Cronfa Bensiwn Gwynedd Pension Fund

Contents

1. Foreword

Welcome to the annual report for the Gwynedd Pension Fund for the year to 31/03/2015.

This year, Gwynedd achieved an increase in the value of the Fund's assets from £1,310m (31/03/2014) to £1,497m (31/03/2015) – an annual increase of £187m, as shown on page 24.

Following a better performance than the market in 2013/14, 2014/15 was a mixed year for the companies who invest on behalf of Gwynedd's Pension Fund. In the context of our investment expectations (returns of 5.9% per annum), the extremely encouraging returns of 12.2% received by the Fund for this year reflect the excellent performance by the general market.

In 2014/15 the markets, in general, produced a better performance than the previous year, with equities performing well and property performing particularly well, even though our fund suffered relatively from missing out on unexpectedly high returns on bonds this year (see pages 18 to 21 for details).

There was an excellent performance by Fidelity which invests in equity on behalf of our fund, and by UBS and Threadneedle, investing in property. Several companies reached their benchmark, while improved returns are expected in the medium-term by Veritas and Partners, who have niche markets.

Looking ahead to the triennial actuarial valuation at 31 March 2016, the high price of bonds, with a low level of returns on bonds, will have a negative effect on the discount rate, and inflate the estimated value of our pension commitments. Thus, despite a very significant increase in the value of our assets on the stock market, this will be counter-balanced by a significant increase in commitments. Employers will be aware of the increase in commitments on your balance sheet, which have been calculated in accordance with the international accounting standard. I will attempt to put that alarming "snapshot" in its context below.

At the Triennial Actuarial Valuation as at 31 March 2013, the funding level of our Scheme was 85%, ahead of the 79% average across the whole of the LGPS in England and Wales, where funds use a variety of actuarial assumptions and methodologies.

This would place Gwynedd comfortably for both deficit and recovery period across all the LGPS, but pension funds' own published results are not on a like-for-like basis. Following on from the release of the valuation results, the Gwynedd Fund's actuary, Hymans Robertson, conducted an in depth review and rebased these results on a single set of assumptions. When the true relative picture was revealed, Gwynedd's funding position was in the top ten of English and Welsh funds overall.

Gwynedd's implied deficit recovery period, on a common funding basis, is eight years, the shortest of all Welsh funds, and the seventh shortest of all 88 LGPS funds. Other Welsh funds' implied deficit recovery periods range from 11 to 44 years, hence our Fund has a lower risk funding strategy and a relatively credible funding plan.

While the position of individual employers within our Fund will differ, generally the Fund's strength should allow us to take a flexible approach to contribution rates after the next (2016) valuation.

Clearly, minimising any increase in contribution rates will be important given the ongoing squeeze on public spending.

Our primary objective once again will be to ensure that employers will have affordable, fair, and sustainable contribution strategies that reflect their own individual circumstances.

The administrative unit continued their effective performance as measured against their targets (see page 7). The communications activity has been critical in helping employers to implement the Local Government Pensions Scheme (based on career average) in 2014/15. A significant amount of work was involved in order to implement the new systems to ensure as smooth an implementation as possible, in the context of a significant increase in requests for pension estimates due to several employers' savings plans.

It has been another busy year for the Pension Fund with a number of changes and consultations taking place. The collaboration project developed by the eight funds in Wales has identified that improved efficiency could be achieved by collaborating to invest via one common framework or investment vehicle. We will investigate and explain more about this during 2015/16.

The Gwynedd Fund believes that good governance is fundamental to delivering a successfully managed scheme and is supportive of the national attention to governance of the LGPS. Gwynedd Pensions Committee has governed our Fund inclusively for several years, with elected members from other major employers voting alongside Gwynedd Council members. In March 2015, Gwynedd Council established the new local Pensions Board, with three employer representatives and three scheme member (staff / pensioner) representatives, which will meet in 2015/16 to assist scheme management in ensuring compliance with regulations and good governance.

Many thanks for your support during 2014/15, and I look forward to continuing our constructive working relationship in 2015/16. I would like to convey thanks on behalf of the Pensions Committee to all Gwynedd Council's staff involved in administering the Gwynedd Pension Fund, and to our external advisors and partners for their work during 2014/15 in supporting the management and beneficiaries of the scheme. Finally, I would like to thank the Pension Committee members for their positive and conscientious contributions during the last year.

Dafydd L. Edwards
Head of Finance

2. Management Structure

Administering Authority
Gwynedd Council

Pensions Committee 2014/15
Councillor W. Tudor Owen (Chairman)
Councillor Stephen Churchman (Vice-Chairman)
Councillor Trevor Edwards
Councillor Peredur Jenkins
Councillor Dafydd Meurig (to December 2014)
Councillor Peter Read
Councillor John Pughe Roberts
Councillor Gethin Glyn Williams (from January 2015)
Councillor Hywel Eifion Jones (Co-opted Member)
Councillor Margaret Lyon (Co-opted Member)

Pensions Board (Appointed June 2015)
Employer Representatives
Mr Anthony Deakin (Cartrefi Conwy)
Mr Huw Trainor (North Wales Police)
Councillor Aled Lloyd Evans (Gwynedd Council)
Member Representatives
Ms Victoria Hallaron
Mr Osian Richards
Mrs Sharon Warnes

Head of Finance ("Section 151 Officer")
Mr Dafydd L. Edwards

Advisor
Mr Paul Potter (Hymans Robertson)

Investment Managers
BlackRock
Fidelity International
Insight Investment
Lothbury
Partners Group
Threadneedle
UBS Global Asset Management Limited
Veritas

Custodian
Northern Trust

Actuaries
Hymans Robertson

Bankers
Barclays Bank plc

Auditors
Wales Audit Office

Contact Details
Enquiries and more detailed information regarding:

- administration of the Gwynedd Pension Fund can be obtained by contacting:

  Mr Gareth Jones,
  Pensions Manager,
  Gwynedd Council,
  Council Offices,
  Caernarfon,
  Gwynedd. LL55 1SH

  ☎ 01286 679612
  01286 679589
  garethjones@gwynedd.gov.uk

- the Fund's investment and accounting activities should be made to:

  Mrs Caroline Roberts,
  Investment Manager,
  Finance Department,
  Gwynedd Council,
  Council Offices,
  Caernarfon,
  Gwynedd. LL55 1SH

  ☎ 01286 679128
  01286 679589
  carolineroberts@gwynedd.gov.uk

Fund Website
www.gwyneddpensionfund.org.uk

3. Review of the Year

3.1 Pensions Administration

General and Introduction

CARE (Career Average Revaluated Earnings) was the buzz word of the year in LGPS circles, following the coming into force of the new scheme on 1 April 2014. Having previously experienced the 2008 changes from a final salary accrual rate of 80ths to 60ths, the 2014 change introduced a major move away from ‘final salary’ to CARE, but with a legacy of having to record and administer the old scheme definition of pensionable pay for years to come. Transition into the new arrangement has proved challenging, not only for members and employers to understand, but equally for the unit’s administration staff to learn and to adapt.

The late laying of the Transitional Provisions regulations, as mentioned in last year’s report, meant the Government Actuary’s Department’s guidance on early retirement and transfer factors was delayed. Heywood the pension system software providers had to close off development for CARE modules in January 2014 for testing and distribution. The absence of the guidance on 1 April 2014 meant cases having to be checked and corrected manually for some weeks following April.

I would personally like to thank all staff for their patience, perseverance and hard work during this difficult transition, not only coping with the consequences of the late legislation and guidance, but also for their readiness to adapt and learn revised work practices and routines.

Pension and Tax

The last few years has seen a series of major steps where tax free allowances for pension accrual fell dramatically. The allowance for lifetime accrual in 2011/12 stood at £1.8m but has since reduced to £1.25m in 2014/15, with the Chancellor announcing a further reduction in his March 2015 budget to £1m in 2016/17, a level which will be indexed from 2018.

The annual allowance, which in 2010/11 stood at £255,000, had reduced to £40,000 in 2014/15 and will remain so in 2015/16. The implication of these dramatic reductions is that more scheme members become subject to tax charges on excesses to these allowances.

Analysis of Scheme Demographics

Last year’s report highlighted some surprising statistics on Fund demographics whereby in 1995, the valuation year before local government reorganisation, 4,033 pensions were in payment. By the 2013 valuation the figure had risen by over 80% to 7,264; and by March 2015 to 7,947. The message highlighted last year, and emphasised again this, is the acceleration in the number of pensions in payment and the obvious implication this has on funding.

To anticipate future increase in retirements, an age profiling exercise was carried on the group of age 50 and over in 2014. Carrying this forward into 2015 confirms pensioner numbers will continue to increase at a rate approaching 5% per annum. The table below compares the number of members in the age group 50-55 and 55 and over between March 2014 and 2015.

	Actives 2014	Deferred 2014	Totals 2014	Actives 2015	Deferred 2015	Totals 2015
Age 50 - 55	2,230	1,385	**3,615**	2,483	1,625	**4,108**
Age 55+	2,929	1,569	**4,498**	3,290	1,515	**4,805**
Total	**5,199**	**2,954**	**8,113**	**5,773**	**3,428**	**8,913**

2015 saw an increase of 361 of those entering the 55+ active member age bracket. Under the provisions of the 2014 regulations, individuals may retire and claim benefits voluntarily at any time after age 55 with a potential, in extreme circumstances, that 3,290 members could become pensioners at any given time.

Active member records

Considerable resource has been devoted to splitting member pension records over the past two years to reflect individual posts rather than individual members. Historically employers were largely unable to provide 'per-post' data, but as payroll systems developed so did the ability to do so.

Adapting systems to be able to accept the 'per post' data has been challenging, as not only did records have to be broken up and split, the entire history of employment had to be researched and input to ensure details were correct to the date of start in each post. This task was time consuming, however much of it has now been accomplished resulting in a significant increase in the number of 'active' records (see para above). It's important to note that the previous method of recording membership did not result in incorrect measurement of the scheme's assets and liabilities for actuarial purposes.

All Wales Partnership

Greater administrative collaboration has been at the forefront of discussions between all the Welsh pension funds in recent years. Leaflets, booklets and benefit statements for the new scheme were produced through collaborative working and I'm proud to report that Gwynedd Pension Fund has played a prominent part in design and translation of most of these documents.

Welsh Government commissioned Mercer to carry out another review of the eight Welsh fund's governance and administrative procedures. Although the final report had not been finalised by the end of the period covered by this report, the expected recommendations are for even greater and closer collaboration, especially on governance and investments should take place. It should be noted that the study took place against the backdrop of the Williams report and suggestions to substantially reduce the current 22 unitary authorities.

End of 'Contracting Out'

Employers should be aware that 5th of April 2016 will see the abolition of the current basic state and state second pension (S2P). It is to be replaced by a single-tier state pension, the intention of which is to provide a weekly flat rate pension of £151.25 (2015) for all citizens, subject to 35 years' qualifying national insurance contributions. The minimum qualifying period for any part of the pension will be 10 years, with anything in-between producing a proportion of the full pension payable from new state pension ages.

The most important thing for employers to appreciate is that the current rebated 'D' rate national insurance will no longer apply and that employees and employers will pay the increased 'A' rate contracted-in rate.

The section intends to issue a member newsletter the coming months so that staff will be forewarned of the increase in their national insurance contributions, this newsletter will also cover issues such as 'Freedom and Choice' and other minor issues.

Another implication of ending of contracting out is that all defined benefit schemes currently contracted out of the state scheme will have to undertake an extremely challenging exercise to reconcile contracted out data with HMRC before April 2018. This exercise is not to be underestimated, and will require considerable work to avoid being left with unwarranted liabilities. This should not be too much of a concern to employers directly, but it will divert some of the section's resources for a period up to March 2018.

Performance Monitoring

A certain number of the section's activities are measured as part of the Council's Performance Targets. The following table shows the results for 2013/14 and 2014/15 against the targets set as the average number of days taken complete each task.

			2013/2014		2014/2015	
REF	**CORE ACTIVITIES**	**TARGET**	**NO OF CASES**	**AVERAGE DAYS TAKEN**	**NO OF CASES**	**AVERAGE DAYS TAKEN**
CD9.01	Average number of work days taken to send a quotation letter offering a transfer in	40 days	132	28.6	116	13.9
CD9.02	Average number of work days taken to send a quotation letter detailing a transfer out	40 days	70	5.9	126	4.8
CD9.03	Average number of work days taken to send a letter informing value of benefits – estimate	10 days	1,109	7.6	1,453	9.1
CD9.04	Average number of work days taken to send a letter informing value of benefits – actual	10 days	471	5.1	531	6.5
CD9.05	Average no of days taken to acknowledge death of active / preserved / pensioner member	10 days	23	6.4	25	4.9
CD9.06	Average number of work days taken to notify dependents benefits	10 days	162	7.7	198	5.8
CD9.07	Monthly pension payments processed and paid on time (figure based on no. of payments in Mth 12 of each year).	100%	* 8193	100% target	*8664	100% target
CD9.08	Number of cases where amended payments were necessary as a result an error in the section.	Not to exceed 8 cases for the year	2	N/A	3	N/A

The number of monthly pension payments shown includes approximately 916 former teachers in receipt of compensatory pension

Gareth Jones
Pensions Manager

3.2 Governance – Pension Board

The Department of Communities and Local Government issued regulations on scheme governance, to establish a standard structure for all LGPA funds in England and Wales during 2013/14. During 2014/15 the Westminster Government enacted provisions set out in the Public Service Pensions Act 2013 requiring funds to establish local pension boards to govern each fund by 1st April 2015. Gwynedd Council as Administering Authority complied with the regulations and amended the Constitution to establish the Pension Board at the meeting of the Full Council on 5th March 2015.

The Board's role is to assist Gwynedd Council as the Scheme Manager and it is not decision making. There are six members on the Pension Board, three to represent employers and three to represent members of the Fund. The Board members were appointed in June 2015 and the first meeting was held on July 2015. The members of the Pension Board are included in the Management Structure on page 3.

The Governance Policy Statement and the Governance Compliance Statement will be reviewed during 2015/16 and appropriate amendments will be made to reflect the responsibilities of the Pension Board.

3.3 Welsh Pension Funds Collaboration

The project to examine the opportunities for improvement through collaboration across the eight local government pension funds in Wales continued during the year. Following a delay during 2013/14 whilst the Department of Communities and Local Government consulted on the way forward for pension funds in England and Wales, the commissioned business case for a collective investment vehicle in Wales continued with a draft report produced in March 2015 and the final report received in May 2015. The next stage is to agree the shared principles for collaboration and the next steps to take the project forward.

3.4 Changes to the Accounts

The Chartered Institue of Public Finance and Accountancy produces the Code of Practice for Local Government Pension Fund Accounts. The format of the Pension Fund Account on Page 24 previously showed Investment Management Expenses in the section for Returns on Investments. It is now a requirement to show total Management Expenses, Administrative Expenses and Investment Management Expenses, as one amount in the Fund Account. An analysis of these costs is shown in Note 11 to the Accounts.

3.5 International Accounting Standard 19 (IAS19) and Financial Reporting Standard 17 (FRS17)

Definition of IAS19

IAS19 effectively defines how pension scheme assets and liabilities are to be measured for financial reporting purposes and notes that any deficit or surplus should be recognised in full as a balance sheet item, with any movements being recognised in the annual profit and loss account. IAS19 is relevant to bodies required to report under IFRS. This includes the scheduled bodies in the

Pension Fund, which are part of Government accounting, namely Gwynedd Council, Isle of Anglesey County Council, Conwy County Borough Council and their foundation schools, Snowdonia National Park Authority, the Police and Crime Commissioner for North Wales and Careers Wales. Two of the smaller employers also required IAS19 reports. All other employers are still subject to FRS17 reporting requirements.

Accounting for IAS19 and FRS17

Adoption of IAS19 or FRS17 means that employers have to recognise the net asset or liability, and a pensions reserve, in the balance sheet. They also have to make entries in the Consolidated Revenue Account for movements in the asset or liability relating to defined benefit schemes.

IAS19 and FRS17 Reports as at 31/03/2015

In January 2015, work was undertaken to collect all the necessary data required by the Actuary to calculate the individual IAS19 or FRS17 information for each of the Fund's employers. The majority of the reports were sent to the employers between 7th May and 11th May 2015.

IAS19 and FRS17 Results as at 31/03/2015

The significant changes that have taken place during the year for a typical employer in the Fund are that:

- the deficit has increased due to falling real bond yields;
- this has been partially offset by strong asset returns;
- the projected pension expense for next year has also risen, due to falling bond yields.
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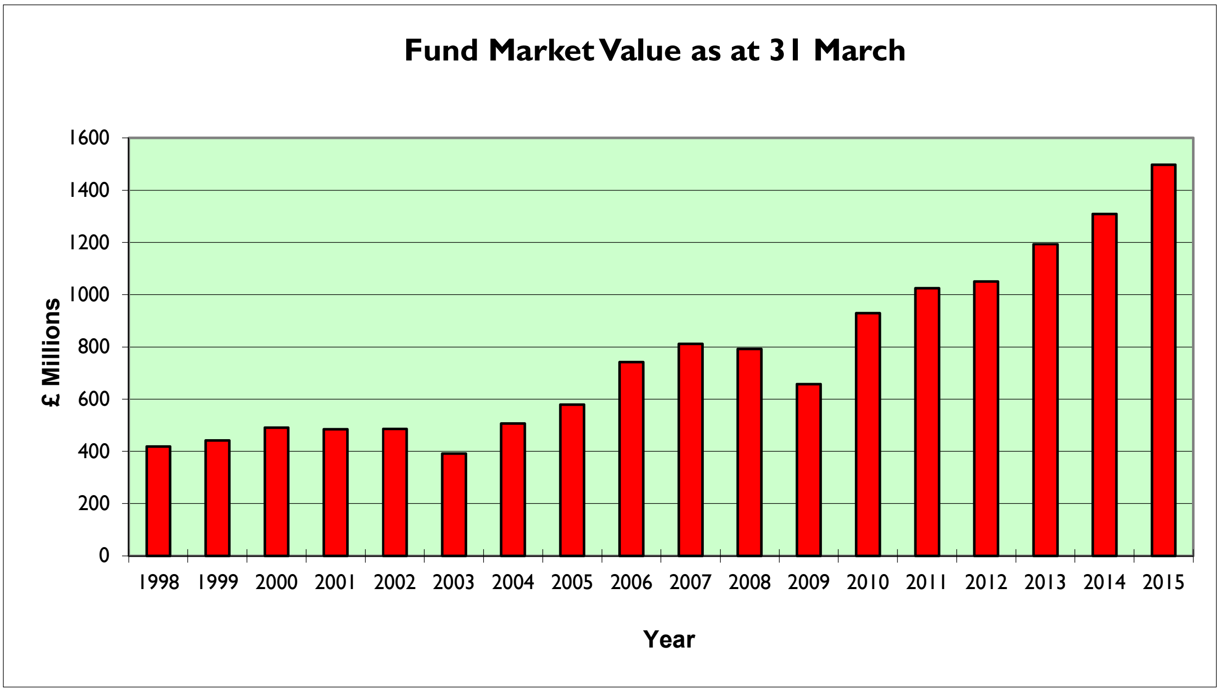
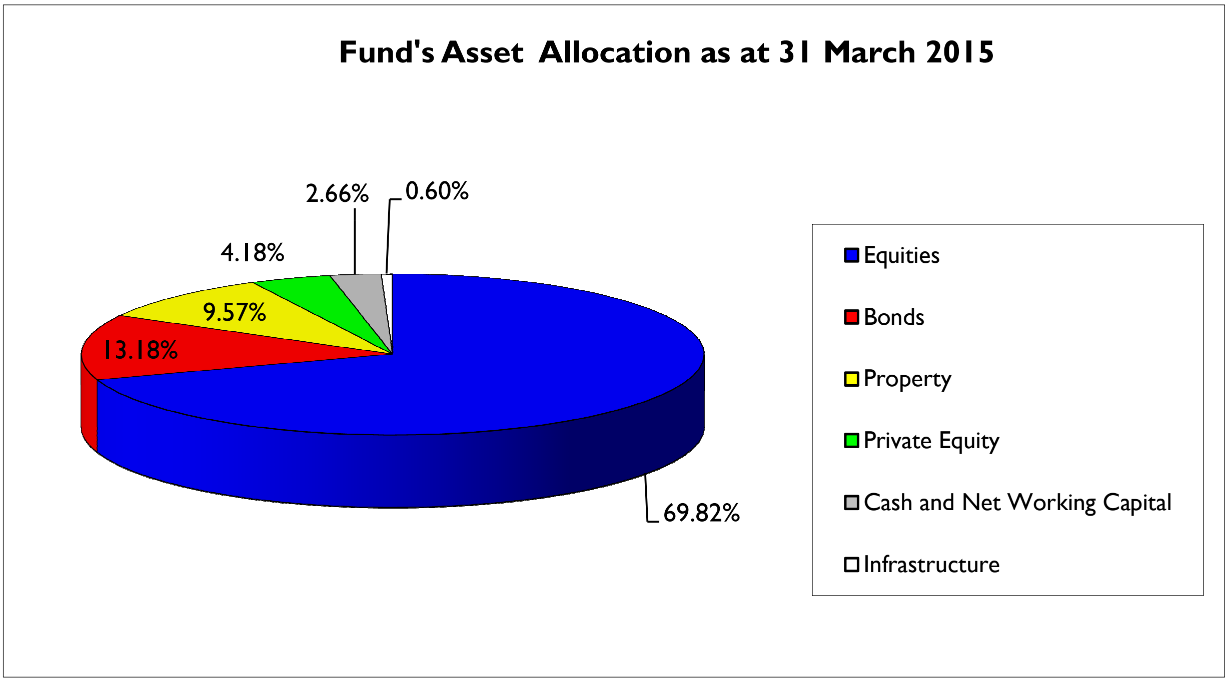
Caroline Roberts

Investment Manager

4. Recent Trends





5. Management Report

5.1 Scheme Administration

General

The basis for the Local Government Pension Scheme (LGPS) is contained in the Local Government Pension Scheme Regulations 2013 (as amended) and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (also as amended).

Gwynedd Council administers the Gwynedd Pension Fund for its own employees and those of 23 other scheduled bodies (including 2 Local Authorities) and 17 admitted bodies. The Fund does not cover teachers, for whom separate arrangements exist. The Fund is financed by contributions from employers and employees, together with income earned from investments.

From April 2014 employees' contribution rates are determined in bands according to their actual pay indexed annually in line with inflation. Employees may opt to pay half rate contributions to accrue half rate personal benefits in what is called the 50/50 scheme, death and dependant benefits remain at full rate. The bandings for April 2014 – March 2015 are shown in the table below:

Pay Bands	Contribution Rates main scheme	Contribution Rates 50/50 scheme
Up to £13,500	5.5%	2.75%
£13,501 - £21,000	5.8%	2.9%
£21,001 - £34,000	6.5%	3.25%
£34,001 - £43,000	6.8%	3.4%
£43,001 - £60,000	8.5%	4.25%
£60,001 - £85,000	9.9%	4.95%
£85,001 - £100,000	10.5%	5.25%
£100,001 - £150,000	11.4%	5.7%
More than £150,000	12.5%	6.25%

Employers contribute to the fund at a rate assessed triennially by the Fund's Actuary, or in the event of any significant change in an employer's membership or profile. Employers continue to pay the full rate in respect of members who opt for the 50/50 option or are on reduced pay due to illness.

Benefits

The LGPS provides significant benefits to members based on two separate schemes. There is a final salary arrangement, itself consisting of two accrual rates, and a CARE (Career Average Revalued Earnings) arrangement that came into force from 1 April 2014. Below are brief details of how the principal accrue in both arrangements.

For the final salary element benefits will normally be based on two factors: service or membership during which contributions have been paid to the scheme, known as "Total Membership", and the wage or salary on which those contributions were paid (normally the last 12 months of service), known as "Final Pay".

The CARE part will be in the form of 1/49ths pension calculated on individual years' actual pensionable earnings revalued annually.

- **Annual Pension**

  The calculation of the annual standard pension is based on the following formula:

  Final Pay x 1/80 x Total Membership to 31 March 2008; plus
  Final Pay x 1/60 x Total Membership from 1 April 2008 to 31 March 2014; plus
  The accrued and revalued CARE pension on years from 1 April 2014 onwards

Once the pension is in payment it will rise each April in line with the increase in the Consumer Price Index.

- **Lump Sum**

  There is also an entitlement to a standard tax-free lump sum on membership to 31 March 2008, based on the following formula:

  Final Pay x 3/80 x Total Membership to 31 March 2008 only

- **Conversion of Benefits**

  There is an option to convert part of the pension into an additional lump sum in excess of the formula shown above, but subject to HMRC limits.

Councillor Pensions

The scheme also provides access for Councillors. The benefit package is based on the pre April 2008 formula for pension and lump sum shown above but using Career Average Salary instead of Final Pay. This remains the position for councillor members even after the introduction of the new main scheme from April 2014. Councillor members in England will be forced out of the scheme from the next council elections.

Ill-Health Retirement

If the membership period is 2 years or more, and an administering authority approved independent registered medical practitioner certifies that the member has become permanently unable to do their job or any comparable job with their employer, they will receive a pension, and if choosing to covert pension, a tax free lump sum immediately.

Benefits are calculated in the same way as for normal retirement except that if the membership period is 5 years or more, it is increased by adding extra years to compensate for premature retirement.

Early Retirement

If membership period is 2 years or more, a member may elect to retire and receive their LGPS benefits at any time from age 55 onwards; however payment before normal pension age may result in actuarial reduction to pay for early release, and if after normal pension age benefits may be actuarially increased due to late payment.

Preserved Benefits

Leavers with 2 years of membership are awarded preserved benefits, calculated in the same way as described in the paragraph 'Benefits', but with payment being deferred and index linked until payment is made any time after age 55. Alternatively, it may be possible to transfer the equivalent value of benefits to another pension scheme.

Leavers with less than 2 years' membership, and with no further LGPS rights, may reclaim their contributions, less tax and any contracted out premiums that may apply.

Death in Service
A death grant of 3 times Final Pay is payable, regardless of the length of membership. For part-time employees, the Final Pay is not increased to its whole-time equivalent rate.

In addition, survivor benefits may be payable to spouses, or partners, with dependent children benefits also payable subject to certain criteria, mainly based on age and whether in full time education.

Death after Retirement
Pension payments come with a ten year guarantee, so that if death occurs within ten years of retirement and before age 75 a death grant may be payable on the excess of pension not paid up to a maximum that would have been paid up to age 75.

Like for death in service, spouses and partners' pensions are payable for life whilst dependant eligible children's pensions are payable subject to the same conditions as for Death in Service

5.2 Actuarial Position

General
The most recent actuarial valuation of the Fund was undertaken as at 31st March 2013 (previously 31st March 2010), and it requires full solvency of the Fund.

Method and Assumptions Used
The actuarial methods used in the valuation were the "Projected Unit Method" for the fund as a whole and employers who will continue to admit new entrants to the fund and the "Attained Age Method" for employers who no longer admit new entrants to the fund. The main financial assumptions were as follows:

	% per annum
Discount Rate	4.7%
Pay Increases (not including increments)*	4.3%**
Price Inflation / Pension Increases	2.5%

* Plus an allowance for promotional pay increases
** 1% per annum for 2013/14, 2014/15 and 2015/16, reverting to 4.3% thereafter.

The Results
The key funding objective of the Fund is to build up sufficient assets to provide adequate security for members' benefits as they accrue. When the value of the Fund's assets match the value of its liabilities the Fund is said to be 100% funded. In the valuation report for 31 March 2013, published on the 31 March 2014 by Hymans Robertson the Funding level was 85% (compared to 84% at 31 March 2010) and there was a funding shortfall of £210m. The market value of assets at the valuation date was £1,195m and liabilities were assessed to be £1,405m.

The following table sets out the valuation results for the Fund as a whole:

	£m
Net Liabilities :-	
Active Members	699
Deferred Pensioners	185
Pensioners	521
Total Net Liabilities	**1,405**
Total Value of Assets	**1,195**
Surplus (Deficit)	**(210)**
Funding Level	**85%**

Common Rate of Contribution (CRC)
The CRC payable is the cost of future benefit accrual increased by an amount to bring the funding level back to 100% over a period of up to 20 years as set out in the Funding Strategy Statement. Based on the Fund's funding level at 31 March 2013, the future service contribution rate was set at 18.3% with a further 5.6% required to fund the past service deficit. The contribution from each employer is the CRC plus an individual adjustment, if appropriate, to reflect the individual circumstances of each employer.

5.3 Administrative and Custodial Arrangements

Governance
The Fund is administered within the framework established by statute, which stipulates that Gwynedd Council is the Administering Authority.

Governance Policies
The Governance Policy Statement (GPS) and the Governance Compliance Statement (GCS) states the governance practices of the Pension Fund.

Copies can be seen on the Pension Fund website.

Specialist Advice
The Local Government Pension Scheme Regulations oblige the Council to take specialist advice on investment. This advice is provided by an independent advisor from Hymans Robertson (the Fund's advisers), who joins the Pensions Committee in monitoring the Investment Managers. An advisor from Hymans is always present at the Pensions Committee's quarterly meetings with the Investment Managers.

Investment Managers
Over the period of this report, there were 5 Investment Managers, as follows: BlackRock, Fidelity International (Fidelity), Insight Investment (Insight), Veritas and Partners Group. The fund has also invested directly in Lothbury Investment Management's (Lothbury) Property Fund, Threadneedle's Pensions Property Fund, UBS Life Triton Property Fund and UBS Central London Office Value Added Fund.

The target distribution of Fund assets for the year is shown in the table below. The investment in infrastructure will be built up over a period of time and therefore the actual allocation has not reached the target during the year.

The target distribution of Fund assets is as follows:

Manager	%
BlackRock	29.5
Veritas	19.0
Fidelity	19.0
Insight	15.0
UBS / Lothbury / Threadneedle / BlackRock (Property Only)	10.0
Partners – Private equity	5.0
Partners – Infrastructure	2.5
Total	100.0

Custodians

Some of the investment mangers have an associated custodian who holds the assets of their part of the portfolio. The managers and their associated custodians are as follows:

- BlackRock's custodian is JP Morgan Chase Bank;
- Fidelity's custodian is also JP Morgan Chase Bank;
- Insight's custodian is The Northern Trust Company;

As one investment manager does not have an associated custodian, the Pensions Committee has chosen to appoint:

- The Northern Trust Company as custodian of those assets managed by Veritas.

Lothbury, Threadneedle and UBS, with whom we have direct investments, have the Northern Trust Company as their custodians.

Partners Group is not included in the Fund's custody arrangements.

Administrative Procedures

Administrative procedures ensure that those transfers which do take place, between the Council and the Investment Managers, must be authorised by the signatories of two of the named officers who are on the Pension Fund's authorised signature list.

Asset Allocation

One of the key determinants of the Fund's long-term overall performance is its strategic asset allocation. The Fund's strategic asset allocation is 72.5% equities, 15% UK bonds, 10% property and 2.5% infrastructure. During the year the strategic asset allocation was changed to include passive equities measured against a fundamental indexation benchmark. The two tables below show the Fund's benchmark allocation at the beginning of the year and the revised allocation following the change.

The following table shows the Fund's benchmark allocation at the start of 2014/15.

	BlackRock %	Veritas %	Fidelity %	Insight %	UBS/Thread-needle/ Lothbury/ BlackRock Property %	Partners Group %	Total %
Percentage of Fund	**29.5**	**19.0**	**19.0**	**15.0**	**10.0**	**7.5**	**100.0**
UK Equities	**56.0**	**7.8**	**7.8**	**-**	**-**	**-**	**19.5**
Overseas Equities	**44.0**	**92.3**	**92.3**	**-**	**-**	**-**	**48.0**
North America	7.4	52.8	52.8	-	-	-	21.0
Europe ex-UK	14.1	16.7	16.7	-	-	-	10.0
Japan	6.0	7.4	7.4	-	-	-	5.0
Pacific Basin	9.0	4.4	4.4	-	-	-	5.5
Emerging Markets	7.5	10.9	10.9	-	-	-	6.5
Private Equity	**-**	**-**	**-**	**-**	**-**	**66.7**	**5.0**
Total Equities	**100.0**	**100.0**	**100.0**	**-**	**-**	**66.7**	**72.5**
UK Bonds	-	-	-	100.0	-	-	15.0
Total Bonds	**-**	**-**	**-**	**100.0**	**-**	**-**	**15.0**
Property	**-**	**-**	**-**	**-**	**100.0**	**-**	**10.0**
Infrastructure						**33.3**	**2.5**
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

The following table shows the Fund's benchmark allocation following the change in 2014/15.

	BlackRock Market Cap %	BlackRock Funda-mental %	Veritas %	Fidelity %	Insight %	UBS/Thread-needle/ Lothbury/ BlackRock Property %	Partners Group %	Total %
Percentage of Fund	**22.5**	**7.0**	**19.0**	**19.0**	**15.0**	**10.0**	**7.5**	**100.0**
UK Equities	**69.0**	**10.3**	**7.5**	**7.5**	**-**	**-**	**-**	**19.5**
Overseas Equities	**31.0**	**89.7**	**92.5**	**92.5**	**-**	**-**	**-**	**48.0**
North America	0.0	50.3	54.1	54.1	-	-	-	22.5
Europe ex-UK	11.0	22.3	15.9	15.9	-	-	-	10.0
Japan	5.0	10.9	7.4	7.4	-	-	-	5.0
Pacific Basin	5.0	6.0	4.2	4.2	-	-	-	4.5
Emerging Markets	10.0	0.2	10.8	10.8	-	-	-	6.0
Private Equity	**-**	**-**	**-**	**-**	**-**	**-**	**66.7**	**5.0**
Total Equities	**100.0**	**100.0**	**100.0**	**100.0**	**-**	**-**	**66.7**	**72.5**
UK Bonds	-	-	-	-	100.0	-	-	15.0
Total Bonds	**-**	**-**	**-**	**-**	**100.0**	**-**	**-**	**15.0**
Property	**-**	**-**	**-**	**-**	**-**	**100.0**	**-**	**10.0**
Infrastructure	**-**	**-**	**-**	**-**	**-**	**-**	**33.3**	**2.5**
Total	**100.0**		**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

5.4 Investment Powers

Investment Powers

The principal powers to invest are contained in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 as amended. These permit a wide range of investment for Fund monies which are not immediately required to pay pensions and other benefits.

Investment Restrictions

Gwynedd's current restrictions are noted in Column (A) below. However, the regulations allow administering authorities to set limits up to those to those noted in Column (B) below:

	The Fund's Current Restrictions (A)	**Regulations: Increase the Limits to (B)**
1. Any single sub-underwriting contract.	1%	5%
2. All contributions to any single partnership.	5%	5%
3. All contributions to partnerships.	15%	30%
4. The sum of all loans and any deposits with any local authority, or any body with power to issue a precept or requisition to a local authority, or to the expenses of which a local authority can be required to contribute, which is an exempt person (within the meaning of the Financial Services and Markets Act 2000 [4]) in respect of accepting deposits as a result of an order made under section 38(1) of that Act.	10%	10%
5. All investments in unlisted securities of companies.	10%	15%
6. Any single holding.	10%	10%
7. All deposits with any single bank, institution or person (other than the National Savings Bank).	10%	10%
8. All sub-underwriting contracts.	15%	15%
9. All investments in units or shares of the investments subject to the trusts of unit trust schemes managed by any one body.	25%	35%
10. All investments in open-ended investment companies where the collective investment schemes constituted by the companies are managed by one body.	25%	35%
11. All investments in units or other shares of the investments subject to the trusts of unit trust schemes and all investments in open-ended investment companies where the unit trust schemes and the collective investment schemes constituted by those companies are managed by any one body.	25%	35%
12. Any single insurance contract.	35%	35%
13. All securities transferred (or agreed to be transferred) by the authority under stock lending arrangements.	25%	35%

5.5 Investment Management

General
The main objective of investment policy is to maximise the return on the money entrusted to the Council, consistent with acceptable levels of risk and for the annual return in the longer run to exceed the level of wage inflation. It must be borne in mind that the Fund's liabilities (pensions) are very long-term, extending to the middle of the century. These liabilities will increase with inflation, both because of the index-linking of pensions and also due to the rising level of employees' salaries and wages to the time of retirement. There is a relationship between the level of returns achieved and the contribution rate which employers are expected to pay. The Pensions Committee considers that in the long run equity returns will exceed bond returns and it is for this reason that the majority of the Fund is invested in equities.

Investment Manager Briefs
As a result of a deliberate policy to diversify assets and investment styles, the Fund has 5 Investment Managers with varying briefs:

Investment Manager	Brief
BlackRock	Passive
Fidelity	Active
Insight	Active
Veritas	Active
Partners	Active

BlackRock is briefed to be a “passive” manager. The manager will allocate their mandate’s asset allocation in line with that of the benchmark and in each market they aim to track stock exchange indices. As a result, their mandates’ performance should be in line with their respective benchmarks. Appointing a passive manager reduces the risk of underperformance, relative to benchmark; however, it also reduces the possibility of out performance, relative to the benchmark.

All the others are “active” managers. They are given the discretion to invest in their best investment ideas. Whilst they have a great deal of flexibility, in terms of which stocks, regions and sectors they can invest in, there are a number of restrictions in place which prevents the managers deviating too far from the benchmark and taking excessive risk. Appointing active managers increases the possibility of out performance, relative to the benchmark; however it also increases the risk of underperformance, relative to benchmark.

Veritas and Fidelity have an “active” equity brief while Insight has an “active” bond brief. Partners Group has been given “active” private equity and infrastructure briefs.

5.6 Investment Performance

Quarterly Meetings

The performance of the Investment Managers is monitored on a quarterly basis. Investment Managers submit quarterly reports and valuations to the Pensions Committee, the relevant officers at Gwynedd Council and the Fund's adviser. Every quarter a meeting is held between Investment Managers, the Committee, officers and the adviser to monitor their performance.

Performance Monitoring

Gwynedd subscribes to a service provided by the State Street Global Services which calculates the rate of return for Gwynedd and for other Pension Funds and provides comparisons.

Targets

Individual performance benchmarks for the Investment Managers are shown in the table below.

Manager	Benchmark	Target
BlackRock	FTSE All-Share and FTSE All-World Indices	Benchmark Return
Veritas	MSCI All Countries World Index	Benchmark + 2% p.a. (gross of fees)
Fidelity	MSCI All Countries World Index	Benchmark + 2%-3% p.a. (gross of fees)
Insight	Cash (Libor)	Benchmark +2% p.a.
Partners	MSCI World	Benchmark + 5% p.a.*

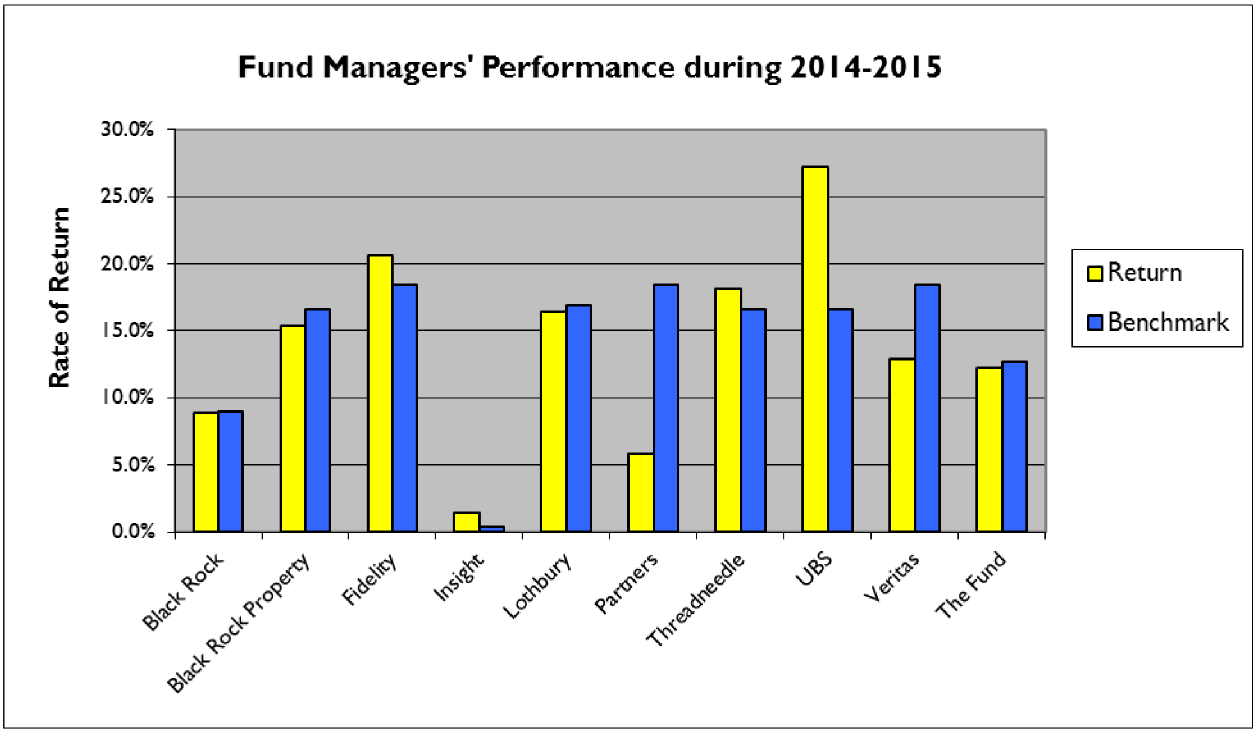
**Partners do not have an official performance target. The target stated above is purely for indicative purposes.*
MSCI=Morgan Stanley Capital International

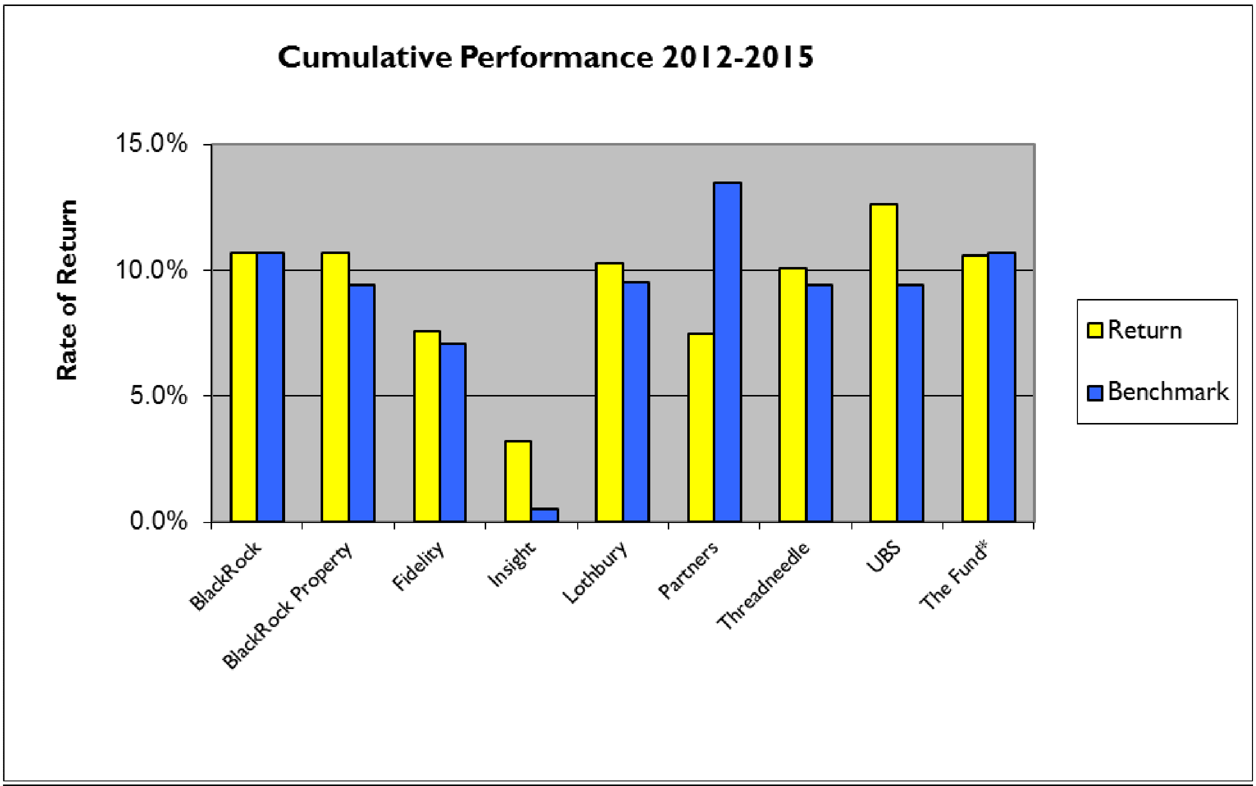
We have made direct investments with Lothbury, UBS and Threadneedle, so therefore have not given them a benchmark. However, for indicative purposes we monitor them against the IPD Balanced Property Unit Trust Index.

Fund Performance

Against the benchmark, the Fund underperformed by 0.5% during the 2014/15 financial year. The Fund achieved a return of +12.2% against a benchmark return of +12.7%. Over a three year period the Fund outperformed against the benchmark, with a return of +10.6% against a benchmark return of +10.5%.

The following graphs and table show the performance of the Managers over 1 and 3 years.





*These figures include an element of Capital's performance until their termination in July 2012 and an element of Veritas performance, since their inception in July 2012.

It is generally accepted that investment performance over a long period of time (say 3+ years) is a more valid indicator than over a single year as investment strategies designed to bring good performance in the longer run may from time to time suffer from short-term setbacks.

	1 Year Return	1 Year Benchmark	3 Year Return	3 Year Benchmark
BlackRock	8.9%	9.0%	10.7%	10.7%
BlackRock Property	15.4%	16.6%	10.7%	9.4%
Fidelity	20.6%	18.4%	7.6%	7.1%
Insight	1.5%	0.4%	3.2%	0.5%
Lothbury	16.4%	16.9%	10.3%	9.5%
Partners	5.8%	18.4%	7.5%	13.5%
Threadneedle	18.1%	16.6%	10.1	9.4
UBS	27.2%	16.6%	12.6%	9.4%
Veritas	12.9%	18.4%	n/a	n/a
TOTAL FUND	**12.2%**	**12.7%**	**10.6%**	**10.7%**

5.7 Statement of Investment Principles

General
Local Government Pension Scheme administering authorities are required to prepare and publish a written Statement of Investment Principles (SIP).

Reviewing the SIP
A full review of the SIP was undertaken during 2012/13. Following consultation with employers and union representatives the following changes were made:

- Inclusion of infrastructure as an asset classification for investment by the fund.
- Change of investment limits in limited partnerships and benchmarks to include the agreed infrastructure investment.
- Inclusion of the Fund's commitment to the Stewardship Code and membership of the Local Authority Pension Fund Forum (LAPFF) to enhance consideration of and influence over social, environmental and ethical issues in investee companies.

Copies of the SIP
Copies of the current SIP have been sent out to all the Fund's employers, investment managers, the actuary, adviser and union representatives.

A copy can be seen on the Pension Fund website.

5.8 Funding Strategy Statement

General
Local Government Pension Scheme (LGPS) administering authorities are required to prepare and publish a Funding Strategy Statement (FSS).

LGPS benefits 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. It also provides LGPS administering authorities with a statutory framework within which to manage their Funds' long-term pension liabilities going forward.

Reviewing the FSS

The FSS was reviewed during 2013/14 as part of the 31 March 2013 Actuarial Valuation process. The review process involved consultation with all the Fund's employers and the Fund's Actuary. The current FSS was adopted by the Pensions Committee on 17th March 2014.

Copies of the FSS

Copies of the FSS were sent out to all the Fund's employers and the fund's actuary, adviser and union representatives on 31st March 2014.

A copy can be seen on the Pension Fund website.

5.9 Knowledge and Skills Framework

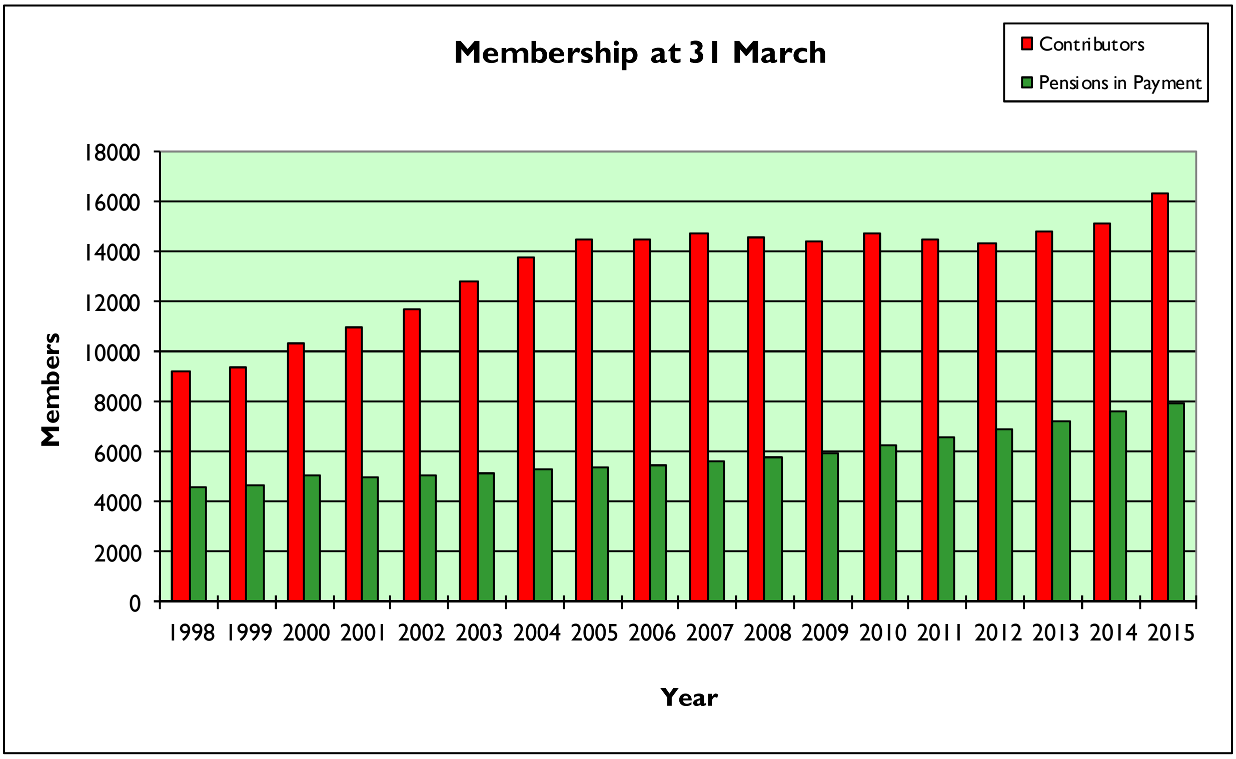
The Pensions Committee has formally adopted the following knowledge and skills policy statement:

Gwynedd Pension Fund recognises the importance of ensuring that all staff and members charged with the financial administration and decision-making with regard to the pension scheme are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.

Therefore, Gwynedd Pension Fund seeks to utilise individuals who are both capable and experienced and it will provide training for staff and members of the pensions decision-making bodies to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

6. Membership Summary

The graph below shows the changes in the Fund's membership over the last 18 years. It shows that while the number of pensioners has slowly increased from 4,592 in 1998 to 7,940 in 2015, the number of active contributors has also increased from 9,224 in 1998 to 16,301 in 2015.



The table below shows the membership summary:

31 March 2014	Description	31 March 2015
15,131	Contributors	16,301
10,500	Deferred Pensioners	11,706
7,584	Pensions in Payment	7,940
1,424	Unclaimed Benefits	1,348
34,639	**Total Membership**	**37,295**

7. Statement of Accounts 2014 -15 subject to audit

GWYNEDD PENSION FUND ACCOUNTS 2014-15

31 March 2014 £'000		Notes	31 March 2015 £'000
	Dealings with members, employers and others directly involved in the Fund		
65,700	Contributions receivable	7	67,748
17	Interest on deferred contributions		14
3	Income from divorce calculations		2
0	Interest on late payment of contributions		1
3,810	Transfers in from other pension schemes	8	2,015
69,530	**Total contributions received**		**69,780**
(45,167)	Benefits payable	9	(48,610)
(1,516)	Payments to and on account of leavers	10	(1,909)
(46,683)	**Total benefits paid**		**(50,519)**
22,847			**19,261**
(8,118)	Management Expenses	11	**(8,573)**
	Returns on Investments		
13,993	Investment income	14	12,993
(466)	Taxes on income	15	(687)
88,421	Profit and (losses) on disposal of investments and changes in the market value of investments	16	164,833
101,948	**Returns on investments net of tax**		**177,139**
116,677	**Increase in the net assets available for benefits during the year**		**187,827**
	Net assets of the Fund		
1,192,869	At 1st April		1,309,546
116,677	Increase in net assets		187,827
1,309,546			**1,497,373**

NET ASSETS STATEMENT AS AT 31 MARCH 2015

31 March 2014 £'000		Notes	31 March 2015 £'000
1,280,403	Investment assets	16	1,458,025
15,453	Cash deposits	16	22,082
1,295,856			**1,480,107**
(308)	Investment liabilities	16	(229)
17,450	Current assets	21	20,312
(3,452)	Current liabilities	22	(2,817)
1,309,546			**1,497,373**

The Financial Statements do not take into account the Fund's liability to pay pensions and other benefits to all the present contributors to the Fund after the scheme year end, but rather summaries the transactions and net assets of the scheme. The liabilities of the Fund are taken into account in the periodic actuarial valuations of the Fund (most recently as at 31 March 2013) and are reflected in the levels of employers' contributions determined at the valuation, so that the Fund will again be able to meet 100% of future liabilities. The actuarial present value of promised retirement benefits is shown in Note 20.

NOTES TO THE GWYNEDD PENSION FUND ACCOUNTS

NOTE 1 – DESCRIPTION OF FUND

The Gwynedd Pension Fund ("the Fund") is part of the Local Government Pension Scheme and is administered by Gwynedd Council. The council is the reporting entity for this pension fund. The following description of the Fund is a summary only. For more detail, reference should be made to the Gwynedd Pension Fund Annual Report 2014/15 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

a) General

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

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

It is a contributory defined pension scheme administered by Gwynedd Council to provide pensions and other benefits for pensionable employees of Gwynedd Council, two other local authorities and other schedule, resolution and admission bodies within the former Gwynedd County Council area. Teachers, police officers and firefighters are not included as they are in other national pension schemes. The Fund is overseen by the Pensions Committee, which is a committee of Gwynedd Council.

b) 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 Gwynedd Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Resolution bodies, which are city, town and community councils. They have the power to decide if their employees can join the LGPS and pass a resolution accordingly.
- Admission bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

NOTE 1 – DESCRIPTION OF FUND (continued)

The following bodies are active employers within the Pension Fund:

Scheduled Bodies	
Gwynedd Council	Snowdonia National Park
Conwy County Borough Council	Bryn Eilian School
Isle of Anglesey County Council	Emrys ap Iwan School
Police and Crime Commissioner for North Wales	Pen y Bryn School
Llandrillo – Menai Group	Eirias High School
Resolution Bodies	
Llanllyfni Community Council	Ffestiniog Town Council
Bangor City Council	Llandudno Town Council
Abergele Town Council	Llangefni Town Council
Colwyn Bay Town Council	Menai Bridge Town Council
Beaumaris Town Council	Towyn and Kinmel Bay Town Council
Holyhead Town Council	Tywyn Town Council
Caernarfon Town Council	Conwy Town Council (joined 1 November 2014)
Admission Bodies	
Coleg Harlech WEA	North Wales Society for the Blind
CAIS	Conwy Voluntary Services
Conwy Citizens Advice Bureau	Careers Wales North West
Ynys Môn Citizens Advice Bureau	Mantell Gwynedd
Cwmni Cynnal	Medrwn Môn
Cwmni'r Fran Wen	Menter Môn
Holyhead Joint Burial Committee	
Community Admission Bodies	
Cartrefi Conwy	Cartrefi Cymunedol Gwynedd
Transferee Admission Body	
Caterlink (joined 1 September 2013)	Jewsons

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007 and range from 2.75% to 12.5% of pensionable pay for the financial year ending 31 March 2015. Employers also make contributions which are set based on triennial actuarial funding valuations. New employer contribution rates were applied for the three years from 1st April 2014 to 31 March 2017 following the actuarial valuation carried out as at 31 March 2013.

NOTE 1 – DESCRIPTION OF FUND (continued)

d) Benefits

Prior to 1 April 2014 pension benefits under the LGPS were 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 worked is worth 1/80 x final pensionable salary.	Each year worked 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 1 April 2014, the scheme became a career average scheme as summarised below:

	Service post 31 March 2014
Pension	Each year worked is worth 1/49 x career average revalued earnings (CARE)
Lump Sum	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.

Accrued pension is increased annually in line with the Consumer Prices Index.

There are a number of other benefits provided under the scheme including early retirement, disability pensions and death benefits. For more details, please refer to the Gwynedd Pension Fund scheme handbook available from Gwynedd Council's Pensions Section.

Benefits are index-linked in order to keep pace with inflation.

NOTE 2 – BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2014/15 financial year and its position at year-end as at 31 March 2015. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 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 due after the end of the financial year or the actuarial present value of promised retirement benefits. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 20 of these accounts.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund account – revenue recognition

a) Contribution Income

Normal contributions, both from the 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 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.

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. Amounts not due until future years are classed as long-term financial assets.

b) 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 (see Notes 8 and 10).

Individual transfers in and out are accounted for on a receipts and payments basis, 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 (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (see Note 8).

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

c) Investment income

i) Interest income

Interest income is recognised in the Fund account 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 or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

ii) 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 current financial asset.

iii) Distributions from pooled funds including property

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.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund account – expense items

d) 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.

e) 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.

f) 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.

Administrative expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the pensions administration team are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to the Fund in accordance with Council policy.

Oversight and governance costs

All oversight and governance expenses are accounted for on an accrual basis. All staff costs, management and other overheads associated with oversight and governance are apportioned to the Fund in accordance with Council policy.

Investment management expenses

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.

In addition the Fund has negotiated with Fidelity International that an element of their fee be performance related.
The cost of obtaining investment advice from external consultants is included in investment management charges.

A proportion of the council's costs representing management time spent by officers on investment management is also charged to the Fund.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net assets statement

g) 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 asset are recognised by the Fund.

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

i) 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.

ii) Fixed interest securities
Fixed interest securities are recorded at net market value based on their current yields.

iii) Unquoted investments
The fair value of investments for which market quotations are not readily available is determined as follows:

- Unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these pools or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.
- Investments in unquoted property are valued at the net asset value or a single price advised by the Fund manager.
- Investments in private equity funds and unquoted listed partnerships are valued based on the fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with IFRS guidelines. It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors.

iv) Pooled investment vehicles
Pooled investments vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.

h) 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 values of overseas investments and purchases and sales outstanding at the end of the reporting period.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Cash and cash equivalents

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

j) Financial liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets 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.

k) 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 note to the net assets statement. (Note 20).

l) Additional voluntary contributions

Gwynedd Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the pension Fund. There are three AVC funds. They are held with Clerical Medical, The Equitable Life Assurance Society and Standard Life. The AVC providers secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in these arrangements each receive an annual statement made up to 31 March confirming the amounts held in their account and the movements in year.

AVCs are not included in the accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (Note 23).

NOTE 4 – CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Unquoted private equity and infrastructure investments

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities and infrastructure are valued by the investment managers using guidelines set out by IFRS accounting standards. The value of unquoted securities at 31 March 2015 was £71 million (£64 million at 31 March 2014).

Pension fund liability

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 19. This estimate is subject to significant variances based on changes to the underlying assumptions.

NOTE 5 – ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported in the accounts. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the net assets statement at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The net pension liability would change if the assumptions used were changed. For instance, an increase in the discount rate assumption would result in a decrease in the pension liability, an increase in assumed earnings inflation would increase the value of liability in assumed life expectancy would increase the liability.
Debtors	At 31 March 2015, the Fund had a balance of sundry debtors of £8.3m. A review of significant balances suggested that it was not appropriate to make any impairment of the debts.	If collection rates were to deteriorate, it would be necessary to reconsider this decision.
Private equity and infrastructure	Private equity and infrastructure investments are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity and infrastructure investments in the financial statements are £71 million. There is a risk that this investment may be under or overstated in the accounts.

NOTE 6 – EVENTS AFTER THE BALANCE SHEET DATE

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

NOTE 7 – CONTRIBUTIONS RECEIVABLE

By category

2013/14 £'000		2014/15 £'000
50,908	Employers	52,502
14,792	Employees/Members	15,246
65,700		**67,748**

By authority

2013/14 £'000		2014/15 £'000
23,297	Gwynedd Council	24,251
38,065	Other scheduled bodies	38,992
1,722	Admission bodies	1,753
2,369	Community admission body	2,268
31	Transferee admission body	257
162	Resolution Body	173
54	Closed fund*	54
65,700		**67,748**

* Closed fund – These are contributions received from North Wales Magistrates Court Committee which was an admitted body but is now a closed fund.

2013/14 £'000		2014/15 £'000
14,792	Employees normal contributions	15,246
39,711	Employers normal contributions	45,586
11,197	Employers deficit recovery contributions	6,916
65,700		**67,748**

NOTE 8 – TRANSFERS IN FROM OTHER PENSION FUNDS

2013/14 £'000		2014/15 £'000
3,810	Individual transfers	2,015
3,810		**2,015**

NOTE 9 - BENEFITS PAYABLE

By category

2013/14 £'000		2014/15 £'000
34,425	Pensions	37,074
9,787	Commutation and lump sum retirement benefits	9,922
955	Lump sum death benefits	1,614
45,167		**48,610**

By authority

2013/14 £'000		2014/15 £'000
11,613	Gwynedd Council	13,554
20,012	Other scheduled bodies	22,135
984	Admission bodies	1,074
1,000	Community admission body	653
75	Transferee admission body	25
69	Resolution body	72
11,414	Closed fund	11,097
45,167		**48,610**

NOTE 10 – PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2013/14 £'000		2014/15 £'000
(1)	Refunds to members leaving service net of tax repayments	84
1	Payments for members joining state scheme	17
1,516	Individual transfers	1,808
1,516		**1,909**

NOTE 11 – MANAGEMENT EXPENSES

2013/14 £'000		2014/15 £'000
1,218	Administrative costs	1,106
6,850	Investment management expenses (Note 13)	7,419
50	Oversight and governance costs	48
8,118		**8,573**

This analysis of the costs of managing the Gwynedd Pension Fund during the period has been prepared in accordance with CIPFA guidance.

NOTE 12 – ADMINISTRATIVE, OVERSIGHT AND GOVERNANCE COSTS

2013/14 £'000		2014/15 £'000
	Administrative costs	
427	Direct employee costs	455
209	Other direct costs	214
366	Support services including IT	323
29	External audit fees	31
187	Actuarial fees	83
1,218		**1,106**
	Oversight and governance costs	
50	Pensions Committee	48
1,268		**1,154**

Administrative expenses include amounts charged to the Pension Fund by Gwynedd Council for staff costs, support services and accommodation. Further details are given in Note 24.

NOTE 13 – INVESTMENT MANAGEMENT EXPENSES

2013/14 £'000		2014/15 £'000
6,720	Management fees	7,301
50	Custody fees	53
16	Performance monitoring service	15
64	Investment consultancy fees	50
6,850		**7,419**

The management fees disclosed above include all investment management fees directly incurred by the Fund including those charged on pooled investment funds.

The investment management expenses above include £0 (2013/14 £37,844) in respect of performance related fees paid to one of the Fund's investment managers. In addition to these costs, indirect costs are incurred through the bid-offer spread on investment sales and purchases. There are reflected in the cost of investment purchases and in the proceeds of sales of investments (see Note 16a).

NOTE 14 – INVESTMENT INCOME

2013/14		2014/15
£'000		**£'000**
2,816	UK equities	1,219
5,374	Overseas equities	6,448
1,264	Private equity	866
99	Infrastructure	257
4,322	Pooled property investments	4,097
118	Interest on cash deposits	106
13,993		**12,993**

The Gwynedd Pension Fund has three bank accounts which are held as part of Gwynedd Council's Group of Bank Accounts. The overall surplus cash held in the Group of Bank Accounts is invested on a daily basis. At the end of the financial year, Gwynedd Council pays interest over to the Pension Fund, based on the Fund's daily balances over the year.

The Council had a deposit of £4m with Heritable Bank, which went into administration in October 2008. During 2013/14 a distribution of £36,327 was received by the Pension Fund. This amount has been included in the interest on cash deposits figure for 2013/14 in the above table. There were no distributions in 2014/15. Further information is included in Note 27.

NOTE 15 – TAXES ON INCOME

2013/14		2014/15
£'000		**£'000**
466	Withholding tax – equities	687
466		**687**

NOTE 16 – INVESTMENTS

2013/14		2014/15
£'000		**£'000**
	Investment assets	
194,386	Absolute return	197,323
238,975	Equities	272,050
666,050	Pooled investments	773,481
116,800	Pooled property investments	143,288
59,695	Private equity	62,546
4,497	Infrastructure	8,917
1,280,403		**1,457,605**
15,453	Cash deposits	22,082
0	Debtors	420
1,295,856	**Total investment assets**	**1,480,107**
	Investment liabilities	
(308)	Amounts payable for purchases	(229)
(308)	**Total investment liabilities**	**(229)**
1,295,548	**Net investment assets**	**1,479,878**

Note 16a – Reconciliation of movements in investments and derivatives

2014/15	Market value at 1 April 2014	Purchases during the year	Sales during the year	Change in market value during the year	Market value at 31 March 2015
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Fixed interest absolute return securities	194,386	0	0	2,937	197,323
Equities	238,975	81,252	(84,285)	36,108	272,050
Pooled investments	666,050	103,237	(89,693)	93,887	773,481
Pooled property investments	116,800	3,639	(71)	22,920	143,288
Private equity / infrastructure	64,192	9,657	(7,176)	4,790	71,463
	1,280,403	197,785	(181,225)	160,642	1,457,605
Cash deposits	15,453			63	22,082
Amount receivable for sales of investments	0				420
Amounts payable for purchases of investments	(308)				(229)
Fees within pooled vehicles				4,128	
Net investment assets	**1,295,548**	**197,785**	**(181,225)**	**164,833**	**1,479,878**

2013/14	Market value at 1 April 2013	Purchases during the year	Sales during the year	Change in market value during the year	Market value at 31 March 2014
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Fixed interest absolute return securities	157,644	31,000	0	5,742	194,386
Equities	206,697	58,392	(49,222)	23,108	238,975
Pooled investments	634,387	7,834	(19,413)	43,242	666,050
Pooled property investments	105,974	1,531	0	9,295	116,800
Private equity / infrastructure	61,787	16,273	(16,894)	3,026	64,192
	1,166,489	115,030	(85,529)	84,413	1,280,403
Forward foreign currency contracts	(58)			11	0
Cash deposits	17,316			(44)	15,453
Amount receivable for sales of investments	0				0
Amounts payable for purchases of investments	(677)				(308)
Fees within pooled vehicles				4,041	
Net investment assets	**1,183,070**	**115,030**	**(85,529)**	**88,421**	**1,295,548**

Transaction costs, such as commissions, stamp duty and other transaction fees, are included in the cost of purchases and in sale proceeds. Transaction costs incurred during the year total £228,201 (2013/14 £186,342). In addition to these costs indirect costs are incurred through the bid-offer spread on investment purchases and sales.

Note 16b – Analysis of investments

31 March 2014 £'000		31 March 2015 £'000
	Equities	
	UK	
45,272	Quoted	35,517
	Overseas	
193,703	Quoted	236,533
	Pooled funds	
	UK	
229,634	Unit trusts	247,917
	Global (including UK)	
194,386	Fixed income	197,323
231,296	Unit trusts	379,210
	Overseas	
205,120	Unit trusts	146,354
116,800	**Property unit trusts**	143,288
59,695	**Private equity**	62,546
4,497	**Infrastructure**	8,917
1,280,403		**1,457,605**

Investments analysed by fund manager

Market Value at 31 March 2014 £'000	%		Market Value at 31 March 2015 £'000	%
427,249	33.0	BlackRock	485,874	32.8
258,421	19.9	Fidelity	313,418	21.2
194,394	15.0	Insight	197,331	13.3
23,395	1.8	Lothbury	27,214	1.8
64,193	5.0	Partners Group	71,463	4.8
12,001	0.9	Threadneedle	14,170	1.0
63,323	4.9	UBS	76,366	5.2
252,572	19.5	Veritas	294,042	19.9
1,295,548	**100.0**		**1,479,878**	**100.0**

The following investments represent more than 5% of the net assets of the scheme

Market value 31 March 2014 £'000	% of total Fund	Security	Market value 31 March 2015 £'000	% of total Fund
231,295	17.66	Fidelity Institutional Select Global Equity	281,164	18.78
229,633	17.53	BlackRock Asset Management Aquila Life UK Equity Index Fund	247,916	16.56
194,386	14.84	Insight LDI Solution Bonds Plus	197,323	13.18
0	0	BlackRock Asset Management Aquila Life Global Dev Fundamental Fund	98,047	6.55

Note 16c – Stock lending

The Statement of Investment Principles (SIP) states that stock lending will be permitted subject to specific approval. Currently the Fund does not undertake any stock lending.

NOTE 17 – FINANCIAL INSTRUMENTS

Note 17a – Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments 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. No financial assets were reclassified during the accounting period.

As at 31 March 2014				As at 31 March 2015		
Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at cost		Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at cost
£'000	£'000	£'000		£'000	£'000	£'000
			Financial assets			
194,386			Fixed interest securities	197,323		
238,975			Equities	272,050		
666,049			Pooled investments	773,481		
116,800			Pooled property investments	143,288		
59,696			Private equity	62,546		
4,497			Infrastructure	8,917		
189	25,959		Cash	18	34,095	
	6,755		Debtors		8,701	
1,280,592	**32,714**	**0**		**1,457,623**	**42,796**	**0**
			Financial liabilities			
(308)		(3,452)	Creditors	(229)		(2,817)
(308)	**0**	**(3,452)**		**(229)**	**0**	**(2,817)**
1,280,284	**32,714**	**(3,452)**		**1,457,394**	**42,796**	**(2,817)**

Note 17b – Net gains and losses on financial instruments

31 March 2014		31 March 2015
Fair value		**Fair value**
£'000		£'000
	Financial assets	
84,413	Fair value through profit and loss	160,642
(33)	Loans and receivables	63
84,380	**Total financial assets**	**160,705**
	Financial liabilities	
0	Fair value through profit and loss	0
0	Financial liabilities at cost	0
0	**Total financial liabilities**	**0**
84,380	**Net financial assets**	**160,705**

Note 17c – Fair value of financial instruments and liabilities

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

31 March 2014 Carrying value £'000	31 March 2014 Fair value £'000		31 March 2015 Carrying value £'000	31 March 2015 Fair value £'000
		Financial assets		
964,240	1,280,593	Fair value through profit and loss	1,037,989	1,457,624
32,728	32,714	Loans and receivables	42,795	42,795
996,968	**1,313,307**	**Total financial assets**	**1,080,784**	**1,500,419**
		Financial liabilities		
(254)	(253)	Fair value through profit and loss	(229)	(229)
(2,325)	(3,508)	Financial liabilities at cost	(2,817)	(2,817)
(2,579)	**(3,761)**	**Total financial liabilities**	**(3,046)**	**(3,046)**
994,389	**1,309,546**	**Net financial assets**	**1,077,738**	**1,497,373**

The Fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

Note 17d – 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 securities, quoted index linked securities and 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 could include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

Note 17d – Valuation of financial instruments carried at fair value (continued)

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Gwynedd Pension Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP.

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

Values at 31 March 2015	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000	Total £'000
Financial assets				
Financial assets at fair value through profit and loss	638,447	747,714	71,463	1,457,624
Loans and receivables	42,795	0	0	42,795
Total financial assets	**681,242**	**747,714**	**71,463**	**1,500,419**
Financial liabilities				
Financial liabilities at fair value through profit and loss	0	(229)	0	(229)
Financial liabilities at cost	(2,817)	0	0	(2,817)
Total financial liabilities	**(2,817)**	**(229)**	**0**	**(3,046)**
Net financial assets	**678,425**	**747,485**	**71,463**	**1,497,373**

Values at 31 March 2014	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000	Total £'000
Financial assets				
Financial assets at fair value through profit and loss	556,347	660,053	64,193	1,280,593
Loans and receivables	32,714	0	0	32,714
Total financial assets	**589,061**	**660,053**	**64,193**	**1,313,307**
Financial liabilities				
Financial liabilities at fair value through profit and loss	0	(253)	0	(253)
Financial liabilities at cost	(3,508)	0	0	(3,508)
Total financial liabilities	**(3,508)**	**(253)**	**0**	**(3,761)**
Net financial assets	**585,553**	**659,800**	**64,193**	**1,309,546**

NOTE 18 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and risk management

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 Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market 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 council 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 pensions committee. The Pension Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to pay pensions. The Funding Strategy Statement produced by the Administering Authority in conjunction with the Fund's Actuaries, states how solvency and risk will be managed in relation to liabilities. The Administering Authority has produced this Funding Strategy Statement having taken an overall view of the level of risk inherent in the investment policy set out in the Statement of Investment Principles published under Regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (the Investment Regulations) and the funding policy set out in this Statement. The Administering Authority will continue to review both documents to ensure that the overall risk profile remains appropriate.

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk for 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 council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in two ways:

- the exposure of the Fund to market risk is monitored through a risk factor analysis to ensure that risk remains within tolerable levels
- specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments

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.

NOTE 18 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

The Fund is exposed to share and derivative 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. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited.

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

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment analytics advisors, the council has determined that the following movements in market price risk are reasonably possible for the 2015/16 reporting period.

Following analysis of the observed historical volatility of asset class returns in consultation with the Fund's investment analytics advisors potential price changes have been determined for the various classes of assets held by the Fund. The rates to be applied to the Fund's asset categories are as follows:

Asset type	**Potential market movement (+/-)**	
	31 March 2014	**31 March 2015**
	%	%
Equities	11.6	8.7
Fixed Income	1.3	1.0
Alternatives (Private Equity and Infrastructure)	6.2	5.9
Property	2.4	3.2
Cash	0.0	0.0

The potential volatilities disclosed above are consistent with a one-standard deviation movement in the change of value of the assets over the latest three years. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates remain the same.

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

Asset type	**Value as at 31 March 2015**	**Percentage change**	**Value on increase**	**Value on decrease**
	£'000	%	**£'000**	**£'000**
Equities	1,045,531	8.7	1,136,597	954,465
Fixed Income	197,323	1.0	199,375	195,271
Alternatives (Private Equity and Infrastructure)	71,463	5.9	75,679	67,247
Property	143,288	3.2	147,830	138,746
Cash	34,112	0.0	34,115	34,109
Total assets available to pay benefits	**1,491,717**		**1,593,596**	**1,389,838**

NOTE 18 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

Asset type	Value as at 31 March 2014 £'000	Percentage change %	Value on increase £'000	Value on decrease £'000
Equities	905,024	11.6	1,009,826	800,222
Fixed Income	194,386	1.3	196,913	191,859
Alternatives (Private Equity and Infrastructure)	64,193	6.2	68,154	60,232
Property	116,800	2.4	119,615	113,985
Cash	25,839	0.0	25,844	25,834
Total assets available to pay benefits	**1,306,242**		**1,420,352**	**1,192,132**

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 in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

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

Asset type	As at 31 March 2014 £'000	As at 31 March 2015 £'000
Cash and cash equivalents	10,695	12,031
Cash balances	15,452	22,082
Fixed interest securities	194,386	197,323
Total	**220,533**	**231,436**

Interest rate risk sensitivity analysis

The council recognises that interest rates can vary and can affect both income to the Fund and the value of net assets available to pay benefits. A 1% movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy. 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:

NOTE 18 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

Asset type	Carrying amount as at 31 March 2015	Change in year in the net assets available to pay benefits	
		+1%	-1%
	£'000	£'000	£'000
Cash and cash equivalents	12,031	120	(120)
Cash balances	22,082	221	(221)
Fixed interest securities*	197,323	(1,460)	1,460
Total change in assets available	**231,436**	**(1,119)**	**1,119**

* A change of 1% in interest rate does not have a direct impact on fixed interest securities but does have a partial impact as calculated in the tables above.

Asset type	Carrying amount as at 31 March 2014	Change in year in the net assets available to pay benefits	
		+1%	-1%
	£'000	£'000	£'000
Cash and cash equivalents	10,695	107	(107)
Cash balances	15,452	155	(155)
Fixed interest securities*	194,386	(1,108)	1,108
Total change in assets available	**220,533**	**(846)**	**846**

* A change of 1% in interest rate does not have a direct impact on fixed interest securities but does have a partial impact as calculated in the tables above.

The impact that a 1% change in interest rates would have on interest received is minimal as the average interest rate received on cash during the year was 0.7% amounting to interest of £103,645 for the year.

A 1% increase in interest rates will not affect the interest received on fixed income assets but will reduce their fair value, as shown in the tables above. Changes in interest rates do not impact on the value of cash / cash equivalents but they will affect the interest income received on those balances. Changes to both the fair value of assets and income received from investments impact on the net assets to pay benefits but as noted above this does not have a significant effect on the Fund.

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 (£UK). The Fund holds assets denominated in currencies other than £UK.

The Fund has made commitments to private equity and infrastructure in foreign currency, (€164million and $45million). These commitments are being drawn down on request from the investment manager over a number of years. The current commitments still outstanding are shown in Note 25. The risk is that the pound is weak relative to the dollar and euro at the time of the drawdown and then strengthens when the Fund is fully funded. The Fund has been funding the commitments since 2005 and therefore the liability is balanced out over a long period.

The Fund's currency rate risk has been calculated based on the volatility of the currencies which would affect the value of the investments and any cash held in those currencies.

NOTE 18 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

The following table summarises the Fund's currency exposure as at 31 March 2015 and as at the previous period end:

Currency exposure - asset type	As at 31 March 2014 £'000	As at 31 March 2015 £'000
Overseas and Global Equities	630,118	762,098
Global Fixed Income	194,386	197,324
Overseas Alternatives (Private Equity and Infrastructure)	64,193	71,463
Overseas Property	3,276	2,925
Overseas Currency	189	208
Total overseas assets	**892,162**	**1,034,018**

Currency risk – sensitivity analysis

Following analysis of historical data in consultation with the Fund investment analytics advisors, the likely volatility associated with foreign exchange rate movements has been calculated with reference to the historic volatility of the currencies and their relative amounts in the Fund's investments.

A 5.5% fluctuation in the currency is considered reasonable based on the Fund investment analytics advisors analysis of long-term historical movements in the month-end exchange rates over a rolling 36-month period to 31 March 2015. The equivalent rate for the year ended 31 March 2014 was 5.2 %. This analysis assumes that all other variables, in particular interest rates, remain constant.

The following tables show analyses of the Fund's exposure to individual foreign currencies as at 31 March 2015 and as at the previous year end:

Currency exposure - by currency	Value at 31 March 2015 £'000	Change %	Value on increase £'000	Value on decrease £'000
Australian Dollar	16,171	8.9	17,606	14,737
Brazilian Real	2,238	11.7	2,500	1,976
EURO	113,863	6.2	120,865	106,860
Hong Kong Dollar	1,232	7.7	1,327	1,137
South African Rand	6,588	10.7	7,294	5,881
Swedish Krona	6,749	7.3	7,242	6,256
Swiss Franc	20,341	9.3	22,241	18,441
US Dollar	143,949	7.8	155,150	132,747
Pooled Investments				
Global Basket	576,534	5.6	608,867	544,200
Global ex UK Basket	114,099	6.1	121,043	107,155
Emerging Basket	32,255	6.8	34,447	30,063
Total change in assets available	**1,034,019**	**5.5**	**1,090,944**	**977,092**

* The % change for total currency in the table above includes the impact of correlation across the underlying currencies.

NOTE 18 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

Currency exposure - by currency	Value at 31 March 2014	Change	Value on increase	Value on decrease
	£'000	%	£'000	£'000
Australian Dollar	12,958	9.8	14,227	11,687
Brazilian Real	5,543	12.7	6,247	4,840
EURO	91,180	6.3	96,933	85,426
Hong Kong Dollar	8,320	8.0	8,984	7,656
South African Rand	7,290	11.3	8,114	6,465
Swedish Krona	6,701	7.0	7,172	6,230
Swiss Franc	9,897	7.4	10,631	9,163
US Dollar	119,472	8.1	129,114	109,831
Pooled Investments				
Global Basket	425,681	5.2	447,859	403,503
Global ex UK Basket	177,994	5.7	188,087	167,902
Emerging Basket	27,126	6.4	28,853	25,398
Total change in assets available	**892,162**	**5.2**	**938,366**	**845,958**

The % change for total currency in the table above includes the impact of correlation across the underlying currencies.

Currency exposure - by asset type	Carrying amount as at 31 March 2015	Change in year in the net assets available to pay benefits	
		Value on increase	Value on decrease
	£'000	£'000	£'000
Overseas and Global Equities	762,099	804,053	720,142
Global Fixed Income	197,324	208,187	186,460
Overseas Alternatives (Private Equity and infrastructure)	71,463	75,398	67,529
Overseas Property	2,925	3,086	2,764
Overseas Currency	208	220	197
Total change in assets available	**1,034,019**	**1,090,944**	**977,092**

Currency Exposure - by asset type	Carrying amount as at 31 March 2014	Change in year in the net assets available to pay benefits	
		Value on increase	Value on decrease
	£'000	£'000	£'000
Overseas and Global Equities	630,118	662,751	597,485
Global Fixed Income	194,386	204,453	184,319
Overseas Alternatives (Private Equity and infrastructure)	64,193	67,517	60,869
Overseas Property	3,276	3,446	3,106
Overseas Currency	189	199	179
Total change in assets available	**892,162**	**938,366**	**845,958**

NOTE 18 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

b) 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 carrying 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, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. 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.

The benchmark for the concentration of the funds held with investment managers is as follows.

Investment Manager	Percentage of Portfolio
BlackRock	29.5%
Fidelity	19.0%
Insight	15.0%
Partners Group	7.5%
Property (UBS, Threadneedle, Lothbury, BlackRock)	10.0%
Veritas	19.0%

All investments held by investment managers are held in the name of the Pension Fund so, if the investment manager fails, the Fund's investments are not classed amongst their assets.

Contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

In order to maximise the returns from Short Term Investments and Cash Deposits, the Council invests any temporarily surplus funds in its bank accounts along with any surplus funds in the Gwynedd Pension Fund bank accounts. An appropriate share of the interest earned is paid to the Pension Fund and any losses on investment are shared with the Pension Fund in the same proportion. Due to the nature of the banking arrangements any surplus cash in the Pension Fund bank accounts is not transferred to the Council's bank accounts. As the Short Term Investments are made in the name of Gwynedd Council they are shown in full on the Council's Balance Sheet. The Pension Fund element of the Short Term Investments and Cash Deposits at 31 March 2015 was £12.0m (£12.1m at 31 March 2014).

Deposits are not made with banks and financial institutions unless they are rated independently and meet the council's credit criteria. The council has also set limits as to the maximum percentage of deposits placed with any one class of financial institution. In addition, the council invests an agreed percentage of funds in the money markets to provide diversification. Money market funds chosen all have AAA rating from a leading ratings agency. The council believes it has managed its exposure to credit risk, and has had

NOTE 18 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

only one experience of default or uncollectable deposits when Heritable Bank went into administration in 2008. Full details can be seen in Note 27.

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 the Administering Authority monitors membership movements on an annual basis.

New employers to the Fund will need to agree to the provision of a bond or obtain a guarantee to save the risk of future financial loss to the Fund in the event of not being able to meet its pension liability on cessation. As shown in Note 26 three employers have provided bonds. Any future liabilities falling on the Fund as a result of cessation are borne by the whole Fund and spread across all employers. This is done to ensure that actuarial recovery periods and amounts are kept at a manageable level for smaller employers.

This risk has increased by a legal judgement, which potentially indicates that employers with no contributing members cannot be charged contributions under the LGPS Administration Regulations. This ruling, however, does not affect the ability to collect contributions following a cessation valuation under Regulation 38(2). The Actuary may be instructed to consider revising the rates and Adjustments certificate to increase an employer's contributions under Regulation 38 of the LGPS (Administration) Regulations 2008 between triennial valuations.

c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The council therefore takes steps to ensure that the pension fund has adequate cash resources to meet its commitments. This will particularly be the case for cash from the cash flow matching mandates from the main investment strategy to meet the pensioner payment costs; and also cash to meet investment commitments.

The Administering Authority has a comprehensive cash flow management system that seeks to ensure that cash is available if needed. In addition, current contributions received from contributing employers and members far exceed the benefits being paid. Surplus cash is invested and cannot be paid back to employers. The Fund’s Actuaries establish the contributions that should be paid in order that all future liabilities can be met.

There is no limit on the amount that the Pension Fund bank account can hold. The amounts held in this account should meet the normal liquidity needs of the Fund. Any temporary surplus is invested by the Administering Authority in accordance with the Treasury Management Strategy Statement to provide additional income to the Pension Fund. Surplus cash is invested in accordance with the Statement of Investment Principles.

NOTE 18 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

The Fund also has access to an overdraft facility through the Administering Authority's group bank account arrangements. This facility would only be used to meet short-term timing differences on pension payments. As these borrowings are of a limited short term nature, the Fund's exposure to credit risk is considered negligible.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2014 the value of illiquid assets was £133m, which represented 8.9% of the total Fund assets (31 March 2014: £126m, which represented 9.6% of the total Fund assets).

Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund investment strategy.

All financial liabilities at 31 March 2015 are due within one year as was the case at 31 March 2014.

Refinancing risk

The key risk is that the council will be bound to replenish a significant proportion of its pension Fund financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

NOTE 19 – FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme (Administration) Regulations 2008, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2013.

Description of Funding Policy

The funding policy is set out in the Funding Strategy Statement (FSS) dated March 2015.

The key elements of the funding policy are:

- to ensure the long-term solvency of the Fund (and the share of the Fund attributable to individual employers)
- to ensure that sufficient funds are available to meet all pension liabilities as they fall due for payment
- not to restrain unnecessarily the investment strategy of the Fund so that the Administering Authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk
- to help employers recognise and manage pension liabilities as they accrue
- to minimise the degree of short-term change in the level of each employer's contributions where the Administering Authority considers it reasonable to do so
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations
- to address the different characteristics of the disparate employers or groups of employers to the extent that this is practical and cost-effective.

NOTE 19 – FUNDING ARRANGEMENTS (continued)

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised below the theoretical rate required to return their portion of the Fund to full funding over 21 years if the valuation assumptions are borne out. Asset-liability modelling has been carried out which demonstrates that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is still a better than 80% chance that the Fund will return to full funding over the 21 years.

Funding Position as at the Last Formal Funding Valuation

The most recent actuarial valuation carried out under Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 was at 31 March 2013. This valuation revealed that the Fund's assets, which at 31 March 2013 were valued at £1,195 million, were sufficient to meet 85% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2013 valuation was £210 million.

The common contribution rate for the whole Fund based on the Funding level at 31 March 2013 is 18.3% for future service and a further 5.6% to Fund the past service deficit, giving a total rate of 23.9%. The common contribution rate is a theoretical figure – an average across the whole Fund. Individual employers' contributions for the period 1 April 2014 to 31 March 2017 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to Value the Liabilities

Full details of the methods and assumptions used are described in the valuation report dated 31 March 2014.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2013 valuation were as follows:

	% per annum Nominal	% per annum Real
Discount rate	4.7	2.2
Pay increases*	4.3	1.8
Price inflation / Pension increases	2.5	-

* Salary increases are assumed to be 1% per annum until 31 March 2016 reverting to the long term assumption shown thereafter.

NOTE 19 – FUNDING ARRANGEMENTS (continued)

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions that were adopted for the 31 March 2013 valuation are a bespoke set of VitaCurves that are specifically tailored to fit the membership profile of the Fund. These curves are based on actual data supplied by the Administering Authority. The life expectancy assumptions based on the actuary's fund-specific mortality review are as follows:

Mortality assumption at age 65	Male Years	Female Years
Current pensioners	22.0	24.0
Future pensioners (assumed current age 45)	24.4	26.6

Experience over the Period since April 2013

Real bond yields have fallen dramatically (leading to a higher liability value), but the effect of this has been only partially offset by the effect of strong asset returns. Overall funding levels are likely to have remained approximately the same, but the monetary amount of deficits will have increased over this period as both asset and liability values have increased in size.

The next actuarial valuation will be carried out as at 31 March 2016. The Funding Strategy Statement will also be reviewed at that time.

NOTE 20 - ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the pension fund liabilities, on an IAS19 basis every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting Fund contribution rates and the Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

In order to assess the value of the benefits on this basis the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 19) and has also used them to provide the IAS19 and FRS 17 reports for individual employers in the Fund. The actuary has also valued ill health and death benefits in line with IAS19.

The actuarial present value of promised retirement benefits at 31 March 2015 was £2,114m (£1,747m at 31 March 2014).

As noted above the liabilities above are calculated on an IAS19 basis and therefore differ from the results of the 2013 triennial funding valuation (see Note 19) because IAS19 stipulates a discount rate rather than a rate that reflects market rates.

NOTE 20 - ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS (continued)

Assumptions used

The financial assumptions used are those adopted for the Administering Authority's IAS19 report as shown below:

Assumption	31 March 2014 %	31 March 2015 %
Inflation/ pension increase rate	2.8	2.4
Salary increase rate*	4.6	4.3
Discount rate	4.3	3.2

* Salary increases are assumed to be 1% p.a. until 31 March 2016 reverting to the long term rate shown thereafter.

The longevity assumption is the same as used for assessing the funding position as shown in Note 19 above.

The commutation assumption allows for future retirements to elect to take 50% of the maximum tax-free cash up to HMRC for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

NOTE 21 – CURRENT ASSETS

2013/14 £'000		2014/15 £'000
1,119	Contributions due - employees	1,173
3,861	Contributions due – employers	4,023
0	Transfer value received (individuals who join)	24
1,775	Sundry debtors	3,061
6,755	**Total debtors**	**8,281**
10,695	Cash	12,031
17,450	**Total**	**20,312**

Analysis of debtors

2013/14 £'000		2014/15 £'000
2,116	Gwynedd Council	2,458
955	Central government bodies	1,326
2,564	Other local authorities	2,795
3	NHS bodies	3
1,117	Other entities and individuals	1,699
6,755	**Total**	**8,281**

NOTE 22 – CURRENT LIABILITIES

2013/14		2014/15
£'000		£'000
1,904	Sundry creditors	1,944
0	Transfer value payable (leavers)	10
1,548	Benefits payable	863
3,452	**Total**	**2,817**

Analysis of creditors

2013/14		2014/15
£'000		£'000
1,126	Gwynedd Council	1,174
22	Central government bodies	33
0	NHS bodies	10
2,304	Other entities and individuals	1,600
3,452	**Total**	**2,817**

NOTE 23 - ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC's)

The market value of the funds is stated below:

	Market value at 31 March 2014 £'000	Market value at 31 March 2015 £'000
Clerical Medical	2,792	2,678
Equitable Life	380	269
Standard Life	214	233
Total	**3,386**	**3,180**

AVC contributions were paid directly to the three managers as follows:

	2013 / 2014 £'000	2014 / 2015 £'000
Clerical Medical	331	508
Equitable Life	0	0
Standard Life	10	11
Total	**341**	**519**

NOTE 24 - RELATED PARTY TRANSACTIONS

Gwynedd Council

The Gwynedd Pension Fund is administered by Gwynedd Council. Consequently there is a strong relationship between the council and the pension fund.

The council incurred costs of £986,723 (£1,001,991 in 2013/14) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The council is also one of the largest employers of members of the pension fund and contributed £17.74m to the Fund in 2014/15 (£17.65m in 2013/14). At the end of the year the council owed £2.458m to the Fund (see Note 21) which was primarily in respect of contributions for March 2015 and the Fund owed £1.174m to the council (see Note 22) which was primarily in respect of recharges from the council.

The Gwynedd Pension Fund has three bank accounts which are held as part of Gwynedd Council's Group of Bank Accounts. The overall surplus cash held in the Group of Bank Accounts is invested on a daily basis. At the end of the financial year, Gwynedd Council pays interest over to the Pension Fund, based on the Fund's daily balances over the year. During 2014/15, the Fund received interest of £103,645 (£77,251 in 2013/14) from Gwynedd Council.

Governance

There was 1 member of the pensions committee who was in receipt of pension benefits from the Gwynedd Pension Fund during 2014/15 (Committee member T.O. Edwards). In addition, committee members T.O. Edwards, P. Jenkins, H.E. Jones, D. Meurig, W.T. Owen P.Read and G.G. Williams are active members of the pension fund.

Key Management Personnel

The CIPFA Code of Practice on Local Authority Accounting exempts local authorities from the key management personnel disclosure requirements of IAS24, on the basis that the disclosure requirements for officer remuneration and members allowances in the Code satisfy the key management personnel disclosure requirements of IAS24. This also applies to the accounts of Gwynedd Pension Fund.

The disclosures required can be found in the accounts of Gwynedd Council.

NOTE 25 - COMMITMENTS UNDER INVESTMENT CONTRACTS

Outstanding capital commitments (investments) at 31 March were as follows:

	Total commitments	Commitment at 31 March 2014	Commitment at 31 March 2015
	€'000	**€'000**	**€'000**
P.G. Direct 2006	20,000	1,384	776
P.G. Global Value 2006	50,000	4,091	3,477
P.G. Secondary 2008	15,000	1,960	1,960
P.G. Global Value 2011	15,000	7,883	6,034
P.G. Global Infrastructure 2012	40,000	34,039	28,285
P.G. Direct 2012	12,000	8,280	5,352
P.G. Global Value 2014	12,000	10,178	9,581
Total Euros	**164,000**	**67,815**	**55,465**
	$'000	**$'000**	**$'000**
P.G. Emerging Markets 2011	7,000	3,843	2,648
P.G Secondary 2015	38,000	0	38,000
Total Dollars	**45,000**	**3,843**	**40,648**

'PG' above refers to Partners Group, the investment manager who invests in 'alternatives' (private equity and infrastructure) on behalf of the Fund.

These commitments relate to outstanding call payments on unquoted limited partnership funds held in the private equity part of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over a number of years from the date of the original commitment.

NOTE 26 – CONTINGENT ASSETS

Three admitted body employers in the Gwynedd Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the pension fund and payment will only be triggered in the event of employer default.

NOTE 27 – IMPAIRMENT LOSSES

a) Impairment for bad and doubtful debts
As explained in Note 5 there has not been any impairment for bad and doubtful debts.

b) Impairment of Icelandic bank deposit
During 2008/09 the Council made a deposit of £4m with Heritable Bank which is a UK registered bank under Scottish Law. The pension fund's share of that investment was £565,200. The company was placed in administration on 7 October 2008. The Council has received a return of £3,778,353 equating to 94% from the administrators up to 31 March 2014.

No distributions were received in 2014/15. Notice has been received that a further dividend will be paid in August 2015, although the amount is not yet known. The administration is ongoing, but it is likely that the full amount should eventually be recovered.