,805)		Investment management expenses (Note 13)	(3,544)
(206)		Oversight and governance costs	(157)
(3,112)			**(4,856)**

2013-14 restated in accordance with CIPFA guidance.

2014-15 Audit fees of £24,006 included within oversight and governance costs. This amount includes £5,109 rebate in respect of previous years' audit fees. (2013-14 £28,958)

9 Investment Income

2013-14			2014-15
£'000			**£'000**
1,548		Fixed interest securities	764
24,773		Equity dividends	17,494
4,023		Pooled property investments	5,177
1,374		Pooled investments - Unit trust and other managed funds	580
744		Property	2,360
13		Interest on cash deposits	13
32		Other	(5)
32,507			**26,383**

10 Taxation

2013-14			2014-15
£'000			**£'000**
0		Withholding tax - fixed interest securities	0
(30)		Withholding tax - equities	(33)
0		Withholding tax - pooled	0
(30)			**(33)**

11 Investments

11.1 Net Investment Assets

Fair value 31/03/2014 £'000		Investment assets	Fair value 31/03/2015 £'000
		Fixed interest securities	
		UK Corporate Bonds	
161,653		- BlackRock	185,611
		Indexed Linked Securities	
161,398		- BlackRock	185,896
		Equities	
		UK Quoted Equities	
651,730		- BlackRock	463,834
		Pooled Investments	
		Overseas equities	
518,792		- BlackRock	487,701
		Global equities	
0		- Baillie Gifford	200,810
0		- Columbia Threadneedle	189,948
		Pooled property investments	
132,565		- Schroders	156,975
20,155		- Partners Group	20,164
		Property	
5,217		- Schroders	4,364
7,454		- Partners Group	7,085
		Cash deposits	
2,327		- BlackRock	2,534
2,296		- Schroders	240
		Investment income due	
3,402		- BlackRock	2,974
		Tax reclaims due	
298		- BlackRock	299
101		- Schroders	21
		Amounts receivable for sales	
541		- BlackRock	16
1,667,929		**Total investment assets**	**1,908,472**
		Investment liabilities	
		Amounts payable for purchases	
(489)		- BlackRock	(16)
(489)		**Total investment liabilities**	**(16)**
1,667,440		**Net investment assets**	**1,908,456**

11.2 Reconciliation of movements in investments

During the year, investments purchased totalled £531m whilst sales totalled £391m. The sales realised a net gain of £140m. Acquisition costs are included in the purchase price of the investment.

	Fair value 31/03/14	Purchases at Cost	Sales at Cost	Cash movement	Change in unrealised gains/(losses)	Fair value 31/03/15
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Fixed interest securities	323,051	43,709	(17,321)	0	22,068	371,507
Equities	651,730	66,008	(244,804)	0	(9,100)	463,834
Pooled investments	518,792	395,186	(110,746)	0	75,226	878,459
Pooled property investments	152,720	25,838	(17,170)	0	15,751	177,139
Property	12,671	0	(648)	0	(574)	11,449
	1,658,964	**530,741**	**(390,689)**	**0**	**103,371**	**1,902,387**
Other investment balances						
Cash deposits	4,623	0	0	(1,849)	0	2,774
Amount receivable for sales investments	541	0	0	(525)	0	16
Investment income due	3,402	0	0	(808)	380	2,974
Tax reclaims due	399	0	0	(78)	0	321
Amounts payable for purchases investments	(489)	0	0	473	0	(16)
	1,667,440	**530,741**	**(390,689)**	**(2,787)**	**103,751**	**1,908,456**

	Fair value 31/03/13	Purchases at Cost	Sales at Cost	Cash movement	Change in unrealised gains/(losses)	Fair value 31/03/14
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Fixed interest securities	328,500	34,543	(25,810)	0	(14,182)	323,051
Equities	627,928	204,887	(188,708)	0	7,623	651,730
Pooled investments	520,017	0	(15,064)	0	13,839	518,792
Pooled property investments	100,353	47,022	(4,191)	0	9,536	152,720
Property	12,340	104	0	0	227	12,671
	1,589,138	**286,556**	**(233,773)**	**0**	**17,043**	**1,658,964**
Other investment balances						
Cash deposits	7,812	0	0	(3,189)	0	4,623
Amount receivable for sales investments	2,166	0	0	(1,625)	0	541
Investment income due	3,959	0	0	(557)	0	3,402
Tax reclaims due	0	0	0	399	0	399
Amounts payable for purchases investments	(2,236)	0	0	1,747	0	(489)
	1,600,839	**286,556**	**(233,773)**	**(3,225)**	**17,043**	**1,667,440**

Transaction costs are included in the cost of purchase and sale proceeds. Identifiable transaction costs incurred during the year amounted to £0.27m (2013-2014: £0.98m). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled vehicles. The amount of indirect costs is not separately provided to the scheme.

11.3 Realised gains and losses

2013-14			**2014-15**
£'000			**£'000**
5,292		Fixed Interest Securities	31,875
36,054		Equities	23,607
5,974		Pooled Investments	65,472
329		Pooled property investments	1,189
0		Property	(55)
47,649			**122,088**

11.4 Geographical analysis of investments

Fair value		**Geographical analysis**	**Fair value**
31/03/14			**31/03/15**
£'000			**£'000**
1,120,194		UK	1,052,607
126,797		Europe (excl UK)	99,724
197,719		North America	396,901
56,201		Japan	81,563
52,543		Pacific Rim	95,570
113,986		Emerging Markets	182,091
1,667,440			**1,908,456**

11.5 Fund manager analysis

Fair value		**Fund manager analysis**	**Fair value**
31/03/14			**31/03/15**
£'000			**£'000**
1,499,651		BlackRock	1,328,850
140,179		Schroders	161,600
27,610		Partners Group	27,248
0		Baillie Gifford	200,810
0		Columbia Threadneedle	189,948
1,667,440			**1,908,456**

12 Concentration of Investments

The following investments represent more than 5% of the Fund's total net assets as at 31 March 2015:

	Value as at 31/03/2015	Proportion of Investment Portfolio
	£'000	%
BlackRock Ascent Life US Equity Fund	215,026	11.27
Baillie Gifford Global Alpha Fund	200,810	10.52
Columbia Threadneedle Global Equity Fund	189,948	9.95
Aquila Life over 5yr UK index linked	185,896	9.74
BlackRock Active Selection Fund UK	185,611	9.73

13 Investment Management Expenses

2013-14			2014-15
£'000			£'000
(1,731)		Management fees	(3,497)
(74)		Custody fees	(47)
(1,805)			**(3,544)**

2013-14 restated in accordance with CIPFA guidance

14 Financial Instruments

14.1 Classification of financial instruments

Accounting policies describe how different asset classes are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities (excluding cash) by category and net assets statement heading.

2013-14					2014-15			
Designated at fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Total		Designated at fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Total
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
				Financial assets				
323,051	0	0	323,051	Fixed interest securities	371,507	0	0	371,507
651,730	0	0	651,730	Equities	463,834	0	0	463,834
518,792	0	0	518,792	Pooled investments	878,459	0	0	878,459
152,720	0	0	152,720	Pooled property investments	177,139	0	0	177,139
12,671	0	0	12,671	Property	11,449	0	0	11,449
0	7,462	0	7,462	Cash	0	6,360	0	6,360
4,342	0	0	4,342	Other investment balances	3,310	0	0	3,310
0	7,211	0	7,211	Debtors	0	6,340	0	6,340
1,663,306	**14,673**	**0**	**1,677,979**		**1,905,698**	**12,700**	**0**	**1,918,398**
				Financial liabilities				
(489)	0	0	(489)	Other investment balances	(16)	0	0	(16)
0	0	(6,582)	(6,582)	Creditors	0	0	(4,761)	(4,761)
(489)	**0**	**(6,582)**	**(7,071)**		**(16)**	**0**	**(4,761)**	**(4,777)**
1,662,817	**14,673**	**(6,582)**	**1,670,908**	**Total**	**1,905,682**	**12,700**	**(4,761)**	**1,913,621**

14.2 Net gains and losses on financial instruments

2013-14			2014-15
£'000			£'000
		Financial assets	
64,692		Fair value through profit and loss	225,840
0		Loans and receivables	0
64,692		**Total financial assets**	**225,840**
		Financial liabilities	
0		Fair value through profit and loss	0
0		Loans and receivables	0
0		**Total financial liabilities**	**0**
64,692		**Total**	**225,840**

14.3 Fair value on financial instruments and liabilities

The following table summarises the carrying value of the financial assets and financial liabilities by class of instrument compared with their fair values:

Carrying value	Fair value		Carrying value	Fair value
31/03/14	**31/03/14**		**31/03/15**	**31/03/15**
£'000	**£'000**		**£'000**	**£'000**
		Financial assets		
1,274,951	1,663,306	Fair value through profit and loss	1,413,591	1,905,698
14,673	14,673	Loans and receivables	12,700	12,700
1,289,624	**1,677,979**	**Total financial assets**	**1,426,291**	**1,918,398**
		Financial liabilities		
(489)	(489)	Fair value through profit and loss	(16)	(16)
(6,582)	(6,582)	Loans and receivables	(4,761)	(4,761)
(7,071)	**(7,071)**	**Total financial liabilities**	**(4,777)**	**(4,777)**
1,282,553	**1,670,908**	**Total**	**1,421,514**	**1,913,621**

14.4 Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed interest securities, quoted index linked securities and certain unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include limited partnerships, where fair value is ascertained from periodic valuations provided by those controlling the partnership. Assurance over the valuation is gained from the independent audit of the partnership.

The following table provides an analysis of the financial assets and liabilities of the Fund grouped into levels 1 to 3, based on the value at which the fair value is observable.

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Fair values at 31 March 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Financial assets				
Financial assets at fair value through profit and loss	843,579	1,034,870	27,249	1,905,698
Loans and receivables	12,700	0	0	12,700
Total financial assets	**856,279**	**1,034,870**	**27,249**	**1,918,398**
Financial liabilities				
Financial liabilities at fair value through profit and loss	(16)	0	0	(16)
Financial liabilities at amortised cost	(4,761)	0	0	(4,761)
Total financial liabilities	**(4,777)**	**0**	**0**	**(4,777)**
Net financial assets	**851,502**	**1,034,870**	**27,249**	**1,913,621**

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Fair values at 31 March 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Financial assets				
Financial assets at fair value through profit and loss	819,531	816,165	27,610	1,663,306
Loans and receivables	14,673	0	0	14,673
Total financial assets	**834,204**	**816,165**	**27,610**	**1,677,979**
Financial liabilities				
Financial liabilities at fair value through profit and loss	(489)	0	0	(489)
Financial liabilities at amortised cost	(6,582)	0	0	(6,582)
Total financial liabilities	**(7,071)**	**0**	**0**	**(7,071)**
Net financial assets	**827,133**	**816,165**	**27,610**	**1,670,908**

15 Nature and extent of risks arising from financial instruments

15.1 Risk and risk management

The Fund has developed a formal risk assessment process and maintains a risk register which is updated annually. This ensures that risks are identified appropriately and are assessed and managed effectively. For more details, and to view the Risk Register, please refer to the Fund's website - **www.dyfedpensionfund.org.uk**

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Authority manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Panel. Risk management policies are established to identify and analyse the risks faced by the Authority's pensions operations. Policies are reviewed regularly to reflect changes in activity and market conditions.

15.2 Market risk

Market risk is the risk of loss from fluctuations in equity prices and interest and foreign exchange rates. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Panel and its independent investment adviser undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in three ways:

- The exposure of the Fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
- Specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.
- by investing in a diverse portfolio in terms of managers and investments and again by the actuary only anticipating a long-term return on a relatively prudent basis to reduce risk of under-performing.

15.3 Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Panel to ensure it is within limits specified in the Fund's investment strategy.

15.4 Other price risk – sensitivity analysis

Asset Type	Potential market movements (+/-)
Cash	0.02%
UK Equities	10.35%
Overseas Equities	9.50%
UK Corporate Bonds	6.10%
Index Linked Securities	9.66%
Property	2.30%

Potential price changes are determined based on the observed historical volatility of asset class returns. 'Riskier' assets such as equities will display greater potential volatility than bonds as an example, so the overall outcome will depend largely on funds' asset allocations. The potential volatilities shown, are consistent with a one standard deviation movement in the change in value of the assets over the latest three years.

Had the market price of the Fund increased/decreased in line with the above, the change in the net assets available to pay benefits would have been as follows:

Asset Type	Value as at 31 March 2015	Change	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000
Cash	2,774	0.02%	2,775	2,774
UK Equities	463,833	10.35%	511,840	415,826
Overseas Equities	878,460	9.50%	961,912	795,005
UK Corporate Bonds	185,611	6.10%	196,933	174,289
Index Linked Gilts	185,896	9.66%	203,853	167,938
Property	188,587	2.30%	192,925	184,250
Sales receivable	16	0.00%	16	16
Purchases payable	(16)	0.00%	(16)	(16)
Income receivables	3,295	0.00%	3,295	3,295
Total Assets	**1,908,456**		**2,073,533**	**1,743,377**

Asset Type	Value as at 31 March 2014	Change	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000
Cash	4,623	0.02%	4,624	4,622
UK Equities	651,730	12.36%	732,284	571,176
Overseas Equities	518,792	12.15%	581,825	455,759
UK Corporate Bonds	161,653	5.57%	170,657	152,649
Index Linked Gilts	161,398	8.91%	175,779	147,017
Property	165,391	2.01%	168,715	162,067
Sales receivable	541	0.00%	541	541
Purchases payable	(489)	0.00%	(489)	(489)
Income receivables	3,801	0.00%	3,801	3,801
Total Assets	**1,667,440**		**1,837,737**	**1,497,143**

15.5 Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is routinely monitored by the Panel in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates against the relevant benchmarks.

The actuary, as part of their triennial valuation and dictated by the Funding Strategy Statement, will only anticipate long-term return on a relatively prudent basis to reduce risk of under-performing. Progress is analysed at three yearly valuations for all employers.

The Fund's direct exposure to interest rate movements as at 31 March 2015 and 31 March 2014 are as shown. These disclosures present interest rate risk based on the underlying financial assets at fair value:

31/03/14		Asset type	31/03/15
£'000			£'000
4,623		Cash and cash equivalents	2,774
2,839		Cash held at CCC	3,586
323,051		Fixed interest securities	371,507
330,513		**Total**	**377,867**

15.6 Interest rate risk sensitivity analysis

Interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates:

Asset type	Value as at 31/03/15	Change in year in the net assets available to pay benefits	
		+1%	**-1%**
	£'000	**£'000**	**£'000**
Cash and cash equivalents	2,774	28	(28)
Cash held at CCC	3,586	36	(36)
Fixed interest securities	371,507	3,715	(3,715)
Total change in available assets	**377,867**	**3,779**	**(3,779)**

Asset type	Value as at 31/03/14	Change in year in the net assets available to pay benefits	
		+1%	**-1%**
	£'000	£'000	£'000
Cash and cash equivalents	4,623	46	(46)
Cash held at CCC	2,839	28	(28)
Fixed interest securities	323,051	3,231	(3,231)
Total change in available assets	**330,513**	**3,305**	**(3,305)**

15.7 Discount Rate

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.

15.8 Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£ GBP Sterling). The Fund holds both monetary and non-monetary assets denominated in currencies other than £ GBP Sterling.

The Fund's currency rate risk is routinely monitored by the Panel in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

Fair value 31/03/14	Asset type	Fair value 31/03/15
518,792	Overseas Equities	827,540
28,325	Property	28,208
128	Cash	100
547,245	**Total Overseas Assets**	**855,848**

This table summarises the Fund's currency exposure as at 31 March 2015 and as at 31 March 2014

15.9 Currency risk sensitivity analysis

The aggregate currency exposure within the Fund as at 31 March 2015 was 6.04% (2013-14: 5.18%). This analysis assumes that all other variables, in particular interest rates, remain constant.

A 6.04% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Asset type	**Fair value 31/03/15**	**Change in year in the net assets available to pay benefits**	
		+6.04%	**-6.04%**
	£'000	**£'000**	**£'000**
Overseas equities	827,540	877,524	777,556
Property	28,208	29,911	26,504
Cash	100	106	94
Total change in available assets	**855,848**	**907,541**	**804,154**

Asset type	**Fair value 31/03/14**	**Change in year in the net assets available to pay benefits**	
		+5.18%	**-5.18%**
	£'000	**£'000**	**£'000**
Overseas equities	518,792	545,665	491,919
Property	28,325	29,792	26,858
Cash	128	135	121
Total change in available assets	**547,245**	**575,592**	**518,898**

15.10 Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the value of the Fund's financial assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Employers in the Fund are not currently assessed for their creditworthiness or individual credit limits set. There is risk of being unable to collect contributions from employers with no contributing members (e.g. risk associated with employers with a small number of declining contributing members) so Carmarthenshire County Council monitors membership movements on an annual basis.

New employers to the Fund have to agree to the provision of a bond to prevent the risk of future financial loss to the Fund in the event of not being able to meet its pension liability on cessation. Carmarthenshire County Council currently guarantees to meet any future liabilities falling on the Fund as a result of cessation. This is done to ensure that actuarial recovery periods and amounts are kept at a manageable level for smaller employers.

No collateral is held as security on financial assets. Carmarthenshire County Council does not generally allow credit to employers. All investments held by investment managers are held in the name of the Dyfed Pension Fund, so if the investment manager fails the Fund's investments are not classed amongst the manager's assets.

Any cash held is in the Carmarthenshire County Council accounts and is invested in line with Carmarthenshire County Council's approved credit rated counterparty list.

15.11 Liquidity risk

This refers to the possibility that the Fund might not have sufficient Funds available to meet its commitments to make payments.Carmarthenshire County Council has a comprehensive cash flow management system that seeks to ensure that cash is available when needed.

The amount held in the Fund's bank accounts meet the normal liquidity needs of the Fund and any surplus cash is invested. The Fund's actuaries establish what contributions should be paid in order that all future liabilities can be met.

The investments of the Fund are mainly of a liquid nature. Although any forced liquidation of the investments may be subject to a financial loss.

16 Current assets

31/03/14		31/03/15
£'000		**£'000**
	Contributions due from employer	
3,800	- Employer	3,906
1,454	- Employee	1,457
2,839	Cash Balances	3,586
1,957	Debtors	977
10,050		**9,926**

16.1 Analysis of Current assets

31/03/14		31/03/15
£'000		**£'000**
4	Central government bodies	0
8,394	Other local authorities	8,302
1	NHS bodies	1
1	Public corporations and trading funds	1
1,650	Other entities and individuals	1,622
10,050		**9,926**

17 Current liabilities

31/03/14		31/03/15
£'000		**£'000**
(5,663)	Unpaid benefits	(3,273)
(919)	Creditors	(1,488)
(6,582)		**(4,761)**

17.1 Analysis of Current liabilities

31/03/14		31/03/15
£'000		**£'000**
(515)	HMRC	(572)
0	Central government bodies	(258)
0	Other local authorities	0
0	NHS bodies	0
(386)	Public corporations and trading funds	(630)
(5,681)	Other entities and individuals	(3,301)
(6,582)		**(4,761)**

18 Additional Voluntary Contributions (AVC)

Occupational Pension Schemes are required by Statute to provide in-house AVC arrangements. The Fund has joint providers: Prudential, Standard Life and Equitable Life, where a range of investment options are available.

It is for individual Scheme members to determine how much they contribute (subject to HMRC limits) and the investment components or its mix.

The contributions made to separately invested AVC schemes and the value of these investments as at the balance sheet date are shown below:

	Value as			Change in	Value as
	at 31/03/14	Contributions	Expenditure	Market Value	at 31/03/15
AVC Provider	**£ '000**	**£ '000**	**£ '000**	**£ '000**	**£ '000**
Prudential	2,131	814	(420)	135	2,660
Equitable Life	704	21	(84)	30	671
Standard Life	3,287	720	(832)	260	3,435
Total	**6,122**	**1,555**	**(1,336)**	**425**	**6,766**

19 Funding arrangements

In line with Local Government Pension Scheme (Administration) Regulations 2008, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contributions rates for the forthcoming triennial period. The valuation that these financial statements are based on took place as at 31 March 2013. The next valuation is due as at 31 March 2016.

For more details, and to view the Funding Strategy Statement (FSS), please refer to the Fund's website – **www.dyfedpensionfund.org.uk** and the Annual Report and Accounts 2014-2015.

20 Related Party Transactions

The Fund is administered by Carmarthenshire County Council (the Authority), consequently there is a strong relationship between the Authority and the Fund.

The Authority incurred costs of £0.843 million (2013-2014: £0.839 million) in relation to the administration of the Fund and was subsequently reimbursed by the Fund.

The Authority is also the single largest employer of members in the Fund and contributed £31.308 million to the Fund in 2014-2015 (2013-2014: £30.575 million).

The Fund holds part of its cash balance with the Authority in order to meet its day to day expenditure. This cash is invested on the Money Markets by the Authority's Treasury Management section. During the year to 31 March 2015, the Fund had an average investment balance of £5.62 million (2013-2014: £5.87 million) earning interest of £32,317 (2013-2014: £32,458).

20.1 Governance

Pension Panel

There are three members and one substitute member of the Pension Panel. During 2014-2015 these were Councillor Wyn Evans, Councillor Siân Thomas, Councillor Terry Davies and the substitute was Councillor Philip Hughes. They are all active members of the Fund.

The Director of Resources, Mr Roger Jones, who has the role of Section 151 Officer for the Authority, played a key role in the financial management of the Fund and retired in September 2014. Chris Moore the Head of Financial Services and an active member of the Fund was assigned the role of Section 151 Officer from September 2014.

The Panel members, and the Senior Officers that advise the Panel, are required to declare their interest at each meeting.

The Panel members and Head of Financial Services accrue their benefits in line with the regulations encompassing councillors and employees of the employing bodies of the Fund.

Pension Board

A local Pension Board was approved by County Council on the 11th February 2015 effective from 1st April 2015 in line with the Public Service Pension Act 2013. It consists of three employer representatives, three member representatives and an independent chair.

For more details, and to view the Governance Policy, please refer to the Fund's website – **www.dyfedpensionfund.org.uk** and the Annual Report and Accounts 2014-2015.

21 Employing bodies contribution rates, contributions receivable and benefits payable

2013-14				2014-15			
Contribution rate	Contributions	Benefits payable		Contribution rate	Deficit Contribution	Contributions	Benefits payable
%	£'000	£'000		%	£'000	£'000	£'000
			Scheduled bodies				
16.6	30,575	30,005	Carmarthenshire County Council	12.9	4,363	31,308	29,970
14.7	14,160	13,435	Pembrokeshire County Council	13.5	1,063	14,875	14,502
15.2	10,512	8,531	Ceredigion County Council	13.6	702	10,833	10,084
13.1	4,546	2,412	Office for the Police & Crime Commissioner for Dyfed-Powys	11.6	374	3,858	2,306
16	1,557	1,368	Mid & West Wales Fire Authority	13.5	128	1,501	1,063
14.7	229	156	Coleg Ceredigion	14.7	-	253	202
13.7	1,190	708	Coleg Sir Gar	13.7	-	1,247	818
13.6	545	589	Pembrokeshire Coast National Park Authority	13.6	-	593	825
13.2	819	187	Pembrokeshire College	13.2	-	908	250
	64,133	**57,391**			**6,630**	**65,376**	**60,020**
			Designated (Resolution) bodies				
24.7	13	5	Aberystwyth Town Council	24.7	-	7	5
9.9	1	-	Aberaeron Town Council	9.9	-	1	-
18.1	58	66	Carmarthen Town Council	18.1	-	62	66
14.2	3	-	Cwmaman Town Council	14.2	-	4	-
22.6	4	1	Gorslas Community Council	22.6	-	4	1
24.4	43	102	Haverfordwest Town Council	24.4	-	9	30
30.5	11	10	Kidwelly Town Council	30.5	-	9	14
21.9	2	1	Llanbadarn Fawr Community Council	21.9	-	2	1
17.5	1	1	Llanarthney Community Council	17.5	-	1	1
14.9	154	116	Llanelli Rural Council	14.9	-	175	168
15.3	44	74	Llanelli Town Council	15.3	-	46	74
12.7	6	-	Llangennech Community Council	12.7	-	6	-
17.1	15	6	Llannon Community Council	17.1	-	17	6
19.9	21	17	Pembrey & Burry Port Town Council	19.9	-	22	7
9.3	5	14	Tenby Town Council	9.3	-	5	13
12	3	-	Pembroke Town Council	12	-	8	-
8.5	8	-	Pembroke Dock Town Council	8.5	-	7	-
	392	**413**			**-**	**385**	**386**

2013-14				2014-15			
Contribution rate	Contributions	Benefits payable		Contribution rate	Deficit Contribution	Contributions	Benefits payable
%	£'000	£'000		%	£'000	£'000	£'000
			Admission bodies				
			Community Admission Body (CAB)				
-	2	-	Cardigan Swimming Pool	-	-	2	-
15.7	58	16	Ceredigion Association of Voluntary Org.	15.7	-	50	16
14.2	974	752	Careers Wales	14.2	-	1,055	1,033
11.9	74	26	Carmarthenshire Association of Voluntary Services	11.9	-	52	32
11.8	7	-	Carmarthenshire Federation of Young Farmers Clubs	11.8	-	8	-
14.5	37	7	Iaith Cyf	14.5	-	33	7
44.2	5	20	Leonard Cheshire Disability	44.2	-	5	15
22.1	34	22	Llanelli Burial Board	22.1	-	37	21
6.2	54	-	Menter Bro Dinefwr	6.2	-	54	-
11.9	42	121	Menter Cwm Gwendraeth	11.9	-	35	27
5.6	15	-	Menter Gorllewin Sir Gar	5.6	-	13	-
16.5	8	-	Menter Iaith Castell-Nedd Port Talbot	16.5	-	8	-
18.6	10	3	Narberth & District Community & Sports Association	18.6	-	10	2
13	107	17	Pembrokeshire Association of Voluntary Services	13	-	104	91
11.6	81	26	PLANED	11.6	-	90	47
13.2	120	18	PRISM	13.2	-	90	32
11.3	280	43	Tai Ceredigion	11.3	-	281	141
17.5	625	540	University of Wales-Trinity St David	17.5	-	622	494
46.8	38	222	Aberystwyth University	46.8	-	29	236
14.4	228	328	Welsh Books Council	14.4	-	216	339
16.6	25	39	West Wales Action for Mental Health	16.6	-	30	39
16.9	51	35	Valuation Tribunal Wales	16.9	-	57	86
	2,875	**2,235**			**-**	**2,881**	**2,658**
			Transferee Admission Body (TAB)				
12.5	49	33	Garnant Golf Club Ltd	12.5	-	-	3
17.8	5	-	Grwp Gwalia	17.8	-	41	54
-	-	-	Danfo	21.5	-	21	-
-	-	-	Human Support Group (HSG)	20.3	-	96	37
	54	**33**			**-**	**158**	**94**
			Bodies with no pensionable employees				
-	5	6	DVLA	-	-	6	7
-	51	755	Dyfed Powys Magistrates Courts	-	-	52	344
-	1	5	Carmarthen Family Centre	-	-	-	5
-	1	3	Milford Haven Town Council	-	-	-	2
-	-	2	Mencap	-	-	-	2
-	-	9,139	Dyfed County Council	-	-	-	8,918
-	-	4	Dyfed AVS	-	-	-	2
-	13	14	NHS	-	-	10	11
-	13	42	Welsh Water	-	-	13	42
-	-	9	Cwm Environmental	-	-	-	8
-	-	5	Cartrefi Cymru	-	-	-	5
-	5	5	Rent Officer Service	-	-	1	1
	89	**9,989**			**-**	**82**	**9,347**
	67,543	**70,061**	**Total**		**6,630**	**68,882**	**72,505**

21.1 Bodies with No Pensionable Employees

It has been assumed that for the following bodies, the proportion of pension increases stated below will continue to be recharged.

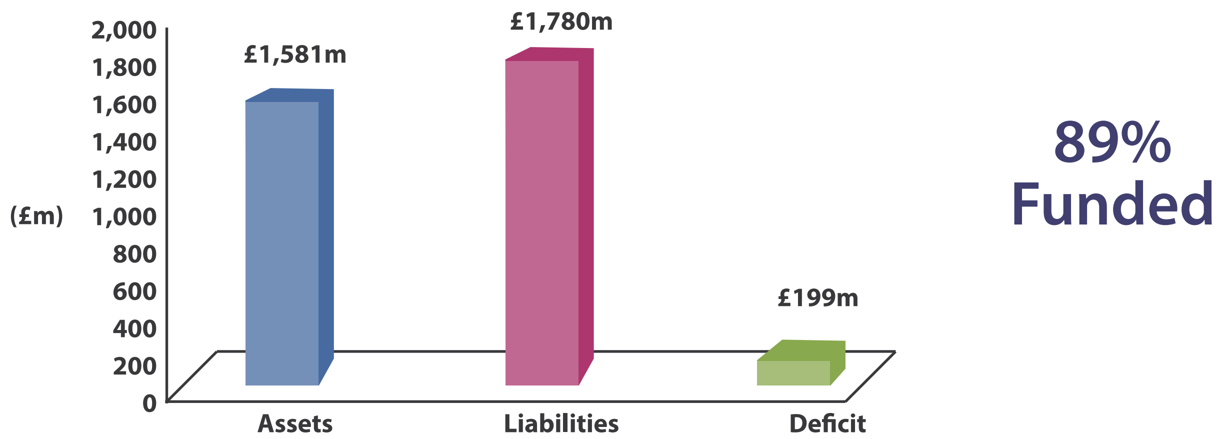
	Proportion to be recharged (%)
DVLA	100
Milford Haven Town Council	100
National Health Service	100
Carmarthen Family Centre	100
Welsh Water	50

22 Actuarial Statement

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the Dyfed Pension Fund was carried out as at 31 March 2013 to determine the contribution rates for the period 1 April 2014 to 31 March 2017.

On the basis of the assumptions adopted, the Fund's assets of £1,581 million represented 89% of the Fund's past service liabilities of £1,780 million (the "Funding Target") at the valuation date. The deficit at the valuation was therefore £199 million.



The valuation also showed that a common rate of contribution of 12.9% of pensionable pay per annum was required from employers. The common rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date. It allows for the new LGPS benefit structure effective from 1 April 2014.

After the valuation date, there were significant changes in financial markets. In particular there was an increase in gilt yields, which underpin the liability assessment. This improved the funding position materially to 94% with a resulting deficit of £103 million. This improvement was taken into account when setting the deficit contribution requirements for employers where required to stabilise contribution rates. On average across the Fund, the updated deficit would be eliminated by a contribution addition of £7 million per annum increasing at 4.1% per annum (equivalent to approximately 2.7% of projected Pensionable Pay at the valuation date) for 17 years if all assumptions are borne out in practice.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2014.

In practice, each individual employer's position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Funding Target and the common contribution rate were as follows:

	For past service liabilities (Funding Target)	**For future service liabilities (Common Contribution Rate)**
Rate of return on investments (discount rate)	4.8% per annum	5.6% per annum
Rate of pay increases (long term)	4.1% per annum*	4.1% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.6% per annum	2.6% per annum

* allowance was also made for short-term public sector pay restraint over a 3 year period.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2016. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2017.

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2015 (the 31 March 2014 assumptions are included for comparison):

	31 March 2014	31 March 2015
Rate of return on investments (discount rate)	4.5% per annum	3.3% per annum
Rate of pay increases	3.9% per annum*	3.5% per annum*
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.4% per annum	2.0% per annum

* includes a corresponding allowance to that made in the actuarial valuation for short-term public sector pay restraint.

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2014.

During the year, corporate bond yields fell significantly, resulting in a lower discount rate being used for IAS26 purposes at the year end than at the beginning of the year (3.3% p.a. versus 4.5% p.a.). The expected long-term rate of CPI inflation also fell during the year, resulting in a lower assumption for pension increases at the year end than at the beginning of the year (2.0% p.a. versus 2.4% p.a.)

The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2014 was estimated as £1,944 million.

The effect of the changes in actuarial assumptions between 31 March 2014 and 31 March 2015 as described above is to decrease the liabilities by c£329 million. Adding interest over the year increases the liabilities by c£87 million. The net effect of allowing for benefits accrued against benefits paid was zero (including any increase in liabilities arising as a result of early retirements/augmentations).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2015 is therefore £2,360 million.

John Livesey

Fellow of the Institute and Faculty of Actuaries

Mercer Limited, June 2015

23 Events after the balance sheet date

There have been no events since 31 March 2015, and up to the date when these accounts were authorised, that require any adjustments to these accounts.

INDEPENDENT AUDITOR'S STATEMENT

Auditor General for Wales' statement to the Members of the Administering Authority of Dyfed Pension Fund

I have examined the pension fund accounts and related notes contained in the 2014-15 Annual Report of Dyfed Pension Fund to establish whether they are consistent with the pension fund accounts and related notes included in the Statement of Accounts produced by Carmarthenshire County Council for the year ended 31 March 2015 which were authorised for issue on 30 September 2015. The pension fund accounts comprise the Fund Account and the Net Assets Statement.

Respective responsibilities of the Administering Authority and the Auditor General for Wales

The Administering Authority, Carmarthenshire County Council, is responsible for preparing the Annual Report. My responsibility is to report my opinion on the consistency of the pension fund accounts and related notes contained in the Annual Report with the pension fund accounts and related notes included in the Statement of Accounts of the Administering Authority. I also read the other information contained in the Annual Report and consider the implications for my report if I become aware of any misstatements or material inconsistencies with the pension fund accounts.

I conducted my work based on the requirements of Bulletin 2008/3 issued by the Financial Reporting Council. My report on the pension fund accounts and related notes included in the Statement of Accounts produced by the Carmarthenshire County Council describes the basis of my opinion on those accounts.

Opinion

In my opinion the pension fund accounts and related notes included in the Annual Report of Dyfed Pension Fund are consistent with the pension fund accounts and related notes included in the Statement of Accounts produced by Carmarthenshire County Council for the year ended 31 March 2015 which were authorised for issue on 30 September 2015 on which I issued an unqualified opinion.

I have not considered the effects of any events between the date on which I issued my opinion on the pension fund accounts included in the authority's Statement of Accounts, 30 September 2015 and the date of this statement.

For and on behalf of:

Huw Vaughan Thomas

Auditor General for Wales

24 Cathedral Road

Cardiff

CF11 9LJ

Date: 6 October 2015

FUNDING STRATEGY STATEMENT

This Statement has been prepared by Carmarthenshire County Council (the Administering Authority) to set out the funding strategy for the Dyfed Pension Fund (the Fund), in accordance with Regulation 35 of the Local Government Pension Scheme (Administration) Regulations 2008 (as amended) and the guidance paper issued in October 2012 by the Chartered Institute of Public Finance and Accountancy (CIPFA) Pensions Panel.

Introduction

The Local Government Pension Scheme (Administration) Regulations 2008 (as amended) provide the statutory framework from which the Administering Authority is required to prepare an FSS.

The key requirements for preparing the FSS can be summarised as follows:

- After consultation with all relevant interested parties involved with the Fund the Administering Authority will prepare and publish their funding strategy
- In preparing the FSS, the Administering Authority must have regard to
    - the guidance issued by CIPFA for this purpose and
    - the Statement of Investment Principles (SIP) for the Fund published under Regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended)
- The FSS must be revised and published whenever there is a material change in either the policy on the matters set out in the FSS or the Statement of Investment Principles. Benefits payable under the Scheme are guaranteed by statute and thereby the pensions promise is secure. The FSS addresses the issue of managing the need to fund those benefits over the long term, whilst at the same time facilitating scrutiny and accountability through improved transparency and disclosure.

The Scheme is a defined benefit final salary scheme under which the benefits are specified in the governing legislation (the Local Government Pension Scheme (Benefits, membership and contributions) Regulations 2007 (as amended), "the Regulations"). The required levels of employee contributions are also specified in the Regulations. Updated regulations (The Local Government Pension Scheme Regulations 2013) covering a new Local Government Pension Scheme (LGPS) were laid before Parliament in September 2013. The new Scheme will replace the existing Scheme with effect from 1st April 2014 and will provide for members to accrue pension on a career average revalued earnings basis rather than final salary.

The actuary has taken this into account in determining employer contribution rates in the 2013 actuarial valuation. There is also the introduction of a "50:50 Scheme Option", where members can elect to accrue 50% of the full scheme benefits and pay 50% of the normal member contribution. The actuary has made allowance for take-up of the 50:50 option (up to a maximum of 10% of current and future members) for certain employers on agreement with the Administering Authority. Employer contributions are determined in accordance with the Regulations (principally Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008) which require that an actuarial valuation is completed every three years by the actuary, including a rates and adjustments certificate.

Contributions to the Fund should be set so as to "secure its solvency", whilst the actuary must also have regard to the desirability of maintaining as nearly constant a rate of contribution as possible. The actuary must have regard to the FSS in carrying out the valuation.

The key statements relate as follows:

- Valuation Results – How much to pay and when to meet current and future payments
- Funding Strategy Statement – How solvency and risks will be managed having regard to liabilities
- Statement of Investment Principles - How the Fund will be invested and managed

JOINTWORKING RELATIONSHIPS COMMUNICATION COLLABORATION PARTNERSHIPS CO-OPERATION SHARED GOALS FRAMEWORKS OPPORTUNITIES

Purpose of the FSS in policy terms

Funding is the making of advance provision to meet the cost of accruing benefit promises. Decisions taken regarding the approach to funding will therefore determine the rate or pace at which this advance provision is made. Although the Regulations specify the fundamental principles on which funding contributions should be assessed, implementation of the funding strategy is the responsibility of the Administering Authority, acting on the professional advice provided by the actuary.

The purpose of this Funding Strategy Statement is:

- to establish a clear and transparent fund specific strategy which will identify how employers' pension liabilities are best met going forward
- to support the regulatory requirement to maintain as nearly constant employer contribution rates as possible
- to take a prudent longer term view of funding those liabilities.

The intention is for this strategy to be both cohesive and comprehensive for the Fund as a whole, recognising that there will be conflicting objectives which need to be balanced and reconciled. Whilst the position of individual employers must be reflected in the statement, it must remain a single strategy for the Administering Authority to implement and maintain.

Aims and purpose of the Pension Fund

The aims of the Fund are to:

- enable employer contribution rates to be kept as nearly constant as possible and at reasonable cost to the taxpayers, scheduled, and admitted bodies, having regard to the liabilities
- manage employers' liabilities effectively through regular review of contributions and additional contributions for early retirements which lead to a strain on funding
- ensure that sufficient resources are available to meet all liabilities as they fall due and
- maximise the returns from investments within reasonable risk parameters.

The purpose of the Fund is to:

- receive and invest monies in respect of contributions, transfer values and investment income
- pay out monies in respect of scheme benefits, transfer values, costs, charges and expenses as defined in the Local Government Pension Scheme (Administration) Regulations 2008 (as amended), the Local Government Pension Scheme (Benefits, membership and contributions) Regulations 2007 (as amended) and in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended).

Responsibilities of the key parties

The Administering Authority (Carmarthenshire County Council):

- collects employer and employee contributions
- invests surplus monies in accordance with the regulations and agreed strategy
- ensures that cash is available to meet liabilities as and when they fall due
- manages the valuation process in consultation with the Fund's actuary
- prepares and maintains an FSS and a SIP
- monitors all aspects of the Fund's performance and funding and
- exercises discretions within the regulatory framework

The Individual Employers:

- deduct contributions from employees' pay correctly
- pay all contributions, including their own as determined by the actuary, promptly by the due date
- exercise discretions within the regulatory framework
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain
- notify the Administering Authority promptly of all changes to membership or, as may be proposed, which affect future funding
- discharge their responsibility for compensatory added years which the administering authority pays on their behalf and is subsequently recharged to them.

The Fund's actuary:

- prepares valuations including the setting of employers' contribution rates after agreeing assumptions with the administering authority and having regard to the FSS
- sets employer contribution rates in order to secure the Fund's solvency having regard to the aims of maintaining contribution rates that are as constant as possible
- prepares advice and calculations in connection with bulk transfers and individual benefit-related matters
- advises on funding strategy, clarifies the preparation of the FSS and the interrelationship between the FSS and the SIP.

The Fund's investment managers:

- invest funds given in accordance with the SIP and the Investment Management Agreement (IMA)
- meet, or exceed, investment performance targets and risk constraints.

Solvency issues and target funding levels

To meet the requirements of the Regulations the Administering Authority's long-term funding objective is to achieve and then maintain assets equal to 100% of projected accrued liabilities, assessed on an ongoing basis including allowance for projected final pay. The level of assets necessary to meet this 100% funding objective is known as the funding target. The role of the actuary in performing the necessary calculations and determining the key assumptions used, is an important feature in determining the funding requirements. The key assumptions making up the funding strategy and as adopted for the 2013 actuarial valuation are:

Past Service	**current yields basis**
Asset valuation	Market Value
Investment Return pre-retirement	4.80% p.a.
Investment Return post-retirement	4.80% p.a.
CPI Price inflation	2.60% p.a.
Salary increases	1.00% first 3 years then 4.10% p.a. thereafter
Pension increases	2.60% p.a.

Future Service	**long term basis**
Investment Return	5.60% p.a.
CPI Price inflation	2.60% p.a.
Salary increases	4.10% p.a.
Pension increases	2.60% p.a.

Underlying these assumptions are the following two tenets:

- that the Fund and the major employers are expected to continue for the foreseeable future
- favourable investment performance can play a valuable role in achieving adequate funding over the longer term

This allows us to take a longer term view when assessing the contribution requirements for certain employers. As part of this valuation when looking to potentially stabilise contribution requirements we will consider whether we can build into the funding some allowance for market movements which occurred after the valuation date. In considering this the Administering Authority, based on the advice of the Actuary, will consider if this results in a reasonable likelihood that the funding plan will be successful.
The current actuarial valuation of the Fund is effective as at 31 March 2013. The actuarial valuation revealed that the assets of the Fund represented 89% of projected accrued liabilities at the valuation date on the actuarial basis outlined above.

Individual participating Employers have historically had discrete contribution rates certified at past fund valuation exercises. This practice will continue with no "grouping" of Employers which ensures that factors and decisions taken by each Employer during the valuation period will only influence that body's contribution rate. Additionally, investment performance is allocated pro rata to each employer's asset share. It is viewed that there is no need to give special consideration to the allocation of investment performance to each individual employer, as might be the case under a "Best Value" transfer of function for example. The recovery period covering the funding of (non ill-health) early retirements has been reduced over recent valuations. For the majority of employers, such costs will now be recovered on a pay-as-you go basis with any actuarial strain components created as a result of such early retirements being repaid to the Fund over a period not exceeding 3 years.

The Administering Authority has agreed with certain employers an early retirement contingency within their contribution rates. The contingency element is capitalised over a 3 year period for the purpose of monitoring early retirement costs.

The Administering Authority, following consultation with the participating employers, has adopted the following objective to achieve the funding target:

- deficits are to be recovered over a period of 17 years, although shorter periods may apply in some cases. In determining the deficit recovery period the Administering Authority has had regard to:
  - the responses made to the consultation with employers on the FSS principles
  - the need to balance a desire to attain the target as soon as possible against the short term cash requirements which a shorter period would impose
  - the Administering Authority's views on the strength of the participating employers' covenants in achieving the objective.

Link to investment policy set out in the Statement of Investment Principles (SIP)

The results of the 2013 valuation show the liabilities to be 89% covered by the current assets, with the funding deficit of £195m being covered by future deficit contributions.

In assessing the value of the Fund's liabilities in the valuation, allowance has been made for asset out-performance taking into account the investment strategy adopted by the Fund, as set out in the SIP.
It is not possible to construct a portfolio of investments which produces a stream of income exactly matching the expected liability outgoings. However, it is possible to construct a portfolio which closely matches the liabilities and represents the least risk investment position. Such a portfolio would consist of a mixture of long term index-linked and fixed interest gilts. Investment of the Fund's assets in line with the least risk portfolio would minimise fluctuations in the Fund's ongoing funding level between successive actuarial valuations.

If, at the valuation date, the Fund had been invested in this portfolio, then in carrying out the valuation it would not be appropriate to make any allowance for out performance of the investments. On this basis of assessment, the assessed value of the Fund's liabilities at the 2013 valuation would have been significantly higher, by approximately 45% and the declared funding level would be correspondingly reduced to approximately 61%.

Departure from a least risk investment strategy, in particular to include equity investments, gives the prospect that out-performance by the assets will, over time, reduce the contribution requirements. The funding target might in practice therefore be achieved by a range of combinations of funding plan, investment strategy and investment performance.

The current benchmark investment strategy, as set out in the SIP, is:

	Benchmark (%)	Range (%)
UK Equities	25.00	23.50 - 26.50
Overseas Equities	25.00	23.50 - 26.50
Global Equities	19.00	10.00 - 30.00
Pan European Property	10.00	5.00 - 15.00
Bonds	20.00	18.50 - 21.50
Cash	1.00	0.00 - 10.00
Total	**100.00**	

Overseas Equities	Benchmark (%)	Range (%)
North America	10.00	5.00 - 15.00
Japan	3.50	0.00 - 8.50
Developed Pacific (excl. Japan)	3.25	0.00 - 8.25
Emerging Markets	8.25	3.25 - 13.25
Total	**25.00**	

Bonds	Benchmark (%)	Range (%)
Index Linked Gilts	10.00	5.00 - 15.00
UK Corporate Bonds	10.00	5.00 - 15.00
Total	**20.00**	

Additional Restrictions are as follows:	
Overseas Bonds	0.00 - 7.00
Total Overseas Exposure	43.00 - 53.00

The benchmark column shows the benchmark investment strategy set by the Pension Panel. When operating this strategy the investment manager is allowed to vary the asset mix in order to maximise returns. However these variations must remain within the ranges shown in the above table.

The funding strategy adopted for the 2013 valuation is based on an assumed asset outperformance of 1.6% p.a. in respect of liabilities pre-retirement and post retirement liabilities. The Administering Authority believes that this is a reasonable and prudent allowance for asset out-performance, based on the investment strategy adopted as set out in the SIP.

Identification of risks and counter-measures

The funding of defined benefits is by its nature uncertain. Funding of the Fund is based on both financial and demographic assumptions. These assumptions are specified in the actuarial valuation report. When actual experience is not in line with the assumptions adopted a surplus or shortfall will emerge at the next actuarial assessment and will require a subsequent contribution adjustment to bring the funding back into line with the target.

The Administering Authority has been advised by the actuary that the greatest risk to the Fund's funding is the investment risk inherent in the predominantly equity based strategy, so that actual asset out-performance between successive valuations could diverge significantly from the overall 1.6% per annum assumed on the basis of the current liability profile.

CIPFA guidance identifies the following key risks:

Financial

- Investment markets fail to perform in line with expectations
- Market yields move at variance with assumptions
- Investment Managers fail to achieve performance targets over the longer term
- Asset allocations in volatile markets may lock in past losses
- Pay and price inflation significantly more or less than anticipated
- Effect of possible increase in employer's contribution rate on service delivery and admitted/scheduled bodies.

Demographic

- Longevity horizon continues to expand
- Deteriorating pattern of early retirements Regulatory
- Further changes to Regulations, e.g. more favourable benefits package, potential new entrants to scheme, e.g. part-time employees
- Changes to national pension requirements and/or Inland Revenue rules.

Governance

- Administering Authority unaware of structural changes in employer's membership (e.g. large fall in employee numbers, large number of retirements)
- Administering Authority not advised of an employer closing to new entrants
- An employer ceasing to exist with insufficient funding or adequacy of a bond
- Changes in Panel membership.

Key Risks Specific to the Fund

The Fund is actively managed against its benchmark, a combination of strategic asset allocation and peer group average returns for each asset.

The Fund's response:

- Pension Panel meetings with the investment managers are held on a formal basis. Also, a Consultative Meeting is held with employers and other interested parties each year. Communication with employers therefore provides the effective sharing and collecting of relevant information.
- The Fund has adopted a cautious strategy throughout which is reflected in the assumptions used.
- Any changes to regulations are immediately assessed.
- Where there are changes in the economic scenarios and other assumptions used in preparing the investment strategy, an immediate evaluation of the impact of those changes on the strategy is carried out.

- Elected Members serving on the Pension Panel receive regular training. This training is given by the various Advisers and Professionals acting on behalf of the Pension Panel at the formal meetings. Training is also delivered through the attendance of courses and seminars organised by external training providers.
- Decisions relating to the Dyfed Pension Fund are made by the Pension Panel after receiving advice from the Advisers appointed by the Panel and from Officers employed by the Administering Authority.

Monitoring and Review

The Administering Authority has taken advice from the actuary in preparing this Statement, and has also consulted with employers who either participate in or have a relationship with the Dyfed Pension Fund.

A full review of this Statement will occur no less frequently than every three years, to coincide with completion of a full actuarial valuation. Any review will take account of the current economic conditions and will also reflect any legislative changes.

The Administering Authority will monitor the progress of the FSS between full actuarial valuations. If considered appropriate, the FSS will be reviewed (other than as part of the triennial valuation process), if for example:

- there has been a significant change in market conditions, and/or deviation in the progress of the funding strategy
- there have been significant changes to the Fund membership, or LGPS benefits
- there have been changes to the circumstances of any of the employing authorities to such an extent that they impact on or warrant a change in the FSS
- there have been any significant special contributions paid into the Fund.

STATEMENT OF INVESTMENT PRINCIPLES

Introduction

The Dyfed Pension Fund adopts as best practice the production, publication and regular review of a Statement of Investment Principles (SIP). The Fund will continue this practice in response to the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

With effect from 1 July 2000, Carmarthenshire County Council as the local authority responsible for the administration of the Dyfed Pension Fund (Superannuation Act 1972, 1995 Regulations) has been required to publish a SIP, which must include:

- The types of investments held
- The balance between different types of investments
- Risk
- The expected return on investments
- The realisation of investments
- The extent to which Socially Responsible Investment (SRI) is taken into account in investments
- The exercise of the rights (including voting rights) attaching to investments

Carmarthenshire County Council in drawing up this statement has consulted its independent investment adviser and has liaised with its investment managers, particularly on the aims and objectives of the Fund and the manner in which the Fund wishes to achieve these objectives.

The overall investment policy falls into two parts:

- The strategic management of the assets which is fundamentally the responsibility of the Pension Panel. The Pension Panel consists of 3 Elected Members of Carmarthenshire County Council (and 1 substitute member) nominated with delegated powers from Carmarthenshire County Council, who are advised by an independent investment adviser, and the Director of Resources of Carmarthenshire County Council. This strategic management is driven by the investment objectives laid out in section 2.
- The day to day management of the assets which is delegated to professional investment managers and is described in section 4.

Strategic Objectives of the Dyfed Pension Fund

The Pension Panel have adopted the following objectives in consideration of their strategic management of the Fund:

- To ensure that the assets of the Fund match or exceed its liabilities, i.e. the Fund remains solvent
- To establish a strategic asset allocation benchmark which is expected to deliver the required investment return, at an accepted level of risk, in the long term
- To minimise the employers contribution rate, whilst avoiding volatility.

In investing, the Fund is exposed to a number of risks.

Funding Risks

- Financial mismatch - The risk that Fund assets fail to grow in line with the developing cost of meeting Fund liabilities and the risk that unexpected inflation increases the pension and benefit payments and the Fund assets do not grow fast enough to meet the increased cost.
- Changing demographics – The risk that longevity improves and other demographic factors change increasing the cost of Fund benefits.
- Systemic risk – The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial "contagion", resulting in an increase in the cost of meeting Fund liabilities.

The Panel measures and manages financial mismatch in two ways. It has set a strategic asset allocation benchmark for the Fund and assesses risk relative to that benchmark by monitoring the Fund's asset allocation and investment returns relative to the benchmark. It also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.
The Panel keeps under review mortality and other demographic assumptions which could influence the cost of the benefits. These assumptions are considered formally at the triennial valuation.
The Panel seeks to mitigate systemic risk through a diversified portfolio but it is not possible to make specific provision for all possible eventualities that may arise.

Asset Risks

- Concentration – The risk that significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.
- Illiquidity – The risk that the Fund cannot meet its liabilities because it has insufficient liquid assets.
- Manager underperformance – The failure by the Fund managers to achieve the rate of investment return assumed in setting their mandates.

To manage asset risks the Panel provides a practical constraint on fund investments deviating greatly from the intended approach by setting itself diversification guidelines and by investing in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, constrain risk within the Panel's expected parameters. By investing across a range of assets, including quoted equities and bonds, the Panel has recognised the need for some access to liquidity in the short term. In appointing several investment managers, the Panel has considered the risk of underperformance by any single investment manager.

Other provider risk

- Transition risk – The risk of incurring unexpected costs in relation to the transition of assets among managers. To date, no significant transitions have taken place within the Fund but if they were undertaken in future the Panel would take professional advice and consider the appointment of specialist transition managers.
- Custody risk – The risk of losing economic rights to Fund assets, when held in custody or when being traded.
- Credit default – The possibility of default of a counterparty in meeting its obligations.

The Panel monitors and manages risks in these areas through a process of regular scrutiny of its providers and audit of the operations they conduct for the Fund.

Strategic Management

It is the Pension Panel's policy to regularly monitor in consultation with the actuary the likely position regarding the solvency ratio in order that the risk of deterioration of the solvency ratio below 100% is minimised. The Pension Panel may consider amending the Investment Strategy should they be advised at some future stage that this would be the only acceptable route to avoid under funding.

The Pension Panel, following an asset liability study, has set a benchmark mix of asset types and ranges within which the investment managers may operate with discretion. The Panel believes that this mix of assets will fulfill the assumptions within the valuation undertaken in March 2013, as well as taking account of the liability profile of the Fund. This mix will also help to control the risks.

The day to day management of the Assets

Where Investment Management Agreements (IMAs) between Carmarthenshire County Council and investment managers are appropriate they lay out the terms and conditions of the day to day management of the Dyfed Pension Fund. The current asset allocation determined following the appointment of global equity managers in 2013 is as follows:

	Benchmark (%)	**Range (%)**
UK Equities	25.00	23.50 - 26.50
Overseas Equities	25.00	23.50 - 26.50
Global Equities	19.00	10.00 - 30.00
Pan European Property	10.00	5.00 - 15.00
Bonds	20.00	18.50 - 21.50
Cash	1.00	0.00 - 10.00
Total	**100.00**	

Overseas Equities	**Benchmark (%)**	**Range (%)**
North America	10.00	5.00 - 15.00
Japan	3.50	0.00 - 8.50
Developed Pacific (excl. Japan)	3.25	0.00 - 8.25
Emerging Markets	8.25	3.25 - 13.25
Total	**25.00**	

Bonds	**Benchmark (%)**	**Range (%)**
Index Linked Gilts	10.00	5.00 - 15.00
UK Corporate Bonds	10.00	5.00 - 15.00
Total	**20.00**	

Additional Restrictions are as follows:		
Overseas Bonds	0.00 - 7.00	
Total Overseas Exposure	43.00 - 53.00	

The investment managers are allowed to vary the percentage allocations within the ranges indicated above. In exceptional circumstances, and within legal constraints, these percentages may be varied with the prior agreement of the Pension Panel. Although the investment managers are able to extend to 10% cash within the range allowed, they will advise the Panel when they go over 5% cash. There is a small amount of cash held locally at Carmarthenshire County Council in order to pay all non trading expenses of the Fund.
The restrictions faced by the investment managers are contained within Investment Management Agreements (IMAs). The following investments are allowable for the Dyfed Pension Fund:

- Units in active and passive funds, including GTAA.
- Shares, convertibles and warrants quoted on any UK exchange.
- Shares included in the FT/S&P or MSCI World Indices.
- Pan European Property either directly or through pooled funds
- Sovereign issue debt.
- Corporate debt – bonds to have a minimum credit rating of either Aa3 or AA- by Moody's Investor Services or Standard and Poors
- Derivatives on any of the above shares or markets with prior permission, with the constraint that they should not gear the portfolio.
- Life Funds - up to a limit of 35% of the Fund.
- Currencies of any market in the FT/S&P or MSCI World Index.

All investments, excluding property holdings, are readily realisable.

The investment manager has confirmed that within UK Corporate Bonds, the use of derivatives will be for the purposes of efficient portfolio management only, and will not be used for speculative purposes or to leverage the portfolio.

The restrictions of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended) are included in the IMA and are of course of relevance to the SIP also.

The requirement is for the investment managers to outperform their respective benchmarks.

The target given to BlackRock is to seek to outperform its benchmark by 0.4%p.a. over rolling 3 years, using a weighted contribution of mid targets (1.5) of 1-2%p.a. for active equities and 1%p.a. for active bonds.

The target given to Schroders is to seek to outperform the AREF / IPD UK Quarterly Property Fund Index All Balanced Funds Weighted Average by 0.75%p.a. over a rolling 5 year period.

The target given to Partners Group is to seek a 12%p.a. gross absolute return (with a secondary benchmark of 200 basis points p.a. above the AREF / IPD UK Quarterly Property Fund Index All Balanced Funds Weighted Average) over any 3 year rolling period.

The target given to Baillie Gifford and Columbia Threadneedle is to seek to outperform the MSCI All Country World Index by 2-3%p.a. over a rolling 5 year period.

The Pension Panel, assisted by the independent adviser and the Director of Corporate Services, meet regularly with the investment managers to review performance, to decide on any appropriate investment changes and to monitor all aspects of the investment function.

The current managers, advisers and consultants to the Dyfed Pension Fund are:

Investment Managers
BlackRock, Schroders, Partners Group, Baillie Gifford and Columbia Threadneedle

Independent Investment Adviser
Mr Eric Lambert

Performance Measurement Company
WM Performance Services

Actuary
Mercer

Custodian
Northern Trust

Social, Environmental and Ethical Considerations

The Pension Panel recognises that social, environmental and ethical considerations are among the factors which investment managers will take into account, where relevant, when selecting investments for purchase, retention or sale. The managers have produced statements setting out their policies. The managers have been delegated by the Panel to act accordingly.

Exercise of Voting Rights

The Panel has delegated the exercise of voting rights to the investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. Accordingly the managers have produced written guidelines of their process and practice. The managers are encouraged to vote in line with its guidelines in respect of all resolutions at annual and extraordinary general meetings of companies.

Stock Lending

The policy on stock lending reflects the nature of the mandates awarded to investment managers by the Panel, which include both pooled and segregated mandates.

Within segregated mandates, the Panel has absolute discretion over whether stock lending is permitted. The Panel has considered its approach to stock lending, taking advice from its investment adviser. After consideration of that advice, the Panel has decided not to permit stock lending within any of its segregated investment mandates.

The managers of pooled funds may undertake a certain amount of stock lending on behalf of unit holders in the Fund. Where a pooled fund engages in this activity, the extent to which it does is disclosed by the manager. The Panel has no direct control over stock lending in pooled funds, nevertheless, it is comfortable that the extent and nature of this activity is appropriate to the circumstances of the Fund.

The Panel reviews its policy on stock lending on a regular basis.

Compliance with this Statement

The Pension Panel will monitor compliance with this statement annually. The investment managers will confirm annually in writing that they have complied with this statement and should this statement materially change the investment managers will be informed promptly.

The Review of this Statement

A review of this statement will take place in response to any valuation, asset liability study, or any other material event that would influence the policies of the Fund.

This includes changes to the liabilities, the finances, regulations or risk acceptance of the Fund. This review will take place every year at a minimum, or sooner if the situation warrants it. All relevant parties will be involved in the review.

Statement by the Fund Managers

BlackRock, Schroders, Partners Group, Baillie Gifford and Columbia Threadneedle confirm that they have been made aware of any changes to the Statement of Investment Principles (SIP) and have complied with the SIP over the past year.

MYNERS 6 PRINCIPLES AND COMPLIANCE CHECKLIST

JOINTWORKING
RELATIONSHIPS COMMUNICATION
COLLABORATION
PARTNERSHIPS CO-OPERATION
SHARED GOALS FRAMEWORKS
OPPORTUNITIES

1.	**Effective Decision-Making**	
	Define who takes investment decisions	Included in SIP
	Consider whether members have sufficient skills	Training - LGC members seminar, LAPFF and NAPF conferences, investment manager training days, Employer Organisation training days. Training plan in place.
	Determine whether appropriate training is being provided	Training - LGC members seminar, LAPFF and NAPF conferences, investment manager training days, Employer Organisation training days. Training plan in place.
	Assess whether in-house staffing support is sufficient	Suitably qualified and trained staff. Training plan in place.
	Establish an investment committee with suitable terms of reference	Pension Panel established with terms of reference agreed
	Draw up a business plan	A business plan has been published. An Actuarial Valuation Report, Investment Strategy Review, Funding Strategy Statement and Statement of Investment Principles are updated and produced every three years.
	Priority is given to strategic asset allocation decisions	Asset / liability study undertaken to determine asset allocation after full discussions.
	All asset classes permitted within the regulations have been considered	Property has been considered and managers appointed. Other alternative asset classes will be considered in the future.
	Asset allocation is compatible with liabilities and diversification requirement	Asset / liability study undertaken to determine asset allocation after full discussions.
	Separate contracts in place for actuarial services and investment advice	Separate contracts currently in place
	Terms of reference specified	Clear specifications issued
	Specify role of S151 officer in relation to advisers	Section 151 officer role clear in constitution
	Tender procedures followed without cost constraint factor	Tendering taken place this year
	Overall Principle 1	**Fully compliant**

2.	**Clear Objectives**	
	Set overall investment objective specific only to the Fund's liabilities	Customised benchmark following asset - liability study.
	Determine parameters for employer contributions	Clear objectives outlined in SIP
	Specify attitude to risk and limits	Clearly outlined in SIP
	Identify performance expectations and timing of evaluation	Clearly outlined in SIP
	Peer group benchmark in use for comparison purposes only	In Place
	Written mandate included in management contract containing elements specified	Contract has been updated, SIP is clear on these issues
	Constraints on the types of investment are in line with regulations	In Place
	Reasons stated if soft commissions permitted	None used
	Overall Principle 2	**Fully compliant**

3.	**Risk & Liabilities**	
	In setting and reviewing the investment strategy account should be taken of the form and structure of liabilities	Full asset liability study is undertaken following the triennial valuation and prior to setting and reviewing the investment strategy
	The implications for the local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk should also be taken into account	Included in asset liability study and investment strategy
	Overall Principle 3	**Fully compliant**

4.	Performance Assessment	
	Consider whether index benchmarks selected are appropriate	Consideration given, and performance measured against both benchmark and market indices
	Limits on divergence from index are relevant	Fully considered and in SIP
	Active or passive management considered	Fully considered and in SIP
	Targets and risk controls reflect performance expectations	Fully considered and in SIP
	Formal structure for regular monitoring in operation	Fund returns regularly reported by independent organisation
	Arrangements in place to assess procedures and decisions of members	Audit and valuation reports. Best Value regime.
	Similar arrangements established for advisers and managers	Regular monitoring/review undertaken by Panel and officers of managers and the Independent Adviser.
	Overall Principle 4	**Fully compliant**

5.	Responsible Ownership	
	Incorporate US Principles on activism into mandates	Custodian reports on corporate actions taken
	Engage external voting agencies if appropriate	Strong Corporate Governance policy in place through investment manager
	Review manager strategies	Own policy is in operation.
	Establish means to measure effectiveness	Regular reporting in place
	Overall Principle 5	**Fully compliant**

6.	Transparency and Reporting	
	SIP updated as specified	In Place. Included in the Annual Report
	Consultation undertaken on amendments	In Place. Consultation each year.
	Changes notified to stakeholders	In Place. Included in the Annual Report
	Publish changes to SIP and its availability	In Place. Included in the Annual Report
	Identify monitoring information to report	In Place. Included in SIP and reports given at prescribed intervals
	Inform scheme members of key monitoring data & compliance with principles	In Place. Included in SIP
	Overall Principle 6	**Fully compliant**

COMMUNICATIONS POLICY STATEMENT

The Dyfed Pension Fund strives to provide a high quality and consistent service to our customers in the most efficient and effective manner possible in an ever changing pensions environment.

There are 5 distinct groups with whom the Fund needs to communicate:

- Scheme Members
- Prospective Scheme Members
- Scheme Employers
- Fund Staff
- Other Bodies

This policy document sets out the methods used to meet those communication needs and is subject to periodic review.

The Dyfed Pension Fund aims to use the most appropriate communication medium for the audiences receiving the information, which may involve using more than one method of communication.

The Fund ensures that all regulatory requirements concerning the provision of Scheme information is continuously met and assessed.

Scheme Members

Fund Website

The Fund has established an extensive website which sets outs Scheme provisions in a simple and concise manner. Information updates and news items are quickly added to notify members of any Scheme developments. Electronic copies of Fund literature, policies and reports are also readily available to download.

The site allows Scheme members to calculate and project their benefits, as well as providing external links to related websites.

My Pension Online

An integrated web portal via the Dyfed Pension Fund website, which allows members to view and update their pension details securely online. Members are able to perform accurate benefit calculations, update their death grant expression of wish and contact details, as well as view their annual benefit statement.

Annual Report and Accounts

An electronic copy of the Fund's Annual Report and Accounts is available to all Scheme members on the website. Hard copies are also available upon request.

Annual Newsletter(s)

The Fund issues an annual newsletter to all active members, covering current pension topics within the LGPS and the pensions industry in general. The newsletter is also issued to all pensioners, providing notification on pension matters and other matters of interest. Specific single topic newsletters are also published and distributed to members on an ad hoc basis.

Annual Benefit Statements

An Annual Benefit Statement is sent directly to the home address of all active contributors. The statement sets out the current value of benefits (as at 31 March), a projection at age 60 / 65, the current value of death benefits and a State Pension forecast. Statements are also sent directly to the home address of all deferred members, providing the up rated value of benefits and supplementary notes of guidance.

Bilingual Scheme Literature

An extensive range of Scheme literature is produced by the Dyfed Pension Fund and is supplied to employing bodies and Scheme members directly. This Scheme literature forms part of the data held on the Fund's website. Examples of such literature include a range of factsheets, guides, flyers and posters.

Statutory Notification

In compliance with Scheme Regulations, members are notified when any change occurs to their pension record, thereby affecting their pension benefits.

Roadshows

Frequently held to raise member awareness and understanding towards general Scheme provisions. In partnership with the Fund's in-house AVC provider(s), mid-life planning and pre retirement sessions are also held periodically.

General Presentations & Courses
The Fund can deliver standard or tailored presentations on a wide range of LGPS related subjects.

Pension Surgeries
Pension surgeries are available for groups of Scheme members by request, or for individual members on a surgery basis. Meetings are held at employer venues or alternatively members are able to make an individual appointment with the dedicated Communication & Training Officer.

Mid Life Planning Courses
The Fund's dedicated in-house AVC provider(s) is continually on hand to perform sessions aimed at improving pension benefits, and raising awareness towards retirement planning matters.

Pre-Retirement Courses
The Fund's dedicated Communication & Training Officer is available to attend pre-retirement courses to inform members who are near retirement about their entitlement and Local Government procedures.

Correspondence
The Fund utilises both surface mail and e-mail to receive and send correspondence. Response will be made in the individuals preferred language of choice.

Payment Advice / P60
Pensioners are issued with payment advice slips every April, and thereafter when a variance of £5 or more occurs. Payment advice slips are frequently tailored with generic messages as a means of notification. P60 notifications are also issued annually in May. This provides a breakdown of the annual amounts paid.

Pension Increase Statements
An annual statement is issued to all pensioners pending any increase in the appropriate cost of living index.

Existence Validation - (Life Certificate Exercise)
The Fund undertakes an annual exercise to establish the continued existence of pensioners in receipt of monthly pension payments via cheque.

Miscellaneous
Pensioners achieving their 100th birthday are contacted by the Pension Fund to celebrate this landmark birthday and wherever possible, visited by an appropriate representative of the Pension Fund.

Prospective Scheme Members

Scheme Booklet
All prospective Scheme members are provided with a Scheme booklet upon appointment.

Corporate Induction Courses
The dedicated Communication & Training Officer will attend corporate induction events in order to present to prospective Scheme members the benefits of joining the Scheme. A one-on-one pensions surgery session will also be offered to resolve any individual queries.

Non Joiner Campaigns
The Fund will request formal notification of non-joiners from Scheme employers. The information will be used to market the Scheme to specific groups, with dedicated literature and campaigns being formulated in conjunction with Scheme employers from time to time.

Pension Roadshows
As well as being a valuable aid for pensioners and current scheme members, road shows are used to target specific non-members, with support being enlisted from the in-house AVC provider(s). This ensures that members receive the information required to make an informed choice towards their pension provision.

Website
The Fund's website contains a specific section for non-joiners. It highlights the benefits of planning for retirement and what's provided by the Scheme so again an informed choice can be made.

Trade Unions
The Fund will endeavour to work with the relevant Trade Unions to ensure the Scheme is understood by all interested parties. Training days for branch officers will be provided upon request, and efforts will be made to ensure that all pension related issues are communicated effectively with the Trade Unions.

Scheme Employers

Annual Consultative Meeting
A meeting is held annually for all Scheme employers, at which detailed investment, financial and administrative reports are presented by Fund Managers. Other speakers may also be invited to discuss certain issues connected to the Pensions Industry.

Periodic Meetings
Periodically meetings are arranged for employers. Specifically this has been used as a means of communicating major strategic issues, significant legislation changes and end of year / triennial valuation matters.

Employers' Guide
An Employers' Guide is issued and has been made available on the Fund website to assist employers in discharging their pensions administration responsibilities. This is supplemented by the support of a dedicated Communication & Training Officer, who is available by telephone or personal visit to assist whenever necessary.

Email Updates
Regulatory and administrative updates are frequently issued to all employers via email.

Training
Bespoke sessions can be delivered by the dedicated Communication & Training Officer to resolve any administrative training issues identified by the employer, or the Fund. These sessions are held at employer venues, with development being monitored and reviewed periodically thereafter.

Website
The Fund website has a dedicated employer area that provides all employers with the guidance needed to effectively discharge their administrative responsibilities. A Latest News index keeps employers up to date with all Scheme developments.

Various publications are also available to download.
Access to Pensions Administration System
Each employer has the opportunity to access the pension records of their current members, providing the facility to provide pension benefit estimates directly to members.

Administration Strategy
Published in compliance with Scheme Regulations, the Administration Strategy defines the responsibilities of both the Fund and all Scheme employers in the administration of the Scheme. The strategy clearly sets out the level of performance expected from the Dyfed Pension Fund and all employers, as well as the consequence of not meeting statutory deadlines.

Fund Staff

Induction
All new members of staff undergo an induction programme and are issued with an induction schedule. A periodic appraisal programme is also exercised to review and monitor employee performance and development.

Meetings
Departmental and Section meetings are held on a regular basis. Items arising from such meetings are escalated through to Senior Managers and Chief Officers. Any relevant matters are cascaded to all staff.

Training & Support
The Fund seeks to continually improve the capacity of staff to communicate effectively and to understand the importance of high-quality communication. Both general and pensions specific training is provided by the dedicated Communications & Training Officer as part of the Fund's commitment to continual improvement.

Seminars
Fund Officers regularly attend seminars and conferences held by associated bodies to obtain regulatory information and to further their knowledge and understanding. This information is later cascaded to all staff so that service delivery is improved.

Other Bodies

The Fund works continuously to engage with other Pension Funds in Wales to evaluate specific partnership arrangements. The Fund is currently the lead authority within the All Wales Pension Funds Communication Working Group.

Trade Unions

Details of the Local Government Pension Scheme (LGPS) are brought to the attention of their members by local representatives. They also assist in negotiations under TUPE transfers in order to ensure, whenever possible, continued access to the Scheme.

National Information Forum

These meetings provide an opportunity to discuss issues of common interest and share best practice. Communities & Local Government (CLG) and the Local Government Pensions Committee (LGPC) are represented at each meeting.

Seminars

Fund Officers regularly participate at seminars and conferences held by LGPS related bodies.

South & Mid Wales Pensions Officers' Group

Pension Officers from administering authorities in the region meet regularly to share information and ensure uniform interpretation of the LGPS and other prevailing regulations.

Data Protection

To protect any personal information held on computer, the Dyfed Pension Fund, as administered by Carmarthenshire County Council, is registered under the Data Protection Act 1998. This allows members to check that the details held on record are accurate.

National Fraud Initiative

This authority is under a duty to protect the public funds it administers, and to this end may use information for the prevention and detection of fraud. It may also share this information with other bodies administering public funds solely for these purposes.

General

Whilst this Policy Statement outlines the communication approaches adopted by the Dyfed Pension Fund, there are roles and responsibilities which fall on Scheme members, prospective Scheme members and participating Scheme employers in ensuring that information necessary to maintain an accurate membership base is provided in a timely manner.

Policy Review

This statement will be revised if there is any material change in the Dyfed Pension Fund's communications policy, but will be reviewed no less frequently than on an annual basis.

GLOSSARY

Active Management - A mark through either Asset Allocation, Market Timing or Stock Selection (or a combination of these). Directly contrasted with Passive Management.

Actuary - An independent consultant who advises on the viability of the Fund. Every three years the actuary reviews the assets and liabilities of the Fund and reports to the County Council as administering authority on the financial position and the recommended employers contribution rates. This is known as the actuarial valuation.

Asset Class - A specific area/type of Investment e.g. UK Equities, overseas Equities, Fixed Income, Cash.

Benchmark Return - The benchmark return is the return that would be achieved if the Fund Manager had not deviated from the weightings of each asset class given to them by the Investment Panel, and had achieved returns in each of these asset classes consistent with the average return of all Local Authority Funds for that class. The Benchmark weightings of asset classes is outlined within the Statement of Investment Principles.

Corporate Governance - Issues relating to the way in which a company ensures that it is attaching maximum importance to the interests of its shareholders and how shareholders can influence management.

Equities - Ordinary shares in UK and overseas companies traded on a recognised stock exchange. Shareholders have an interest in the profits of the company and are normally entitled to vote at shareholders' meetings.

Fixed Interest Securities - Investments in mainly government stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a stated future date but which can be traded on the Stock Exchange in the meantime.

Fund Manager - A person or company to whom the Investment of the whole or part of the assets of a fund is delegated by the Trustees.

Investment - An asset acquired for the purpose of producing income and Capital Gain for its owner.

Independent Investment Adviser - A professionally qualified individual or company whose main livelihood is derived from providing objective, impartial Investment advice to companies, pension funds or individuals, for a stated fee.

Market Indicators - (i) The movement in Stock market are monitored continuously by means of an Index made up of the current prices of a representative sample of stock.
(ii) Change in the rates at which currencies can be exchanged.

Market Value - The price at which an investment can be sold at a given date.

Out performance/Under performance - The difference in Returns gained by a particular fund against an 'Average' Fund or an Index over a specified time period ie a Target for a fund may be out performance of a Benchmark over a 3-year period.

Passive Management - (also called Indexation/Index Tracking) A style of Investment Management which aims to construct a Portfolio in such a way as to provide the same Return as that of a chosen Index i.e. Stocks are purchased to be as representative as possible of the make-up of the Index. Contrasts with Active Management.

Performance - A measure, usually expressed in percentage terms, of how well a fund has done over a particular time period - either in absolute terms or as measured against the 'Average' Fund or a particular Benchmark.

Performance Measurement - A service designed to help investors evaluate the performance of their investments. This usually involves the comparison of a fund's performance with a selected Benchmark and/or with a Universe of similar funds. The main Performance Measurement Companies are The WM Company, which the Dyfed Pension Fund uses, and CAPS.

Portfolio - A collective term for all the investments held in a fund, market or sector.

Preserved Benefits - The pension benefits payable from normal retirement age to a member of the Fund who has ceased to contribute as a result of leaving employment or opting out of the Pension scheme before normal retirement age.

Return - The total gain from holding an investment over a given period, including income and increase (decrease) in market value.

Risk - Generally taken to mean the Variability of Returns. Investments with greater risk must usually promise higher returns than more 'stable' investments before investors will buy them

Transfer Value - Payments made between funds when contributors leave service with one employer and decide to take the value of their contributions to their new fund.

Unrealised Increase/(Decrease) In Market Value - The increase/(decrease) in market value, since the purchase date, of those investments held at the year end.

JOINTWORKING RELATIONSHIPS COMMUNICATION COLLABORATION PARTNERSHIPS CO-OPERATION SHARED GOALS FRAMEWORKS OPPORTUNITIES

CONTACTING THE FUND

Pension Investments

Anthony Parnell
Treasury & Pension Investments Manager
01267 224180
AParnell@carmarthenshire.gov.uk

Paul James
Pension Investments Officer
01267 224136
SPJames@carmarthenshire.gov.uk

Tracey Williams
Assistant Accountant
01267 224129
TLWilliams@carmarthenshire.gov.uk

Tina Leigh
Accounting Technician
01267 224106
TLeigh@carmarthenshire.gov.uk

Pensions Administration

Kevin Gerard
Pensions Manager
01267 224157
KGerard@carmarthenshire.gov.uk

Martin Morgan
Deputy Pensions Manager
01267 224452
MMorgan@carmarthenshire.gov.uk

Mathew James
Communications & Training Officer
01267 224043
MaJames@carmarthenshire.gov.uk

or alternatively
pensions@carmarthenshire.gov.uk

Membership & Benefits Queries

Surname A-G 01267 224454
Surname H-O 01267 224125
Surname P-Z 01267 224185