Contents

1. Foreword

Following good performance during 2010/11 the fund assets stood at £1,025m at 31 March 2011 as shown in the accounts on page 25.

Over the financial year the Fund returned +8.5% on investments, which exceeded the benchmark of 7.8% for that period (and the 5.9% assumption used in the most recent valuation). The Gwynedd Fund was the second highest placed fund in terms of investment performance of all Welsh Funds and 40th overall in the UK.

The two new managers appointed 2009/10 have performed well in 2010/11 with Fidelity International returning 9.1% (1.1% above the benchmark) and Insight Investment returning 4.7% (4.1% above the benchmark) (see pages 19 and 20 for details).

The valuation of the Fund as at 31 March 2010 was completed during 2010/11 and the funding level has remained the same as at the previous valuation at 31 March 2007 namely 84%. Information on average funding levels in Local Authority Pension Schemes from the Fund's actuary show that across their client base the median funding level has fallen from 85% to 75% between 2007 and 2010. Against this background maintaining the funding level is a significant achievement. It is also heartening to note that a recent report we received from the actuary on experience since the 2010 valuation date suggests that by the 31 March 2011 the Fund had increased its funding level to around 87%.

The common contribution rate for the fund is now 22.1% against a median level of 25.4% in the actuary's analysis. As reported last year, there were concerns about the possible increase in employer contributions following the Fund valuation and a consultation exercise was undertaken to assess how this could be mitigated. As a result bodies with tax raising powers are now subject to a +/-0.5% limit on the change in their employer contribution in any financial year. It was also agreed that employers subject to significant increases could phase them in over a period up to six years subject to a minimum of 0.5% per annum. The revised Funding Strategy Statement includes these changes (see Pages 74-91). These measures, along with the static deficit level ensured that the increases were affordable for individual employers.

Following completion of the Fund valuation, a review of the Statement of Investment Principles will be carried out during 2011/12 and the Pensions Committee is currently considering alternative classes of investment to include in the Investment Strategy. The revised Statement will be subject to consultation in due course.

The administrative unit's performance continued to be well within their targets (see page 8) which is pleasing to note given the changes implemented during 2010/11 and the proposed changes to be faced in the near future. The communications activity continues to develop the relationship with employers in order to encourage dialogue and a deeper understanding of pensions issues.

As expected, the Government commissioned a review into all public sector pension schemes and their affordability going forward. Lord Hutton of Furness published his interim report in October 2010 and his final report in March 2011. Whilst the reports recognised the importance of the schemes and the need to continue provision of a broadly similar nature in the future, a number of recommendations were made for changes to the schemes, the most significant of which would be to move to a career average salary scheme rather than the current final salary schemes.

The Government has acted on the short-term recommendation in the interim report and has also published proposals to increase employee contributions by an average of 3%. Concerns have been raised about the impact this will have on membership levels in the schemes which could cause further funding issues if significant opting-out occurs. Whilst it is not acceptable that employers should carry the cost of all the risks faced by the local government fund any increases in employee contributions must be fairly implemented within local government and across other unfunded public sector schemes.

The longer term recommendations in the final report are now being considered and a consultation exercise is expected in the autumn. The recommendations which affect LGPS Funds are detailed on pages 4 and 5. We would encourage all employers and other interested parties to respond to the consultation process in order that all views are included in the decision making process.

In addition to the main recommendations above, the report includes the recommendation that Local Government Pension Schemes should be encouraged to work together to streamline administration and other functions. The administrators of the eight Pension Funds in Wales commissioned a report on the current structure and are now planning a more detailed review during 2011/12, to identify whether there is a case for reducing the number of pension funds in Wales.

Given that the recommended changes in Lord Hutton's report include the statement that all reforms are to be introduced by the end of this Parliament in 2015 there are certainly challenges ahead.

Dilwyn O. Williams
Corporate Director

2. Review of the Year

2.1 Pensions Administration

General

The past year has seen pensions, public sector and state undergoing intense scrutiny on the basis of affordability and sustainability. As mentioned in my introduction to last year's report public sector schemes were already the subject of intense political debate and were a high priority subject for all parties leading up to the general election.

On 11 May 2010 the coalition government published a document setting out the terms of the agreement between the two parties that included a commitment to establish an independent commission to review the long-term affordability of public sector pensions and in terms of state provisions to:

- restore the earnings link for the basic state pension;
- to review the date at which the state pension age starts to rise to 66;
- to remove the default retirement age of 65;

In his emergency budget of 22nd June the Chancellor introduced a change to the indexation of public service pensions from the retail price index (RPI) to the consumer price index (CPI). At the same time he announced a freeze on public sector pay for two years for those earning more than £21,000 p.a. Both measures would have a positive effect on LGPS funds' liabilities for the short term, and by announcing them early could be factored into the 2010 valuation assumptions.

The Chancellor also confirmed the creation of the independent commission, to be headed by Lord Hutton of Furness, to undertake a "fundamental, structural review of public service pensions" and consider the case for short-term savings by September 2010 in time for the Spending Review.

The Government's Independent Public Service Pensions Commission (IPSPC)

Lord Hutton's first action as head of the Commission was to request interested parties and stakeholders to submit, by July 2010, evidence that would assist him in considering the affordability, fairness, and impact on mobility and plurality of current public sector pension schemes and the objectives that should guide public service pensions in future.

IPSPC issued its interim report on 7 October 2010 stating that it accepts public service pension schemes are part of the overall remuneration for public sector workers and have a part to play in the public sector's ability to recruit and retain staff. It also rejected the claim that public sector pensions are "gold-plated" and acknowledged it would be a mistake to bring the level of pension provision in the public sector down to the level of the provision in the private sector.

The report noted the previously announced switch in indexation from RPI to CPI will amount to a reduction of approximately 15 % in the value of benefits to scheme members and that combined with other earlier reforms to the public sector pension schemes will lead to an estimated 25% reduction in the overall value of the benefits to scheme members.

The Commission received evidence regarding the variation in costs between the different LGPS funds and the potential efficiency savings by reducing the number of LGPS funds, but most importantly, it concluded that the LGPS should remain a funded scheme.

In his speech on the Public Sector Spending Review the Chancellor stated the Government accepted the findings of the Commission's interim recommendations and that it was committed to continue with a form of defined benefit pension but would await the Commission's final recommendation before determining the nature of the benefit and the precise level of progressive contribution required.

The IPSPC issued its final report on 10 March 2011. The report re-iterated the original case for reform of the public service pension schemes which included:

- the rising value of benefits due to increase longevity;
- unequal treatment of members within the same profession;
- unfair sharing of costs between the employee, the employer and taxpayers; and
- barriers to increasing the range of providers of public services.

Any reform would need to ensure that public service pension schemes are:

- affordable and sustainable;
- adequate and fair;
- supportive of productivity; and
- transparent and simple.

The report has made 27 recommendations for the reform of the public service pension schemes. The main ones that will have implications for the Local Government Pension Scheme are:

- the LGPS is to remain funded;
- accrued rights in the LGPS should be honoured in full;
- members of the defined benefit public service pension schemes should be moved to the new career average revalued earnings (CARE) schemes;
- tiered contribution rates should be set according to the level of earnings;
- there should be a fixed cost ceiling to protect the taxpayer;
- pensions benefits should be uprated in line with average earnings while the member is an active member;
- comprehensive data for all LGPS funds should be centrally collated and published (including comparisons);
- every individual LGPS fund should have a properly constituted, trained and competent Pension Board with member nominees;
- public service pension schemes should continue to provide an adequate level of income in retirement;
- non-public service workers should not have access to the public service pension schemes in future;
- public service employers should take greater account of public service pensions when determining total remuneration packages and designing workforce strategies;
- employers should seek to maximise participation in the schemes where appropriate;
- flexible retirement should be encouraged and abatement in its current form should be removed for those who return to work;
- a system should be established which ensures there is independent oversight of the governance, administration and data transparency of public service pension schemes;

- the Office of Budget Responsibility should regularly publish an analysis of the long term fiscal impact of the main public service pension schemes; and
- benchmarking standards should be applied to the administration of the public service pension schemes.

The IPSPC expects the new schemes to be introduced before the end of the current Parliament – before May 2015. In the Budget Report the Government accepted the IPSPC's recommendations *"as a basis for consultation with public service workers, trades unions and other interested parties."* and will publish its proposals in the autumn.

Restriction on Pension Tax Relief for high earners

Another issue affecting pensions and which was covered in the Chancellor's budget speech was his intention to repeal the restrictions on tax relief on pensions contributions introduced in Finance Act 2010 and for tapering away the higher level of tax relief allowed on earnings over £150k.

Following a period of consultation the Government set out to substantially reduce the annual allowance (AA) of £255k to somewhere in the range of £30k to £45k. Following a period of consultation commencing in July 2010 HM Treasury published documents on the 14th October listing the following main points.

- From April 2011, the AA for tax-privileged pension saving will be £50k (reduced from £255k in 2010-11) but higher than what was originally proposed.

- There was no proposal to index the level of the AA during the forecast period to 2015-16. Beyond that, the Government will consider options for indexing the level of the AA.

- Relief will be available at an individual's marginal tax rate.

- The tax charge for exceeding the AA will be a tailored charge, to recoup the full marginal rate relief that an individual has benefited from.

- Deemed contributions to Defined Benefit schemes such as the LGPS were to be calculated using a flat factor of 16 as advised by the Government Actuary, meaning that an increase in annual pension benefit of £1,000 would be deemed to be worth £16,000.

- At the end of the current year's Pension Input Period (ending on a 31 March in the LGPS) the previous year's accrued pension benefits will be revalued for **active** members by CPI (as measured at the previous September).

- Any negative accruals will continue to be treated as zero.

- The AA test will not be applied in the year of death, or in the case of lump sums paid where individuals are diagnosed with serious (terminal) ill-health. The Government also recognises that in some cases of major ill-health, it would be inappropriate for the AA to apply.

- Exemptions will not be granted in cases of redundancy, understood to mean that any increase in **pension** benefits awarded by an employer on redundancy, such as granting augmented membership or awarding up to £5,000 of extra pension, would be taken into account in the AA test.

- Where individuals exceed the AA in a given year, unused allowance from up to three previous years will be available to offset against the excess pensions savings. Carry-forward will be available against an assumed AA of £50k for the tax years 2008-09, 2009-10 and 2010-11.

- Some individuals will – due to a significant boost to their pension rights in a given year – incur charges for exceeding the AA that are unmanageable in-year, from current income. The Government is therefore considering options to pay the charge out of pension entitlement, rather than current income which reflects the point that it is a significant increase in that pension wealth that has resulted in the liability.

- Employers must provide information about employees' pensionable pay, benefits and service to pension schemes by 6th July following the end of the tax year.

- For the first year only, employers and pension schemes will be given an additional 12 months, i.e. until 6th July 2013 or 6th October 2013 respectively, to provide the required information.

Finally from April 2012, the Government is to reduce Life Time Allowance for tax-privileged pension saving from the current £1.8m to £1.5m

Annual Benefit Statements (ABS)
The Communication team continues to play an important part in the 'All Wales' group and contributed to updating the combined Annual Benefit Statements for 2010. The packages shown included benefit accrual to 31 March 2010, projected benefits to age 65, and a short explanation of the conversion of pension to lump sum available with a working example of the maximum allowed under HMRC rules. It also provided the value of death benefits available as of 31 March 2010 and current and projected values of the State Benefits.

Providing this information is intended to allow members to gain a clearer picture of their prospective income at retirement, and the opportunity to take any necessary steps to improve them before it is too late. This having been said the projected values will be altered by scheme and state scheme amendments currently being considered. Both Deferred and Active members' statements were issued in November 2010.

Fund Valuation
English and Welsh local government pension funds were subject to their triennial valuation on 31 March 2010. An employer forum attended by the Fund's actuary was held in Siambr Dafydd Orwig on the 6th December 2010 where he outlined the methodology of the valuation process and the assumptions made in coming to the new employer contribution rates. The valuation results can be seen in the 2010 Valuation Report that was distributed to employers and is available to read or download from the Fund's web site.

There are increasing concerns about late submissions of end of year contribution reports from employers. As one of the most important aspect of scheme administration and the main driver for providing valuation and IAS19/FRS17 data to the Actuary, the production of annual benefit statements as well as for responding to the increasing number of Government requests for statistics and scheme costings it is vital that these reports are submitted promptly. Employers are kindly asked to provide adequate resources and greater urgency in producing and sending this information through accurately and in a timely manner.

Other administrative issues

The Local Government Pension Scheme (Miscellaneous) Regulations 2010 were laid before Parliament on 25 August 2010 and included a significant number of technical and clarifying amendments to the main regulations. They related mainly to the three tiered ill health retirement provisions, and some elements of death benefits payable to dependants. Also included were amendments providing the opportunity for active members of the scheme in England and Wales to elect to combine any separate periods of membership they may have with their current membership.

The processes and factors used in the administration of pension right transfers, an issue raised in last year's report as having been constantly changing during the year, has once again been subject to further revisions with the latest changes resulting from changing the indexation of pensions from RPI to CPI. All factors are intended to take account of the value of the resultant benefits therefore, any reduction or increase in the values of those benefit, such as changing indexation from RPI to CPI has to be reflected in those factors.

Scheme Communication

During the year the communication team offered 105 surgery sessions throughout the geographical area covered by the Fund. These proved very popular especially with members concerned about job security and those whose jobs were subject to TUPE transfers. The team, as part of the all Wales Communication Group produced updated short versions of the scheme guide for members and councillors and further topical scheme leaflets. Employers are encouraged to contact the pension section when considering any aspect of outsourcing, undergoing job evaluation or redundancy / early retirement exercises. The team is ready and willing to attend meetings to offer guidance and information to concerned members.

For the past two years twice yearly employer meetings have been arranged, mainly on an informal basis, to discuss general issues and inform about new and upcoming events and changes. So far these meetings have proved to be popular with those employers who attend. The next set of meetings will be arranged for the autumn with invitations being sent in advance. I urge employers to attend these meetings as they provide as much useful feedback to us in the administration unit as it, hopefully, does for the prime purpose of conveying information and developments to you. As has already been mentioned we are embarking on a period of phenomenal change to the world of the LPGS and in the wider field of state scheme pension provision.

Performance Monitoring

A certain number of the section's core activities are measured as part of the Council's Performance Monitoring. It was decided to reduce targets CD9.05 and CD9.06 from an average of twelve working days to ten. Both of these involve the administrative work required to process death and dependant benefits.

In comparing the overall 2009/10 results with those for 2010/11 it can be seen that the number of transfer cases reduced whilst there was an increase in the number of retirement estimates and actual cases. This is a reflection of the current financial climate resulting in fewer new entrants and an increasing number of leavers.

			2009/2010		2010/2011	
REF	**CORE ACTIVITIES**	**TARGET**	**NO OF CASES**	**AVERAGE DAYS TAKEN**	**NO OF CASES**	**AVERAGE DAYS TAKEN**
D9.01	Average number of work days taken to send a quotation letter offering a transfer in	40 days	190	22.3	103	14.8
D9.02	Average number of work days taken to send a quotation letter detailing a transfer out	40 days	93	26.7	46	34.4
D9.03	Average number of work days taken to send a letter informing value of benefits – estimate	10 days	1,400	7.8	1,587	7.5
D9.04	Average number of work days taken to send a letter informing value of benefits – actual	10 days	369	4.5	474	4.5
D9.05	Average no of days taken to acknowledge death of active / preserved / pensioner member	12 days 2009/10 10 days 2010/11	23	5.5	22	6.6
D9.06	Average number of work days taken to notify dependents benefits	12 days 2009/10 10 days 2010/11	178	6.7	174	6.8
D9.07	Monthly pension payments processed and paid on time	100%	*Appr. 7,100 monthly	Reached 100% target	*Appr. 7,350 monthly	Reached 100% target
D9.08	Number of cases where amended payments were necessary as a result an error in the section	Not to exceed 8 cases for the year	0	N/A	0	N/A
D9.09	No of surgeries to be offered to employers	90 surgeries	122	N/A	105	N/A

The number of monthly pension payments shown includes of approx 1000 ex-teachers in receipt of compensatory pension

Gareth Jones
Pensions Operations Manager

2.2 International Financial Reporting Standards (IFRS)

Government Accounting moved to IFRS basis for 2009/10 accounts. Local Government, including Pension Funds were allowed an additional year to prepare for the change and therefore 2010/11 is the first year for which IFRS compliant statements are required. As these are the first IFRS accounts it is necessary to show the opening position at 1 April 2009. For the Pension Fund this is the Net Assets Statement on Page 26 which therefore shows three years of information. The only other change to the Pension Fund accounts is the requirement for an additional note explaining the liabilities under International Accounting Standard (IAS) 19 which is included in Note 4 on Page 28 of the Notes to the Accounts.

2.3 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 as explained in paragraph 2.2 above. This affected 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 and the North Wales Police Authority. All other employers are still subject to FRS17 reporting requirements.

Accounting for IAS19 and FRS17

Full adoption of IAS19 or FRS17 means that employers have to recognise the net asset or liability and a pensions reserve in the balance sheet and they 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 31/03/2011

In January 2011, 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 9th May 2011 and 12th May 2011. One employer requested bespoke assumptions for use in preparation of the report which was sent on 18th May 2011.

IAS19 and FRS17 Results as at 31/03/2011

The position of the actuarial valuation for IAS19 or FRS17 purposes as at 31 March 2011 is much better this year than the corresponding position as at 31 March 2010.

This is due to:

- a reduction in the deficit due to positive returns and falling long term inflation expectations.
- a further fall in the deficit due to the pension increase change from RPI to CPI.
- a reduction in the projected pension expense for next year for the same reasons.

2.4 Actuarial Valuation

During 2010/11 the triennial formal actuarial valuation as at March 2010 was completed. The funding level remained at 84%, the same level as in the previous valuation at 31 March 2007, and better than the Welsh pension funds' average funding level of 76%. However, the deficit increased from £160m at 31 March 2007 to £183m at 31 March 2010. The deterioration in the deficit reflects the adverse conditions that the Fund has had to contend with since the previous valuation. In particular, general investment returns during 2008/09 (the first of the three years to 31 March 2010) were significantly poorer than anticipated. This was largely due to the global financial problems which occurred during that period.

As with any set of pension scheme valuation results, this triennial valuation is just a snapshot at a particular point in time. From the position we were seeing at the depths of the financial downturn in 2008/09, there is good reason to view this as a positive set of results. Investment returns recovered well towards the end of the valuation period and have continued to do so through 2010/11. Whilst adhering to prudent actuarial assumptions, the Gwynedd fund has managed to restrict the impact on future employer contribution rates to a reasonable increase, helping to keep the LGPS affordable, viable and fair to taxpayers.

Further details are shown in section 4.2 below.

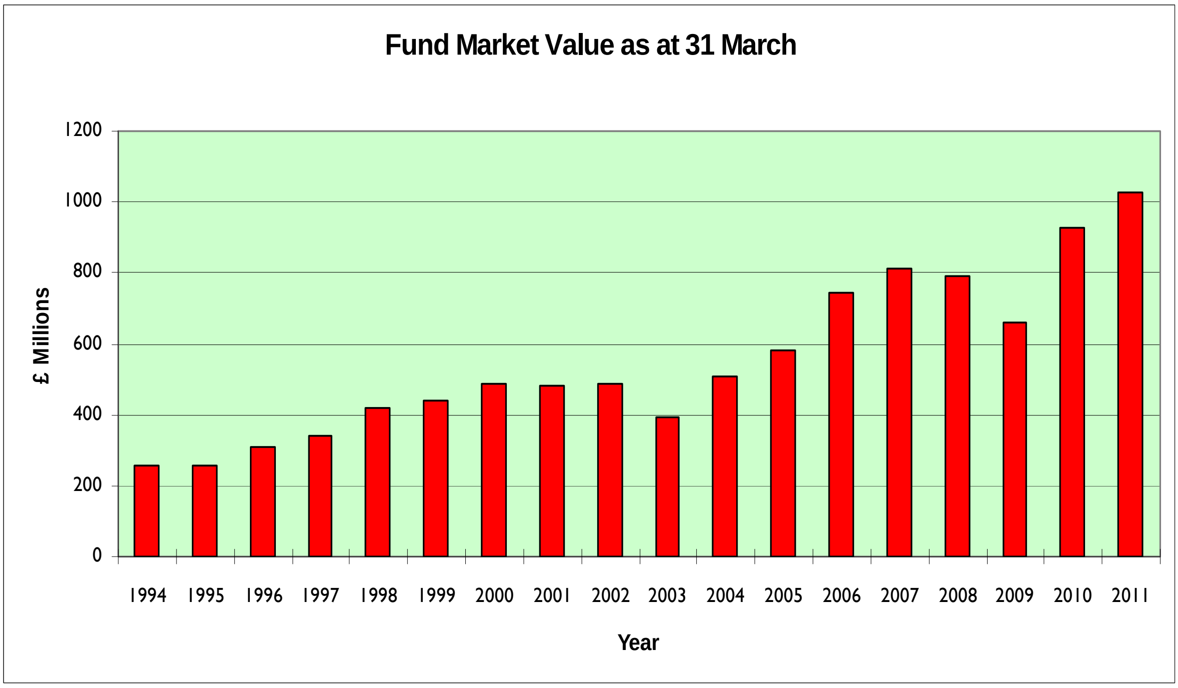
2.5 Funding Strategy Statement

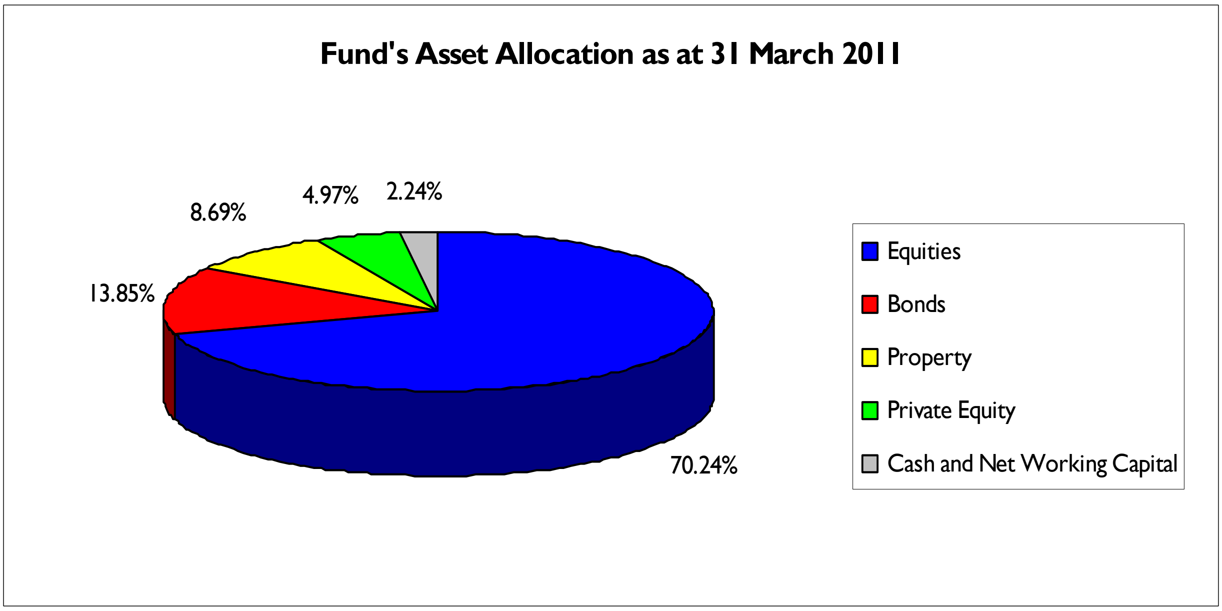
The Funding Strategy Statement was reviewed during 2010/11 to reflect the Actuarial Valuation at 31 March 2010 and the employers participating in the Fund were consulted during this process. The Funding Strategy Statement sets out the fund-specific strategy which will identify how employers' pension liabilities are best met going forward. It includes the employer contribution rates from 1 April 2011 onwards.

Further details are included in section 4.8 below and a copy of the Funding Strategy is included in Part 9 of this report.

Dafydd L. Edwards
Head of Finance

3. Recent Trends





4. Management Report

4.1 Scheme Administration

General

The basis for the Local Government Pension Scheme (LGPS) is contained in the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended) and the Local Government Pension Scheme (Administration) Regulations 2008 (as amended).

Gwynedd Council administers the Gwynedd Pension Fund for its own employees and those of 24 other scheduled bodies (including 2 Local Authorities) and 16 admitted bodies. The Fund does not cover teachers, for whom separate arrangements exist. The Fund is financed by contributions from employees and employers, together with income earned from investments. Up to March 2008 employees contributed to the Fund at the statutory rate of 6%, with manual workers who were paying at 5% prior to 31st March 1998 contributing at this protected rate. The employer's contribution rate is assessed periodically by the Fund's Actuary.

Since April 2008 employees' contribution rates have been determined in bands according to their full time equivalent pay indexed annually in line with inflation. The bandings from 1 April 2010 were the same as for April 2009 due to the negative inflation figures for September 2009:

Band	Salary Range	Contribution rate
1	£0 - £12,600	5.5%
2	£12,601 - £14,700	5.8%
3	£14,701 - £18,900	5.9%
4	£18,901 - £31,500	6.5%
5	£31,501 - £42,000	6.8%
6	£42,001 - £78,700	7.2%
7	More than £78,700	7.5%

Manual workers previously protected at a contribution rate of 5% have been assimilated to the above rates by April 2011.

Benefits

The LGPS provides significant benefits to members. Listed below are brief details of some of the principal benefits available to members.

Benefits will normally be based on two factors: length of service 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".

- **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

Once the pension is in payment it will rise each April in line with the increase in the Retail Price Index up to 2010 and as from 2011 in line with the Consumer Price Index.

- **Lump Sum**
  There is also an entitlement to a standard tax-free lump sum on membership to 31 March 2008. This is 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 to 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.

Ill-Health Retirement
If the membership period is 3 months 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 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 the membership period is 3 months or more, a member can elect to retire and receive their LGPS benefits at any time from age 60 onwards.

Between and including the ages of 55 and 59 members can elect to retire and receive their LGPS benefits, but only if their employer gives their consent.

If a member retires before the age of 65 and has not reached their normal retirement date, their pension and lump sum, may be reduced, and if retiring after age 65 benefits would be increased.

Preserved Benefits
Leavers with 3 or more months 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 Normal Retirement Date. Alternatively, it may be possible to transfer the equivalent value of benefits to another pension scheme.

Leavers with less than 3 months membership and no transfer of benefits in to the scheme are to be treated as if they had never been in the scheme and should have their contributions refunded directly through their pay.

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, pensions are payable to surviving spouses for life, and dependent children while still in full-time education, based on the former employee's Membership and Final Pay.

Death after Retirement

Spouses and partners' pensions are payable for life whilst dependant eligible children's' pensions are payable up to a maximum age of 23 and are all based on the former employee's membership in the scheme. If death of a pensioner occurs before the pension has been paid for ten years (five years if retired before 1 April 2008), the balance will be paid as a lump sum.

4.2 Actuarial Position

General

The most recent actuarial valuation of the Fund was undertaken as at 31st March 2010 (previously 31st March 2007), 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
Investment Returns	
Equities	6.25%
Bonds	4.75%
75% Equities / 25% Bonds	5.9%
Pay Increases (excl. increments) *	5.3%
Price Inflation / Pension Increases	3.3%

* 1% per annum for 2010/11 and 2011/12, reverting to 5.3% 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 2010, published on the 31 March 2011 by Hymans Robertson, it was said that, "The Funding level was 84% (compared to 84% at 31 March 2007) and there was a funding shortfall of £183m. The market value of assets at the valuation date was £931m". Liabilities were assessed to be £1,114m.

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

	£m
Net Liabilities :-	
Active Members	608
Deferred Pensioners	123
Pensioners	383
Total Net Liabilities	**1,114**
Total Value of Assets	**931**
Surplus (Deficit)	**(183)**
Funding Level	**84%**

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 2010, the future service contribution rate was set at 17.1% with a further 5.0% 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.

4.3 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 in Part 9, pages 52-58.

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 7 Investment Managers, as follows: BlackRock, Capital International (Capital), Fidelity International (Fidelity), Legal and General (whose contract was terminated in May 2010), Insight Investment (Insight), UBS Global Asset Management (UBS) and Partners Group. We have also invested directly in Lothbury Investment Management's (Lothbury) Property Fund.

The target distribution of Fund assets is as follows:

Manager	%
BlackRock	32.0
Capital	19.0
Fidelity	19.0
Insight	15.0
UBS / Lothbury (Property Only)	10.0
Partners	5.0
Total	100.0

Custodians

Some of our investment mangers have 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 two of our investment managers do not have an associated custodian, the Pensions Committee has chosen to appoint:

- The Northern Trust Company as custodian of those assets managed by Capital, and
- JP Morgan Chase Bank as custodian of those assets managed by UBS.

Lothbury, with whom we have a direct investment, has the Northern Trust Company as their custodian.

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 out of the seven 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 75% equities, 15% UK bonds and 10% property. This asset allocation was established following the strategic review of the Fund that took place in 2006.

The following table shows the Fund's allocation.

	BlackRock %	Capital %	Fidelity %	Insight %	UBS/ Lothbury %	Partners Group %	Total %
Percentage of Fund	**32.0**	**19.0**	**19.0**	**15.0**	**10.0**	**5.0**	**100.0**
UK Equities	**77.0**	**8.4**	**8.4**	**-**	**-**	**-**	**28.0**
Overseas Equities	**23.0**	**91.6**	**91.6**	**-**	**-**	**-**	**42.0**
North America	-	47.1	47.1	-	-	-	17.6
Europe ex-UK	8.0	17.6	17.6	-	-	-	9.7
Japan	7.0	8.9	8.9	-	-	-	4.2
Pacific Basin	3.0	5.0	5.0	-	-	-	4.2
Emerging Markets	5.0	13.0	13.0	-	-	-	6.3
Private Equity	**-**	**-**	**-**	**-**	**-**	**100.0**	**5.0**
Total Equities	**100.0**	**100.0**	**100.0**	**-**	**-**	**100.0**	**75.0**
UK Bonds	-	-	-	100.0	-	-	15.0
Total Bonds	**-**	**-**	**-**	**100.0**	**-**	**-**	**15.0**
Property	**-**	**-**	**-**	**-**	**100.0**	**-**	**10.0**
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

4.4 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 new regulations allow administering authorities to increase their limits 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.	2%	5%
3. All contributions to partnerships.	5%	15%
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%	No Increase
5. All investments in unlisted securities of companies.	10%	15%
6. Any single holding.	10%	No Increase
7. All deposits with any single bank, institution or person (other than the National Savings Bank).	10%	No Increase
8. All sub-underwriting contracts	15%	No Increase
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%

4.5 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.

At the last valuation it was established that if the Pensions Committee were to decide to invest wholly in Bonds the corresponding result would be a lowering of the funding level to 64% with a corresponding increase in future employers contribution rate of 10.3% of pay.

Investment Manager Briefs

As a result of a deliberate policy to diversify assets and investment styles, the Fund has 6 Investment Managers with varying briefs:

Investment Manager	Brief
BlackRock	Passive
Capital	Active
Fidelity	Active
Insight	Active
UBS	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.

Capital and Fidelity have an "active" equity brief while Insight has an "active" bond brief. UBS has an "active" property brief. Partners Group has been given an "active" private equity brief.

4.6 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 during the quarter.

Performance Monitoring

Gwynedd subscribes to a service provided by the WM Company 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
Capital	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.
UBS	IPD UK Pooled Property Fund Index	Benchmark + 0.5% p.a.
Partners	MSCI World	Benchmark + 5% p.a.*

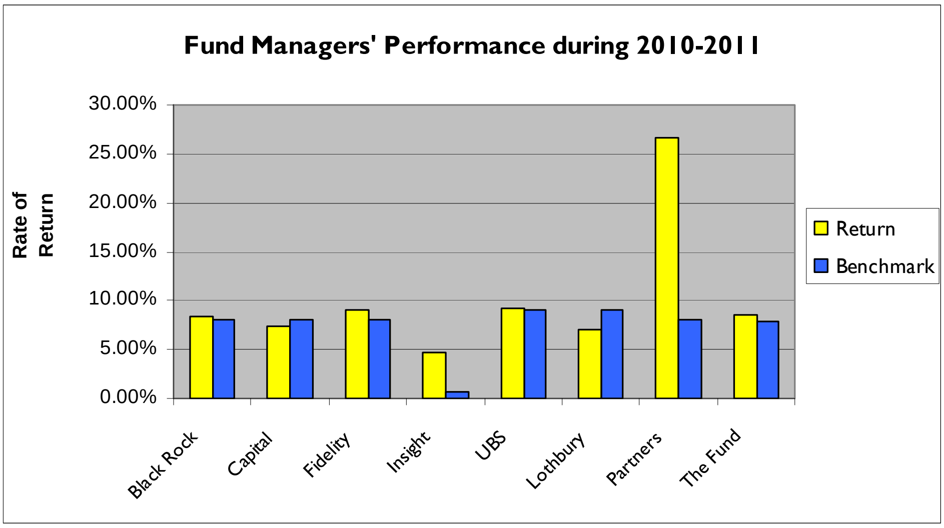
**Partners don't have an official performance target. The target stated above is purely for indicative purposes.*
MSCI=Morgan Stanley Capital International

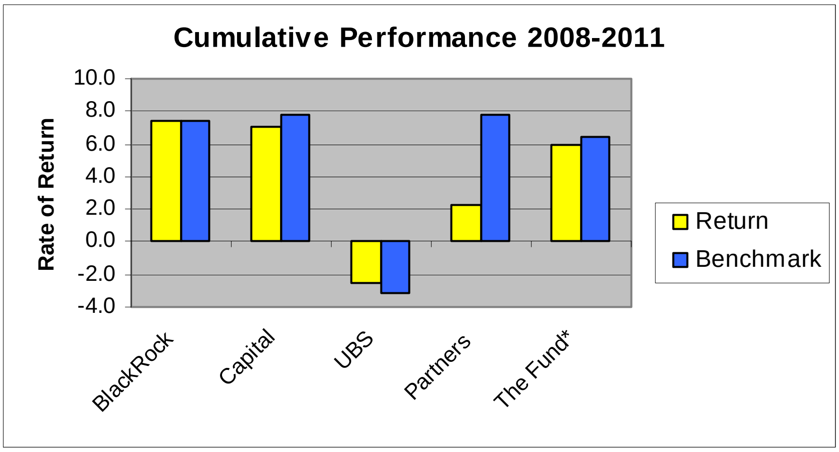
We have made a direct investment with Lothbury, so therefore have not given them a benchmark. However, for indicative purposes we will monitor them against the IPD Balanced Property Unit Trust Index.

Fund Performance

Against the benchmark, the Fund overperformed by 0.7% during the financial year. The Fund achieved a return of +8.5% against a benchmark return of +7.8%. Over a three year period the Fund underperformed against the benchmark, with a return of +6.0% against a benchmark return of +6.5%.

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





* These figures include an element of Fidelity, Insight and Lothbury's performance, since their inception.

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, investment strategies designed to bring good performance in the longer run may from time to time suffer from short-term setbacks.

	I Year Return	I Year Benchmark	3 Year Return	3 Year Benchmark
BlackRock	8.3%	8.0%	7.4%	7.4%
Capital	7.3%	8.0%	7.0%	7.8%
Fidelity (commenced their brief on I July 2009)	9.1%	8.0%	n/a	n/a
Insight (commenced their brief on 31 March 2010)	4.7%	0.6%	n/a	n/a
UBS	9.2%	9.1%	-2.5%	-3.1%
Lothbury (commenced their brief on 4 January 2010)	7.0%	9.0%	n/a	n/a
Partners	26.7%	8.0%	2.3%	7.8%
TOTAL FUND	**8.5%**	**7.8%**	**6.0%***	**6.5%***

* These figures include an element of Fidelity, Insight and Lothbury's performance, since their inception.

Local Authority League Table

Each year The WM Company produces a League Table that ranks Local Authority Pension Funds according to their investment performance during the financial year. Out of the 85 pension funds who subscribe to the service, Gwynedd was 34th and ranked in the 40th percentile with a return of 8.5% compared to the median of 8.1%. For the year to 31 March 2011, the Fund saw the second highest returns in Wales.

The following table shows the performance of the Fund in the Local Authority League Tables each year over the past 8 years.

The Year to	Fund Benchmark	Fund Target	Fund Return	Median Return	Percentile
31 March 2011	7.80%	9.26%	8.50%	8.10%	40th
31 March 2010	40.80%	41.59%	39.70%	35.60%	20th
31 March 2009	-20.60%	-20.25%	-20.60%	-20.30%	57th
31 March 2008	-3.70%	-2.80%	-5.70%	-3.10%	85th
31 March 2007	7.70%	8.56%	6.70%	7.00%	56th
31 March 2006	25.70%	26.89%	24.4%	25.0%	54th
31 March 2005	12.30%	13.15%	11.5%	11.3%	43rd
31 March 2004	24.80%	25.60%	26.7%	23.9%	9th

4.7 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
The Pensions Committee will review the SIP during 2011/12 following the Actuarial Valuation. The reviewing process will involve consultation with all Funds' employers, the Investment Managers and the Fund's advisers.

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 in Part 9, pages 59-73.

4.8 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 Pensions Committee reviewed the FSS during 2010/11 as part of the 31 March 2010 Actuarial Valuation process. The reviewing process involved consultation with all the Fund's employers and the Fund's Actuary.

The new FSS was adopted by the Pensions Committee on 22nd March 2011.

Copies of the FSS
Copies of the new FSS were sent out to all the Fund's employers and the fund's actuary, adviser and union representatives on 31st March 2011.

A copy can be seen in Part 9, pages 74-91.

5. Management Structure

Administering Authority
Gwynedd Council

Pensions Committee 2010/11
Councillor Keith Greenly-Jones (Chairman 10/11)
Councillor John W Jones (Vice-Chairman 10/11)
Councillor Trefor Edwards
Councillor Simon Glyn (joined the Pensions Committee in December 2010)
Councillor John Gwilym Jones
The Late Councillor John R. Jones (passed away in March 2011)
Councillor W Tudor Owen
Councillor G Euros Roberts (resigned from the Pensions Committee in April 2010)
Councillor Margaret Lyon (Co-opted Member)
Councillor Goronwy O Parry (Co-opted Member) (resigned from the Pensions Committee in June 2010)
Councillor Tom Jones (joined the Pensions Committee in June 2010)

Corporate Director
Mr Dilwyn O. Williams

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

Advisor
Mr Paul Potter (Hymans Robertson)

Investment Managers
BlackRock
Capital International Limited
Fidelity International
Insight Investment
Lothbury (formerly KBC)
Legal & General Investment Management*
*(Their contract was terminated in May 2010)
Partners Group
UBS Global Asset Management Limited

Actuaries
Hymans Robertson

Contact Details
Enquiries and more detailed information regarding:

- the Gwynedd Pension Fund can be obtained by contacting:

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

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

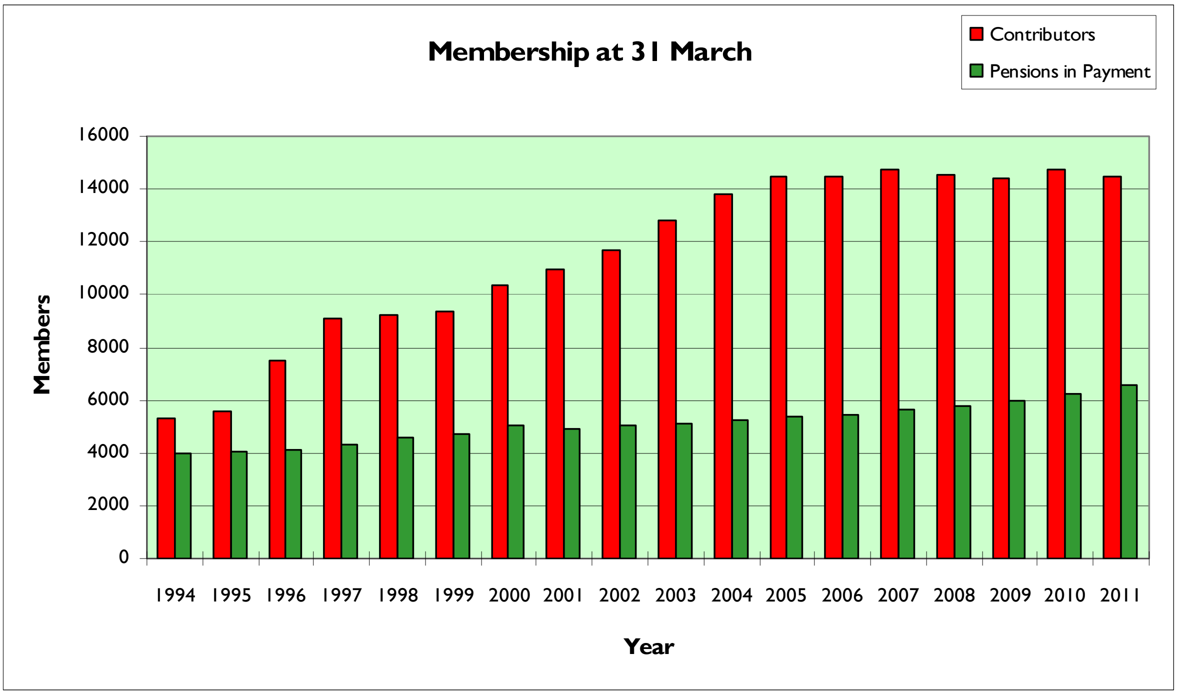
- the Fund's investment and accounting activities should be made to:

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

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

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 3,976 in 1994 to 6,542 in 2011, the number of active contributors has nearly trebled, from 5,343 in 1994 to 14,450 in 2011.



The table below provides the membership summary:

31 March 2010	Description	31 March 2011
14,742	Contributors	14,450
6,400	Deferred Pensioners	7,054
6,211	Pensions in Payment	6,542
1,210	Unclaimed Benefits	1,185
28,563	**Total Membership**	**29,231**

7. Employers who are in the Fund

Scheduled Bodies
Gwynedd Council
Isle of Anglesey County Council
Conwy County Borough Council
North Wales Police Authority
Menai Bridge Town Council
Bangor City Council
Llangefni Town Council
Beaumaris Town Council
Caernarfon Town Council
Holyhead Town Council
Llandudno Town Council
Coleg Menai
Snowdonia National Park
Coleg Llandrillo
Emrys ap Iwan School
Eirias High School
Bryn Eilian School
Pen y Bryn School
Tywyn Town Council
Llanllyfni Community Council
Towyn and Kinmel Bay Town Council
Abergele Town Council
Colwyn Bay Town Council
Ffestiniog Town Council

Admitted Bodies
North Wales Society for the Blind
Holyhead Joint Burial Committee
Coleg Harlech WEA
Careers Wales North West
Cwmni Cynnal
Cwmni'r Fran Wen
Conwy Voluntary Services
Medrwn Môn
Mantell Gwynedd
Ynys Môn Citizens Advice Bureau
Menter Môn
Conwy Citizens Advice Bureau
CAIS
Cartrefi Conwy
Eden Food Services
Cartrefi Cymunedol Gwynedd

Employers with no Contributors
Normal College
St Mary's College
North Wales Magistrates Court Committee
Valuation Panel
Felinheli Community Council
Ex Health Authority
Ex Water Authority
Ex North Wales Probation Service Committee
Llandwrog Community Council
Coleg Gwynedd
Coleg Pencraig
Plas Tan y Bwlch Garden Trust

Closed Funds
Gwynedd County Council
Cwmni Gwastraff Môn/Arfon
Theatr Gwynedd
Theatr Harlech

8. Statement of Accounts 2010-2011

Gwynedd Pension Fund Accounts 2010-2011

2010 £'000	Pension Fund Accounts for the Year Ended 31 March	2011 £'000
	Contributions -	
13,813	Employees - Staff	14,287
35	- Members	36
45,388	Employers - Staff	46,033
121	- Members	125
0	- Deficit Funding	4
60	Interest on Deferred Contributions	49
2	Income from Divorce Calculations	1
5,447	Transfers from Other Schemes	1,440
279	Purchase of Additional Service, etc.	194
65,145	**Total Contributions Received**	**62,169**
	Benefits Payable -	
(26,029)	Pensions	(27,177)
(6,658)	Lump Sums	(10,198)
(437)	Death Benefits	(945)
(14)	Withdrawals	(26)
(4,645)	Transfers to Other Schemes	(2,635)
(907)	Administrative Expenses (Note 11)	(1,061)
(38,690)	**Total Benefits Paid**	**(42,042)**
26,455	**Net Additions from Dealings with Members**	**20,127**

2010 £'000	Net Returns / (Losses) on Investments as at 31 March	2011 £'000
5,105	Investment Income (Note 9)	6,745
242,615	Change in the Market Value of Investments	70,763
(2,777)	Investment Management Expenses (Note 12)	(3,247)
244,943	**Net Returns/(Losses) on Investments**	**74,261**

2010 £'000	Net Increase / (Decrease) in the Fund During the Year	2011 £'000
26,455	Net Additions from Dealings with Members	20,127
244,943	Net Returns on Investment	74,261
271,398	**Net Increase/(Decrease) in the Fund During the Year**	**94,388**

2010 £'000	Net Assets of the Fund	2011 £'000
657,992	At 1st April	929,390
271,398	Net Increase/(Decrease) in the Fund During the Year	94,388
929,390	**At 31 March**	**1,023,778**

2009	2010	Net Assets Statement	2011

£'000	£'000	as at 31 March	£'000
		Investments at Market Value (Note 7)	
		Fixed Interest:	
10,677	0	UK Public Sector Quoted	0
50,375	0	UK Other Quoted	0
0	129,351	Absolute Return	141,937
		Index Linked:	
32,439	0	UK Index Linked	0
		Equities:	
8,967	18,069	UK Quoted	15,152
84,211	125,891	Overseas Quoted	141,265
1,088	311	Overseas Unquoted	569
32,102	35,026	Private Equity	50,967
		Pooled Investment Vehicles:	
170,505	234,198	UK Unit Trusts Quoted	264,246
2	1	UK Ventures Unquoted	1
169,545	135,913	Overseas Unit Trusts	132,270
6,953	0	Overseas Managed Funds	0
0	154,130	Global Unit Trusts (including the UK)	166,179
52,771	71,089	Property Unit Trusts	89,207
		Derivative Contracts:	
4,015	3,508	Derivative Asset	3,453
(4,168)	(3,506)	Derivative Liability	(3,625)
		Other:	
33,517	13,439	Cash and Temporary Investments	19,411
519	136,167	Debtors - Sales of Investments Awaiting Settlement	640
6,182	7,471	Sundry Debtors (Note 14)	5,630
(869)	(130,769)	Creditors - Purchases of Investments Awaiting Settlement	(404)
(839)	(899)	Sundry Creditors (Note 15)	(3,120)
657,992	**929,390**	**Net Assets as at 31 March**	**1,023,778**

The Financial Statements do not take into account the Fund's liabilities to pay pensions and other benefits to all the present contributors to the Fund after the scheme year end, but rather summarise 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 (the most recently as at 31 March 2010 and the next valuation will be 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 4.

Notes to the Accounts

1. Status

These accounts are published "subject to audit".

2. General

The Gwynedd Pension Fund is administered by Gwynedd Council under the rules of the Local Government Pension Scheme as set out in the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended) and the Local Government Pension Scheme (Administration) Regulations 2008 (as amended). Membership of the Fund is available for all local government employees including non-teaching staff of schools and further higher education corporations in Gwynedd, together with employees of admitted bodies. Section 7, on page 24, lists all the participating employers.

3. Accounting Policies

The accounts have been prepared to meet the requirements of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended), the Local Government Pension Scheme (Administration) Regulations 2008 (as amended), the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended) and to meet the requirements of the Statements of Recommended Practice Number 1 of the Accounting Standards Committee of Professional accounting bodies of the United Kingdom. They follow the recommendations of the Statement of Recommended Practice "The Financial Reports of Pension Schemes (as revised in May 2007).

Inclusion of Income and Expenditure

- Contributions, investment income, and benefits have been included in the accounts on an accruals basis where these amounts have been determined on the closure of the accounts.
- Transfers to and from other schemes are on a receipts and payments basis.

Valuation of Investments:

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

- Securities have been valued at the closing bid-market price on 31 March 2011;
- Foreign investments and foreign currency held at 31 March 2011 have been valued at the prevailing exchange rate at close of business that day;
- Unitised Securities and all other investments have been valued at the closing bid-price or the latest single market price on the 31 March 2011;
- Derivatives have been valued at their fair value on 31 March 2011. By holding derivatives the scheme's objectives is to decrease risk in the portfolio. The forward foreign exchange contracts held within the portfolio are used to hedge against foreign currency movements.

Acquisitions Costs of Investments:

Transaction costs (e.g. Broker Commission, Stamp Duty) are added to the purchase cost.

4. Actuarial Position

The Fund's actuaries carried out their triennial Actuarial Valuation at 31st March 2010. The results indicated a deficit of £183 million. For more details see Section 4.2, on pages 14-15.

Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits at 31 March 2011 was £1,197m (£1,289m at 31 March 2010). All the retirement benefits are vested. This value is the defined benefit obligation under IAS19 and has been calculated by Hymans Robertson, using the actuarial valuation at 31 March 2010 and the assumptions used to prepare IAS 19 and FRS17 reports for the individual employers in the Pension Fund.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The principal assumptions used by the actuary are as follows:-

2009/10		2010/11
	Mortality assumptions	
	Longevity at 65 for current pensioners	
20.8 years	Men	20.5 years
24.1 years	Women	23.0 years
	Longevity at 65 for future pensioners	
22.3 years	Men	23.3 years
25.7 years	Women	25.6 years
	Financial assumptions	
3.8%	Rate of Inflation	2.8%
5.3%	Rate of increase in Salaries	5.1%
3.8%	Rate of increase in Pensions	2.8%
5.5%	Rate for discounting scheme liabilities	5.5%
	Take-up option to convert annual pension into retirement lump sum	
50%	for pre-April 2008 service	50%
75%	for post-April 2008 service	75%

The information in this note is based on the decision to uplift public service pensions using the Consumer Price Index rather than the Retail Price Index. This decision is currently before the courts in judicial review procedings. The Government is defending the case and therefore no adjustment has been made to this note for this matter. The financial implications consequent on the review finding against the Government have not been assessed. This matter has been identified as a post balance sheet event as described in Note 21 of the Notes to the Accounts.

5. Contributions Receivable

An analysis of the total contributions receivable from the different bodies is given below:

2009/10 £'000		2010/11 £'000
22,361	Gwynedd Council**	20,766
34,164	Scheduled Bodies**	35,897
3,023	Admitted Bodies	4,007
88	Employers with no Contributors	0
0	Closed Fund*	9
59,636	**Total**	**60,679**

*Closed Fund – These are contributions received from Theatr Harlech and Theatr Gwynedd during the year. They were admitted bodies but they are now both closed Funds.
**During 2010/11 Gwynedd Council transferred the Council Housing to Cartrefi Cymunedol Gwynedd which resulted in reduced contributions from Gwynedd Council and increased contributions from Admitted Bodies.

6. Benefits Payable

An analysis of the total benefits payable to the different bodies is given below:

2009/10 £'000		2010/11 £'000
8,491	Gwynedd Council	9,707
11,976	Scheduled Bodies	15,838
847	Admitted Bodies	1,198
514	Employers with no Contributors	583
11,296	Closed Fund	10,994
33,124	**Total**	**38,320**

7. Investments at Market Value

The market values of the assets at the balance sheet date are given below:

	Total £'000	Black Rock %	Capital %	Fidelity %	Lothbury %	Partners %	UBS %	Insight %	*Gwy %	Total %
Fixed Interest										
Absolute Return	141,937	-	-	-	-	-	-	100.00	-	100.00
Equities:										
UK Quoted	15,152	-	100.00	-	-	-	-	-	-	100.00
Overseas Quoted	141,265	-	100.00	-	-	-	-	-	-	100.00
Overseas Unquoted	569	-	100.00	-	-	-	-	-	-	100.00
Private Equity	50,967	-	-	-	-	100.00	-	-	-	100.00
Pooled Investment Vehicles:										
UK Unit Trusts Quoted	264,246	100.00	-	-	-	-	-	-	-	100.00
UK Ventures Unquoted	1	-	-	-	-	-	100.00	-	-	100.00
Overseas Unit Trusts	132,270	56.30	24.41	19.29	-	-	-	-	-	100.00
Global Unit Trusts (including the UK)	166,179	-	-	100.00	-	-	-	-	-	100.00
Property Unit Trusts	89,207	6.71	-	-	20.98	-	72.31	-	-	100.00
Derivative Contracts										
Derivative Asset	3,453	-	-	-	-	-	100.00	-	-	100.00
Derivative Liability	(3,625)	-	-	-	-	-	(100.00)	-	-	100.00
Cash & Net Working Capital	22,157	-	33.41	-	-	-	12.90	0.02	53.67	100.00
Total	**1,023,778**	**33.67**	**19.21**	**18.72**	**1.83**	**4.98**	**6.56**	**13.87**	**1.16**	**100.00**

* Gwy - Gwynedd

8. Major Holdings

The major holdings in the Fund as at 31 March are listed below:

% of Market Value 2009	Market Value 2010 £'000	% of Market Value 2010	Market Value 2010 £'000	Holding	% of Marke t Value 2011	Market Value 2011 £'000
13.65	89,854	12.87	119,569	BlackRock Asset Management Aquila Life UK Equity Index Fund	25.79	264,246
-	-	16.58	154,130	Fidelity Institutional Select Global Equity	16.22	166,179
-	-	13.92	129,351	Insight LDI Solution Bonds Plus	13.85	141,937
12.25	80,651	12.33	114,629	L&G Pooled Fund UK Equity Index	-	-
8.21	54,045	-	-	L&G Pooled Fund North America Equity Index	-	-

9. Investment Income

Analysis of Investments Income as set out in the Net Assets Statement is given below:

2009/10 £'000		2010/11 £'000
432	UK Equities	605
2,554	Overseas Equities	3,115
15	Private Equity	113
2,036	Property Unit Trusts	2,945
369	Interest on Cash Deposits	153
(301)	Less Tax on Income	(186)
5,105	**Total**	**6,745**

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 authority has a deposit of £4m with Heritable Bank which is a UK registered bank under Scottish Law. The company was placed in administration on 7 October 2008. The creditor progress report issued by the administrators Ernst and Young, dated 17 April 2009, outlined that the return to creditors was projected to be 80p in the £ by end 2013, with the first dividend payment of 15p in the £ due in the summer of 2009. This was the basis for closing the 2008/09 accounts. So far the council has received a return of £2,013,705 from the administrators during 2009/10 and 2010/11 and the administrators now expect a return of 85p per £ by the end of 2012. Based on this information, the impairment in the accounts is based on recovering 85p in the £.

The payments received during 2009/10 and 2010/11 were as follows:

July 2009 – 16.13%
December 2009 – 12.66%
March 2010 – 6.19%
July 2010 – 6.27%
October 2010 – 4.14%
January 2011 – 4.72%

It is anticipated that there will be further repayments and that the final sale of assets will take place after the books have been run down to mid 2012. Therefore, in calculating the impairment the Council has made the following assumptions regarding timing of subsequent recoveries:

April 2011 – 6.25%
July 2011 – 5%
October 2011 – 5%
January 2012– 5%
April 2012 – 5%
July 2012 – 5%
October 2012 – 3.65%

A payment of £251,335 was received in April 2011, which was the 6.25% as expected in the table above. Recoveries are expressed as a percentage of the authority's claim in the administration, which includes interest accrued up to 6 October 2008.

The calculation of fair value resulted in an increase of £2,598 to the impairment of £1,027,511 that was made in the 2009/10 accounts. Notional interest of £96,352 was calculated for 2010/11. Of the original impairment £178,094 was charged to the Pension Fund. The relevant share of the impairment (£367) and the notional interest (£13,615) for 2010/11 has been charged to the Pension Fund. These amounts are included in the interest on cash deposits shown above.

Of course, the actual loss by 2012 could be more or less than the potential loss estimated above. If the economic situation improves and property values in particular increase, there could be no loss at all. However, the impairment has been estimated in accordance with the agreed interpretation of the position at 31 March 2011.

10. Taxation

Following the 1997 Budget, the Fund is now unable to reclaim Advance Corporation Tax, although any UK tax on dividends paid by foreign companies can still be reclaimed. Thus investment income in the accounts is shown net of UK tax.

The Fund is exempt from United States withholding tax on dividends from investments in the US and recovers withholding tax deducted in some European Countries.

11. Administrative Expenses

Administrative expenses are as follows:

2009/10 £'000		2010/11 £'000
820	Administration and Processing*	950
61	Actuarial Fees	85
25	Audit Fees	25
1	Professional Fees	1
907	**Total**	**1,061**

*An apportionment of the salaries and other expenses of Council staff engaged in administering the pension scheme and pension investments has been made to the Fund.

Charges for services provided by Gwynedd Council are derived from a combination of pre-determined fixed charges, actual recorded staff time, transaction logging and pre-determined formulae. Office accommodation costs are allocated on a floor space basis. The administration expenses paid over to Gwynedd Council in 2010/11 was £906,391 (2009/10: £783,870).

12. Investment Management Expenses

The investment management expenses are as follows:

2009/10 £'000		2010/11 £'000
225	BlackRock	197
581	Capital International	610
300	Fidelity *	426
0	Insight **	599
140	Legal & General ***	25
806	Partners Group	938
549	UBS Global Asset Management	344
1	JP Morgan	1
40	The Northern Trust Company	40
122	Hymans Robertson	54
13	The WM Company	13
2,777	**Total**	**3,247**

*Fidelity commenced their brief in June 2009.
** Insight commenced their brief in April 2010.
*** Legal and General ended their brief in May 2010.

13. Investments

Investments shown in the Statement of Net Assets are shown at market values. Net assets at 31st March 2011 valued at cost were £828m (31 March 2010: £785m) and investment transactions during the year yielded a net profit of £15.8m (2009/2010: a profit of £15.8m).

14. Sundry Debtors

The following provision has been made in the accounts for debtors:

31 March 2009 £'000	31 March 2010 £'000		31 March 2011 £'000
4,396	5,464	Contributions Receivable	3,897
542	695	Internal Debtors	171
270	288	Debtor Invoices	307
535	551	Net Dividend Income	790
437	470	UK Tax	236
2	3	VAT	2
6,182	**7,471**	**Total**	**5,403**

15. Sundry Creditors

The following provision has been made in the accounts for creditors:

31 March 2009 £'000	31 March 2010 £'000		31 March 2011 £'000
276	107	Internal Creditors	1,017
214	297	Investment Fees	417
0	0	Legal Fees	6
20	15	Audit Fees	14
97	0	UK Tax	0
3	3	Contributions Payable	2
229	477	Benefits Due	1,664
839	**899**	**Total**	**3,120**

16. Purchases and Sales of Investments

The total amount of purchases and sales of investments is set out below:

	Purchases (Book Value) 2010/11 £'000	Market Value of Sales 2010/11 £'000
UK Equities	228,931	225,205
Overseas Equities	106,282	110,476
Global Unit Trusts (including the UK)	633	374
Private Equity	10,315	1,986
Fixed Interest Absolute Return Securities	6,001	0
Property Unit Trusts	17,793	3,000
Derivatives	27,455	27,761
Cash and Short Term Investments	148,250	148,264
Total	**545,660**	**517,066**

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £361,671 (2009/10 £330,676). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled funds. The amount of indirect costs is not separately provided to the scheme.

17. Commitments Under Investment Contracts

The Pension Fund is committed to pay the following amounts under investment contracts:

	Total Commitment	Commitment at 31 March 2011
	€'000	**€'000**
P.G. Direct 2006	20,000	2,036
P.G. Global Value 2006	50,000	12,663
P.G. Secondary 2008	15,000	4,901
P.G. Global Value 2011	15,000	15,000
Total Euros	**100,000**	**34,600**
	$'000	**$'000**

P.G. Emerging Markets 2011	**7,000**	**7,000**

18. The Nature and Extent of Risks Arising from Financial Instruments

The Pension Fund's activities expose it to a variety of financial risks:

- Credit risk - the possibility that other parties might fail to pay amounts due to the Pension Fund.

- Liquidity risk – the possibility that the Pension Fund might not have funds available to meet its commitments to make payments.

- Market risk – the possibility that financial loss might arise for the Pension Fund as a result of changes in such measures as interest rates and stock market movements.

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.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Pension Funds members and employers.

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. The Administering Authority currently guarantees to meet any future liabilities falling on the fund as a result of cessation. This is done to ensure that actuarial recovery periods and amounts are kept at a manageable level for smaller employers.

This risk has increased by a recent 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.
No financial assets have had their terms renegotiated that would otherwise have been past due or impaired. The Pension Fund has suffered impairment on a deposit in Heritable Bank the details of which are included in Note 9 above.
No collateral is held as security on financial assets .The Pension Fund does not generally allow credit for customers.

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

Investment Manager	Percentage of Portfolio
BlackRock	32%
Capital International	19%
Fidelity	19%
Insight	15%
Partners Group	5%
UBS	7%

All investments held by investment managers are held in the name of Pension Fund so if the investment manager fails the Funds investments are not classed amongst their assets. All Investment managers are required to meet certain rating criteria set by the Funds advisors.

Liquidity Risk

The Administering Authority has a comprehensive cash flow management system that seeks to ensure that cash is available if needed. In addition, present 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 Funds Actuaries establish what contributions should be paid in order that all future liabilities can be met.

All trade and other payables are due to be paid within one year.

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 to provide additional income to the Pension Fund. Surplus cash is invested in accordance with the Statement of Investment Principles.

The investments of the fund are mainly of a liquid nature. Although any forced liquidation of the investments may be subject to a financial loss. Private equity although it can be sold on a secondary market would need a willing buyer and therefore is classed illiquid. The long term nature of private equity investments suggests that a quick sale would be likely to produce an unfavourable return. The private equity element of the fund is only 5% of the total fund assets.

Market Risk

<u>Interest Rate Risk</u>

Despite no borrowings, the Pension Fund is exposed to significant risk in terms of exposure to interest rate movements on its investments. Movements in interest rates have a complex impact. For instance, a rise in interest rates would have the following effects:

- Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise
- Investments at fixed rates – the fair value of the assets will fall

The Actuaries as part of their triennial valuation and dictated by the Funding Strategy Statement will only anticipate long-term return on a relatively prudent basis to reduce risk of under-performing. Progress is analysed at three yearly valuations for all employers. The Administering Authority will request annual funding updates between the completion of the valuation report and the date of the next valuation to monitor the position.

Discount Rate

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

The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £111m. However, the assumptions interact in complex ways. During 2010/11, the Fund's Actuaries advised that the net pensions liability had increased by £21.2m as a result of estimates being corrected as a result of experience and increased by £1.5m attributable to updating of the assumptions.

Price Risk

The Pension Fund only holds a number of equity, bond and property investments. It is therefore exposed to an element of risk in relation to movements in the price of its investments. The price of investments may go up or down and investors may not get back the amount invested.

This is mitigated by investing in a diverse portfolio in terms of managers and investments and again by the actuary only anticipating a long-term return on a relatively prudent basis to reduce risk of under-performing. The fund's largest class of investments is in equities. 75% of the equity investments are in pooled funds with 25% invested directly in individual equities.

Foreign Exchange Risk

The Pension Fund holds financial assets or liabilities denominated in foreign currencies. It is therefore exposed to an element of risk in relation to currency fluctuation.

The fund has made commitments to private equity in foreign currency, (€100million and $7million). 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 17. 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 so the liability is balanced out over a long period.

19. Additional Voluntary Contributions (AVC's)

There are 3 Additional Voluntary Contribution Funds. They are held with Clerical Medical, The Equitable Life Assurance Society and Standard Life. The assets of these investments are held separately from the main Fund, and are not included in the Pension Fund Accounts. 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 31st March confirming the amounts held in their account and the movements in the year.

The value of the funds at 31 March 2011 is shown as follows:

	Clerical Medical £'000	Equitable Life £'000	Standard Life £'000	Total AVC's £'000
Value of the Fund at 31 March 2010	**2,160**	**578**	**251**	**2,989**
Contributions Received	287	1	14	302
Interest/Change in Market Value	149	18	21	188
Retirement Benefits	(149)	(51)	(69)	(269)
Leavers	(24)	-	(6)	(30)
Death Benefits	(9)	-	-	(9)
Refunds	(1)	-	-	(1)
Contributions Received, but not yet used to purchase benefits	(1)	-	-	(1)
Value of the Fund at 31 March 2011	**2,412**	**546**	**211**	**3,169**

These amounts are not included in the Pension Fund Accounts in accordance with Regulation 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009 No 3093).

20. Related Parties

During the year the Gwynedd Pension Fund paid administration expenses of £906,391 to Gwynedd Council (see Note 11 Administrative Expenses).

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. In 2010/2011, the Fund received interest of £103,483 from Gwynedd Council.

Three members of the Pensions Committee have declared an interest in bodies which have dealings with the Fund. Two Chief Officers have also declared an interest in bodies which have dealings with the Fund. In all cases these bodies were employers which are part of the Fund.

21. Post Balance Sheet Event

The accounts outlined within the statement represent the financial position of the Gwynedd Pension Fund as at 31st March 2011. Since this date, the performance of the global equity markets may affect the financial value of pension fund investments. This movement does not affect the ability of the Fund to pay its pensioners.

Analysis of Holdings as at 31 March 2011

	Market Value £'000	%
UK Bonds		
Fixed Interest: Absolute Return	141,937	13.85
Total UK Bonds	**141,937**	**13.85**
UK Equities		
Mining	2,738	0.27
Oil	2,284	0.22
Construction	1,052	0.10
Pharmaceuticals	972	0.10
Tobacco	814	0.08
Food Retailers	357	0.04
General Retailers	426	0.04
Support Services	467	0.05
Information Technology Hardware	521	0.05
Electricity	210	0.02
Telecommunications	1,459	0.14
Banks	3,804	0.37
Property	48	0.00
Total UK Equities	15,152	1.48
UK Ventures	1	0.00
UK Unit Trusts	264,246	25.79
Total UK	**279,399**	**27.27**
Overseas Equities		
Europe	40,761	3.98
Far East (excl. Japan)	7,317	0.71
Japan	16,769	1.64
North America	76,988	7.51
Total Overseas Equities	141,835	13.84
Overseas Unit Trusts	132,270	12.91
Total Overseas	**274,105**	**26.75**
Global Unit Trusts (including the UK)	**166,179**	**16.22**
Derivative Contracts	**(172)**	**(0.01)**
Private Equity	**50,967**	**4.97**
Property Unit Trusts	**89,207**	**8.69**
Cash & Net Working Capital	**22,156**	**2.26**
Total at Market Value	**1,023,778**	**100.00**

Independent Auditor's Statement to the Members of the Administering Authority of Gwynedd Local Government Pension Fund

I have examined the pension fund accounts and related notes contained in the 2011 Annual Report of Gwynedd Pension Fund to establish whether they are consistent with the pension fund accounts and related notes included in the Statement of Accounts produced by Gwynedd Council for the year ended 31 March 2011, which were authorised for issue on 20 September 2011. The pension fund accounts comprise the Fund Account and the Net Assets Statement.

Respective responsibilities of the Administering Authority and the Independent Auditor

The Administering Authority, Gwynedd Council, is responsible for preparing the Annual Report. My responsibility is to report my opinion on the consistency of the pension fund accounts and related notes contained in the Annual Report with the pension fund accounts and related notes included in the Statement of Accounts of the Administering Authority. I also read the other information contained in the Annual Report and consider the implications for my report if I become aware of any misstatements or material inconsistencies with the pension fund accounts.
I conducted my work based on the requirements of Bulletin 2008/3 issued by the Auditing Practices Board. My report on the pension fund accounts and related notes included in the Statement of Accounts produced by Gwynedd Council describes the basis of my opinion on those accounts.

Opinion

In my opinion the pension fund accounts and related notes included in the Annual Report of Gwynedd Pension Fund are consistent with the pension fund accounts and related notes included in the Statement of Accounts produced by Gwynedd Council for the year ended 31 March 2011 which were authorised for issue on 20 September 2011 on which I issued an unqualified opinion.

Anthony Barrett
Appointed Auditor
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ
29 September 2011

9. Appendices

GWYNEDD PENSION FUND
COMMUNICATION POLICY STATEMENT
March 2010 Version

Introduction

The Gwynedd Pension Fund is committed to providing a high quality and consistent service to their customers in the most efficient and cost effective manner, in compliance with the Local Government Pension Scheme regulatory requirements.

Gwynedd Council is responsible for administering the Fund for over 40 Employing Bodies, including its own employees and those of two other Unitary Bodies.

The membership of the Fund as at 1st March 2010 was:

Active members	14,885
Pensioner members	6,185
Deferred members	6,223

The Communications Policy Statement of the Gwynedd Pension Fund is drawn up to ensure clear communications to all the various stakeholders of the Local Government Pension Scheme. It will be kept under review and amended when there is a material change in the policy.

Stakeholders include:

- Contributing Scheme members
- Deferred members
- Pensioner members
- Prospective scheme members
- Employing Bodies
- Tax payer

The statement sets out the policy for the provision of information and how the Fund intends to publicise and promote the Scheme to each group.

All Gwynedd Pension Fund's publications are bilingual, in line with the Language Policy of Gwynedd Council as Administering Authority of the Gwynedd Pension Fund.

The intention is that all responses to requests are as timely as possible, are factual and in plain language, and presented in a manner appropriate to the receiver.

Where individuals have specific needs in relation to the format of information, steps are taken to ensure that the required format is available, such as Braille, Audio, and Large Print. Information in other languages may be available on request.

Where legislative Scheme changes are known in advance, procedures will be put in place to implement the changes in the most effective manner.

All Fund communications are fully compliant with all regulations regarding:

- Confidentiality
- Disclosure
- Freedom of Information

The Gwynedd Pension Fund actively participates with the other six Welsh Pension Funds to produce common and consistent Scheme documents and literature.

Communication with contributing members

Contributing scheme members are those who are contributing to the Local Government Pension Scheme through one of the employers who participate in the Gwynedd Pension Fund. The methods of communicating with these members are described below.

Annual Benefit Statements

An Annual Benefit Statement is sent to each scheme member's home address which details their benefits accrued up to the end of the previous financial year and forecasts the benefits payable at age 65. The statement also contains the member's service history, pay details and explanatory notes as to how the benefits are calculated. Future statements will include a State Pension forecast and the statements issued from 2010/2011 will include a forecast of the pension benefits the member would receive from the Gwynedd Pension Fund if they were to retire at age 60 (the figures will include any reduction applicable for early payment of benefits). All statements also have a covering letter and include a feedback form for completion by members to note any queries or comments they have in relation to their statement.

Website

The Gwynedd Pension Fund website was launched in March 2009 and contains a section dedicated to current scheme members. The website provides general information about the Local Government Pension Scheme and has a section with frequently asked questions. The website continues to be developed and by March 2010, will include a Pensions Interactive section, which will enable scheme members to view their pension details, update their personal details and generate a range of calculations online.

A section dedicated to the Councillors Pension Scheme has been added to the Gwynedd Pension Fund website since December 2009.

Scheme Literature

A new short scheme guide was produced following the introduction of the Local Government Pension Scheme Regulations in 2008. The short scheme guide provides general information on the Local Government Pension Scheme and is issued to all new employees (through their employer) and is also issued to existing members of the scheme on request. Copies of the scheme guide are also available on request in Braille, large print and audio.

A range of fact sheets have also been produced for scheme members which give information on specific topics relating to the Local Government Pension. A full list of the fact sheets available are noted under the publications section on page 11 of this booklet and an additional fact sheet giving information on transferring previous pensions is due to be available by the end of 2010. DVD's providing information on the Local Government Pension Scheme and outlining the changes that were made to the regulations in 2008 are also available to scheme members.

Newsletters

Paper based newsletters are sent to the home address of all contributing scheme members as and when needed to inform of changes in the scheme regulations.

Gwynedd Pension Fund Road Shows

The Gwynedd Pension Fund is available to attend employer events and provide a pensions stand in order for scheme members to discuss any pensions issues with pension section staff. An extensive range of scheme literature and general forms will also be available at these events.

Communication with contributing members continued...

Presentations

The Pensions Administration Unit is always available to offer talks or presentations on the scheme.

A program of pre retirement seminars already exists, arranged by a partnership of North Wales councils and organized by Chadwick Mclean, a firm of financial advisors from Chester. Gwynedd and Flintshire Pension Fund Administration units provide alternate local government pension scheme presentations at these events.

Presentations are also held as and when needed to give information to current contributors on the local Government Pension Scheme and are used as a method of informing scheme members of major changes to scheme regulations. Specialist information sessions can also be held at the request of the employer for members who are affected by the bulk transfer of pensions from the LGPS to other pension providers. Specialised presentations given by the pension unit's Communication Officers and a representative from the Gwynedd Pension Fund's AVC provider have also been held to give information to scheme members on the methods of improving pension benefits.

Consultation Sessions (individual appointments)

The pension unit's Communication Officers hold individual consultation sessions for scheme members at the request of scheme employers. Consultation sessions are usually held at employees worksites and they offer the opportunity for scheme members to receive general and specific information about the Local Government Pension Scheme and to ask any questions they may have relating to their Local Government Pension.

Members of the Gwynedd Pension Fund can also arrange an appointment to have an individual meeting with a member of staff from the pension section at the pension office in Caernarfon.

In some cases (e.g. terminal illness) a representative from the Gwynedd Pension Fund will visit a member at their home at the request of their employer.

Pensions Helpline

A single helpline number has been set up for all pension enquiries and a dedicated e-mail address is available for enquires by e-mail.

Retirement Pack

Members are sent a letter at retirement which outlines their benefits due from the scheme and are supplied with forms to complete and return so that the benefits can be brought into payment. The Pension Section intends to develop the retirement pack to include a leaflet giving general information relevant to those retiring from the scheme. The leaflet will be available from April 2010.

Poster campaign

The pension section intends to produce a poster which highlights the options available for increasing pension benefits through the Local Government Pension Scheme. The posters are scheduled to be available from June 2010 and they will be distributed to employers so that they can be displayed at employees work sites.

Internal Dispute Resolution Procedure (IDRP) leaflet

A document covering stage 1 of the IDRP has been produced and is available on request.

Communication with deferred members

Deferred members are those who have left their employment with a scheme employer and who have preserved benefits in the scheme. The methods of communicating with deferred members are noted below.

Deferred Benefit Statement

A Deferred Benefit Statement is sent each year to members who have preserved benefits with the Gwynedd Pension Fund. The statement outlines the up to date value of the member's benefits and includes a feedback form where members can note any queries or comments they have in relation to their statement.

Website

A section dedicated to deferred members is included in the Gwynedd Pension Fund website. The deferred section provides general information about the Local Government Pension Scheme which is relevant to deferred members and has a section with frequently asked questions. The website continues to be developed and by March 2010, will include an interactive section, enabling deferred members to view their pension details, update their personal details and calculate relevant reductions for different retirement dates from age 60.

Deferred councillor members can access the Councillors section of the Gwynedd Pension Fund website.

Newsletters

Paper based newsletters are sent to the home address of all deferred scheme members as and when needed to inform of relevant changes in the scheme regulations.

Individual Appointments

Deferred members of the Gwynedd Pension Fund can arrange an appointment to have an individual meeting with a member of staff from the pension section at the pension office in Caernarfon.

In some cases (e.g. terminal illness) a representative from the Gwynedd Pension Fund will visit a member at their home at the request of the employer, individual or individual's representative.

Pensions Helpline

A single helpline number has been set up for all pension enquiries and a dedicated e-mail address is available for enquires by e-mail.

Internal Dispute Resolution Procedure (IDRP) leaflet

A document covering stage 1 of the IDRP has been produced and is available on request.

Communication with Pensioners

Pensioners include retired members and the dependants of deceased members. The methods of communicating with pensioners are noted below.

Website

A section dedicated to pensioner members has been introduced on the Gwynedd Pension Fund website since December 2009. The pensioner section provides general information about the Local Government Pension Scheme which is relevant to pensioner members and has a section with frequently asked questions. By March 2010 the pensioner section of the website will include a Pensions online section which will enable pensioners to view their pension details and update their personal details.

Payslips and P60

A payslip is sent to pensioners when there is a change of 50p or more in their net payment as compared with the previous month. All pensioners receive a combined P60 and payslip at the end of each tax year.

Notice of Pensions Increase

Each April, pensioners receive a notice informing them of the Pensions Increase which is to be applied on their pension (if applicable) and they also receive confirmation of the pay dates for the next 12 months.

Individual appointments

Pensioners of the Gwynedd Pension Fund can arrange an appointment to have an individual meeting with a member of staff from the pension section at the pension's office in Caernarfon.

Pensions Helpline

A single helpline number has been set up for all pension enquiries and a dedicated e-mail address is available for enquires by e-mail.

Birthday Congratulations

From 1st January 2010, pensioners celebrating their 100th birthday will receive a birthday card from the Gwynedd Pension Fund. This includes pensioners who were members of the Local Government Pension Scheme and pensioners who receive a widow's/widower's Local Government Pension.

Internal Dispute Resolution Procedure (IDRP) leaflet

A document covering stage 1 of the IDRP has been produced and is available on request.

Communication with prospective members

Prospective members are employees who are eligible to join the Local Government Pension Scheme but who have decided not to join. The methods of communicating with prospective members are noted below.

Scheme guide

A short scheme guide giving general information on the Local Government Pension Scheme is issued by scheme employers to all new employees (who are eligible to join the scheme). Copies of the scheme guide are also available (on request) in Braille, large print and audio.

Website

Prospective scheme members can gain general information about the Local Government Pension Scheme from the Gwynedd Pension Fund website. The website also has a section answering frequently asked questions which are relevant to those considering whether or not to join the scheme.

Consultation sessions (individual appointments)

The pension unit's Communications Officers hold individual consultation sessions for scheme members and prospective scheme members at the request of scheme employers. Consultation sessions are usually held at employee's worksites and they offer the opportunity for scheme members to receive general and specific information on the Local Government Pension Scheme and to ask any questions they may have about joining the scheme.

Prospective members can also arrange an appointment to have an individual meeting with a member of staff from the pension section at the pension office in Caernarfon.

Gwynedd Pension Fund Road shows

The Gwynedd Pension Fund encourages employers to include pensions as part of staff induction events and will provide a pensions stand in order for scheme members and also prospective scheme members to ask any questions they may have in relation to the Local Government Pension Scheme. The extensive range of scheme literature and general forms will also be available at road shows.

Poster Campaign

The pension section intends to produce a poster which highlights the benefits of joining the Local Government Pension Scheme. The posters are scheduled to be available from June 2010 and will be distributed to employers so that they can be displayed at employer's work sites.

Communication with Employers

Scheme Employers are the first point of contact for the members of the Local Government Pension Scheme. In order for Gwynedd Council as Administering Authority to effectively run the Scheme, it is essential that the Employing Bodies are aware of the latest information and guidance available, to enable them to carry out their responsibilities.

Annual General Meetings

The Annual General Meeting is held specifically for Employers and Union Representatives to discuss the Annual Report and Accounts. Representatives from various professional advisory bodies, such as the Fund Actuary and Fund Managers also attend in order to answer questions on Funding, investment performance and Valuations.

Biannual meetings

Relevant representatives from each Employing Body are invited to attend informal meetings at Gwynedd Council offices twice yearly, to discuss any practical issues with regard to the Pension Fund or its administration. It is also an opportunity to discuss any legislation changes that will affect them. The first of these pension forum meetings took place in October 2009.

The aim is to improve upon the quality of data received by both parties – the Employers and the Administering Authority, and enhance the standard of service to meet the needs of all scheme members and stakeholders.

Individual Employer Training meetings

These can be arranged on the Employing Body's request, on an individual basis as opposed to the biannual meetings where all can attend.

Employer Seminars

These can be arranged where there has been a significant change in legislation. For example, in October 2007 a meeting for Employing Bodies was held at Gwynedd offices, headed by Terry Edwards from the Local Government Employers association, who gave a presentation on how the changes in the Pension Scheme as from 1st April 2008 affected the Employers.

Contact Database

Regular updates regarding any changes or proposed changes in the LGPS are issued to all Employing Bodies by e-mail or letter. The Employer Contact database is amended as necessary on information received from the Employers.

Employer Partnership Agreements and Service Level Agreements

The aim is to improve the standard of service to members by providing guidance on statutory obligations and responsibilities, and by setting targets for both Employers and the Administering Authority -

- to provide correct information
- to act on, and respond to that information within a given timescale

Any targets for the Service Level Agreements will be agreed beforehand.

Employers Guide

The new Employers Guide on procedure is in the process of being completed, and will be circulated in hard copy to all Employing Bodies. This is scheduled for distribution during 2010/2011, and will assist Employers in their responsibilities as regards maintaining accurate data. Limited extra copies can be provided. Updates will be notified by e-mail and uploaded onto the website.

Website

The new Gwynedd website was launched in March 2009. A section giving information specifically dedicated to Employing Bodies will be available in 2010/2011 to coincide with the production of the Employers Guide, which will also appear on the website.

Employers are currently issued with hard copies of: -

- Pension Fund Statement of Accounts
- Funding Strategy Statement
- Governance Policy Statement
- Statement of Investment Principles
- Communication Policy Statement
- Triennial Valuation Report

These will also be available on the Investments section of the website from 2010.

Communication with other bodies

Members Representatives

These can include any individual or group, such as Solicitors or Trade Unions, requesting information on behalf of a Scheme member. This is only provided with the member's authority, in compliance with the Data Protection Act 1998. All Scheme literature is available on request.

External Bodies

The Gwynedd Pension Fund participates in the: -

Shrewsbury Pensions Officers group

Senior pensions Officers from the Gwynedd Pension Fund meet representatives from other Local Authority Funds in the West Pennines area on a quarterly basis to share information, discuss questions on legislation and prevailing regulations as well as any technical or procedural issues.

All Wales Group

The Group meets as and when required, with a view to formalising and unifying the approach to communications within the Welsh Local Government Authorities. In the past two years, they have collectively produced

- Uniform Annual Benefit Statements for both active and deferred members
- A Short Scheme Guide for all members
- Pension fact sheets on various topics which can be distributed to members

The Gwynedd Pension Fund also communicates with: -

Scheme Actuary – with regard to Funding levels and the Triennial Valuation, FRS17 and all Funding issues.

HMRC - with regard to contracting out details and tax issues for Scheme members.

Additional Voluntary Contributions (AVC) Providers – Officers of the Pension Fund have regular contact its AVC providers regarding the funds of individual Scheme members.

Pensions Committee – with regard to reporting on administration, regulations and investment issues in order to advise and form policy.

Fund Managers – in relation to investments and Fund performance.

LGPC - The Local Government Pensions Committee (the pensions section of the Local Government Employers) provides technical advice to Pension Fund Administering Authorities and to employers on the Local Government Pension Scheme (LGPS)

Communication within the Pension Unit

Effective communication is an important part of daily operations, and an open door policy is in place.

Updates to Staff

E-mail— E-mail is the preferred method of communication for general messages within the unit. Where necessary, this will be followed up with individual or team training

Internet – This is available to all staff at any time ensuring timely access to LGPS information.

Internal training – General and pensions-specific training on matters arising with regard to regulatory or procedural changes is given as necessary as part of the Unit's commitment to continuous improvement.

External courses

Professional qualifications can only improve the knowledge and confidence of the team in their communication with stakeholders. All new and existing members of staff are therefore encouraged to study for appropriate Local Government pensions qualifications within the Institute of Payroll Professional (IPP), and also participate in relevant training courses held by the LGPC and Heywood.

Section Meetings

All members the Pensions Unit attend regular bi-monthly section meetings, to discuss any developments in legislation as well as any operational or procedural changes. This means that each member of staff is involved in decisions that affect the whole Unit.

The Operational Plan, including Key Performance Indicators is also discussed on a regular basis to ensure that the members of the team are aware of and are meeting their targets.

Continuous monitoring and appraisal

Service standards are monitored regularly, to ensure staff are aware of their responsibilities in relation to the Scheme. Annually, members of staff have individual appraisals on their personal development. If necessary, more in-depth internal training on specific issues can be tailored to suit Unit members. On a daily basis, communication is encouraged between members of staff and the Management of the section on any issues arising. An automated workflow system is in operation to aid the monitoring process, and to guide officers in individual tasks.

Gwynedd Pension Fund Publications

Sources of scheme information

Communication Document	When published /Availability
Short scheme guide	Always available
Councillors guide	Always available
DVD outlining changes to LGPS in 2008	Always available
Website	Always available
Authorised Unpaid Leave fact sheet	Always available
Topping up your pension fact sheet	Always available
Changing your working arrangements fact sheet	Always available
Maternity, Paternity and adoption fact sheet	Always available
85 year rule fact sheet	Always available
Commutation fact sheet	Always available
Pensions and Divorce or the dissolution of a Civil Partnership fact sheet	Always available
Flexible Retirement Fact sheet	Always available
Ill health fact sheet	Always available
Transfer fact sheet	Available from 2010

Gwynedd Pension Fund Publications

Publications

Communication Document	When published/Availability
Internal Dispute Resolution Procedure	Always available
Poster promoting the LGPS	Available from June 2010
Increasing your pension benefits poster	Available from June 2010
Newsletters	As required
Annual benefit statements and deferred benefit statements	Annually
Retirement Pack with pension information leaflet	Available from April 2010
Employer's guide	Available during 2010/2011
Annual Report and Accounts	Annually
Valuation report	Triennially
Communications Policy	Always available
Funding Strategy Statement	Always available
Statement of Investment Principles	Always available
Governance Policy Statement	Always available
Governance Compliance Statement	Always available

GOVERNANCE POLICY STATEMENT

Version 30/10/08

Governance Policy Statement

This statement sets out the delegation of matters in relation to the Gwynedd Pension Fund, along with the terms of reference, structure and operational procedures of these delegations.

Gwynedd Council is the Administrating Authority for Gwynedd Pension Fund. The Council has delegated to the Pensions Committee various powers and duties in respect of its administration of the Fund.

Pensions Committee

The Committee is comprised of 9 members, 7 of whom are elected members of Gwynedd Council, 1 member from Anglesey County Council and 1 member from Conwy County Borough Council, all of whom have voting rights. There is no member (staff) representation on the Committee.

The Pensions Committee's responsibilities are to:

1. Decide on the strategy for investing the Pension Fund's assets;

2. Appoint and terminate the appointment of managers and consultants of the Pension Fund, and review their performance with regard to investment;

3. Ensure that safe and efficient arrangements are in hand for purchasing, selling and monitoring the council's investments;

4. Making some decisions in the context of pension administration.

As a duly constituted Committee of Gwynedd Council, the operation of the matters delegated to the Committee are governed by Gwynedd Council's constitution, and in particular, Parts 4 and 5 which govern the rules of procedure and Codes and Protocols which are to be followed by members of the Pensions Committee and officers.

The Pensions Committee is also charged with ensuring that an annual report on Pensions matters is prepared and presented to an annual meeting of employers and employee representatives, at which any of the said parties can question the Committee, their officers, investment adviser or Fund managers on issues relating to Fund performance, and administration and/or pensions matters in general.

In order to ensure an adequate review of investment performance, the Committee's investment adviser and each Fund manager provides the Committee with a quarterly monitoring report. Informal meetings are also held with the investment adviser and Fund managers in order to challenge performance and resolve any issues which arise.

All employers who are not members of the Pension Committee are afforded the opportunity to influence the Pension Committee's determinations through the series of informal meetings held periodically with various categories of employer.

Any issue requiring formal consideration is considered at a properly convened meeting of the Committee, in order to allow citizens to exercise their rights to attend any meeting of a Council Committee.

Corporate Director

Article 12 of the Council's constitution stipulates that the Corporate Director shall have responsibility for financial strategy, and as such he is responsible to the Pensions Committee for advising on the appropriate financial strategy for the Pension Fund, and for ensuring that appropriate specialist advice is provided.

Chief Finance Officer

Article 12 also stipulates that the Head of Finance (as the Council's Chief Finance Officer) will report to the Council and the Council's external auditor if he considers that any proposal, decision or course of action will involve incurring unlawful expenditure, or is likely to cause a loss or deficiency, or if the Council is about to enter an item of account unlawfully.

Under this Article, the Head of Finance also has responsibility for the proper administration of the Pension Fund's financial affairs

Monitoring Officer

Article 12 also stipulates that the Head of Democracy and Legal (as the Council's Monitoring Officer) will report to the Council if she considers that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission has given rise to maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

Principle A – Structure

a)	**The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.**
	Gwynedd Council is fully compliant with this principle.
b)	**That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.**
	Gwynedd Council is partly compliant with this principle. Representatives from two participating LGPS employers are members of the main committee. Currently there is no representation from admitted bodies or scheme members in order to retain a relatively small committee which can review manager performance in an effective manner. As the pension promise is defined by legislation for scheme members, the actions of the Committee have not hitherto been considered to impinge upon their interests and thus no representation has been afforded. All employers are afforded the opportunity to influence decisions through a series of informal employer meetings.
c)	**That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.**
	No secondary committee or panel exists, although the informal employer meetings ensure effective communication.
d)	**That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.**
	No secondary committee or panel exists.

Principle B – Representation

a)	**That all key stakeholders are afforded the opportunity to be represented, within the main or secondary committee structure. These include :-** **i) employing authorities (including non-scheme employers, e.g., admitted bodies);** **ii) scheme members (including deferred and pensioner scheme members),** **iii) where appropriate, independent professional observers, and** **iv) expert advisors (on an ad-hoc basis).**
	Partly compliant. We do have LGPS employing authority representation on the main committee, and we also have an expert independent advisor (on an ad-hoc basis). However, no scheme members/committed bodies or independent professional observers are given membership.
b)	**That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.**
	No lay members sit on the Committee (see Part A (b) above).

Principle C – Selection and Role of Lay Members

a)	**That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.**
	Fully compliant. All members are made clear of their responsibility as laid out in the Governance Policy Statement.
b)	**That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.**
	Gwynedd Council is fully compliant with this principle.

Principle D – Voting

a)	**The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.**
	The Pensions Committee is comprised of 9 members, all of whom have voting rights, 7 of whom are elected members of Gwynedd Council, and 1 representative from each of the other two participating LGPS employers.

Principle E – Training/Facility Time/Expenses

a)	**That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.**
	Fully compliant – all members are granted equal access to training support and appropriate expenses paid.
b)	**That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.**
	The policy applies to all members of the Committee.
c)	**That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.**
	Gwynedd council is partly compliant with this principle in that a log of all training undertaken is kept and consideration given periodically to members' training needs but no annual formal training plans are established.

Principle F – Meetings (Frequency/quorum)

a)	**That an administering authority's main committee or committees meet at least quarterly.**
	Fully compliant.
b)	**That an administering authority's secondary committee or panel meet at least twice a year and is synchronized with the dates when the main committee sits.**
	No secondary committee or panel exists, although the informal employer meetings are synchronized with the dates of the main committee.
c)	**That an administering authority that does not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.**
	Every July, an Annual Meeting of the Pension Fund takes place. Employers and employee representatives are invited to the meeting, and they can question the Committee, the administering authority's officers, the investment advisers or the Fund managers on issues relating to the Fund's performance, administration and/or pensions matters in general.

Principle G - Access

a)	**That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.**
	Gwynedd Council is fully compliant with this principle.

Principle H – Scope

a)	**That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements**
	The Pensions Committee considers all issues relating to the Local Government Pension Scheme.

Principle I - Publicity

a)	**That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.**
	The Governance Policy Statement is available in the Pension Fund annual report.

Gwynedd Pension Fund
Statement of Investment Principles (SIP)

1.0 Introduction

1.1 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 require administering authorities to prepare and review from time to time a written statement of the principles governing its decisions about the investment policy of the Pension Fund. These regulations also require the administering authority to state within the statement the extent to which it complies with a series of principles of good governance known as the Myners Principles. The purpose of this document is to satisfy the requirements of these regulations.

1.2 The Local Government Pension Scheme ("the scheme") was established in accordance with statute to provide death and retirement benefits for all eligible employees.

1.3 The Council have delegated the investment management of the scheme to the Pensions Committee ("the Committee") who decide on the investment policy most suitable to meet the liabilities of the scheme and the ultimate responsibility for the investment strategy lies with them. Investments and performance are monitored on a regular basis by the Committee and advice is received from professional advisers.

1.4 This document outlines the broad investment principles governing the investment policy of the Pension Fund. The Committee have delegated the management of the Pension Fund's investments to professional investment managers whose activities are constrained by detailed investment management agreements.

1.5 In preparing this document the committee have taken professional advice from the Fund's actuaries and advisers, Hymans Robertson and have obtained and considered written observations from the scheme's investment managers. Due account has been taken of the maturity profile of the Fund (in terms of the relative proportions of liabilities in respect of pensioners and active members), together with the level of disclosed surplus or deficit.

2.0 Investment Responsibilities

2.1 The Committee have responsibility for:

- preparing the statement of investment principles (SIP),
- monitoring compliance by the parties listed below with the statement and reviewing its contents from time to time,
- appointing the investment managers and any external advisers felt to be necessary,
- approving custodial arrangements and/or appointing the custodian,
- reviewing on a regular basis the investment managers' performance against established benchmarks, and satisfying themselves as to the managers' expertise and the quality of their internal systems and controls and
- ensuring that investments are sufficiently diversified, are not over concentrated in any one type of investment, and that the Fund is invested in suitable types of investments.

This responsibility has been delegated by the administering authority in accordance with its scheme of delegation reproduced in **Appendix A**.

2.2 The Investment Managers are responsible for:

- the investment of the Pension Fund assets in compliance with prevailing legislation, the constraints imposed by this document and the detailed investment management agreements,
- tactical asset allocation around the strategic benchmark set out in Section 4 below,
- security selection within asset classes,
- preparation of a quarterly report including a review of investment performance,
- attending meetings of the Committee as requested,
- preparation of an annual confirmation that their activities comply with this statement in accordance with the provisions of section 8.1.
- voting shares in accordance with their published policy.

2.3 The Custodians are responsible for:

- their own compliance with prevailing legislation,
- providing the administering authority with monthly valuations of the scheme's assets and details of all transactions during the month,
- providing details in a timely manner to the WM Company,
- collection of income and tax reclaims.

2.4 The Investment Adviser is responsible for:

- advising the Committee on investment strategy and policy,
- assisting the Corporate Director, the Head of Finance and the Committee in the selection and appointment of investment managers and custodians,
- assisting the Corporate Director, the Head of Finance and the Committee in their regular monitoring of the investment managers performance, and
- assisting the Corporate Director, the Head of Finance and the Committee in the preparation and review of this document.

2.5 The Actuary is responsible for:

- assisting the Corporate Director, the Head of Finance and the Committee in the preparation of this document, and
- providing advice as to the maturity of the scheme and its funding level in order to aid the committee in balancing the short term and long term objectives of the Pension Fund.

2.6 The Corporate Director and the Head of Finance are responsible for:

- ensuring compliance with this document and bringing breaches thereof to the attention of the Committee,
- ensuring that this document is regularly reviewed and updated in accordance with the regulations, and
- preparing an annual report which will include amongst other issues references to investment results.

2.7 The Clerk of the Pensions Committee is responsible for:

- sending reports and papers to members of the committee sufficiently in advance of the meeting to allow them to be read and understood, and
- asking members to declare if they have a personal interest at the beginning of each meeting.

3.0 Description of the Scheme's Liabilities

3.1 The Pension Fund is a defined benefit scheme which provides benefits related to final salary for members on their retirement, or benefits for their dependants on death before or after retirement. Each member's pension is specified in terms of a formula based on salary and service and is unaffected by the investment return achieved on the scheme's assets. Full details of scheme benefits are set out in the LGPS regulations.

3.2 All active members of the scheme are required to make pension contributions which are based upon a fixed percentage of their pensionable pay as defined in the LGPS regulations.

3.3 The funding objective is to fund the Fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund's assets, (as calculated in the triennial valuation).

3.4 Employers contribution rates are determined triennially based on the advice of the scheme's actuary, and are subject to inter-valuation monitoring. The assumptions used for this test, corresponding with the assumptions used in the latest actuarial valuation, are shown in **Appendix B**. This position will be reviewed at least at each triennial valuation. The committee will be advised by the actuary of any significant changes to the Fund during the inter-valuation period.

4.0 Investment Policy

4.1 The investment policy of the Pension Fund is, in a manner which is consistent with adopting a reasonable level of risk, intended to ensure that all statutory payments made from the Fund are at minimal cost to local taxpayers.

4.2 The investment policy is to appoint expert investment managers with clear performance benchmarks and to place the maximum accountability for performance against that benchmark on the investment manager. The performance of Fund managers will be assessed on a rolling three year basis.

4.3 As a result of a deliberate policy to diversify assets and investment styles, as well as to spread risk, the Fund has seven investment managers with varying briefs. They are as follows:

Investment Manager	**Brief**	**Benchmark**	**Target**
BlackRock	Passive	FTSE All-Share and FTSE All-World Indices	Benchmark Return
Capital International Limited ("Capital")	Active	MSCI AC World Index	Benchmark +2.0% p.a (gross of fees)
Fidelity International (Fidelity)	Active	MSCI AC World Index	Benchmark +2-3% p.a.
Insight	Active	Cash (Libor)	Benchmark +2% p.a.
Lothbury (formerly known as KBC)	Active	IPD Balanced Property Unit Trust Index	Benchmark
Partners Group	Active	MSCI World	Benchmark +5.0% p.a *
UBS Global Asset Management (UK) Ltd ("UBS")	Active	IPD UK Pooled Property Fund Index	Benchmark +0.5%

**Partners Group does not have an official performance target. The target stated above is purely for indicative purposes.*

4.4 The Fund has its own bespoke benchmark against which its performance is measured. Each investment manager has their own individual benchmark against which they are measured and their own targets. The Fund's benchmark is as follows:

	Black Rock %	Capital %	Fidelity %	Insight %	UBS/ Lothbury %	Partners %	Total %
UK Equities	**77.0**	**8.4**	**8.4**	**-**	**-**	**-**	**28.0**
Overseas Equities	**23.0**	**91.6**	**91.6**	**-**	**-**	**-**	**42.0**
North America	-	47.1	47.1	-	-	-	17.6
Europe ex-UK	8.0	17.6	17.6	-	-	-	9.7
Japan	7.0	8.9	8.9	-	-	-	4.2
Pacific Basin	3.0	5.0	5.0	-	-	-	4.2
Emerging Markets	5.0	13.0	13.0	-	-	-	6.3
Private Equity	**-**	**-**	**-**	**-**	**-**	**100.0**	**5.0**
Total Equities	**100.0**	**100.0**	**100.0**	**-**	**-**	**100.0**	**75.0**
UK Bonds	-	-	-	100.0	-	-	15.0
Total Bonds	**-**	**-**	**-**	**100.0**	**-**	**-**	**15.0**
Property	**-**	**-**	**-**	**-**	**100.0**	**-**	**10.0**
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

4.5 The investment strategy will be reviewed annually, with a major review taking place following the triennial actuarial review. Following the publication of the 2010 Actuarial Valuation in March 2011, there will be a major review of the investment strategy during 2011/12.

4.6 The individual manager's current activity and transactions are reported quarterly to the Committee.

4.7 The investment managers performance is monitored quarterly and reviewed annually.

4.8 BlackRock and Fidelity provide their own custody service for us with JP Morgan Chase Bank while Insight and KBC provide their own custody service for us with Northern Trust. As UBS and Capital do not have an associated custodian we have had to appoint external custodians. JP Morgan Chase Bank has been appointed as custodian for UBS's part of the Fund and Northern Trust has been appointed for Capital's part of the Fund. Partners Group is not included in the Fund's custody arrangements.

5.0 Objectives

5.1 The investment objectives are to achieve a return on Fund assets which is sufficient, over the long-term, to meet the funding objectives set out above on an ongoing basis.

5.2 To achieve these objectives the following have been agreed.

5.3 **Types of Investments to be held**

5.3.1 The Committee will ensure that one or more investment managers are appointed who are authorised under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 to manage the assets of the Fund.

5.3.2 The Committee, after seeking appropriate advice, may give specific directions as to the strategic asset allocation and will ensure the suitability of assets in relation to the needs of the Fund. The prevailing legislation allows the scheme to invest in the following asset classes:

- UK Equities;
- UK Fixed Interest;
- UK Index Linked;
- UK Property through pooled funds;
- Overseas Equities, major classes being North America, Japan, Europe, Far East, Pacific Rim and other Emerging Markets;
- Private Equity;
- Global Bonds;
- Unquoted securities via pooled funds;
- Emerging market equities via pooled funds, unless specifically authorised;
- Direct investment in development capital - subject to limit of £5 million at book cost;
- Use of derivatives and other financial instruments is permitted within pre-agreed limits for specific purposes such as asset allocation switches and currency hedging;
- Underwriting is permitted provided that the underlying stock is suitable on investment grounds and complies with existing investment criteria;
- Stock lending is permitted subject to specific approval.

5.3.3 Any instrument not explicitly permitted in para. 5.3.2 may only be purchased for the Fund with the express written consent of the Committee via the Corporate Director.

5.3.4 The investment managers will be given full discretion over the choice of individual stocks and are expected to maintain a diversified portfolio. However, the investment managers will have to comply with the prevailing legislation on the limits on individual investments specified in Part 1 as set out in the Schedule to the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

The Committee having taken proper advice from the Fund's advisor, have decided to increase the limit on investments in "any single insurance contract". The new limit has now been set at 35%. The decision to increase this limit was taken because it allows the Fund to invest more in pooled funds which are much more diversified than any individual segregated portfolio. The above limit will apply until such time that the decision is revoked by the committee; and that the decision be reviewed before 31 January 2012. This decision complies with the above regulations.

5.4 **Balance between different types of Investments**

5.4.1 An agreement is in place for each investment manager which sets out the relevant benchmark, performance target, and where appropriate asset allocation ranges and any restrictions, as determined by the Committee.

5.4.2 The Committee have agreed a benchmark which provides an efficient balance between risk and return, in the light of the liability profile and funding level of the Fund.

5.5 Risk

5.5.1 The Fund needs to manage (rather than avoid) risk on the investment markets in order to achieve rewards in the form of financial returns on assets. However, the Fund is exposed to a number of risks which pose a threat to the Fund meeting its objectives. The principal risks (threats) affecting the Fund are:

5.5.2 **Funding risks:**

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

The Committee measures and manages financial mismatch in two ways. As indicated above, it has set a strategic asset allocation benchmark for the Fund. It assesses risk relative to that benchmark by monitoring the Fund's asset allocation and investment returns relative to the benchmark. It also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

The Committee regularly reviews mortality and other demographic assumptions which could influence the cost of the benefits. These assumptions are considered formally at each triennial valuation.

The Committee seeks to mitigate systemic risk through a diversified portfolio, but it is not possible to make specific provision for all possible eventualities that may arise under this heading.

5.5.3 **Asset risks:**

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

The Committee manages asset risks as follows. It provides a practical constraint on Fund investments deviating greatly from the intended approach by setting itself diversification guidelines and by investing in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, constrain risk within the Committees' expected parameters. By investing across a range of assets, including quoted equities and bonds, the Committee has recognised the need for some access to liquidity in the short term. In appointing several investment managers, the Committee has considered the risk of underperformance by any single investment manager. However, it is not possible to eliminate the threat of underperformance without restricting the potential for outperformance.

5.5.4 **Other provider risk**

- Transition risk - The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the Committee takes professional advice and considers the appointment of specialist transition managers.
- Custody risk - The risk of losing economic rights to Fund assets, when held in custody or when being traded.
- Credit default - The possibility of default of a counterparty in meeting its obligations.

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

5.6 **Expected Return on Investments**

5.6.1 The strategic benchmark is expected to produce a return over the long term in excess of the investment return implied in the actuarial valuation. Investment returns are defined as the overall rates of return (capital growth and income combined).

5.6.2 The majority of the Fund's assets are managed on an active basis and are expected to outperform their respective benchmarks over the long term.

5.6.3 In this way, the investment performance achieved by the Fund is expected to exceed the rate of return assumed by the actuary in funding the liabilities on an ongoing basis.

5.7 **Realisation of Investments**

5.7.1 The majority of stocks held by the Fund's investment managers are quoted on major stock markets and may be realised quickly if required.

5.7.2 Property investments, which are relatively illiquid, currently make up around 10% of the Fund's assets.

6.0 Social, Environmental and Ethical considerations

6.1 With regard to socially responsible investment, the Committee is mindful of legal principles which are based on recent decisions in the courts and which apply to all pension schemes. In particular the administering authorities are not entitled to subordinate the interests of members to social, environmental and ethical demands. The financial performance of the Fund consistent with proper diversification and prudence, is paramount.

6.2 The Committee have considered the extent to which social, environmental and ethical factors should be taken into account in the selection, retention and realisation of investments. They also recognise that these factors can also affect the return on investments.

6.3 The Committee expects that the boards of companies in which the Pension Fund invests should pay due regard to social, environmental and ethical matters and thereby further long-term financial interests of the shareholders. The Committee looks to the directors of a company to manage that company's affairs taking proper account of the shareholder's long-term interests.

6.4 The investment managers have produced statements of investment policy in relation to social, environmental and ethical considerations which the Committee deem to be consistent with the aims outlined in para. 6.3. above. The Committee expects investment managers to act in accordance with their stated socially responsible investment policies.

6.5 The Committee believe that this stance is consistent with the long-term objective of the scheme.

6.6 The Committee will satisfy themselves annually that the investment managers are following this policy.

7.0 Exercise of the rights including voting rights attaching to investments

7.1 The Committee believe that the adoption of good practice in corporate governance will improve the management of companies and thereby add long term shareholder value.

7.2 The Committee expect the investment managers to make regular contact at senior executive levels with the companies in which the scheme's assets are invested, both as an important element of the investment process and to ensure good corporate governance.

7.3 Investment managers have produced statements regarding their corporate governance policies which the Committee consider compatible with the requirements stated in para. 7.2. The Committee expects investment managers to act in accordance with their stated corporate governance policies.

7.4 Voting actions will be reported on an exception basis to the Committee on a regular basis.

8.0 Stock Lending

8.1 Stock lending will be permitted subject to specific approval. The policy on stock lending reflects the nature of the mandates awarded to investment managers by the Committee, which include both pooled and segregated mandates.

9.0 Compliance

9.1 Investment managers and custodians will provide the Committee, with annual confirmation that their activities, have in respect of that part of the Fund over which they have control, complied with the investment restrictions set out in this document (to the extent amendments thereto are notified to the Manager) and more particularly set out in their investment management agreement.

9.2 The Committee will be responsible for assessing the risks assumed by the scheme at a global level, i.e. assuming that the portfolios of the individual managers were amalgamated.

9.3 The Committee is responsible for monitoring the scheme's performance both at global level and manager by manager.

9.4 The Committee are responsible for monitoring the qualitative performance of the managers and custodians employed to ensure that they remain suitable investment managers/custodians for the scheme. These qualitative aspects include, inter alia, changes in ownership, changes in personnel, poor administrations etc.

9.5 The Committee will consider the scheme’s compliance with this statement of investment principles on a regular basis.

9.6 The statement will be reviewed as required but at least in full every three years (in conjunction with the other parties to the statement) and a revised statement prepared and published.

10.0 Compliance with Investment Principles

10.1 In response to the Treasury Report “Updating the Myners Principles: A Response to Consultation (October 2008), LGPS administering authorities are required to prepare, publish and maintain statements of compliance against a set of six principles contained in the CIPFA document titled “Investment Decision Making and Disclosure in the Local Government Pension Scheme”.

10.2 These principles have been adopted by the Department of Communities and Local Government (CLG) and replace the ten Myners principles previously published.

10.3 **Appendix C** notes the extent to which the Gwynedd Fund complies with these six principles and if they do not comply, the reasons why.

APPENDIX A

Delegation Scheme for Committees and Sub-Committees

The contents of this scheme are additional to all other delegated powers contained in the Council's Constitution and in particular Articles 6,7,8,9 and 10, in other places in Part 3 of the Constitution, and also any relevant rules of procedure in Part 4 of the Constitution.

The following functions have been delegated to the Pensions Committee:

(i) Decide on the strategy regarding the investing of surplus money in the superannuation Fund and other trust funds;
(ii) Appoint and terminate the appointment of managers and consultants of the specialist funds; review their performance with regard to investment;
(iii) Ensure that safe and efficient arrangements are in hand for purchasing, selling and monitoring the council's investments;
(iv) Making decisions in the context of pension administration.

APPENDIX B

Main Actuarial Assumptions as at 31 March 2010

	% per annum	**Relative to CPI % per annum**
CPI Inflation	3.3	-
Pay Increases	5.3	2.0
Investment Returns • equities • bonds	 5.9 4.5	 2.6 1.2

The actuarial valuation has taken the assets of the Fund into account at their market value as indicated in the Fund Accounts for the period ended 31 March 2010. This is consistent with the approach of valuing the liabilities by reference to spot market conditions on the valuation date.

Results Summary

Value of Accrued Liabilities	**Total Liabilities £'m**
Employee members	608
Deferred pensioners	123
Pensioners	383
Total liabilities	**1,114**
Value of Fund Assets	**931**
Deficit	**183**
Funding Level (at actuarial value)	**84%**

Based on the actuarial valuation as at 31 March 2010

Asset Mix

Figures as at 31 March 2010	**Actual Fund %**
UK Equities	27.1
UK Bonds	13.9
Overseas Equities	44.8
Private Equity	3.8
Property	7.7
Derivatives	0.0
Cash & Net Current Assets	2.7
Total	**100.0%**

Assets Held by Managers (as at 31 March 2010)

Manager	**Assets**	**Active/Passive**
BlackRock	£174m*	Passive
Capital International Limited ("Capital")	£183m	Active
Fidelity International (Fidelity)	£177m	Active
Insight	£129m**	Active
Lothbury (formerly known as KBC)	£12m	Active
Legal and General Investment Management	£144m	Passive
Partners Group	£35m	Active
UBS Global Asset Management (UK) Ltd "UBS")	£62m	Active

*Assets of £304m less the Pending Transfer of £130m to Insight on 6 April 2010.

**Assets include the Pending Transfer from BlackRock of £130m less purchase costs.

Added Voluntary Contribution Arrangements

The options for members' added voluntary contributions (AVCs) are set out below, together with details of the principles governing the range of investment vehicles offered. Members can choose to switch to AVCs between options available to them from time to time, subject to the terms and conditions of each vehicle. At retirement, the accumulated value of a members AVC is used to purchase an annuity on the open market or to buy additional service.

Provider	**Vehicle**
Clerical Medical	With Profits , Managed & Building Society Funds
Equitable Life	Closed
Standard Life	Closed

Standard Life and Equitable Life are no longer offered as an option to employees wishing to start new AVC contracts. However, any employees who were already paying AVC's to Standard Life and Equitable Life may continue to do so.

The objective of the managed fund is to provide returns on members' contributions which at least keep pace with inflation. The building society fund option offers interest at competitive rates.

There is no specific "lifestyle" option. Contributors must take their own actions on switching between funds to protect investment returns.

APPENDIX C

A statement of the extent to which the Gwynedd Pension Fund complies with the six principles of investment practice set out in the Cipfa document "Investment Decision Making and Disclosure in the Local Government Pension Scheme – A guide to the Application of the Myners Principles" - 2009

Principle 1: Effective Decision Making

Administering authorities should ensure that:

- **decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation; and**
- **those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.**

The Gwynedd Fund complies to a large degree with this principle. However, responsibility for the Pensions Committee structure and composition lies with Gwynedd Council and is reviewed on a periodic basis as structural issues arise.

All members of the Pensions Committee are required to attend a three day Trustee Training Fundamentals course, after which they receive an "LGPS Fundamentals" training certificate. Ideally new members are required to complete the course prior to sitting on the Pensions Committee for the first time. From time to time members are also sent on refresher courses.

Members of the Pensions Committee are not paid - they receive the same allowances as other local authority members. No specific allowances are given in relation to their Pensions duties.

No formal annual business plan is prepared.

Principle 2: Clear Objectives

An overall investment objective(s) should be set out for the Fund that takes account of the scheme's liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers, and these should be clearly communicated to advisors and investment managers.

The Gwynedd Fund complies to a large degree with this principle.

Contracts for advisors have not been subject to separate competition. At the time the service was originally tendered, this was not an issue and hitherto, there are no compelling reasons to place the service out to competition. No formal process exists to assess the advisors performance.

Currently the Pensions Committee do not have a strategy for ensuring that the transaction-related costs incurred are properly controlled without jeopardising the Fund's other objectives.

Principle 3: Risk and Liabilities

In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities. These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk.

The Gwynedd Fund complies to a large degree with this principle. In order to achieve "full compliance", further work needs to be undertaken with regards to the strength of the covenants for participating employers.

Principle 4: Performance Assessment

Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisors. Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members.

There is partial compliance with this principle. There are processes to measure the performance of the investments and investment managers. However, no formal process exists to assess the advisors performance. The Committee has had no cause to consider that the advice received in relation to choosing benchmarks and investment managers was not up to the performance level required.

No formal process exists to assess the Committee's own performance. Ultimately in the past this has been measured in terms of the Fund's relative performance in relation to other Pension Funds and the Committee's accountability to employers and employee representatives at the Annual General Meeting.

In the coming months CIPFA will be publishing their knowledge and skills framework, which is a set of standards which Committee's should attain. Once this is published then consideration will be given to the above issues.

Principle 5: Responsible Ownership

Administering authorities should:

- **adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles (ISC SIP) on the responsibilities of shareholders and agents;**
- **include a statement of their policy on responsible ownership in the statement of investment principles; and**
- **report periodically to scheme members on the discharge of such responsibilities.**

The Gwynedd Fund partially complies with this principle.

Some of our investment managers have adopted the ISC SIP, others are reviewing it and some haven't adopted it. Our private equity manager does not believe that the ISC SIP applies to them. To the best of their knowledge it only applies to institutional investors located in the UK.

<u>Principle 6: Transparency and Reporting</u>

Administering authorities should:

- **act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives;**
- **provide regular communication to scheme members in the form they consider most appropriate.**

The Gwynedd Fund largely complies with this principle. The Committee do not formally look at published reports and communication policies of other Pension Funds. The Committee don’t formally compare the Fund’s Annual Report to the regulations either.

FUNDING STRATEGY STATEMENT

1.0 Introduction

This is the Funding Strategy Statement (FSS) of the Gwynedd Pension Fund ("the Fund"), which is administered by Gwynedd Council, ("the Administering Authority").

It has been prepared by the Administering Authority in collaboration with the Fund's actuary, Hymans Robertson LLP, and after consultation with the Fund's employers and investment adviser and is effective from 31 March 2011.

1.1 Regulatory Framework

Members' accrued benefits are guaranteed by statute. Members' contributions are fixed in the Regulations at a level which covers only part of the cost of accruing benefits. Employers pay the balance of the cost of delivering the benefits to members. The FSS focuses on the pace at which these liabilities are funded and, insofar as is practical, the measures to ensure that employers or pools of employers pay for their own liabilities.

The FSS forms part of a framework which includes:

- the Local Government Pension Scheme Regulations 1997 (regulations 76A and 77 are particularly relevant);
- the Rates and Adjustments Certificate, which can be found appended to the Fund actuary's triennial valuation report;
- actuarial factors for valuing early retirement costs and the cost of buying extra service; and
- the Statement of Investment Principles.

This is the framework within which the Fund's actuary carries out triennial valuations to set employers' contributions, provides recommendations to the Administering Authority when other funding decisions are required, such as when employers join or leave the Fund. The FSS applies to all employers participating in the Fund.

1.2 Reviews of FSS

The FSS is reviewed in detail at least every three years ahead of triennial valuations being carried out, with the next full review due to be completed by 31 March 2014. More frequently, Annex A is updated to reflect any changes to employers.

The FSS is a summary of the Fund's approach to funding liabilities. It is not an exhaustive statement of policy on all issues. If you have any queries please contact Mrs Caroline Roberts, in the first instance at carolineroberts@gwynedd.gov.uk or on 01286 679128.

2. Purpose

2.1 Purpose of FSS

The Office of the Deputy Prime Minister (ODPM) (now the Department of Communities and Local Government (CLG)) has stated that the purpose of the FSS is:

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

These objectives are desirable individually, but may be mutually conflicting.

This statement sets out how the Administering Authority has balanced the conflicting aims of affordability of contributions, transparency of processes, stability of employers' contributions, and prudence in the funding basis.

2.2 Purpose of the Fund

The Fund is a vehicle by which scheme benefits are delivered. The Fund:

- receives contributions, transfer payments and investment income;
- pays scheme benefits, transfer values and administration costs.

One of the objectives of a funded scheme is to reduce the variability of pension costs over time for employers compared with an unfunded (pay-as-you-go) alternative.
The roles and responsibilities of the key parties involved in the management of the pension scheme are summarised in Annex B.

2.3 Aims of the Funding Policy

The objectives of the Fund's funding policy include the following:

- to ensure the long-term solvency of the Fund [and of the share of the Fund attributable to individual employers];
- to ensure that sufficient funds are available to meet all benefits 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; and

- to address the different characteristics of the disparate employers or groups of employers to the extent that this is practical and cost-effective.

3. Solvency Issues and Target Funding Levels

3.1 Derivation of Employer Contributions

Employer contributions are normally made up of two elements:

a) the estimated cost of future benefits being accrued, referred to as the *"future service rate"*; plus

b) an adjustment for the funding position (or "solvency") of accrued benefits relative to the Fund's solvency target, *"past service adjustment"*. If there is a surplus there may be a contribution reduction; if a deficit a contribution addition, with the surplus or deficit spread over an appropriate period.

The Fund's actuary is required by the regulations to report the Common Contribution Rate[1], for all employers collectively at each triennial valuation. It combines items (a) and (b) and is expressed as a percentage of pay. For the purpose of calculating the Common Contribution Rate, the surplus or deficit under (b) is currently spread over a period of 20 years – the maximum deficit recovery period applicable to the largest employers in the Fund.

The Fund's actuary is also required to adjust the Common Contribution Rate for circumstances which are deemed "peculiar" to an individual employer[2]. It is the adjusted contribution rate which employers are actually required to pay. The sorts of peculiar factors which are considered are discussed in Section 3.5.

In effect, the Common Contribution Rate is a notional quantity. Separate future service rates are calculated for each employer together with individual past service adjustments according to employer-specific spreading and phasing periods.

For some employers it may be agreed to pool contributions, see Section 3.7.4.
Annex A, contains a breakdown of each employer's contributions following the 2010 valuation for the financial years 2011/12, 2012/13 and 2013/14. It includes a reconciliation of each employer's rate with the Common Contribution Rate. It also identifies which employers' contributions have been pooled with others.

Any costs of non ill-health early retirements must be paid as lump sum payments at the time of the employer's decision in addition to the contributions described above (or by instalments shortly after the decision).

Employers' contributions are expressed as minima, with employers able to pay regular contributions at a higher rate. Employers should discuss with the Administering Authority before making one-off capital payments.

If an employer is in a surplus position (where their assets are greater than their liabilities), then the minimum contribution they will pay is the future service rate.

[1] See Regulation 77(4)
[2] See Regulation 77(6)

3.2 Solvency and Target Funding Levels

The Fund’s actuary is required to report on the “solvency” of the whole Fund at least every three years.

‘Solvency” for ongoing employers is defined to be the ratio of the market value of assets to the value placed on accrued benefits on the Fund actuary’s ongoing funding basis. This quantity is known as a funding level.

The ongoing funding basis is that used for each triennial valuation and the Fund actuary agrees the financial and demographic assumptions to be used for each such valuation with the administering authority.

The Fund operates the same target funding level for all ongoing employers of 100% of its accrued liabilities valued on the ongoing basis. Please refer to paragraph 3.8 for the treatment of departing employers.

3.3 Ongoing Funding Basis

The demographic assumptions are intended to be best estimates of future experience in the Fund. As a member of Club Vita, the longevity assumptions that have been adopted at this valuation are a bespoke set of VitaCurves that are specifically tailored to fit the membership profile of the Fund. These curves are based on the data we have provided the Actuary with for the purposes of this valuation. There is a consensus amongst actuaries that life expectancy will continue to improve in the future. However, there is no clear consensus about the pace of this improvement (and how long it will persist). The view of the actuarial profession is that the allowance for future longevity improvements should be at the discretion of each individual pension fund, after taking advice from their actuary.

Contributions may increase in future if life expectancy exceeds the funding assumptions. The approach taken is considered reasonable in light of the long term nature of the Fund and the assumed level of security underpinning members’ benefits. The demographic assumptions vary by type of member and so reflect the different membership profiles of employers.

The key financial assumption is the anticipated return on the Fund’s investments. The investment return assumption makes allowance for anticipated returns from equities in excess of bonds. There is, however, no guarantee that equities will out-perform bonds.

The risk is greater when measured over short periods such as the three years between formal actuarial valuations, when the actual returns and assumed returns can deviate sharply.
It is therefore normally appropriate to restrict the degree of change to employers’ contributions at triennial valuation dates.
Given the very long-term nature of the liabilities, a long term view of prospective returns from equities is taken. For the purpose of the triennial funding valuation at 31 March 2010 and setting contribution rates effective from 1 April 2011, the Fund actuary has assumed that future investment returns earned by the Fund over the long term will be 1.4% per annum greater than the return available from investing in index-linked government bonds at the time of the valuation. The long term in this context would be 20 to 30 years or more. In the opinion of the Fund actuary, based on the current investment strategy of the Fund, an asset outperformance assumption (AOA) of 1.4% per annum is within a range that would be considered acceptable for the purposes of the funding valuation. The same financial assumptions are adopted for all ongoing employers. All employers have the same asset allocation.

3.4 Future Service Contribution Rates

The future service element of the employer contribution rate is calculated on the ongoing valuation basis, with the aim of ensuring that there are sufficient assets built up to meet future benefit payments in respect of future service. The approach used to calculate each employer's future service contribution rate depends on whether or not new entrants are being admitted. Employers should note that it is only Admission Bodies that may have the power not to admit automatically all eligible new staff to the Fund, depending on the terms of their Admission Agreements and employment contracts.

3.4.1 Employers that admit new entrants

The employer's future service rate will be based upon the cost (in excess of members' contributions) of the benefits which employee members earn from their service each year. Technically these rates will be derived using the Projected Unit Method of valuation with a one year control period.

If future experience is in line with assumptions, and the employer's membership profile remains stable, this rate should be broadly stable over time. If the membership of employees matures (e.g. because of lower recruitment) the rate would rise.

The Projected Unit Method is described in the Actuary's report on the valuation.

3.4.2 Employers that do not admit new entrants

Currently no Admission Bodies have closed the scheme to new entrants. However, if an Admission Body were to close the scheme to new entrants it is expected that it would lead to the average age of employee members increasing over time and hence, all other things being equal, the future service rate would be expected to increase as the membership ages.
In such cases the Attained Age funding method would be adopted. This would limit the degree of future contribution rises by paying higher rates at the outset.

Future service rates will include expenses of administration to the extent that they are borne by the Fund and include an allowance for benefits payable on death in service and ill health retirement.

3.5 Adjustments for Individual Employers

Adjustments to individual employer contribution rates are applied both through the calculation of employer-specific future service contribution rates and the calculation of the employer's funding position.
The combined effect of these adjustments for individual employers applied by the Fund actuary relate to:

- past contributions relative to the cost of accruals of benefits;
- different liability profiles of employers (e.g. mix of members by age, gender, manual/non manual);
- the effect of any differences in the valuation basis on the value placed on the employer's liabilities;
- any different deficit/surplus spreading periods or phasing of contribution changes;

- the difference between actual and assumed rises in pensionable pay;
- the difference between actual and assumed increases to pensions in payment and deferred pensions;
- the difference between actual and assumed retirements on grounds of ill-health from active status;
- the difference between actual and assumed amounts of pension ceasing on death;
- the additional costs of any non ill-health retirements relative to any extra payments made;

over the period between each triennial valuation.

Actual investment returns achieved on the Fund between each valuation are applied proportionately across all employers. Transfers of liabilities between employers within the Fund occur automatically within this process, with a sum broadly equivalent to the reserve required on the ongoing basis being exchanged between the two employers.

The Fund actuary does not allow for certain relatively minor events occurring in the period since the last formal valuation including, but not limited to:

- the actual timing of employer contributions within any financial year;
- the effect of more or fewer withdrawals than assumed;
- the effect of the premature payment of any deferred pensions on grounds of incapacity.

These effects are swept up within a miscellaneous item in the analysis of surplus, which is split between employers in proportion to their liabilities.

3.6 Asset Share Calculations for Individual Employers

The Fund's actuary is required to apportion the assets of the whole Fund between the employers at each triennial valuation using the income and expenditure figures provided for certain cash flows for each employer. This process adjusts for transfers of liabilities between employers participating in the Fund, but does make a number of simplifying assumptions. The split is calculated using an actuarial technique known as "analysis of surplus". The methodology adopted means that there will inevitably be some difference between the asset shares calculated for individual employers and those that would have resulted had they participated in their own ring-fenced section of the Fund. The asset apportionment is capable of verification but not to audit standard.

The Administering Authority recognises the limitations in the process, but having regard to the extra administration cost of building in new protections, it considers that the Fund actuary's approach addresses the risks of employer cross-subsidisation to an acceptable degree.

3.7 Stability of Employer Contributions

3.7.1 *Deficit Recovery Periods*

The Administering Authority instructs the actuary to adopt specific deficit recovery periods for all employers when calculating their contributions.
The Administering Authority targets the recovery of any deficit over a period which takes into account the risk status of employers and to a lesser extent the wider resource implications. The general principles followed are as follows:

Type of Employer	**Maximum Length of Deficit Recovery Period**
Statutory bodies with tax raising powers.	*a period not exceeding 20 years.*
Community Admission Bodies with funding guarantees.	*a period not exceeding 20 years.*
Further Education Colleges which are scheduled bodies and not admitted bodies.	*a period not exceeding 15 years.*
Best Value Admission Bodies.	*the period from the start of the revised contributions to the end of the employer's contract.*
Community Admission Bodies that are closed to new entrants e.g. Bus Companies, whose admission agreements continue after last active member retires.	*a period equivalent to the expected future working lifetime of the remaining scheme members allowing for expected leavers, subject to not less than 9 years.*
All other types of employer.	*a period equivalent to the expected future working lifetime of the remaining scheme members*

This maximum period is used in calculating each employer's minimum contributions. Employers may opt to pay higher regular contributions than these minimum rates.

The deficit recovery period starts at the commencement of the revised contribution rate (1 April 2011 for 2010 valuation). The Administering Authority would normally expect the same period to be used at successive triennial valuations, but would reserve the right to propose alternative spreading periods, for example to improve the stability of contributions.

3.7.2 *Phasing in of Contribution Rises*

Best Value Admission Bodies are not eligible for phasing in of contribution rises. The Administering Authority expects employers with a contribution increase of 0.5% or less at the 2010 valuation to move to the new rate immediately. Because the increases are over 3% in some cases there is an option to phase the increase in over a period of 6 years with an increase of at least 0.5% per annum until the full increase is achieved, subject to the Administering Authority's overall satisfaction relating to the security of the Fund.

Bodies with tax raising powers will be subject to a maximum increase of 0.5% per annum. Should the contribution rate decrease in future these bodies would also be subject to a maximum decrease of 0.5% per annum.

3.7.3 The Effect of Opting for Longer Spreading or Phasing-In

Employers who are permitted and elect to use a longer deficit spreading period or to phase-in contribution changes will be assumed to incur a greater loss of investment returns on the deficit by opting to defer repayment. Thus, deferring paying contributions will lead to higher contributions in the long-term.

However any adjustment is expressed for different employers, the overriding principle is that the discounted value of the contribution adjustment adopted for each employer will be equivalent to the employer's deficit.

3.7.4 Pooled Contributions

3.7.4.1 Smaller Employers

The Administering Authority allows smaller employers [of similar types] to pool their contributions as a way of sharing experience and smoothing out the effects of costly but relatively rare events such as ill-health retirements or deaths in service.
Community Admission Bodies that are deemed by the Administering Authority to have closed to new entrants are not permitted to participate in a pool. Best Value Admission Bodies are also ineligible for pooling.

Employers who are eligible for pooling at the 2010 valuation have been asked to give their written consent to participate in the pool.

As at the 2010 valuation separate pools were operated for Town Councils and for smaller Admission Bodies.

3.7.4.2 Other Contribution Pools

Schools are also pooled with their funding Council.
Those employers that have been pooled are identified in Annex A.

3.8 Admission Bodies ceasing

Admission Agreements for Best Value contractors are assumed to expire at the end of the contract.

Admission Agreements for other employers are generally assumed to be open-ended and to continue until the last pensioner dies. Contributions, expressed as capital payments, can continue to be levied after all the employees have retired. These Admission Agreements can however be terminated at any point.

If an Admission Body's admission agreement is terminated, the Administering Authority instructs the Fund actuary to carry out a special valuation to determine whether there is any deficit.

The assumptions adopted to value the departing employer's liabilities for this valuation will depend upon the circumstances. For example:

(a) For Best Value Admission Bodies, the assumptions would be those used for an ongoing valuation to be consistent with those used to calculate the initial transfer of assets to accompany the active member liabilities transferred.

(b) For non Best Value Admission Bodies that elect to voluntarily terminate their participation, the Administering Authority must look to protect the interests of other ongoing employers and will require the actuary to adopt valuation assumptions which, to the extent reasonably practicable, protect the other employers from the likelihood of any material loss emerging in future. This could give rise to significant payments being required.

(c) For Admission Bodies with guarantors, it is possible that any deficit could be transferred to the guarantor in which case it may be possible to simply transfer the former Admission Bodies members and assets to the guarantor, without needing to crystallise any deficit.

Under (a) and (b), any shortfall would be levied on the departing Admission Body as a capital payment.

3.9 Early Retirement Costs

3.9.1 Non Ill Health retirements

The actuary's funding basis makes no allowance for premature retirement except on grounds of ill-health. Employers are required to pay additional contributions wherever an employee retires before attaining the age at which the valuation assumes that benefits are payable.

It is assumed that members' benefits on age retirement are payable from the earliest age that the employee could retire without incurring a reduction to their benefit and without requiring their employer's consent to retire.
The additional costs of premature retirement are calculated by reference to these ages.

4. Links to Investment Strategy

Funding and investment strategy are inextricably linked. Investment strategy is set by the administering authority, after consultation with the employers and after taking investment advice.

4.1 Investment Strategy

The investment strategy currently being pursued is described in the Fund's Statement of Investment Principles.

The investment strategy is set for the long-term, but is reviewed from time to time, normally every three years, to ensure that it remains appropriate to the Fund's liability profile. The Administering Authority has adopted a benchmark, which sets the proportion of assets to be invested in key asset classes such as equities, bonds and property. As at 31 March 2010, the asset allocation of the Fund was as follows:

Asset Allocation	**%**
Equities	75.70
Property	7.65
Absolute Return Bonds	13.92
Cash	2.73
TOTAL	**100.0**

The investment strategy of lowest risk – but not necessarily the most cost-effective in the long-term – would be 100% investment in index-linked government bonds.
The Fund's benchmark includes a significant holding in equities in the pursuit of long-term higher returns than from fixed interest bonds. The Administering Authority's strategy recognises the relatively immature liabilities of the Fund and the secure nature of most employers' covenants.

The same investment strategy is currently followed for all employers. The Administering Authority does not currently have the facility to operate different investment strategies for different employers.

4.2 Consistency with Funding Basis

The current funding policy for the purpose of placing a value on liabilities at the triennial funding valuation at 31 March 2010 and setting contribution rates effective from 1 April 2011, is to assume that future investment returns earned by the Fund over the long term will be 1.4% per annum greater than the redemption yield on index-linked government bonds at the time of the valuation. The long term in this context would be 20 to 30 years or more. Based on the asset allocation of the Fund at 31 March 2010, this would be equivalent to anticipating excess returns relative to index-linked gilts of 1.8% per annum from equities and 0.9% per annum from property and little or no outperformance from other non-equity assets.

In the opinion of the Fund actuary, the current funding policy is consistent with the current investment strategy of the Fund, the asset outperformance assumption is within a range that would be considered acceptable for the purposes of the funding valuation and consistent with the requirement to take a "prudent longer-term view" of the funding of liabilities (see para 3.1).

However, in the short term – such as the three yearly assessments at formal valuations – there is the scope for considerable volatility and there is a material chance that in the short-term and even medium term, asset returns will fall short of this target. The stability measures described in Section 3 will damp down, but not remove, the effect on employers' contributions. The Fund does not hold a contingency reserve to protect it against the volatility of equity investments.

4.3 Balance between risk and reward

Prior to implementing its current investment strategy, the Administering Authority considered the balance between risk and reward by altering the level of investment in potentially higher yielding, but more volatile, asset classes like equities. This process was informed by the use of Asset-Liability techniques to model the range of potential future solvency levels and contribution rates.

4.4 Intervaluation Monitoring of Funding Position

The Administering Authority monitors investment performance relative to the growth in the liabilities by means of measuring investment returns relative to the returns on a least risk portfolio of index-linked bonds.

5. Key Risks & Controls

5.1 Types of Risk

The Administering Authority's has an active risk management programme in place. The measures that the Administering Authority has in place to control key risks are summarised below under the following headings:

- financial;
- demographic;
- regulatory; and
- governance.

5.2 Financial Risks

Number	Risk	Summary of Control Mechanisms
F1	Fund assets fail to deliver returns in line with the anticipated returns underpinning valuation of liabilities over the long-term.	*Only anticipate long-term return on a relatively prudent basis to reduce risk of under-performing.* *Analyse progress at three yearly valuations for all employers.*
F2	Inappropriate long-term investment strategy.	*Set Fund-specific benchmark, informed by Asset-Liability modelling of liabilities.* *Consider measuring performance and setting managers' targets relative to bond based target, absolute returns or a Liability Benchmark Portfolio and not relative to indices.*
F3	Fall in risk-free returns on Government bonds, leading to rise in value placed on liabilities.	*Some investment in bonds helps to mitigate this risk.*
F4	Active investment manager under-performance relative to benchmark.	*Short term (quarterly) investment monitoring analyses market performance and active managers relative to their benchmark.* *This is now supplemented with an analysis of absolute returns against those under-pinning the valuation.* *This gives an early warning of contribution rises ahead. In the short term, volatility damped down by stability measures on contributions.* *However, if underperformance is sustained over periods over 5 years contributions would rise more.*

Number	Risk	Summary of Control Mechanisms
F5	Pay and price inflation significantly more than anticipated.	*The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases.* *Some investment in bonds also helps to mitigate this risk.* *Employers pay for their own salary awards.*
F6	Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies.	*Mitigate impact through deficit spreading and phasing in of contribution rises.*

5.3 Demographic Risks

Number	Risk	Summary of Control Mechanisms
D1	Pensioners living longer.	*Set mortality assumptions with some allowance for future increases in life expectancy.* *At the most recent valuation at 31 March 2010, analysis of current longevity specific to the Gwynedd Pension Fund was provided by Club Vita. In addition the actuary has made a separate allowance for future improvements. The allowance made at the March 2010 valuation was greater than allowed for at the last valuation in 2007. The actuary will continue to monitor emerging evidence of improvements from Club Vita and other sources and will advise at the next valuation (2013) what further allowance for future improvements is needed.*
D2	Deteriorating patterns of early retirements.	*Employers are charged the extra capital cost of non ill health retirements following each individual decision.*

5.4 Regulatory

Number	Risk	Summary of Control Mechanisms
R1	Changes to regulations, e.g. more favourable benefits package, potential new entrants to scheme, e.g. part-time employees.	*The Administering Authority is alert to the potential creation of additional liabilities and administrative difficulties for employers and itself.*

R2	Changes to national pension requirements and/or HMRC rules e.g. effect of abolition of earnings cap for post 1989 entrants from April 2006, abolition of Rule of 85 and the new 2008 scheme.	*It considers all consultation papers issued by the CLG and comments where appropriate.* *The Administering Authority will consult employers where it considers that it is appropriate.*

5.5 Governance

Number	**Risk**	**Summary of Control Mechanisms**
G1	1) Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements). 2) Administering Authority not advised of an employer closing to new entrants.	*The Administering Authority monitors membership movements on an annual basis. The Actuary may be instructed to consider revising the rates and Adjustments certificate to increase an employer's contributions (under Regulation 78) between triennial valuations* *Deficit contributions are expressed as monetary amounts see Annex A.*
G2	Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body and losing the opportunity to call in a debt.	*In addition to the Administering Authority monitoring membership movements on an annual basis, it would require employers with Best Value contractors to inform it of forthcoming changes.* *It would also operate a diary system to alert it to the forthcoming termination of Best Value Admission Agreements.*
G3	An employer ceasing to exist with insufficient funding or adequacy of a bond.	*The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure. The risk is mitigated by:* • *Seeking a funding guarantee from another scheme employer, or external body, where-ever possible.* • *Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice.* • *Vetting prospective employers before admission* • *Setting a minimum limit of 20 employees for prospective employers.* • *The Administering Authority will consider where permitted under the regulations, requiring a bond to protect the scheme from the extra cost of early retirements on redundancy if the employer failed.*

Annex A – Employers' Contributions, Spreading and Phasing Periods

Following the 2010 valuation, the minimum employer contributions shown in the Rates and Adjustment certificate attached to the 2010 valuation report are based on the deficit recovery periods and phasing periods shown in the table below. The table also shows the individual adjustments under Regulation 77(6) to each employer's contributions from the 'Common Contribution Rate'.

CODE	Employer Name or Pool	Proposed Maximum Deficit Recovery Period (In years)	Spreading Period (In years)	Contribution Rates for the year ending					
				31.03.12	31.03.13	31.03.14	31.03.15	31.03.16	31.03.17
100	Gwynedd	20	S	21.4%	21.9%	22.4%			
200	Isle of Anglesey	20	S	21.5%	22.0%	22.5%			
Pool	Conwy Pool								
300	- Conwy County Borough Council	20	S	20.6%	21.1%	21.6%			
55	*- Ysgol Emrys ap Iwan*	20	S	20.6%	21.1%	21.6%			
56	*- Eirias High School*	20	S	20.6%	21.1%	21.6%			
57	*- Ysgol Bryn Elian*	20	S	20.6%	21.1%	21.6%			
58	*- Ysgol Pen y Bryn*	20	S	20.6%	21.1%	21.6%			
7	North Wales Police Authority	20	S	18.4%	18.9%	19.3%			
35	Coleg Menai	RWL	5	19.6%	20.1%	20.6%	21.1%	21.4%	
37	Careers Wales North West	RWL	6	17.9%	18.4%	18.9%	19.4%	19.9%	20.4%
38	Cwmni Cynnal	RWL	0	29.1%	29.1%	29.1%			
43	Snowdonia National Park	20	S	20.7%	21.2%	21.7%			
44	Coleg Llandrillo	RWL	4	17.7%	18.2%	18.7%	19.0%		
63	Mantell Gwynedd	RWL	0	22.0%	22.0%	22.0%			
75	Eden Food Services	RWL	0	5.1%	5.1%	5.1%			
76	Cartrefi Conwy	RWL	6	16.0%	16.5%	17.0%	17.5%	18.0%	18.2%
Pool	Other Scheduled Bodies								
13	- Caernarfon T.C.	20	0	21.2%	21.2%	21.2%			
14	- Menai Bridge T.C.	20	0	21.2%	21.2%	21.2%			
16	- Bangor C.C.	20	0	21.2%	21.2%	21.2%			
17	- Llangefni T.C.	20	0	21.2%	21.2%	21.2%			
22	- Beaumaris T.C.	20	0	21.2%	21.2%	21.2%			
27	- Holyhead T.C.	20	0	21.2%	21.2%	21.2%			
28	- Llandudno T.C.	20	0	21.2%	21.2%	21.2%			
66	- Tywyn T.C.	20	0	21.2%	21.2%	21.2%			
68	- Llanllyfni C.C.	20	0	21.2%	21.2%	21.2%			
70	- Towyn a Kinmel Bay T.C.	20	0	21.2%	21.2%	21.2%			
72	- Abergele T.C.	20	0	21.2%	21.2%	21.2%			
73	- Colwyn Bay T.C.	20	0	21.2%	21.2%	21.2%			
74	- Blaenau Ffestiniog T.C.	20	0	21.2%	21.2%	21.2%			

CODE	Employer Name or Pool	Proposed Maximum Deficit Recovery Period (In years)	Spreading Period (In years)	Contribution Rates for the year ending					
				31.03.12	31.03.13	31.03.14	31.03.15	31.03.16	31.03.17
Pool	Small Admission Bodies								
8	- Coleg Harlech	RWL	6	20.1%	20.8%	21.5%	22.1%	22.7%	23.3%
11	- North Wales Society for the Blind	RWL	6	20.1%	20.8%	21.5%	22.1%	22.7%	23.3%
25	- Cyd-Bwyllgor Claddu Caergybi	RWL	6	20.1%	20.8%	21.5%	22.1%	22.7%	23.3%
41	- Cwmni'r Fran Wen	RWL	6	20.1%	20.8%	21.5%	22.1%	22.7%	23.3%
61	- Conwy Voluntary Services	RWL	6	20.1%	20.8%	21.5%	22.1%	22.7%	23.3%
62	- Medrwn Môn	RWL	6	20.1%	20.8%	21.5%	22.1%	22.7%	23.3%
64	- Canolfan Cynghori Ynys Môn Citizen's Advice Bureau	RWL	6	20.1%	20.8%	21.5%	22.1%	22.7%	23.3%
67	- Menter Môn	RWL	6	20.1%	20.8%	21.5%	22.1%	22.7%	23.3%
69	- Conwy Citizens Advice Bureau	RWL	6	20.1%	20.8%	21.5%	22.1%	22.7%	23.3%
71	- CAIS	RWL	6	20.1%	20.8%	21.5%	22.1%	22.7%	23.3%

***RWL = Remaining Working Lifetime**

*S = Statutory tax raising body – increase or decrease limited to 0.5% per annum

Annex B – Responsibilities of Key Parties

The Administering Authority should:-

- collect employer and employee contributions;
- invest surplus monies in accordance with the regulations;
- ensure that cash is available to meet liabilities as and when they fall due;
- manage the valuation process in consultation with the Fund's actuary;
- prepare and maintain and FSS and a SIP, both after consultation with interested parties where appropriate; and
- monitor all aspects of the Fund's performance and funding and amend FSS/SIP

The Individual Employer should:-

- deduct contributions from employees' pay correctly;
- pay all contributions, including their own as determined by the actuary, promptly by the due date;
- exercise discretions within the regulatory framework;
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain; and
- notify the administering authorities promptly of all changes to membership or, as may be proposed, which affect future funding.

The Fund actuary should:-

- prepare valuations including the setting of employers' contribution rates after agreeing assumptions with the Administering Authority and having regard to the FSS; and
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters.