

DYFED PENSION FUND

www.dyfedpensionfund.org.uk

Annual Report & Accounts 2015 - 2016





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CHAIRMAN'S FOREWORD

In my time as chairman of the Dyfed Pension Fund panel over the last 17 years, I have witnessed:

- the fund value grow from £758m to £1.9bn
- the membership increase from 23,572 to 44,931
- the scheme change from final salary to Career Average Revalued Earnings (CARE)
- the number of investment managers diversify from one to five

In addition, from this year, the investments landscape of the LGPS will be changing. DCLG and Treasury have approved eight investment pools one of which will be a Wales pool. All eight Wales funds will commence the pooling of their investments by 1 April 2018 to achieve efficiencies in funding and investments. Individual administering authorities will still continue to be responsible for setting their fund's investment strategy and asset allocation and all issues relating to the setting of employer contribution rates and the overall administration of the fund's benefits. The eight Pension Fund chairs will be sitting on a new Joint Governance Committee which will be ably supported by an Officer Working Group.

Effective communication and decision making between officers and members of all eight funds will be paramount to the success of the new pooling structure. From my experience that will not be an issue as we have been used to working together successfully for many years.

One aspect, however, that hasn't changed during my tenure to date has been the volatility of the financial markets! The average local authority pension fund return was barely positive in 2015-16. All equity markets, with the exception of North America, produced negative returns over the year and with the average fund investing circa 60% in equities it is little wonder that fund values decreased, or at best had a marginal increase, over the last 12 months. Our fund returned zero percent and the fund value fell by £13m or 0.7%. Over the long term horizon though we continue to deliver strong returns, 7.6% over 20 years and 8.7% over 30 years.

The triennial valuation exercise is upon us once again! By the time you read this report our actuary, Mercer, will have analysed our end of year data supplied by the administration and investment teams. Early indications are that the solvency level will be at a similar level to the 89% in 2013. Panel members, officers and the actuary will again work diligently to ensure that any increase in employer contribution rates are kept to a minimum.

I had pleasure in attending the inaugural pension board meeting in July 2015. Having met the board members and the independent chair, Mr John Jones, I am confident and satisfied that they will assist in the effective governance of our fund. The Board's first annual report can be found in section 5.

A recurring theme in my foreword is our fund's success in capturing awards and this year is no exception. We were successful in winning the 2015 Quality of Service award at the LGC Awards Ceremony in London, in recognition of the exceptional customer service and delivery of financial services that the fund provides to members, employers and other stakeholders.

May I therefore, on behalf of all our stakeholders, sincerely congratulate all the fund officers and my fellow panel members on ensuring that a high quality service continues to be delivered under ever changing circumstances.



Councillor Wyn Evans
Chairman of the Pension Panel



INTRODUCTION

This year’s annual report theme is Communication and it has never been more apt than the year just gone.

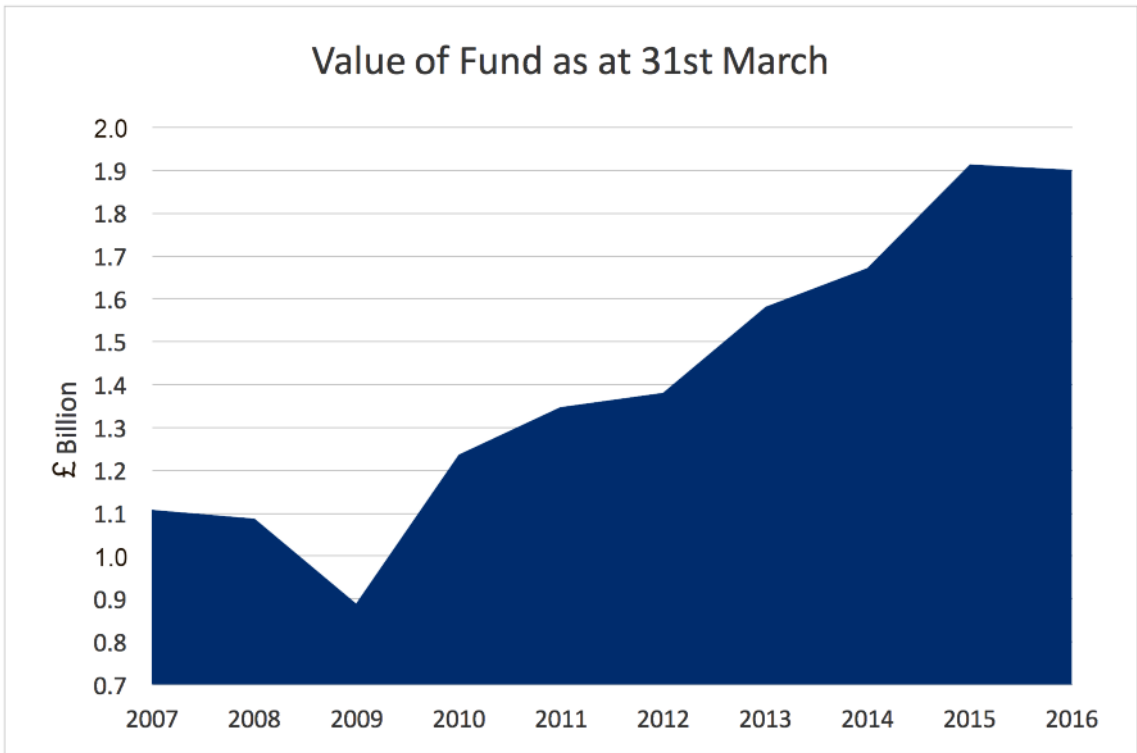
The Society of Welsh Treasurers (SWT) Pensions Sub Group meet bi-monthly but during 2015-16 I have met up with my 7 colleagues on many more occasions. Along with our investment practitioners we have come together with our appointed consultants, Hymans, to consider and decide on the direction of the Wales investment pool and its governance structure. It has been a steep learning curve for all of us but the commitment from all eight funds has ensured that the Wales pool has been approved and we are continuing full steam ahead to set up the pool by the end of 2017, ahead of the government timetable of 1 April 2018.

I’d also like to congratulate the investment practitioners mentioned above who were delegated the unenviable task of appointing a joint passive investments manager for Wales. They completed the exercise in record time and appointed BlackRock in March 2016. The circa £2m savings on passive investment assets of £2.3bn has been commended by national pensions commentators as an excellent result with the fees quoted as being “unprecedented” in private and public pensions.

A Cross Pool Collaboration Group has been set up to share information, provide progress reports on each pool and to receive and issue updates from/to DCLG and Treasury. Our colleague Anthony Parnell attends the group meetings as a spokesperson and link for the Wales pool.

As our chairman mentioned in his foreword, the financial markets have had a volatile year. The detail can be found in our investment managers’ reports in Section 2. The impact on our fund in 2015-16 has been a return of zero percent and a fall in market value. Obviously this is only 1 year’s impact and since the end of March 2016 and the Brexit vote our fund has passed the £2bn mark and is at its highest ever level!

The graph below gives an indication of the movement in the fund value over the last 10 years:





On a similar note, I'd like to assure you that the recent decision taken to leave the European Union will not affect your pension payments. Furthermore, as long term investors, we do not anticipate any major ramifications for the Fund.

The triennial valuation is upon us once again... it only feels like yesterday that we completed the last one!

Regular three yearly actuarial valuations are required by The Pensions Regulator. The valuation involves the fund working closely with the scheme actuary, in our case Mercer, to produce figures that show the value of the liabilities and the value of the assets. Any divergence between the liabilities and assets will have a consequential impact on the deficit/surplus and employer contribution rates.

The final results will be due out in the Autumn but we do expect the funding level to be at a similar level to three years ago so any increase in employer contribution rates will be kept to a minimum.

Our dedicated pensions administration team have been busy again this year undertaking further employer and scheme member presentations on 'My Pension On-line'. The internet based application enables members to securely access and update their 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.

It is not just myself and the investment team that engage with colleague LGPS funds, the administration team examine available partnership opportunities and share best practice on specific newsletters outlining changes to Scheme rules and further development of the Annual Benefit Statements.

The team is also continuing to reconcile the Guaranteed Minimum Pension values it holds for members with those calculated by Her Majesty's Revenue and Customs and is on target to meet the completion date of December 2018.

I would therefore like to take this opportunity to thank my pension teams and the Head of Financial Services, Mr Owen Bowen, who was appointed during the year, for their sterling work on all pension matters ensuring that your pension is secure and your expectations are met.



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 2015-2016 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 Chris Moore, FCCA	- Director of Corporate Services
Mr Owen Bowen, FCCA	- Head of Financial 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.



The Pension Panel



Meeting attendance and training events 2015-16	Cllr Wyn Evans	Cllr Terry Davies	Cllr Siân Thomas
Voting rights	✓	✓	✓
2015-16 Meeting attendance:			
Panel meetings 17/18 June 2015 (BlackRock and Schroders)	✓	✓	✓
ACM 21 October 2015	✓	✓	✓
Panel meetings 21/22 October 2015 (BlackRock, Schroders, Partners Group, Baillie Gifford and Columbia Threadneedle)	✓	✓	✓
Panel meetings 25 November 2015 (BlackRock)	✓	✓	✓
Panel meetings 22/23 March 2016 (BlackRock, Schroders, Partners Group, Baillie Gifford and Columbia Threadneedle)	✓	✓	✓
2015-16 Training events:			
LA Conference (NAPF) May 2015			✓
ESG issues (LAPFF) June 2015	✓		
Investment Summit (LGC) September 2015		✓	
ESG issues (LAPFF) October 2015	✓		
Annual Conference (LAPFF) December 2015	✓		
ESG issues & AGM (LAPFF) January 2016	✓		
Actuarial training (Actuary) February 2016	✓	✓	

Independent Investment Adviser

- Mr Eric Lambert

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.





Financial Performance

Income and Expenditure

The table below shows 2015-16 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 2014-15 £'000	Budget 2015-16 £'000	Actual 2015-16 £'000	Variance 2015-16 £'000
Income				
Employee Contributions	17,806	17,778	17,661	(117)
Employer Contributions	51,077	47,188	51,093	3,905
Transfers In	1,317	1,500	1,986	486
Investment Income	26,383	24,608	28,061	3,453
Other Income	73	100	25	(75)
Total Income	96,656	91,174	98,826	7,652
Expenditure				
Benefits Payable	(72,505)	(72,750)	(74,590)	(1,840)
Transfers Out	(2,421)	(2,650)	(4,027)	(1,377)
Management Expenses	(1,312)	(1,359)	(1,339)	20
Investment Management Expenses	(3,544)	(3,854)	(3,966)	(112)
Total Expenditure	(79,782)	(80,613)	(83,922)	(3,309)
Changes in the Market Value of Investments	225,839	-	(28,116)	-
Net Increase/(Decrease) in the fund value	242,713	-	(13,212)	-

More detailed information can be found in the Statement of Accounts (Section 6)

Income

Total Actual Income was £7.7m more than budgeted, mainly due to recharged augmentation costs to the employers and increases in dividend rates from the assumptions used when setting the budget.

Expenditure

Total Actual Expenditure was £3.3m more than budgeted, mainly due to higher augmentation costs and transfers out.

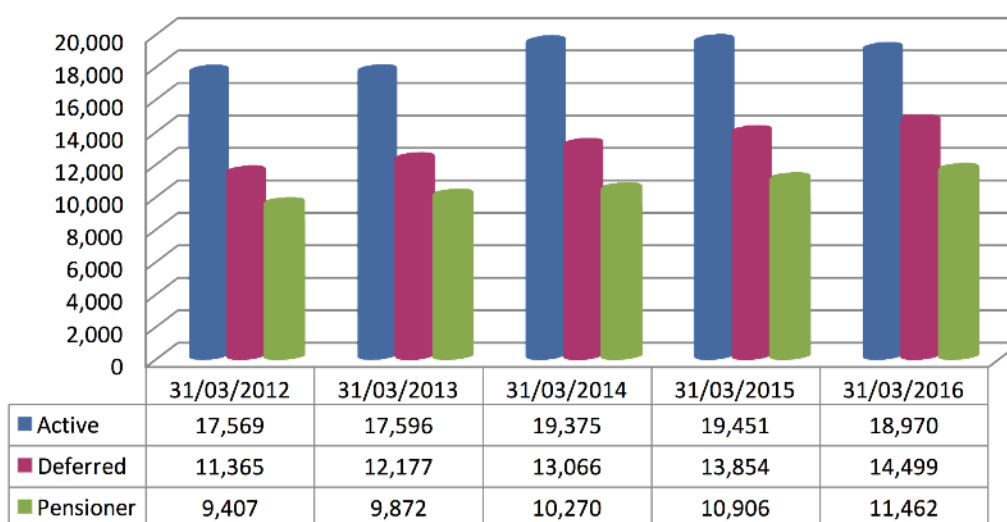


Administrative Management Performance

Membership Statistics

A schedule of employers (as at 31 March 2016) who either participate or have a relationship with the Dyfed Pension Fund is attached to the Statement of Accounts (Section 6).

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



Member Movement Statistics

The adjacent table illustrates the number of individual member status movements performed by the administration team over the last 5 years.

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

Year	Status Entry	Status Exit	Total
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
2015-16	5,078	2,540	7,618

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

2015 - 2016	Total Completed	Benchmark	Performance
New Starters	1,190	95.00%	99.92%
Transfers into the Fund	96	95.00%	96.96%
Retirement Quotes	550	95.00%	95.12%
Payment of Retirement Benefits	920	95.00%	95.75%

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 for Dyfed Powys Police, Mid & West Wales Fire and Rescue Service, North Wales Fire and Rescue Service respectively.



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 its 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

There was no change to the Investment Managers during the year.



Asset Allocation

The asset allocation as at 31 March 2016 is shown below:

Mandate	Approach	Manager	Benchmark %	Actual %
UK Equities				
UK	Passive	BlackRock	25.00	23.80
Overseas Equities				
US	Active	BlackRock	9.40	10.70
Canadian	Passive	BlackRock	0.60	0.40
Japanese	Active	BlackRock	3.50	3.70
Pacific Rim	Passive	BlackRock	3.25	2.90
Emerging Markets	Passive	BlackRock	8.25	7.60
Global	Active	Baillie Gifford / Columbia Threadneedle	19.00	20.90
Fixed Interest				
Index Linked Bonds	Passive	BlackRock	10.00	9.40
Corporate Bonds	Active	BlackRock	10.00	9.40
Property				
Pan European	Active	Schroders	8.00	9.30
Pan European	Active	Partners Group	2.00	1.80
Other				
Cash	Active	BlackRock	1.00	0.10
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 dropped by 0.7% from 2014-15 to 2015-16. All asset classes have fallen except for the Pooled Property Investments.

	Value as at 31/03/15 £'000	Value as at 31/03/16 £'000
Equities - UK Quoted	463,834	450,678
Index Linked	185,896	177,109
Fixed Interest (Corporate Bonds)	185,611	178,145
Pooled Funds - Global Equities & Overseas Equities	878,459	874,407
Property	11,449	7,381
Pooled Property Investments	177,139	202,363
Cash	2,774	1,715
Accrued Income	3,294	3,582
Total	1,908,456	1,895,380

Investment Performance

10 Year Returns

Periods to 31/03/16	Fund (%)	LA Universe (%)	Difference (%)
1 year	0.0	0.2	- 0.2
3 year	6.9	6.4	+ 0.5
5 year	7.7	7.1	+ 0.6
10 year	6.1	5.6	+ 0.5

Performance is measured on both a quarterly and an annual basis. For the year to 31 March 2016 the Fund had a return of 0% (compared with a return of 0.2% for the performance of the average local authority fund) and was ranked at the 42nd percentile. The rolling three year return for the Fund is 6.9% (compared with the average local authority fund return of 6.4%) and ranked at the 32nd percentile. The rolling 5 and 10 year return for the fund are ranked at 32nd and 20th respectively. The benchmark is measured and compiled independently by WM Performance Services.



Top ten equity holdings by market value 31 March 2016



£19.2m



£17.3m



£16.1m



£15.5m



£14.6m



£14.5m



£13.4m



£11.2m



£10.8m



£9.9m

Individual Managers' Performance

The following tables show the performance of each manager for the year ending 31 March 2016.

BlackRock

The active US Equities and the UK Corporate Bonds have underperformed while the Japanese Equities have outperformed their respective indices during the year.

	Fund Return (%)	Index (%)	L A Universe (%)	Ranking (%)
US Equities	1.0	4.0	3.0	88
Japanese Equities	-2.5	-3.5	-3.7	38
UK Corporate Bonds	0.3	0.5	0.4	42



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 14.4%. 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 2016. 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		Partners Group Red Dragon L.P.	
Committed	£51.8m	Commitments	£67.0m
Commitment level	77.29%	Capital contributions	£42.6m
Commitment level - directs	15.14%	Capital contributions (in % of commitments)	63.58%
Commitment level - secondaries	26.23%	Unfunded commitments	£24.4m
Commitment level - primaries	35.92%	Distributions	£18.8m
Invested	£41.3m	Net asset value	£33.3m
Investment level	79.73%		

Schroders

(Pan European Property)

Performance was below the benchmark over the one year period (-0.6%) and the three year period (-0.3%p.a) but is on par with the benchmark over five years at 8.8%p.a. Holdings in continental Europe have been the main detractors of performance over the long term. The UK portfolio has outperformed the benchmark over all time periods.



**The property portfolio was in the 61st percentile in the LA Universe
(48th out of 78 LGPS funds that invest in property)**



Columbia Threadneedle

The aim of the Global Equity Income Fund in which Dyfed Pension Fund is invested is to outperform the MSCI AC World Index by 2.0 – 3.0% per annum gross fees over a rolling 5 year period. The Fund seeks to outperform by focusing on 'Quality Income' stocks, seeking out companies with a minimum dividend yield of 3%, a strong balance sheet and the ability to grow earnings and dividends by more than 5% per year.

Value as at 31/03/16	
Units Held	167,310,428
Unit Price (£)	1.16
Valuation (£)	194,866,456

Performance to 31/03/16	Fund (%)	Benchmark (%)
1 year	3.90	-0.65
3 year*	6.91	8.06
5 year*	9.24	8.13

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 aim of the Global Equity Income Fund in which Dyfed Pension Fund is invested is to outperform the MSCI AC World Index by 2.0 – 3.0% per annum gross fees over a rolling 5 year period.

Value as at 31/03/16	
Units Held	82,181,588
Unit Price (£)	2.43
Valuation (£)	199,873,839

Performance to 31/03/16	Fund (%)	Benchmark (%)
1 year	-0.84	-0.65
3 year*	9.62	8.06
5 year*	9.66	8.13

*Annualised returns for 3 and 5 year figures.

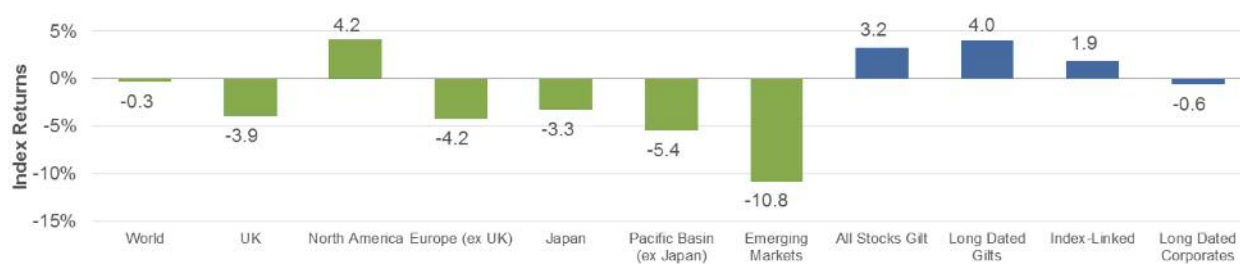


BLACKROCK

Fixed Income and Equity markets experienced rising volatility over the year as 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. Uncertainty from the risk of Grexit spilling over into the US and abroad effecting equity returns,
3. Instability in foreign exchange and fixed income markets amidst discussions within the Federal Reserve over boosting interest rates and within the European Central Bank over increasing its quantitative easing programme,
4. Investor concerns over slowing growth in China and the wider divergence between developed markets and emerging markets,
5. Continued instability in the energy sector.

Market returns 1 April 2015 to 31 March 2016



Source: BlackRock. All returns in sterling

BlackRock Performance

Over the year Dyfed Pension Fund's Main Portfolio returned -1.9% for the period compared to a composite index return of -1.8%, thereby underperforming the index by 0.1%.¹

The passively managed funds tracked the indices they are managed against. For the active funds, Japanese Equities outperformed the benchmark by +1.0% and US Equities underperformed by -3.0%. Corporate Bonds fell just behind the benchmark by -0.2%.

Further detail on the market and economic background and the performance of BlackRock's active strategies follow.

¹ Performance figures are gross of fees.



Market & economic background

April – June 2015

The second quarter of 2015 concluded with an escalation of tension between Greece and its creditors which saw global equity and sovereign bond markets finish the period in negative territory.

In Europe, equity markets declined over the quarter as protracted negotiations between Greece and its creditors weighed on investor sentiment. In the US, equities ended the second quarter marginally positive as, despite recent economic improvements, concerns in peripheral Europe saw investors take a more cautious stance with regards to global risk assets.

In the UK, equities delivered negative returns over the quarter, albeit to a lesser extent than their continental European counterparts. May's surprise Conservative general election victory eliminated political uncertainty and provided a short-term tailwind for UK equities but rising political tension in Europe forced equities into negative territory at quarter end.

Japanese equities increased over the quarter on the back of stronger economic growth and the Bank of Japan (BOJ) re-affirmed its commitment to monetary easing. In emerging markets, Chinese equities were the standout performers. Weakness in economic data strengthened expectations of future monetary and fiscal stimulus.

In fixed income, US treasury yields moved higher (prices fell) despite the more dovish stance from the Fed as deflationary concerns abated. In Europe, European Central Bank (ECB) President, Mario Draghi, implied there would be no problems in sourcing government bonds for the ECB's Quantitative Easing programme and the ECB announced it would bring forward bond purchases over the summer months.

July – September 2015

Global markets experienced a significant increase in volatility during the third quarter of 2015. Slowing Chinese growth caused investors to contemplate the wider implications for emerging market growth and the potential spillover to developed markets. Political progress in Europe provided short-term support for risk assets but company specific issues at Volkswagen and Glencore dented confidence.

17 Emerging market equities fell over the quarter. July saw a sharp decline in Chinese equities even despite efforts from the Chinese regulator and state-directed equity purchases.

In continental Europe, July marked a month of progress between Greece and the Euro group as the country fought to retain its eurozone membership. Bailout negotiations progressed following a political reshuffle which helped European equities increase to month end but equities continued to decline in September as VW's diesel emissions scandal undermined the automotive sector. In the UK, equity markets responded positively in July to the progress between Greece and the Euro group.

In the US, a lack of clarity over when the Fed would raise interest rates added to market uncertainty. Japanese equities rallied in July despite downgrades to growth and inflation as the BOJ kept its monetary policy stance unchanged and the trade deficit narrowed.

In fixed income, developed market sovereign bond yields declined (prices rose) as investors sought out more traditional safe haven asset classes in a period of heightened market uncertainty. In the US, fixed income yields fell as the Fed delayed its decision on raising interest rates and headline inflation remained muted. Yields in the UK also moved lower as inflation fell back to 0% for August. Meanwhile, yields in continental Europe similarly moved lower on global growth concerns and comments from the ECB suggesting that, if necessary, it could increase its quantitative easing programme.



October – December 2015

Global equities posted positive gains in the final quarter of 2015, although they were not sufficient to reverse losses from the third quarter. The U.S. was once again one of the best performing major regions for the period, underperforming only Japan, as the Fed finally raised rates by 25 basis points.

Despite the tragic terrorist attacks in Paris, European equities finished the quarter and the year with modest gains in local currency terms. Investors remained hopeful that the tepid economic recovery had more room to go.

UK equities rose over the fourth quarter, driven primarily by large cap defensive stocks.

Following a shortlived respite to begin the fourth quarter, the divergence between developed markets and emerging markets continued. A stronger US dollar, ongoing commodity pressures, and the continued economic slowdown in China weighed on emerging market equities over the period and the entire year.

In bond markets the year ended as it began, with central bankers driving investor sentiment. The Federal Reserve's December rate increase was accompanied by dovish language which helped reassure investors, with Fed chair Janet Yellen stressing that monetary policy remained accommodative despite the rate rise.

January – March 2016

Markets were dominated early in the first quarter of 2016 by concerns about China, volatile oil price movements and greater divergence in central bank monetary policy. This resulted in a sell-off in equities and negative excess returns from credit as investors sought out more traditional 'safe-haven' assets such as developed market government bonds and precious metals.

US treasury yields moved lower, given the tone of risk aversion, while equities managed to marginally increase in value over the quarter as investors took comfort from the rise in core inflation and strength of the US labour market.

In the UK, equities declined over the quarter whilst gilt yields fell (prices rose). The UK's referendum on European Union membership ("Brexit") was announced for 23 June and uncertainty from this appeared to weigh on the currency and more domestically-focused UK equities.

Japanese equities saw negative returns over the quarter. The BOJ surprised markets in January by cutting interest rates into negative territory which in turn saw investors contemplate greater headwinds for the financial sector.

While European government bond yields moved lower (prices rose), European equities declined in value, partly in response to the broad sell-off in risk assets and also given the prospect of further negative interest rate policy by the ECB. However, the ECB ultimately provided some additional support in March by expanding its easing bias and on the back of this decision risk assets, both equities and credit spreads, recovered somewhat into the quarter end.

In emerging markets, Chinese growth proved to be a dominant concern in markets from the start of the year. Chinese equity markets declined sharply in January given continued weakness in the manufacturing sector and equity selling pressure from large shareholders. However, by February, the PBOC helped calm fears by suggesting there was no further justification for short-term weakness in the yuan.



Communication

Clear and transparent communication is a critical component of a successful investment strategy. At BlackRock we provide the Dyfed Pension Fund with regular monthly and quarterly reporting on-line and in hard copy. This is supplemented with regular meetings with the investment panel and participation in the ACM.

Public communication by companies through their quarterly earnings conference calls are one source of information used in our investment processes and we scan and evaluate thousands of company reports and call transcripts each quarter in this respect for the active Dyfed Pension Fund portfolios we manage.

We also engage with the companies that we invest with on behalf of the Fund to promote good governance and executive decision making. An example in 2016 included a letter to 500 chief executives from our chairman Larry Fink supporting long term investing. This letter proposed less focus on quarterly guidance from company CEOs and more focus on a strategic framework for long-term value creation which could extend for multiple years.

Contact over the year

Over the review period, BlackRock reported formally to the Pension Panel four times, attended the ACM, provided training to the Pensions Board, and hosted a CIPFA conference in Cardiff.

In March 2016, BlackRock was honoured to be selected to provide index investment services for all eight Welsh pension funds in a joint procurement exercise.



Christopher Head

Client Director

Head of UK Local Authorities

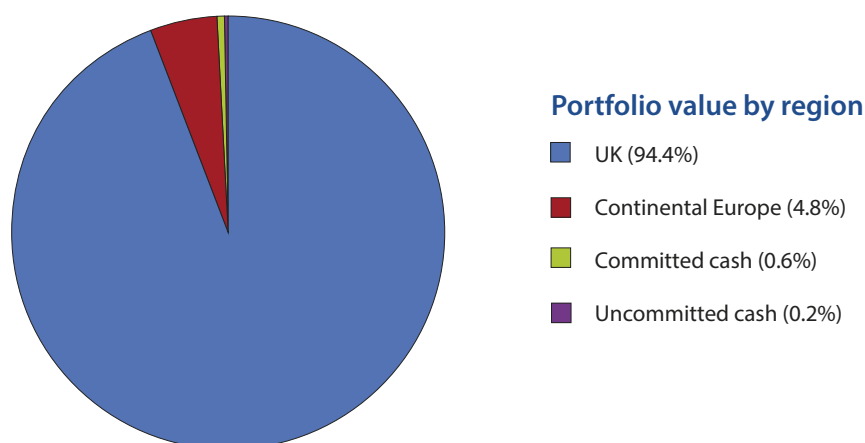


Background

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

Progress

As at 31st of March 2016 the value of the property portfolio stood at circa £182 million, approximately £62 million above the amount committed, with 94.4% by value invested in the UK, 4.8% invested in continental Europe and 0.8% held in cash. Of the circa £1.4 million of cash on account at 31st March 2016, circa £1 million is committed to new investments. Uncommitted cash on account totals circa 0.2% of portfolio value.

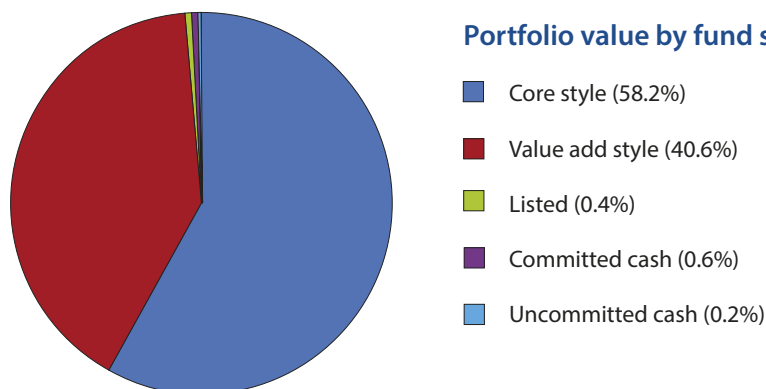


When fully drawn we expect the UK element of the portfolio to comprise over 95% of portfolio value.

Exposure to continental Europe has reduced from circa 7% of portfolio value as at 31st March 2015. This is due in part to capital distributions received from the European holdings, but also due to the relatively strong performance of the UK assets.

The lookthrough sector structure of the UK portfolio broadly follows our preferred weightings, i.e. underweight to retail and central London offices compared to the benchmark and overweight to industrials and non-mainstream sectors. The most significant divergence from House View is in regional offices where we are seeking to increase the portfolio weighting. The major change in House View over the last twelve months has been a switch from a target overweight to underweight in central London offices.

By fund style, approximately 58.2% of the portfolio by value is invested in UK or continental European core style strategies. Core funds are typically lowly geared and open-ended in structure. 40.6% by portfolio value is invested in value add funds, these are typically sector focused funds, may have a moderate exposure to leverage and are generally closed-ended. 0.4% by value of the portfolio is invested in the listed sector.



The continental European portfolio (4.8% of portfolio value) provides access to six individual investments (including the listed investment), 13 underlying countries and a variety of property sectors. Within continental Europe the underlying property exposure is generally skewed towards northern and western countries, with 32.1% in Denmark being the largest single country exposure. By value 46.3% of the portfolio is invested in the retail sector with the remainder mainly invested in the industrial sector (39.4%).

Performance

Performance has matched the benchmark over the five year monitoring period, although performance has been below benchmark over one and three years. Continental European exposure, cash drag and transaction costs have been the main detractors of performance over the medium term. Over five years performance has been underpinned by the performance of UK investments in industrials, central London and regional offices. UK holdings have outperformed benchmark over one, three and five years.

UK property outlook

Investors have become more cautious over the last six months. The total value of investment transactions was 16% lower in the second half of 2015 than in the corresponding half of 2014 and the evidence shows the market has cooled further in the opening months of 2016. Accordingly, the IPD all property initial yield stabilised at 5.0% last October and secondary units in many unlisted funds have switched from trading at a premium to a discount.

In some ways this cooling in investor appetite looks incongruous. Concerns that higher interest rates might have a knock-on effect on real estate yields have faded in the short-term as the Bank of England has stepped back from tightening monetary policy and the gap between the all property initial yield and 10 year gilt yields has widened to around 3.5%. Furthermore, there are no immediate signs that rental growth is weakening and rental values rose on average by 4% over the 12 months to February 2016.

Instead the drop in liquidity appears to reflect three factors. First, the increase in Stamp Duty in the Budget from 4% to 5% on the portion of transactions over £250,000 is likely to have had a small negative impact. Second, real estate yields have fallen sharply since mid-2013 and in some parts of the market they are now back to their level in mid-2007. While gilt yields have fallen much further over the last nine years, mid-2007 yields are an important psychological milestone for many real estate investors. Third, the uncertainty created by the EU referendum on 23 June is undoubtedly weighing on the market, with some investors unwilling to make purchases until after the vote.

By contrast, occupier demand has held steady over the last six months. Although the approach of the EU referendum has led to fewer large office lettings in central London, demand for small and medium sized office and industrial units has remained fairly healthy. The weak spot is the retail sector. While discount stores and restaurants are expanding, this growth has largely been offset by the closure or shrinkage of clothing and electrical stores and hypermarkets which have lost market share to the internet. The proposed takeover of Argos by Sainsbury could lead to the closure of between 150-200 stores.



Looking ahead, Schroders is forecasting total returns of around 5% p.a. over the five years to end-2020, equal to the income return. We expect industrial to be the strongest sector (7% p.a.) and retail the weakest over this period (4% p.a.). Our main assumptions are that the UK economy continues to grow and that the UK stays in the EU. If the UK votes to leave the EU and there is an exodus of foreign capital, total returns could be significantly lower, particularly in London which accounts for approximately 75% of overseas investment in UK commercial real estate.

Continental European property outlook

The eurozone economy has recently been a model of consistency, achieving steady growth of 0.3-0.4% per quarter. While the slowdown in China and recession in Russia have held back exports and business investment, consumer spending and housebuilding have been boosted by low interest rates, falling energy prices and rising employment. In addition, the fall in bond yields and interest costs due to the ECB's QE programme has given many governments the leeway to cut taxes and increase spending.

The last 18 months have seen a sharp fall in office vacancy and in several cities it is now at its lowest than for more than a decade. By the end of 2015 the office vacancy rate was below 7% in Berlin, Hamburg, Luxembourg, Munich, Paris CBD, Stuttgart and Vienna (source: PMA). Although this improvement is primarily due to stronger occupier demand, the other key ingredient has been the sustained low level of new building since 2009, as banks have reined in development finance. Consequently, there is now an acute shortage of high quality modern office space in certain cities.

Despite the upturn in consumer spending we remain cautious about the retail sector, given that most of the growth is online. While there is good demand for space in big city centres and large, dominant shopping centres, vacancy in many town centres and secondary shopping centres is rising, as store closures exceed openings, particularly of independent retailers. Around 10% of shops in Belgium, Italy, the Netherlands and Spain are empty and the vacancy rate in France has risen to 7%, from 5% in 2010 (source: Codata).

In total there were €195 billion of real estate investment transactions in continental Europe in 2015, up 22% on 2014 (source: Real Capital Analytics). Although Middle Eastern investors and US opportunity funds were less active in the second half of 2015, the gap was more than filled by Asian investors and European institutions. As a result of this strong liquidity, prime yields fell on average by a further 0.25% (source: PMA) in the final quarter of last year and in several cities they are now back to, or below their previous low in 2007-2008.

Although the last 18 months have some echoes of the short-lived boom of 2006-2008, the investment market is different in two important respects. First, in 2007 investors pushed real estate yields down to the level of 10 year government bond yields, or below in some cases. By contrast, partly because of the ECB's QE programme, real estate yields are still 3-4% above 10 year government bond yields and while we expect the gap to narrow over the next 12 months, assuming real estate yields fall by a further 0.25-0.5%, the gap is likely to remain well above its long term average of 2%. The second key difference, which to some extent also explains the first, is that the current investment market is much less dependent on debt. CBRE estimate that the average transaction in continental Europe in 2007 had an LTV ratio of 73%. The corresponding figure for 2015 was approximately 47%.

We forecast that total returns on average investment grade European real estate will average 7-9% per year between end-2015 and end-2019. The main upside risk is that strong investor demand triggers a sharper fall in yields and higher total returns in 2016 than we anticipate, although that would probably be at the expense of weaker returns in 2018-2019. The main downside risk is that an external shock forces the ECB to abandon QE and raise interest rates, which in turn would reduce economic growth and depress occupier and investor demand for real estate.



Strategy

Investment yields in the UK appear to have stabilised and even once there is more political certainty following the European referendum we still expect yields to remain fairly static. Looking forwards we anticipate real estate returns in the UK to be underpinned by income and rental value growth.

Following the high level of investment transactions over the past year there is relatively little cash available for investment. Undrawn commitments, totalling circa £1.0 million, are solely for the Regional Office PUT, targeting one of our favoured markets and an underweight position relative to our sector House View.

Cash on account stood at circa £1.4 million at the end of March 2016 and net uncommitted cash totalled circa £400,000, representing 0.2% of portfolio value.

Exposure to continental Europe, the main drag on performance over the long term, now represents 4.8% of portfolio value.

Secondary market pricing has softened appreciably since the beginning of the year. Many of our favoured funds are available via the secondary market at prices close to, or in some cases below, valuation.

We will explore opportunities to reposition the portfolio where pricing is not detrimental to returns.

Communication

The theme of the 2015 - 2016 Annual Report is communication. We believe that good communication between client and fund manager is essential to a harmonious relationship. The most frequent and significant is clear communication between manager and Pension Fund Panel members and advisers. Only via this line of communication can the level of trust develop that is so important in creating that long-term relationship. This includes the fund manager being able to clearly articulate the strategies in the portfolio and the risks involved to achieve outperformance in an actively managed portfolio. In return, good communication is essential to ensure the manager understands the Panel's expectations around risk and return. As well as communication with the Pension Fund Panel, there are two other important channels; the ACM meeting is an ideal opportunity for the manager to communicate directly with the Fund's various stakeholders as are training sessions that include the Pension Fund Board members as well as those from the Panel. While this communication between manager and Dyfed Pension Fund is the most important feature in this client relationship, how the team managing the client's portfolio communicate with each other and with those involved with their investments, in this case the portfolios underlying holdings, is a vital to maximising the potential of those investments.

Schroders has developed a strong relationship with the Dyfed Pension Fund over the years since appointment, largely due to the communication through regular meetings and communication.



Summary

Over the long term, performance is comparable with the benchmark, but returns are marginally below benchmark over one and three years as a consequence of weak contributions from continental European holdings, cash dilution and transaction costs. UK holdings have outperformed over one, three and five years.

Returns are expected to moderate over the next few years as performance becomes more dependent on income and rental value growth and less upon inwards yield movement.

Property fund pricing has weakened since the beginning of 2016. There will probably be less transactional activity compared to recent years as the cost of repositioning the portfolio is becoming relatively expensive.



Mr Graeme Rutter

Head of Schroder Real Estate Capital Partners



Partners Group

Passion for Private Markets

The general pace of global economic growth has not changed dramatically since our submission to last year's annual report. The US still appears relatively solid, while conditions in Europe are gradually improving. However, we stick to our long-held outlook of low levels of aggregate economic activity, which is why we focus on searching for transformative growth.

Modest macroeconomic prospects and high valuations challenge investors

Against a relatively unspectacular macroeconomic backdrop, capital markets have become increasingly volatile. For the past twelve months, we have been projecting that assetflation, triggered by vast amounts of central bank-induced liquidity, would lose steam. Volatile price fluctuations characterised the first few weeks of the year: stretched valuations in many market segments are a skewed reflection of fundamentals, making asset prices vulnerable to bouts of risk aversion such as that witnessed during the 5-20% correction in global equity markets over the course of recent quarters.

In this environment, top-down, structural drivers like demographics and wealth accumulation are not always sufficient as a basis for investment opportunities. In the advanced world in particular, our relative value investment approach looks beyond structural growth drivers to find the specific trends that are transforming our industries and consumer habits and that will enable us to capture and create value in our real estate investments.

Europe: improving consumption and continued government

The slow Eurozone recovery continues to unfold in light of improving domestic demand, assisted by lower commodity prices, a weaker Euro and easing financial conditions as the ECB's quantitative easing lowers sovereign and private financing rates. This constitutes a certain improvement of the situation compared to 12 months ago as the most pressing issues have now been dealt with (at least for the time being). However, further potential concerns are looming on the horizon, such as discussions of a potential Brexit and indications of an increase in protectionism/nationalism linked to the refugee crisis. Like the Greek debt crisis in 2015, the ongoing refugee crisis also serves to highlight some structural and institutional weaknesses at the heart of the Eurozone. Furthermore, longer-term inhibitors to substantial levels of structural growth remain in place: unemployment in many countries remains painfully high, fiscal debt levels are not falling and the aging population constitutes a long-term demographic headwind.

In private real estate, we focus on retail properties, predominantly in Northern Europe, which benefit from undersupplied retail markets, such as tier 2 shopping centres catering to value conscious consumers. A second transformational growth trend relates to progressing the integration of economic activity across Europe, especially when it comes to the e-commerce sector, which still has considerable catch-up potential compared to the US or UK. Retailers with established and well-respected brands can easily take advantage of this additional revenue stream by increasing their web presence. As a result, class A logistics and distribution centres are spreading across Europe to meet demand and these offer investment opportunities.

Creating value in an era of low structural growth

In summary, the current market environment is characterised by elevated valuations and an absence of meaningful structural growth in the advanced world. Against this backdrop, transformative growth becomes the main focus. We avoid competing in the large-cap or core segments at elevated prices that can only be justified by factoring in a substantial pick-up in growth. Instead, we continue to identify assets that are best positioned to benefit from sectoral and transformative growth trends. This increases value creation potential by allowing us to develop the asset bottom up, beyond its existing set-up and reach.



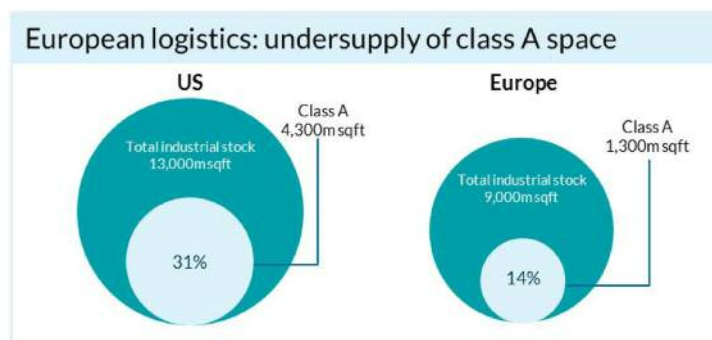
Seeing change as an opportunity

Prices remain peaky and demand for real estate continues to climb, pushing investors further up the risk spectrum. We see the greatest investment opportunity in markets where the demand for real estate has shifted to accommodate new patterns in residential, retail or industrial growth.

The quantity of private equity capital focused on real estate investment has reached levels not seen since peaks registered in 2007 and 2008. This has driven investment volumes in key tier 1 cities such as London to their highest levels since 2006, compressing yields in these markets at the strongest pace in five years. The quantity of global capital pursuing real estate investment is projected to continue to fuel all-time pricing highs in gateway cities throughout 2016. Many major metros are now considered to be “priced to perfection” and steady demand for real estate has stimulated a spill-over effect into secondary markets. Despite this, in 2015, the balance between leasing activity and underlying economic fundamentals moved in greater lock-step with capital markets. The narrowing of this gap has left many major commercial real estate markets on sounder footing than at any point since the Global Financial Crisis.

The spreads between cap rates and interest rates remain historically wide relative to long-term averages in most regions. These factors will likely continue to spur strong real estate investment activity as investors continue to seek yield. Low real estate yields, ample credit availability and low borrowing rates have motivated investors to pursue investments further up the risk curve, leading to significant increases in investment in speculative development and properties in secondary or even tertiary markets. However, development has occurred at a much more measured pace than in previous growth cycles. Development activity has largely been contained to markets that show the economic fundamentals to support it and areas that lack these fundamentals have been prudently avoided. Real estate market collapses have regularly been accompanied by the foreshadowing of massive overdevelopment and rising vacancy rates, but currently there is less evidence of these trends emerging as we move into the first half of 2016.

Our relative value assessment continues to strategically overweight real estate opportunities in European markets, where the logistics, hospitality and retail sectors are among those where we see investment potential in the current market environment. Logistics demand in Europe set new records for net absorption rates in 2015 and there continues to be a fundamental under-supply of space suitable for modern occupiers. This has provided compelling opportunities to develop major regional warehouses that can support a network of smaller local distribution centres, as well as acquire ‘last mile delivery centres’ or smaller distribution facilities in urban fringe locations, built for the rapid transfer of goods.



Meeting class A office demand by developing core

Changing tenant requirements, greater need for customised space and low levels of new construction have led to a decline in recent vintage class A office stock globally. In particular, key cities, such as London, San Francisco, Boston, Tokyo and Sydney are anticipated to face forthcoming class A office shortfalls relative to current net absorption run rates. Selectively, we have engaged in opportunities to develop core office properties in secondary locations within these tier 1 cities, where we believe job growth, a lack of supply and rising tenant demand provide exceptional opportunities to develop core office properties.



Partners Group's joint venture in a development site in London with planning permission for a 250'000 square foot class A office space is illustrative of our develop core strategy in practice. In April, Partners Group acquired the development site at 80 Fenchurch Street in the City of London, which offers the opportunity to deliver a class A office building on the historic fringe of London's City office cluster.



Total office absorption in the City reached an all-time high in 2014 at 16% over the level in 2013 and 78% over the total absorption level for 2012, highlighting the dramatic growth taking place in London's occupational markets. Despite the significant supply/demand imbalance, at the time of the investments only 1.7 million square feet of speculative development under construction was due for completion in the next three years, offering a compelling opportunity to develop core properties in the London market.

Among office and mixed-use properties, we have identified rental growth opportunities for real estate located within close proximity to major transport infrastructure projects. Our focus is on acquiring properties where potential rent growth has yet to be fully priced in, despite the visibility of these infrastructure projects and their commercial impact. In hospitality markets, occupancy rates have returned to pre-crisis levels, while revenue per available room still remains well below previous peaks. Our intention is to focus on assets with potential for cost improvement, operational issues that can be fixed, or where we can otherwise reposition assets to capitalise on the continued optimism in core European markets and generate alpha. Finally, Europe's Northern markets continue to exhibit real estate fundamentals and demographic trends that underpin a strategic focus on dense, mixed-use urban villages with undersupplied retail markets. Throughout Europe, our key retail targets consist of dominant tier 2 shopping centres catering to value conscious consumers, which fulfil not just local shopping needs, but also act as a hub for a district's social and cultural life.

Intensified focus on non-standard secondaries

A notable increase in demand for real estate secondary transactions has resulted in increased deal flow, but has also caused higher pricing expectations and a larger disconnect between secondary pricing and underlying real estate fundamentals. 2015 marks the beginning of a "wave" of maturing programs (2005-08 vintage) that will likely create new opportunities outside of traditional secondary portfolio sales. These new opportunities will involve extending the holding periods of these mid-2000s vintage programs in order to maximise the value of remaining portfolio properties. Term extensions are now often the rule rather than the exception and some investors are likely to become fatigued and motivated to sell out of these programs. These investors will increasingly offer new opportunities for secondary "spinout" scenarios or a formal tender offer.



Robert Lamb

Senior Vice President



Background

Major equity markets generally performed positively in the early part of the period before falling back amid mounting concerns in various parts of the world, thereby recording negative returns for the 12 months as a whole.

Initially investors were upbeat, encouraged by a broadly supportive environment of solid corporate profits. Signs of a general improvement in the global economic backdrop and continued low interest rates in many developed countries were also helpful. However, fears over a sharper than anticipated slowdown in Chinese growth and falling commodity prices contributed to the subsequent weakness.

Portfolio

Global Alpha's portfolio turnover levels remained low, implying an average holding period of roughly eight years for each stock.

We established a position in the Japanese insurer MS&AD, which has returned to profitable underwriting and aims to increase overseas earnings. Another purchase was Yandex, Russia's leading internet search business which should see earnings grow as advertising moves online and smartphone penetration levels rise in Russia. Also new to the portfolio were Autohome, one of China's largest car advertising and research websites, and a likely beneficiary of growth in vehicle ownership, and MTN, Africa's largest telecommunications and mobile payments network provider.

In addition, holdings were taken in Novo Nordisk, a Danish pharmaceutical company which is a market leader in treatment of diabetes, and Nvidia, a graphic chip designer which should benefit from the long-term growth of virtual reality. We also purchased Oerlikon, a Swiss industrial company which, having become more focused, is now much better placed to improve profitability and to reinvest for growth in its higher quality businesses.

During the first quarter of 2016, we sold both PayPal and Twitter, the latter on the grounds that it appears increasingly unlikely that it will be able to monetise its offering meaningfully.

Changes to the growth outlook led to sales of Arcos Dorados, the master franchisee for McDonalds across Latin America, FLIR Systems, a supplier of infrared vision and thermography systems for defence and industrial applications, M&T Bank and Nestlé.

Sales also included several energy companies. Among them were Tullow Oil, which has suffered because of the falling oil price and has curtailed exploration activity, and Dragon Oil which had been subject to a number of takeover offers. We had resisted the earlier bids but in August we, alongside a quorum of shareholders, accepted an increased offer of 800 pence per share. We also sold the holdings in Inpex a Japanese oil and gas exploration and production company for which prospects have become less attractive given its pricing methods which limit flexibility in the current energy price environment, and Ultra Petroleum, whose US oil and gas business was under pressure in part due to its highly indebted position.

We've also sold your holding in Ultra Petroleum, a US onshore oil and gas producer, as the company has failed to take the necessary steps to restructure its increasing debt burden.



Performance

The objective of the strategy is to outperform global equity indices by 2 – 3% per annum before fees over rolling five year periods. As a result of this long term approach returns in both absolute and relative terms are likely to be volatile over the shorter term. In the year to March 2016 the fund fell by 0.6% after fees which was in line with the index. Since appointment in April 2014 the fund has returned 8.3% net of fees which is slightly behind its benchmark which has returned 8.4%.

Although we don't hold many stocks in the energy industry, those that we did invest in for you suffered as the oil price fell sharply during the year. These included Ultra Petroleum (now sold) and Rolls Royce whose marine division is heavily exposed to the offshore industry. Prudential, which has been a very successful investment for you, lagged behind on concerns about regulation of its US business and on slowing growth in some of its Asian markets.

More successful was the significant holding in Amazon which continues to grow its cloud computing business Amazon Web Services as well as its core online service. Ryanair continues to be the leading low cost airline in Europe and has made several improvements to its offering including a more streamlined website and a more caring attitude towards its customers. Royal Caribbean Cruises also performed well as it began to compete in the Chinese cruise market. Holdings in Ryanair and Royal Caribbean were reduced during the year on the back of strong returns, although we continue to believe that they merit a place in your portfolio.

Governance

We believe that, as long term investors, it is vital to take environmental, social and governance risks into account when investing your money in companies. We engage with businesses to ensure that managements' interests are aligned with yours, and that they are aware of issues and able to manage the risks or take advantage of the opportunities that non-financial aspects of an investment may pose.

We have increased the resource of our Governance Team and are focusing on the following factors: Sustainable Production (product design and manufacture, supply chains), Governance for Growth (share classes and attitudes within companies), Climate Change (transition to a lower carbon economy) and Modern Living (covering cyber security, data privacy and tax.) We engage with your holdings on your behalf where relevant on these topics with recent examples being with the Bank of Ireland on pay, Richemont on corporate social responsibility, Ryanair on board structure and executive pay and Amazon and Google on tax.

Communication

Since our appointment we have enjoyed meeting Dyfed's Pension Fund Panel on a number of occasions and have presented at the Annual Consultative Meeting. We have also had several discussions about the Department for Communities & Local Government's (DCLG) proposals for the eight Welsh LGPS funds to collaborate in order to gain efficiencies and reduce fees, while still producing good investment returns.

We were delighted to be appointed to manage Global Alpha assets for the London Collective Investment Vehicle, the body which is performing the same role for many of the London borough councils' pension funds and look forward to sharing our experiences of the whole process with Dyfed Pension Fund and their Welsh colleagues in due course.

Communication will be of vital importance at a number of levels if the new arrangements are to be successful. Funds will need to continue to work very closely together in order to build a suitably robust structure that will deliver the strong governance structures and the efficiency savings that are required. This will have to be communicated upwards to the DCLG and outwards to all of the underlying employers and scheme members who are stakeholders in the scheme.

It will undoubtedly prove to be a challenge and the initial reorganisation costs will not be insignificant, but the opportunity for all funds to learn from some of the best performing and governed organisations should lead to the LGPS remaining affordable and sustainable for generations to come.



Outlook

As always there is a huge amount of macroeconomic and political uncertainty and this has manifested itself in very volatile stock markets in the latter part of the financial year. We have been taking advantage of this to take holdings in what we believe are very strong businesses which are being valued at low levels relative to their growth potential. You will therefore see portfolio turnover, which had been very low as you would expect from long term investors, pick up quite markedly as these opportunities present themselves.

In our annual Global Alpha Research Agenda we highlighted four areas which might help guide our stockpicking efforts. These are “Emerging Quality Growth”, or businesses which have experienced periods of poor operational performance and where we can see reasons for this to change. “Technology Platforms” are increasingly winner takes all businesses but we are wary of valuations which in some countries have increased rapidly in recent years. “Energy and Industrial Markets Opportunities” involves our picking carefully over the wreckage of the oil bust looking for high quality growth businesses that are trading at bargain prices. Finally, “Growth Governance” covers countries and companies where reform programmes or other changes may throw opportunities our way.

There may be ongoing concern about the EU, the US elections and global growth but the reforms taking place in India, Japan, China and Indonesia as well as developments in biotechnology, internet connectivity, virtual reality and the uses of big data make us more confident than ever that we can continue to find good investments to help pay for your pensions in years to come.



Geraldine Deighan
Client Service Director



Tom Wright
Director



Market background

- Global equities performed positively for much of the year 2015-16, before a slump in early 2016 saw most major indices end the period lower. In local-currency terms, US equities were the sole exception among developed markets, after staging one of the biggest quarterly rebounds in decades. The bearish sentiment in the new year was largely down to fears of a slowdown in China, which had weighed on markets since the country's soaring equities had gone into a sharp reverse in June. August also saw sell-offs in many markets, not least the US, as concerns grew about China's economy. The UK struggled given the large weighting of energy and mining companies in the index, which were hurt by the fall in commodity prices, but rallied slightly towards the end of the year following the Chancellor's Spending Review, which was welcomed by the markets. Markets in Asia had a poor year, as China's stock-market slump sent stocks and currencies around the region into a tailspin. Asian markets were further buffeted by capital outflows, as investors became increasingly focused on when the US Federal Reserve (Fed) would raise interest rates. In the event, the Fed raised rates in December, by 25 basis points, for the first time since 2006.

Strategy

- We believe dividends are an underappreciated signal of investment quality
- Our focus is companies with a high dividend yield, growth, and a robust balance sheet
- When investing for dividend income, a balanced and diversified portfolio is important to control risk

Performance

- Over the year to 31 March 2016, the Global Equity Income Fund outperformed its benchmark delivery a return of 3.90% gross of fees vs an index return of -0.65% in what was a volatile period for global markets, increasingly influenced by macro headwinds.
- In the second quarter of 2015, the fund outperformed its benchmark despite dividend stocks generally underperforming. Regional allocation added value as the US, where we are underweight, underperformed, following an unexpected contraction in the country's first-quarter GDP.
- In the third quarter of 2015, a challenging quarter for equities, the fund outperformed its benchmark. Sector allocation was advantageous during the period, with our overweight in consumer staples adding value, along with our underweight in the energy sector. Energy stocks continued to suffer amid slumping commodity prices.
- The fund also outperformed its benchmark in the fourth quarter of 2015. In this period, stock selection was the key factor behind outperformance, with our holdings in consumer staples and industrials, among others, performing strongly.
- The first quarter of 2016 also saw the fund outperform its index, thanks primarily to our stock selections in financials and consumer sectors. Given their typically defensive nature, dividend stocks outperformed the broader market during the first quarter, the first two weeks of which proved to be the worst opening period for global equities in the last 20 years.



- Among key purchases over the year, we opened a position in Cisco Systems, which manufactures networking equipment. We believe the company is well placed in its product cycle to grow revenues and capitalise on the growth of cloud-computing services. We also opened a new holding in bank JPMorgan Chase. A core holding in other global equity portfolios, JPMorgan is seeing a stabilising net interest margin in its traditional banking business and resilient revenue trends within its corporate and investment banking arms.
- Key sales during the period included technology giant Microsoft which we exited after a strong run of performance that took the dividend yield below our target. We also exited our position in Imperial Brands after its share price reached our valuation target. Earlier in the period we sold out of Kraft Foods following its merger with Heinz, taking the view that the combined company will not meet our dividend-yield criteria.

Communication

- As a long-term active investment manager, we fundamentally believe that markets are inefficient, and that an active approach can benefit investors both in terms of risk and return. Our investment philosophy and process are built around communication and collaboration across teams and sectors. We place great emphasis on teamwork and integrated research to ensure that our process is robust. We believe that we can deliver superior returns for our clients through:
 - ❑ An active approach that takes advantage of market inefficiencies
 - ❑ Our perspective advantage – the communication of macro and micro insights
 - ❑ The appropriate allocation of risk
- Each year, across our equity teams, we coordinate approximately 1,200 company meetings (both on- and off-site). With a common meeting diary, global team members are able to join our regional colleagues in meetings they have scheduled, as well as scheduling our own. Discussions with management can prompt further research on the company represented, or a competitor, supplier or customer.
- Portfolio construction and investment decisions are made by the lead manager Steve Thornber and deputy manager Jonathan Crown, with the lead manager having the final say. Portfolio construction is judgement based, with the aim being to invest in the most attractive bottom up ideas globally, while giving consideration to maintaining a balanced and diversified portfolio.
- Throughout the entire investment process, clear and open communication is critical to the successful delivery of investment performance for our clients.



Moira Gorman
Client Director



PERFORMANCE AND RISK

Local Authority Funds

The average local authority pension fund return was barely positive in 2015-16, the return being less than the income generated.

All equity markets, with the exception of North America, produced negative returns over the year. In spite of a surprise outright majority being returned in May's general election, domestic equities lost ground in the early part of the period. After rebounding to some extent in the December quarter, they ended the period down 4%, reflecting the high exposure to oil majors and commodities, which continued to suffer as oil prices fell.

In sterling terms, North America was the strongest performing of the major overseas markets returning 3%. In contrast the poorest performing areas were the emerging and lesser Asia Pacific markets which gave up between 7 and 8%. Elsewhere, Europe lost 3% and Japan 4%. Currency had a major influence on international equity returns with the weakness of sterling insulating UK investors against much lower base currency returns.

After the double digit returns of the previous year, bond performance was much more subdued with an aggregate return in low single figures. Yields fell at the outset of the year and by Christmas, returns were looking quite negative. Central government comments and risk version generally in the closing quarter however saw yields pick up. Long dated bonds produced the best of the returns whilst corporate issues were marginally down over the period. Index linked gilts returned 2% and overseas bonds 4%.

Alternative investments in aggregate enjoyed a good year, however fortune was mixed. Private equity returned 14%, whilst hedge fund performance was flat. Pooled multi-asset (diversified growth) investments had a disappointing year, returning -3%. Property continued its strong run, returning 11%.

In terms of asset allocation, there was little change at the macro (growth/matching asset) level during the year. The bond and equity allocations reduced modestly but this was a function of relative performance as opposed to active re-balancing. The allocation to alternative investments increased to around 12%, with absolute return (multi-asset or diversified growth) products continuing to gain traction.

Despite the relatively disappointing latest year outcome, in this important valuation year, Funds' three year returns remained ahead of actuaries' assumptions built into the 2013 models. This said, it is widely expected that deficits will not change significantly from the 2013 level.

Longer term returns continue to show the LGPS in a good light. 6.8% p.a. over the last two decades represents a significant excess over both price and wage inflation.

Dyfed Pension Fund

Returns

In the latest year, the Fund return was flat after the deduction of fees, in absolute terms. This said, there was a small measure of outperformance, the benchmark indicating an expected return of -0.2%. The excess arose from strong returns generated by one of the Fund's relatively new global equity managers – Columbia Threadneedle.

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.)	Benchmark (% p.a.)	Out/underperformance (% p.a.)
3 Years	6.9	6.9	0.0
5 Years	7.7	7.9	-0.2
10 Years	6.1	6.4	-0.3
20 Years	7.6	7.4	0.2
30 Years	8.7	8.9	-0.2
Longest Term	11.2	11.1	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 always pleasing to be able to report that the Dyfed Fund has outperformed other funds in every one of the periods reported in the table above.

Risk

Return volatility across funds picked up in what was a quite turbulent year for markets. Levels however remained modest by historical standards. 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 more recent past.

In the latest period, relative risk of 0.6% p.a. remained significantly below the range of risks exhibited by most other authorities. This element of risk might be expected to pick up as the new active managers' tenure builds.



Mr David Cullinan
Head of Performance Consultancy
WM Performance Services



INDEPENDENT INVESTMENT ADVISER

As you will read elsewhere the investment year to 31 March 2016 was another volatile one – when has it ever been otherwise?

‘Risk’ assets particularly equities are those assets that produce higher long term returns but with greater volatility gave disappointing returns. Of the major developed markets the US, assisted by a 3% increase in the value of the US Dollar (vs sterling), gave the best return although this was still under 4%. The UK, Japan and Pacific ex Japan gave negative returns of typically 4-5%. Emerging markets, facing the most severe headwinds of slowing Chinese growth, falling commodity prices and weakening local currencies, were the equity laggards with a negative return of c10%. In stark contrast, property had another very strong performance with a return of almost 12%. ‘Protection’ assets such as gilts gave modest positive returns typically in the range 2-4%. While the fund (0.0%) had a good year of performance against its benchmark (-0.2%) our funding level may well have fallen as our asset value is driven predominantly by equity prices whereas the value of our liabilities is driven primarily by gilt prices and, in particular, the return from long dated index-linked gilts which are the closest asset match to our inflation-linked liabilities. Over the inter-valuation period (the 3 years from 31 March 2013 to 31 March 2016) our actual liabilities (but not their value) will have grown by inflation, whether earnings (c2.4% pa according to national weekly wage statistics) or prices (RPI 1.6% pa, CPI 0.7% pa). Our actual assets have grown over the same period by a return of 6.9% pa, well in excess of both earnings and prices and so I feel the fund is in a stronger position than 3 years ago to meet its very long term liabilities.

Pooling and the acceptance of an ‘All Wales’ pool – or whatever moniker it is finally given – has dominated many Panel meetings and even more so the time and energy of our officers. This was a momentous step and of considerable significance and, while it brings the inevitable and non-trivial start-up costs, there has already been a short term benefit and there should also be longer term benefits in lower asset management costs. I have to keep reminding myself, and others, such pooling affects the implementation of our fund’s strategy and does not affect, although may influence at the margin, the formulation of the fund’s actual strategy. The strategy decision is the most important investment decision the Panel makes and is normally reviewed after an actuarial valuation when the most up-to-date assessment of the liabilities and their profile is known. I look forward to assisting the Panel with this critical review over the next year or so.

In November I had the great pleasure (yes, really) of presenting a session on ‘Strategy’ to the Pension Boards and Panel of our fund and its close neighbour Swansea in another example of good local co-operation. Essentially a long term strategy is the combination of assets which give an acceptable level of risk (or, if you prefer, protection) whilst providing a decent return and a level of return at least as strong as the return factored into the actuarial valuation. In securing this return from our assets, all other things being equal – which they never are in real life – the financing and funding of the scheme will be kept on track.

Another significant development in the year was the issuance for consultation of draft new LGPS investment regulations. As was widely trailed, the new regulations are broadly the ‘prudent person’ obligation similar to that already in use in the private sector pension world. Much of the outdated prescription has been removed and considerable investment freedoms introduced. These freedoms are welcome and indeed necessary for ‘pooling’ to be effective. My only concern is that the greater freedoms, which come with implied greater responsibility, could be misused by a small number of funds. Although I have no concern whatsoever that our fund will (as usual) be an exemplar in this respect. Interestingly the proposed new regulations remove the explicit requirement to review the fund’s asset managers quarterly to promote a longer term view and to fit in with the DCLG stipulation that in future the pools, rather than individual funds, take the responsibility for hiring and firing asset managers. Our fund has always taken the long view in all aspects of investment management so this means little change in principle for us – provided the pools are as robust in their long-termism as we have been.



One of the key ingredients in our ability to practise, as well as preach, long-termism has been the consistency and longevity of the panel and – as you would expect me to say – the advice received. Each quarter I prepare and present a fund review to Panel. Additionally the Panel and officers have regular contact, and good lines of communication, with our fund's asset managers and other service providers to the fund. The ACM is yet another useful communication between all the parties and stakeholders involved in a transparent forum.

One of the major failings of the finance and, particularly, the investment industry is to present far too much material at an inappropriate level of detail and complexity and embedded with endless jargon. You will have heard of 'death by PowerPoint' and I have suffered such death more times than I would wish to recall. I still have a deep wound from attempting to read a presentation from a service provider – thankfully not in connection with the Dyfed Pension Fund – of 130 slides! I ultimately asked for this to be condensed to no more than 10 slides although they were allowed copious appendices for supplementary information. It reminded me strongly of the famous author comment 'I have written a long letter as I did not have time to write a short one'.

One of the most interesting and humorous presentations I have experienced recently came from the Director of Student Life, at one of our major universities. His talk was on the differences in generations from the 'baby boomers' (born '43-'63), generation X ('64-'81), generation Y ('82-'01) and generation Z (>'02) the latter also known as the 'Millennials'. Generational differences are apparently conditioned by the nature of the world during our formative years: especially the economic, political, entertainment (especially TV and music), educational and technological backcloths. Intriguingly communication between generation Y and their parents (baby boomers) – and I have had first-hand experience of this – demonstrates a very significant generational gap and consists almost entirely of one word 'Whatever'. Perhaps communication can be too short as well as too long?

I finish my report with an old fashioned form of communication by writing that I believe the Dyfed fund is well placed to meet whatever challenges the future throws, knowing these will be many and varied.



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.

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 up to 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 and is determined by the percentage increase in the Consumer Price Index (CPI) to the preceding September.

The CPI for September 2015 was -0.1%, the effect of which meant that no increase in pensions could be applied from April 2016. However, it was confirmed that no reduction would be applied to pensions in payment as a result of the negative CPI value

Local Government Pensioner pay dates for 2016-2017 are as follows:

29 April 2016	31 August 2016	23 December 2016
27 May 2016	30 September 2016	27 January 2017
30 June 2016	28 October 2016	24 February 2017
29 July 2016	30 November 2016	31 March 2017

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 2016 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 during the time before your pension benefits come into payment (Lifetime Allowance or LTA). From April 2016, the LTA for tax-privileged pension saving decreased from £1.25m to £1m. 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. As with previous changes to the LTA there are two new forms of protection and these will work in a similar way to Fixed Protection 2014 and Individual Protection 2014. The new protections are called Fixed Protection 2016 which cannot be applied before July 2016 and Individual Protection 2016. Further information on how these changes may impact upon you is detailed on the HMRC website.

You will recall from April 2014 the AA limit was reduced to £40,000 and the limit continues. 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'. 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. Your 2016 Annual Benefit Statement will contain further information regarding the impact of the annual allowance on your pension accrual in the LGPS. 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.

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

Reform of the state pension scheme

You will recall from documentation that has already been issued, and also from the last 2 newsletters, of the reforms to the State Pension with the introduction of a new larger single tier-state pension and the removal of contracting-out from April 2016. Below is a reminder of how the changes will impact on you.

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 it holds for members with those calculated by HMRC. This exercise is called GMP Reconciliation.



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. Employees retiring after 6 April 2016 will receive a single state pension depending upon their 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. If you would like more information about how the reform will affect you, the gov.uk website 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 below.

* <https://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 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 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 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 the internal staff training programme. 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 in addition to also undertaking monthly mortality checks on UK based pensioners.
- Continued to utilise Western Union in order to undertake mortality checks on overseas pensioners.
- 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 to engage 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, further development of the Annual Benefit Statements and production of a number of specific 'factsheets' on key legislative aspects.
- Through the FRS17 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 checks in respect of the GMP Reconciliation exercise in order that the correct state benefits are recorded and paid by HMRC.
- Continue to work with all scheme employers to ensure that the scheme Actuary is provided with clean and accurate data for the 2016 Fund Valuation.
- Implement i-connect for larger employers which facilitates the direct transfer of data from employer payroll systems directly into the pensions system.

The introduction of the new Police and Fire schemes from April 2015 has brought further inherent complexities and retrospective protections that staff will have to ensure are applied appropriately in each individual case. This had been coupled with further changes issued by the Government Actuary's Department for revised transfer value factors.

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

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

For the actuarial profession, clear communication is always a challenge. Partly this is due to the technical nature of the subject. After all, how do we best explain to someone that we're trying to project financial transactions which will happen in over 40 years' time in many cases. And when you talk about discounting this to current day values even the accountants' eyes glaze over. Couple that with your actuarial stereotype of a mathematician who is more comfortable seated behind the protection of a computer screen with a spreadsheet in front of him, rather than actually talking to real people, and you have an even bigger mountain to climb.

The challenge, then, for me and others in my profession is to focus on the key messages rather than get too bogged down in all the detail. Of course those messages need to be tailored to the audience and, for example, the Fund officers with whom I work on a regular basis are going to be receptive to more of the details than the average Fund member. That's perhaps just as well, because those officers are the ones who have to digest the information we provide and make recommendations to the Fund's Pensions Panel. And as 2016 is the year in which we carry out our actuarial valuation, clear communication is particularly important over the next few months.

Here are a few key messages:

- The actuarial valuation is just an estimate of the Fund's financial position
- Because it is an estimate, there are many ways of carrying it out
- When we last carried out the actuarial valuation, in 2013, the Dyfed Pension Fund was ranked the 9th best funded of the 90 local government pension schemes in England and Wales
- If you carry out those estimates using an approach which is consistent across all the local government pension schemes then the Dyfed Fund's ranking rises from 9th to 2nd.
- So in comparison to other local government pension schemes the Dyfed Fund is relatively well-funded, even after using a more conservative approach than the average.
- That being said, as with any defined benefit scheme, there are a number of inherent funding risks, and part of my job as Fund Actuary is explaining these risks to help all parties understand them so that they can balance them with the wider issues.

The 2016 actuarial valuation is our key piece of work for the Fund this year, and we will have a number of key audiences with whom we will have to communicate. Fund officers, the Pensions Panel, the Local Pensions Board, employers and Fund members are all stakeholders in the process. Each of these audiences will have its own perspective, the communication with them this year will be more frequent and diverse than in most years, and the messages will need to be tailored accordingly. Obviously that communication process is easier in a case where the Fund is relatively well funded and the current contributions are affordable, but in any case getting that communication right and setting out the potential future downside risks are key elements in a successful valuation outcome.



John Livesey
Actuary
Mercer Limited



GOVERNANCE

PENSION BOARD ANNUAL REPORT

This is the first annual report from the Dyfed Pension Board set up with effect from 1 April 2015 under new arrangements for the governance of Local Authority Pension Funds. The purpose of the Board is to assist Carmarthenshire County Council (as the scheme manager) in the management of the Local Government Pension Scheme (LGPS), and to provide assistance and challenge. The terms of reference for the Board were set out and agreed by Carmarthenshire County Council prior to the establishment of the Board. These terms of reference are available on the Fund website.

The Board is comprised of 3 employee and 3 employer representatives together with an Independent Chair. This is in line with the regulations requiring equal employee and employer representation. Details of the members of the Board are shown below this report. The Board is not a decision making body and can only provide advice and comment on the management of the LGPS by Carmarthenshire County Council. For this arrangement to be successful it is important that the Board carries out its responsibilities in a positive and constructive way.

At the end of March 2016, the Dyfed Pension Fund had total assets of £1.900billion and a membership of 44,931, comprising pensioners, deferred pensioners and current contributors.

The Board met on 3 occasions during 2015-16 in July and November 2015 and February 2016. The Chair also presented to the Fund Employers meeting in October 2015. There have been full agendas for the meetings and the issues discussed during the year included:

- The development of a work plan for the year
- Briefing and discussion on the performance of the pensions administration service
- Briefing and discussion on the investment performance of the Fund
- Consideration of the key performance indicators of the Dyfed Pension Fund
- Review and discussion of the decisions of the Dyfed Pension Fund Panel
- Consideration of the Government's proposals for the consolidation of the LGPS and the setting up of asset pools, and the new Investment Regulations
- Audit and risk management issues affecting the Fund

I am pleased to report that attendance over the 3 meetings was very good at 86% showing a high degree of commitment by members to the work of the Board. The Board will continue to focus on the key issues affecting the Fund and its beneficiaries through the forward work plan to ensure that it best placed to support the Council in the delivery of the LGPS in Dyfed.

Pension fund investment and administration is becoming ever more complex so a structured programme of training and development is essential for individual members and the Board collectively to discharge its responsibilities. With this in mind, members of the Board have attended various training sessions over the past year. This has included:

- A structured training programme for new Board Members, run by the Local Government Association, on the LGPS and their responsibilities
- Training sessions as part of a Board meeting covering the in house website and the arrangements for the 2016 Actuarial review
- A joint training session with the City & County of Swansea Pension Fund Board and Panel members, run by both funds' investment managers on Investment Strategy and asset classes.

Regular training sessions will continue to be arranged and also incorporated as part of Board meetings.



The LGPS nationally is currently going through major change and upheaval with the setting up of asset pools. Central Government have taken the view that a small number of asset pools are best placed to reduce costs and provide the scale to access asset classes to help diversification and improve investment returns. All 8 Welsh pension funds are establishing an all Wales Collective Investment Vehicle (CIV) for this purpose. In future the assets of the Dyfed Pension Fund will be invested through this pool rather than directly as is the case at present. There will be a period of transition as assets are moved into the CIV. The Pension Board have been updated on developments at each meeting, and will continue to take a close interest in this process and work alongside the Council in delivering the best outcome for the Fund and its beneficiaries.

Member Representatives:

- Janet Wyer, Union Representative
- Catherine Davies, Active Member Representative
- Mike Rogers, Pensioner Member Representative

Employer Representatives:

- Cllr. Anthony Jones, Carmarthenshire County Council
- Ian Eynon, Pembrokeshire County Council
- Mark Miles, Mid and West Wales Fire and Rescue Service

Independent Chair:

- John Jones, AllenbridgeEpic



John Jones

Independent Chair of the Pension Board



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 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 a 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 the Autumn 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

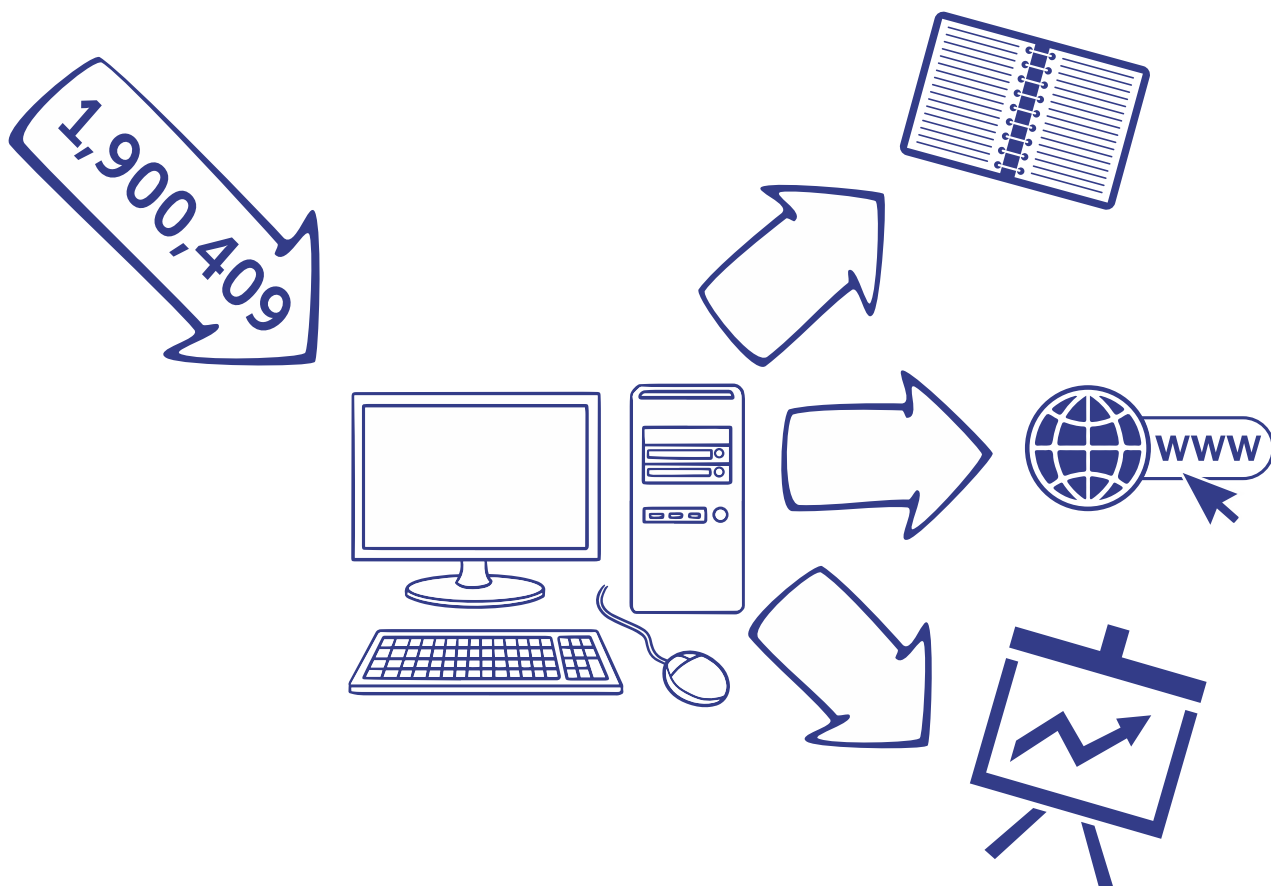
The Dyfed Pension Fund accounts are set out on the following pages and provide information about the financial position, performance and financial adaptability of the Fund for the year 2015-2016. They show the results of the stewardship of management, that is, the accountability of management for the 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 2015-2016, 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 2015-2016, reference should be made to the Annual Report and Accounts 2015-2016.

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





Fund Account for the Year Ended 31 March 2016

2014-15		Note	2015-16
£'000			£'000
	Dealings with members, employers and others directly involved in the Fund		
	Contributions		
	Employer		
37,244	Normal		36,503
7,465	Augmentation		7,082
6,368	Deficit		7,508
	Member		
17,750	Normal		17,484
56	Additional voluntary		177
1,317	Transfers in from other pension funds	6	1,986
70,200			70,740
	Benefits payable		
(56,527)	Pensions payable		(59,798)
(14,764)	Commutation and lump sum retirement benefits		(13,392)
(1,214)	Lump sum death benefits		(1,400)
(2,421)	Payments to and on account of leavers	7	(4,027)
(74,926)			(78,617)
(4,726)	Net Additions (Withdrawals) from dealings with Members		(7,877)
	Returns on Investments		
26,383	Investment Income	9	28,061
106	Other Income		57
(33)	Taxes on Income (Irrecoverable Withholding Tax)	10	(32)
	Changes in the market value of investments		
103,751	Unrealised	11.2	(78,090)
122,088	Realised	11.3	49,974
(4,856)	Management Expenses	8	(5,305)
247,439	Net Return on Investments		(5,335)
242,713	Net Increase (Decrease) in the net assets available for benefits during the year		(13,212)
1,670,908	Opening Net Assets of Scheme		1,913,621
1,913,621	Closing Net Assets of Scheme		1,900,409



Net Assets Statement

31/03/2015			Note	31/03/2016
£'000				£'000
1,905,698		Investment Assets		1,894,613
2,774		Cash deposits		1,715
(16)		Investment liabilities		(948)
1,908,456			11.1	1,895,380
9,926		Current assets	16	9,227
(4,761)		Current liabilities	17	(4,198)
5,165		Net Current Assets/(Liabilities)		5,029
1,913,621		Total Net Assets		1,900,409

Reconciliation of the movement in Fund Net Assets

2014-15			2015-16
£'000			£'000
1,670,908		Opening Net Assets	1,913,621
16,873		Net New Money Invested	14,904
225,840		Profit and losses on disposal of investments and changes in the market value of investments	(28,116)
1,913,621		Closing Net Assets of Fund	1,900,409



Notes to the Dyfed Pension Fund Accounts for the year ended 31 March 2016

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 2015-16 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 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 (as amended).

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 66 employer organisations within the Dyfed Pension Fund as at 31 March 2016 and these are detailed in Note 21. The membership details of these organisations are summarised below:

31/03/2015			31/03/2016
19,451		Number of active contributors in the Fund	18,970
10,906		Number of pensioners	11,462
13,854		Number of deferred pensioners	14,499
44,211		Total membership	44,931
49		Number of employers with active members	49

These figures reflect the recorded position as at 31 March 2016 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 2016. 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 7.4% to 27.7% 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 2015-16 financial year and its position at year end as at 31 March 2016. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 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.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers in.

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. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.



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.

3.3.4 Movement in the net market value of investments

Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

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

The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the council discloses its pension fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs.

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 oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

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 £0.34m in 2015-2016 (2014-2015: Fee was £0.11m).



Where an investment manager's fee note has not been received by the Balance Sheet date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the Fund Account. In 2015-2016, £0.4m of fees is based on such estimates (2014-2015: £1m).

The costs of the council's pension investments team are charged direct to the fund and a proportion of the council's costs representing management time spent by officers on investment management is also charged to the fund.

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 deposit and includes amounts held by the fund's external managers.

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 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 2016 was £33.3m (31 March 2015: £27.2m).

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 2016 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 £20.3m for 2015-16. However, the assumptions interact in complex ways. During 2015-16, the Authority's actuaries advised that the net pensions liability had increased by £61.5m 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 £33.3m. There is a risk that this investment may be under or overstated in the accounts.



6 Transfers in from other pension funds

2014-15			2015-16
£'000			£'000
1,317		Individual transfers in from other schemes	1,986
1,317			1,986

7 Payments to and on account of Leavers

2014-15			2015-16
£'000			£'000
(126)		Refunds to members leaving service	(103)
(26)		Payments for members joining state scheme	(28)
(2,269)		Individual transfers to other schemes	(3,896)
(2,421)			(4,027)

8 Management Expenses

2014-15			2015-16
£'000			£'000
(1,155)		Administrative costs	(1,213)
(3,544)		Investment management expenses (Note 13)	(3,966)
(157)		Oversight and governance costs	(126)
(4,856)			(5,305)

2015-16 Audit fees of £26,874 included within oversight and governance costs. This amount includes £1,934 credit note in respect of 2013-14 audit. (2014-15 £24,006)

9 Investment Income

2014-15			2015-16
£'000			£'000
764		Fixed interest securities	0
17,494		Equity dividends	18,819
5,177		Pooled property investments	6,253
580		Pooled investments - Unit trust and other managed funds	1,031
2,360		Property	1,707
13		Interest on cash deposits	(1)
(5)		Other	252
26,383			28,061

10 Taxation

2014-15			2015-16
£'000			£'000
(33)		Withholding tax - equities	(32)
(33)			(32)



11 Investments

11.1 Net Investment Assets

Fair value 31/03/2015 £'000		Investment assets	Fair value 31/03/2016 £'000
		Fixed interest securities	
		UK Corporate Bonds	
185,611		- BlackRock	178,145
		Indexed Linked Securities	
185,896		- BlackRock	177,109
		Equities	
		UK Quoted Equities	
463,834		- BlackRock	450,678
		Pooled Investments	
		Overseas Equities	
487,701		- BlackRock	479,667
		Global Equities	
200,810		- Baillie Gifford	199,874
189,948		- Columbia Threadneedle	194,866
		Pooled property investments	
156,975		- Schroders	175,362
20,164		- Partners Group	27,001
		Property	
4,364		- Schroders	1,047
7,085		- Partners Group	6,334
		Cash deposits	
2,534		- BlackRock	736
240		- Schroders	979
		Investment income due	
2,974		- BlackRock	2,973
		Tax reclaims due	
299		- BlackRock	276
21		- Schroders	88
		Amounts receivable for sales	
16		- BlackRock	1,193
1,908,472		Total investment assets	1,896,328
		Investment liabilities	
		Amounts payable for purchases	
(16)		- BlackRock	(948)
(16)		Total investment liabilities	(948)
1,908,456		Net investment assets	1,895,380



11.2 Reconciliation of movements in investments

During the year, investments purchased totalled £156m whilst sales totalled £90m. The sales realised a net gain of £66m. Acquisition costs are included in the purchase price of the investment.

	Fair value 31/03/15	Purchases at Cost	Sales at Cost	Cash movement	Change in unrealised gains/ (losses)	Fair value 31/03/16
	£'000	£'000	£'000	£'000	£'000	£'000
Fixed interest securities	371,507	24,567	(33,544)	0	(7,276)	355,254
Equities	463,834	50,445	(27,173)	0	(36,428)	450,678
Pooled investments	878,458	45,195	(6,401)	0	(42,845)	874,407
Pooled property investments	177,139	35,385	(19,996)	0	9,835	202,363
Property	11,449	0	(3,073)	0	(995)	7,381
	1,902,387	155,592	(90,187)	0	(77,709)	1,890,083
Other investment balances						
Cash deposits	2,774	0	0	(1,059)	0	1,715
Amount receivable for sales investments	16	0	0	1,177	0	1,193
Investment income due	2,974	0	0	380	(381)	2,973
Tax reclaims due	321	0	0	43	0	364
Amounts payable for purchases investments	(16)	0	0	(932)	0	(948)
	1,908,456	155,592	(90,187)	(391)	(78,090)	1,895,380

	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	878,458
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

Transaction costs are included in the cost of purchase and sale proceeds. Identifiable transaction costs incurred during the year amounted to £0.71m (2014-2015: £0.65m). 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

2014-15		2015-16
£'000		£'000
31,875	Fixed Interest Securities	11,441
23,607	Equities	1,336
65,472	Pooled Investments	32,948
1,189	Pooled property investments	4,971
(55)	Property	(722)
122,088		49,974

11.4 Geographical analysis of investments

Fair value 31/03/2015 £'000	Geographical analysis	Fair value 31/03/2016 £'000
1,052,607	UK	1,032,530
99,724	Europe (excl UK)	99,498
396,901	North America	407,341
81,563	Japan	78,408
95,570	Pacific Rim	89,054
182,091	Emerging Markets	188,549
1,908,456		1,895,380

11.5 Fund manager analysis

Fair value 31/03/2015 £'000	Fund manager analysis	Fair value 31/03/2016 £'000
1,328,850	BlackRock	1,289,830
161,600	Schroders	177,476
27,248	Partners Group	33,334
200,810	Baillie Gifford	199,874
189,948	Columbia Threadneedle	194,866
1,908,456		1,895,380

12 Concentration of Investments

The following investments represent more than 5% of the Fund's total net assets as at 31 March 2016:

	Value as at 31/03/2016 £'000	Proportion of Investment Portfolio %
BlackRock Ascent Life US Equity Fund	201,830	10.65
Baillie Gifford Global Alpha Fund	199,381	10.55
Columbia Threadneedle Global Equity Fund	194,866	10.28
BlackRock Active Selection Fund UK	178,145	9.34
Aquila Life over 5yr UK index linked	177,109	9.40
BlackRock Active Selection Fund – Emerging Market Index Fund	100,694	5.31

13 Investment Management Expenses

2014-15		2015-16
£'000		£'000
(3,387)	Management fees	(3,579)
(47)	Custody fees	(49)
(110)	Performance related fees	(338)
(3,544)		(3,966)

2014-15 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.

2014-15					2015-16			
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				
371,507	0	0	371,507	Fixed interest securities	355,254	0	0	355,254
463,834	0	0	463,834	Equities	450,678	0	0	450,678
878,459	0	0	878,459	Pooled investments	874,407	0	0	874,407
177,139	0	0	177,139	Pooled property investments	202,363	0	0	202,363
11,449	0	0	11,449	Property	7,381	0	0	7,381
0	6,360	0	6,360	Cash	0	4,041	0	4,041
3,310	0	0	3,310	Other investment balances	4,530	0	0	4,530
0	6,340	0	6,340	Debtors	0	6,901	0	6,901
1,905,698	12,700	0	1,918,398		1,894,613	10,942	0	1,905,555
				Financial liabilities				
(16)	0	0	(16)	Other investment balances	(948)	0	0	(948)
0	0	(4,761)	(4,761)	Creditors	0	0	(4,198)	(4,198)
(16)	0	(4,761)	(4,777)		(948)	0	(4,198)	(5,146)
1,905,682	12,700	(4,761)	1,913,621	Total	1,893,665	10,942	(4,198)	1,900,409

14.2 Net gains and losses on financial instruments

2014-15			2015-16
£'000			£'000
		Financial assets	
225,840		Fair value through profit and loss	(28,116)
225,840		Total financial assets	(28,116)
		Financial liabilities	
0		Fair value through profit and loss	0
0		Total financial liabilities	0
225,840		Total	(28,116)



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
31/03/2015	31/03/2015		31/03/2016	31/03/2016
£'000	£'000		£'000	£'000
		Financial assets		
1,413,591	1,905,698	Fair value through profit and loss	1,480,598	1,894,613
12,700	12,700	Loans and receivables	10,942	10,942
1,426,291	1,918,398	Total financial assets	1,491,540	1,905,555
		Financial liabilities		
(16)	(16)	Fair value through profit and loss	(948)	(948)
(4,761)	(4,761)	Financial liabilities at amortised cost	(4,198)	(4,198)
(4,777)	(4,777)	Total financial liabilities	(5,146)	(5,146)
1,421,514	1,913,621	Total	1,486,394	1,900,409

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 2016	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Financial assets				
Financial assets at fair value through profit and loss	811,788	1,049,491	33,334	1,894,613
Loans and receivables	10,942	0	0	10,942
Total financial assets	822,730	1,049,491	33,334	1,905,555
Financial liabilities				
Financial liabilities at fair value through profit and loss	(948)	0	0	(948)
Financial liabilities at amortised cost	(4,198)	0	0	(4,198)
Total financial liabilities	(5,146)	0	0	(5,146)
Net financial assets	817,584	1,049,491	33,334	1,900,409

	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



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 formal risk register. 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	0.01%
UK Equities	10.66%
Overseas Equities	10.25%
Global Pooled Equities inc UK	10.08%
UK Corporate Bonds	6.23%
Index Linked Securities	9.45%
Property	1.96%

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 2016	Change	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000
Cash	1,715	0.01%	1,715	1,714
UK Equities	450,678	10.66%	498,720	402,636
*Overseas Equities	479,667	10.25%	528,833	430,501
*Global Pooled Equities inc UK	394,740	10.08%	434,530	354,950
UK Corporate Bonds	178,145	6.23%	189,243	167,046
Index Linked Gilts	177,109	9.45%	193,846	160,373
Property	209,744	1.96%	213,855	205,633
Sales receivable	1,209	0.00%	1,209	1,209
Purchases payable	(964)	0.00%	(964)	(964)
Income receivables	3,337	0.00%	3,337	3,337
Total Assets	1,895,380		2,064,324	1,726,435



Asset Type	Value as at 31 March 2015 (restated)	Change	Value on Increase (restated)	Value on Decrease (restated)
	£'000	%	£'000	£'000
Cash	2,774	0.02%	2,775	2,774
UK Equities	463,833	10.35%	511,840	415,826
*Overseas Equities	487,702	9.50%	534,032	441,367
*Global Pooled Equities inc UK	390,758	9.50%	427,880	353,638
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

- Restated to separately identify the Global Equities market movement percentages

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 2016 and 31 March 2015 are set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

31/03/2015	Asset type	31/03/2016
£'000		£'000
2,774	Cash and cash equivalents	1,715
3,586	Cash held at CCC	2,326
371,507	Fixed interest securities	355,254
377,867	Total	359,295



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 31/03/16	Change in year in the net assets available to pay benefits	
		+1%	-1%
	£'000	£'000	£'000
Cash and cash equivalents	1,715	17	(17)
Cash held at CCC	2,326	23	(23)
Fixed interest securities	355,254	3,553	(3,553)
Total change in available assets	359,295	3,593	(3,593)

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)

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 31/03/15	Asset type	Fair value 31/03/16
827,540	Overseas Equities	833,807
28,208	Property	29,011
100	Cash	32
855,848	Total Overseas Assets	862,850

This table summarises the Fund's currency exposure as at 31 March 2016 and as at 31 March 2015.



15.9 Currency risk sensitivity analysis

The aggregate currency exposure within the Fund as at 31 March 2016 was 6.23% (2014-15: 6.04%). This analysis assumes that all other variables, in particular interest rates, remain constant.

A 6.23% 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 31/03/16	Change in year in the net assets available to pay benefits	
		+6.23%	-6.23%
	£'000	£'000	£'000
Overseas equities	833,807	885,753	781,861
Property	29,011	30,818	27,204
Cash	32	34	30
Total change in available assets	862,850	916,605	809,095

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

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

31/03/15		31/03/16
£'000		£'000
	Contributions due from employer	
3,906	- Employer	4,956
1,457	- Employee	1,432
3,586	Cash Balances	2,326
977	Debtors	513
9,926		9,227

16.1 Analysis of Current assets

31/03/15		31/03/16
£'000		£'000
0	HMRC	2
8,302	Other local authorities	8,016
1	NHS bodies	1
1	Public corporations and trading funds	1
1,622	Other entities and individuals	1,207
9,926		9,227

17 Current liabilities

31/03/15		31/03/16
£'000		£'000
(3,273)	Unpaid benefits	(2,206)
(1,488)	Creditors	(1,992)
(4,761)		(4,198)

17.1 Analysis of Current liabilities

31/03/15		31/03/16
£'000		£'000
(572)	HMRC	(586)
(258)	Other local authorities	(454)
(630)	Public corporations and trading funds	(670)
(3,301)	Other entities and individuals	(2,488)
(4,761)		(4,198)

For 31 March 2015 £258k included in Other local authorities was previously classified as Central government bodies.



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, as at the balance sheet date, of these investments are shown below:

	Value as at 31/03/15	Contributions	Expenditure	Change in Market Value	Value as at 31/03/16
AVC Provider	£ '000	£ '000	£ '000	£ '000	£ '000
Prudential	2,660	878	(694)	14	2,858
Equitable Life	671	26	(112)	0	585
Standard Life	3,435	559	(567)	8	3,435
Total	6,766	1,463	(1,373)	22	6,878

19 Funding arrangements

In line with Local Government Pension Scheme Regulations 2013, 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 last such valuation 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 2015-2016.

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 £0.889 million (2014-15: £0.843 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 £31.102 million to the Fund in 2015-16 (2014-15: £31.308 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 2016, the Fund had an average investment balance of £4.73 million (2014-15: £5.62 million) earning interest of £26,180 (2014-15: £32,317).



20.1 Governance

Pension Panel

There are three members and one substitute member of the Pension Panel. During 2015-16 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 Corporate Services, Mr Chris Moore, who has the role of Section 151 Officer for the Authority, played a key role in the financial management of the Fund and is also an active member of the Fund.

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

The Panel members and Director of Corporate 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 2015-16





21 Employing bodies contribution rates, contributions receivable and benefits payable

2014-15					2015-16			
Contribution rate	Deficit Contribution	Contributions	Benefits payable		Contribution rate	Deficit Contribution	Contributions	Benefits payable
%	£'000	£'000	£'000		%	£'000	£'000	£'000
	(restated)	(restated)		Scheduled bodies				
12.9	4,106	27,203	29,970	Carmarthenshire County Council	12.9	4,690	26,459	31,650
13.5	1,063	13,812	14,502	Pembrokeshire County Council	13.5	1,107	13,776	14,600
13.6	702	10,131	10,084	Ceredigion County Council	13.6	730	10,008	10,792
11.6	374	3,484	2,306	Office for the Police & Crime Commissioner for Dyfed-Powys	11.6	389	3,455	2,048
13.5	123	1,378	1,063	Mid & West Wales Fire Authority	13.5	133	1,167	930
14.7	-	253	202	Coleg Ceredigion	15.2	(1)	275	224
13.7	-	1,247	818	Coleg Sir Gar	14.3	139	1,244	1,046
13.6	-	593	825	Pembrokeshire Coast National Park Authority	15.1	(24)	592	681
13.2	-	908	250	Pembrokeshire College	12.8	55	851	258
	6,368	59,009	60,020			7,218	57,827	62,229
				Designated (Resolution) bodies				
24.7	-	7	5	Aberystwyth Town Council	20.0	2	3	53
9.9	-	1	-	Aberaeron Town Council	12.6	-	1	-
18.1	-	62	66	Carmarthen Town Council	18.6	13	71	123
14.2	-	4	-	Cwmaman Town Council	18.7	-	6	-
22.6	-	4	1	Gorslas Community Council	27.7	1	5	5
24.4	-	9	30	Haverfordwest Town Council	24.4	-	9	30
30.5	-	9	14	Kidwelly Town Council	27.6	7	9	14
21.9	-	2	1	Llanbadarn Fawr Community	17.3	-	2	1
17.5	-	1	1	Llanarthney Community Council	21.2	-	1	1
14.9	-	175	168	Llanelli Rural Council	14.6	11	196	136
15.3	-	46	74	Llanelli Town Council	17.8	8	52	74
12.7	-	6	-	Llangennech Community Council	12.8	-	6	-
17.1	-	17	6	Llannon Community Council	18.2	4	21	7
19.9	-	22	7	Pembrey & Burry Port Town Council	23.5	3	25	7
9.3	-	5	13	Tenby Town Council	13.0	(1)	6	12
12.0	-	8	-	Pembroke Town Council	12.0	-	9	3
8.5	-	7	-	Pembroke Dock Town Council	8.5	-	7	-
0	-	-	-	Pontyberem Community Council	24.9	-	3	-
	-	385	386			48	432	466

For 2014-15, an amount of £262k was included in Deficit Contributions in error. Also, amounts reported in Deficit Contributions were also included in the Contributions figures. The total Deficit Contributions for 2014-15 have therefore been restated from £6,630k to £6,368k and the Contributions total from £68,882k to £62,515k to correct this.



2014-15					2015-16			
Contribution rate	Deficit Contribution	Contributions	Benefits payable		Contribution rate	Deficit Contribution	Contributions	Benefits payable
%	£'000	£'000	£'000	Admission bodies	%	£'000	£'000	£'000
	(restated)	(restated)		Community Admission Body (CAB)				
-	-	2	-	Cardigan Swimming Pool	26.1	(12)	1	26
15.7	-	50	16	Ceredigion Association of Voluntary Org.	13.2	13	31	17
14.2	-	1,055	1,033	Careers Wales	13.3	40	937	892
11.9	-	52	32	CAVS	11.7	6	38	38
11.8	-	8	-	Carmarthenshire Federation of Young Farmers Clubs	26.5	(5)	11	-
14.5	-	33	7	Iaith Cyf	17.9	-	34	84
44.2	-	5	15	Leonard Cheshire Disability	20.0	5	3	16
22.1	-	37	21	Llanelli Burial Board	18.1	5	32	37
6.2	-	54	-	Menter Bro Dinefwr	7.8	3	60	-
11.9	-	35	27	Menter Cwm Gwendraeth	11.5	15	35	28
5.6	-	13	-	Menter Gorllewin Sir Gar	7.4	-	15	-
16.5	-	8	-	Menter Iaith Castell-Nedd Port Talbot	23.7	1	12	40
18.6	-	10	2	Narberth & District Community & Sports Association	16.0	1	10	2
13.0	-	104	91	PAVS	14.5	4	60	33
11.6	-	90	47	PLANED	12.6	7	57	40
13.2	-	90	32	PRISM	13.4	-	1	26
11.3	-	281	141	Tai Ceredigion	14.2	(41)	301	179
17.5	-	622	494	University of Wales-Trinity St David	16.5	101	582	529
46.8	-	29	236	Aberystwyth University	22.5	74	10	189
14.4	-	216	339	Welsh Books Council	15.1	22	254	374
16.6	-	30	39	West Wales Action for Mental Health	13.8	6	32	40
16.9	-	57	86	Valuation Tribunal Wales	17.8	1	56	44
-	-	-	-	Swim Narberth	13.5	-	3	-
	-	2,881	2,658			246	2,575	2,634
				Transferee Admission Body (TAB)				
12.5	-	-	3	Garnant Golf Club Ltd	14.9	-	-	-
17.8	-	41	54	Grwp Gwalia	19.3	(4)	87	70
21.5	-	21	-	Danfo	21.5	-	25	45
20.3	-	96	37	Human Support Group (HSG)	20.3	-	219	93
	-	158	94			(4)	331	208
				Bodies with no pensionable employees				
-	-	6	7	DVLA	-	-	6	7
-	-	52	344	Dyfed Powys Magistrates Courts	-	-	51	352
-	-	-	5	Carmarthen Family Centre	-	-	1	6
-	-	-	2	Milford Haven Town Council	-	-	1	5
-	-	-	2	Mencap	-	-	-	2
-	-	-	8,918	Dyfed County Council	-	-	-	8,615
-	-	-	2	Dyfed AVS	-	-	-	2
-	-	10	11	NHS	-	-	8	8
-	-	13	42	Welsh Water	-	-	13	42
-	-	-	8	Cwm Environmental	-	-	-	7
-	-	-	5	Cartrefi Cymru	-	-	-	5
-	-	1	1	Rent Officer Service	-	-	1	1
	-	82	9,347			-	81	9,052
	6,368	62,515	72,505	Total		7,508	61,246	74,589



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

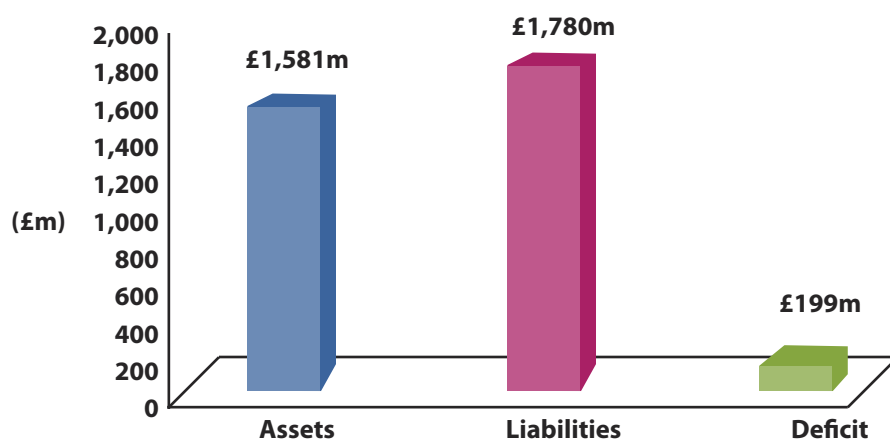
	Proportion to be recharged (%)
DVLA	100
Milford Haven Town Council	100
National Health Service	100
Carmarthen Family Centre	100
Welsh Water	50

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.



**89%
Funded**



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 2016 (the 31 March 2015 assumptions are included for comparison):

	31 March 15	31 March 16
Rate of return on investments (discount rate)	3.3% per annum	3.6% per annum
Rate of pay increases	3.5% per annum*	3.5% per annum*
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.0% 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 (3.6% p.a. versus 3.3% p.a.). There was no change in the expected long-term rate of CPI inflation during the year, resulting in the same assumption for pension increases at the year end than at the beginning of the year (2.0% p.a.)

The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2015 was estimated as £2,360 million.

The effect of the changes in actuarial assumptions between 31 March 2015 and 31 March 2016 as described above is to decrease the liabilities by c£118 million. Adding interest over the year increases the liabilities by c£78 million. The net effect of allowing for benefits accrued/paid over the period increases the liabilities by a further c£17 million (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 2016 is therefore £2,337 million.

John Livesey

Fellow of the Institute and Faculty of Actuaries Mercer Limited

June 2016

23 Events after the balance sheet date

There have been no events since 31 March 2016, 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 2015-16 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 2016 which were authorised for issue on 30 September 2016. 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 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 2016 which were authorised for issue on 30 September 2016 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 2016 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: 20 October 2016



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



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

Asset valuation
Investment Return pre-retirement
Investment Return post-retirement
CPI Price inflation
Salary increases
Pension increases

current yields basis

Market Value
4.80% p.a.
4.80% p.a.
2.60% p.a.
1.00% first 3 years then 4.10% p.a. thereafter
2.60% p.a.

Future Service

Investment Return
CPI Price inflation
Salary increases
Pension increases

long term basis

5.60% p.a.
2.60% p.a.
4.10% p.a.
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	

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	

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 fulfil 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 Head of Financial 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

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 out 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

Statements are uploaded automatically to a member's My Pension Online area, or sent directly to their home address if they have chosen not to register. The active statement sets out the current value of benefits (as at 31st March), a projection to Normal Pension Age, the current value of death benefits. The deferred statement on the other hand shows the up rated value of benefits. Supplementary notes of guidance are provided with each statement.

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. The My Pension Online facility also acts as another electronic medium.

Payment Advice / P60

Pensioners are issued with payment advice slips every April, and thereafter when a variance of £5 or more occurs, unless they have chosen to utilise the My Pension Online Service. 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. These are issued electronically to those that have registered to the My Pension Online service.

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 program 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.



Website

The Fund Website sets out Scheme provisions in a simple and concise manner, and all staff are actively encouraged to view. Whilst it is intended primarily as a means of external communication, access to the site is valuable to staff as it acts as a point of reference.

www.dyfedpensionfund.org.uk

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.



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