

Fund Account for the year ended 31st March 2015

2013/14 re-stated £000		2014/15 £000	£000	<i>Note</i>
	Dealings with members, employers and others directly involved in the scheme			
	Contributions			
-68,809	from employers	-76,113		N20
-16,086	from members	-16,753		N20
-84,895			-92,866	N7
	Transfers in from other pension funds			
-4,719	individual transfers in from other schemes	-3,708		
0	group transfers in from other schemes	-2,556		N28
-4,719			-6,264	
	Other income			
-297	recoveries for services provided		-157	N22
	Benefits			
58,316	pensions	60,335		
9,165	commutation of pensions and lump sum retirement benefits	8,918		
1,007	lump sum death benefits	1,755		
68,488			71,008	N7
	Payments to and on account of leavers			
10	refunds of contributions	102		
-3	state scheme premiums	31		
3,843	individual transfers out to other schemes	3,579		
9,200	group transfers out to other schemes	29,012		N28
13,050			32,724	
-8,373	Net (addition)/withdrawal from dealings with scheme members		4,445	
7,390	Management expenses		7,093	N9, N19 & N22
	Returns on investments			
-26,786	investment income		-23,655	N15 & N19
1	taxes on income		41	N3 & N15
-93,887	Profit(-) and losses on disposal of investments and changes in market value of investments		-190,503	N4 & N19
-120,672	Net returns on investments		-214,117	
-121,655	Net increase (-) / decrease in the net assets available for benefits during the year		-202,579	
1,384,840	Opening net assets of the scheme		1,506,495	
1,506,495	Closing net assets of the scheme		1,709,074	

Net Asset Statement as at 31st March 2015

2013/14 £000		2014/15 £000	<i>Note</i>
	Investment assets		
150,399	Fixed interest securities	173,518	
316,478	Equities	312,365	

78,543	Index-linked securities	103,682	
842,755	Pooled investment vehicles	978,743	
90,919	Property unit trusts	113,586	N10
172	Derivative contracts	587	N2 & N17
4,934	Other investments - Venture Capital/Private Equity	4,587	N10
17,025	Cash held on behalf of the investment managers	6,876	
4,584	Other investment balances	5,439	
<u>1,505,809</u>		<u>1,699,383</u>	
	Investment liabilities		
-16	Derivative contracts	-949	N2 & N17
<u>-1,449</u>	Other investment balances	<u>-1,436</u>	
<u>-1,465</u>		<u>-2,385</u>	
	Long term assets		
609	Contributions due from employer	338	
3,090	Other long term assets (debtors)	2,472	
<u>3,699</u>		<u>2,810</u>	N24
	Current assets		
3,050	Contributions due from employers	3,076	
294	Other current assets	581	
618	Money due re. transfer of staff to another pension scheme	1,236	
7,451	Cash balances	6,413	N2, N23 & N27
<u>11,413</u>		<u>11,306</u>	N24
	Current liabilities		
-61	Unpaid benefits	-5	
-12,900	Other current liabilities	-1,975	
0	Receipts in advance	-60	
<u>-12,961</u>		<u>-2,040</u>	N25
<u>1,506,495</u>	Net assets of the scheme available to fund benefits at the period end	<u>1,709,074</u>	N4, N5, N14 & N18

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end but rather summarise the transactions and net assets of the scheme.

The actuarial present value of promised retirement benefits is disclosed at Note N26.

The notes on the following pages form part of these Financial Statements.

Statement of Accounts 2014/15

Notes to the Accounts 2014/15

N1 Introduction

The County Council is the administering body for the Gloucestershire Local Government Pension Fund. This is not only for County Council employees but also for District Councils within the County and other local bodies providing public services. A full list of all employing bodies who are members of the Fund are shown on pages 20 to 22.

The Local Government Pension Scheme is a statutory funded pension scheme. It is "contracted out" of the state scheme and is termed a defined benefit scheme. From 1st April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is up-rated annually in line with the Consumer Prices Index.

The scheme is voluntary and made available to all (*) employees except fire fighters, police and teachers (who have their own separate nationally-administered schemes). The Fund is financed by contributions paid in by the existing employees and their employers and by earnings from the investment of Fund monies. The number of contributors at 31st March 2015 was 18,141 (2014 17,936). The Fund is governed by the Public Service Pensions Act 2013 and administered in accordance with the following secondary legislation:

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

A full analysis of membership, funding and benefits can be found in the Pension Fund's Annual Report. The Fund exists to provide pensions and certain other benefits to former employees. The Pension Fund is not a Gloucestershire County Council fund and is subject to its own audit; therefore balances are not included in the Gloucestershire County Council Consolidated Balance Sheet. The Fund is administered by the Pension Committee, which is a committee of Gloucestershire County Council.

* There are restrictions with some casual staff

N2 Accounting Policies

Basis of Preparation

The Statement of Accounts summarises the Funds' transactions for the 2014/15 financial year and its position at year end as at 31st March 2015. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts summarise the transactions of the Fund and reports on the net assets available to pay pensions and benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial value of promised retirement benefits, valued on an International Accounting Standard (IAS19) basis, is disclosed at Note 26 of these accounts. The accounts are prepared on a going concern basis.

Accruals Concept Applied

Income and expenditure have been accounted for on an accruals basis so far as amounts due have been determined in time for inclusion in the accounts. Any amount due in year but unpaid will be classed as a current financial asset. Benefits payable and refunds of contributions have been brought into the accounts on the basis of all valid

claims approved during the year. Individual transfer values are accounted for when they are paid or received. Bulk transfer values are accrued when the value has been determined.

Management Expenses

Pension Fund expenses have been accounted for in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs. Consequently Administrative Expenses and Investment Management Expenses have been amalgamated under Management Expenses and the comparator figures for 2013/14 have been restated to reflect the implementation of the CIPFA guidance. Management expenses reported in the Fund Account for 2013/14 have also been increased by £0.5m to £7.39m and Profit and Loss on disposal of investments and changes in the market value of investments has similarly been increased by £2.7m to £93.89m to reflect the fees which had been deducted at source or previously offset against dividend income. A more detailed breakdown of management expenses can be found in Note N22.

Investment Management Expenses

The managers' fees have been accounted for on the basis contained within their management agreements. Broadly these are based on the market value of the investments under management and therefore increase or decrease as the value of these investments change. In addition the Fund has agreed with the following managers that an element of their fee be performance related:

- Standard Life Investments - UK Equities
- Hermes - Property Unit Trusts

Hermes deducts its fees from a combination of assets held and income distributions. GMO and Yorkshire Fund Managers deduct their fees from the value of the assets under their management.

Acquisition and Transaction Costs of Investments

Pension Fund expenses have been accounted for in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs. Consequently acquisition costs of investments (e.g. stamp duty) and transaction costs previously included within the purchase cost/proceeds of investment purchases and sales have now been added to Investment Management Expenses with a corresponding offset against Profit on Disposal of Investments; comparator figures for 2013/14 have been restated to reflect the implementation of the CIPFA guidance. In addition to the transaction costs disclosed, indirect costs are incurred through the bid/offer spread on investments within pooled investment vehicles. The amount of indirect costs are not separately provided to the Fund. Please also see Note 19. A more detailed breakdown of management expenses can be found in Note N22.

Administration Expenses

All administrative expenses are accounted for on an accrual basis. All staff costs associated with administration are charged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund. A more detailed breakdown of administrative expenses can be found in Note N22.

Oversight & Governance Expenses

All oversight and governance expenses are accounted for on an accrual basis. All staff costs associated with oversight and governance are charged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund. A more detailed breakdown of oversight and governance expenses can be found in Note N22.

Where the Fund has obtained investment advice from external consultants the cost is now included in Oversight & Governance charges.

Valuation of Assets

The SORP requires securities to be valued on a Fair Value Basis therefore assets, where there is an active and readily available market price, are valued at the bid (selling) price and liabilities on an offer (buying) price basis. Where assets do not actively trade through established exchange mechanisms a price is obtained from the manager of the investment asset. Investments held in foreign currencies are shown at market value translated into sterling at the exchange rates prevailing as at 31st March 2015. Purchases and sales during the year which require settlement in a foreign currency are converted from/to sterling at the exchange rate prevailing on the trade date. Fixed interest securities are recorded at net market value based on their yields. Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is re-invested in the fund, net of applicable withholding tax. Property within the property unit trusts are independently valued in accordance with the Royal Institute of Chartered Surveyors valuation standards. Private Equity is valued using the latest financial statements published by the respective fund managers and in accordance with the International Private Equity and Venture Capital Guidelines.

Cash

Cash balances held in accordance with the County Council's Treasury Management Strategy and those held with the Fund's Custodian BNY Mellon, on behalf of investment managers, are in instant access accounts, subject to timing deadlines.

Derivatives

Derivative contracts are valued at fair value and are determined using exchange prices at the reporting date. The fair value is the unrealised profit or loss at the current bid or offer market quoted price of the contract. Derivative contract assets, those with a positive value, are valued at bid price and derivative contract liabilities, those with a negative value, are valued at the offer price. Amounts due from the broker represent the amounts outstanding in respect of the initial margin (representing collateral on the contracts) and any variation margin which is due to or from the broker. The amounts included in change in market value are the realised gains and losses on closed futures contracts and the unrealised gains and losses on open futures contracts. The fair value of the forward currency contracts are based on market forward exchange rates at the year end date.

N3 Taxation

The Fund is exempt from UK capital gains tax on the proceeds of investments sold. Corporation Tax is deducted from UK equity dividends; tax deducted from property unit trusts can be reclaimed. Withholding tax is payable on income from overseas investments. This tax is recovered wherever local tax laws permit.

N4 Investment Movements Summary

2014/15

Asset Class	Market Value at 31st March 2014 £'000	Purchases at cost and derivative payments £'000	Sales proceeds and derivative receipts £'000	Change in market value, new money and accruals £'000	Market Value at 31st March 2015 £'000
Fixed Interest	150,399	38,750	-32,542	16,911	173,518
Equities	316,478	39,878	-44,212	221	312,365
Index Linked	78,543	15,373	-5,030	14,796	103,682
Derivatives	156	201	-498	-221	-362
Pooled Investments	842,755	19,448	-24,507	141,047	978,743
Property Unit Trusts	90,919	11,111	-603	12,159	113,586
Private Equity	4,934	259	-	-606	4,587
	1,484,184	125,020	-107,392	184,307	1,686,119
Cash movement, currency adjustments and other end of year settlements	22,311			6,196	22,955
	1,506,495			190,503	1,709,074

2013/14

Asset Class	Market Value at 31st March 2013 £'000	Purchases at cost and derivative payments £'000	Sales proceeds and derivative receipts £'000	Change in market value, new money and accruals £'000	Market Value at 31st March 2014 £'000
Fixed Interest	151,104	56,997	-52,359	-5,343	150,399
Equities	282,317	57,014	-48,244	25,391	316,478
Index Linked	74,137	20,788	-11,358	-5,024	78,543
Derivatives	-106	-	-437	699	156
Pooled Investments	763,382	9,940	-	69,433	842,755
Property Unit Trusts	77,721	7,276	-	5,922	90,919
Private Equity	4,369	-	-	565	4,934
	1,352,924	152,015	-112,398	91,643	1,484,184
Cash movement, currency adjustments and other end of year settlements	31,916			*2,244	22,311
	1,384,840			93,887	1,506,495

*Please see Note N19 – Changes to Comparative Figures.

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

The derivatives in the previous table represent futures and forward foreign exchange contracts. The closing market value represents fair value as at the year end date. In the case of derivative contracts, which are traded on exchanges, this value is determined using exchange prices at the reporting date. Forward foreign exchange contracts are over the counter contracts and are valued by determining the gain or loss that would arise from closing out the contract at the reporting date and entering into an equal and

opposite contract as at that date. The profit or loss arising is included within the total 'cash movement' figure.

All derivative contracts settled during the period are reported within the table as purchases and sales.

N5 Management of Fund Assets

The market value of investments managed by each external manager at the end of the financial year was:

	2013/14		2014/15	
	£000	%	£000	%
Western Asset Management Company	307,305	20.4	359,868	21.1
BlackRock	414,786	27.5	495,689	29.0
CBRE	21,839	1.5	37,728	2.2
GMO	280,844	18.6	311,184	18.2
Standard Life Investments	404,913	26.9	405,851	23.7
Hermes Investment Management				
Property Unit Trust	69,715	4.6	82,073	4.8
YFM Group	4,935	0.3	4,587	0.3
Total - External Managers	1,504,337	99.8	1,696,980	99.3
In-house cash and accruals	2,151	0.2	12,075	0.7
Cash instruments with Custodian	7	0.0	19	0.0
	1,506,495	100.0	1,709,074	100.0

Where the value of an investment exceeds 5% of the total value of net assets or 5% of its asset class, details have been disclosed in note N18.

N6 Actuarial Position of the Fund

- In line with the Local Government Pension Scheme Regulations, actuarial valuations of the Fund are required to be undertaken every three years, for the purpose of setting employer contribution rates for the forthcoming triennial period. The latest valuation took place as at 31st March 2013 and established the minimum contribution payments for the three years until 31st March 2017. The next valuation will take place as at March 2016.
- The estimate of the pension fund liability is subject to significant variations, based on changes to the underlying assumptions used - see below.
- The results of the 2013 valuation showed that the total common contribution rate was 32.9% (25.8% 2010 valuation) for the three years to 31st March 2017. Individual employers' rates will vary from the common contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2013 actuarial valuation report and the Funding Strategy Statement on the Fund's website. This rate of contribution is the rate which, in addition to the contributions paid by the members, is sufficient to meet:
 - 100% of the liabilities arising in respect of service after the valuation date;
 - plus an adjustment over a period of 20 years to reflect the shortfall of the value of the County Council's notional share of the Fund's assets over 100% of its accrued liabilities, allowing, in the case of members in service, for future pay increases.

- The market value of the Fund's assets at the March 2013 triennial valuation date was £1,385m (£1,054m March 2010) and represented 70.1% (70.4% March 2010) of the Fund's accrued liabilities, allowing for future pay increases. When a valuation reveals a deficiency, the employer contribution rates are adjusted to target restoration of a solvent position over a period of years (the recovery period). The recovery period applicable for each participating employer is set by the Administering Authority in consultation with the Scheme Actuary and employer, with a view to balancing the various funding requirements against the risks involved due to such issues as the financial strength of the employer and the nature of its participation in the Fund.
- The contribution rate has been calculated using the projected unit method in line with accepted guidelines and the main actuarial assumptions used are as follows:

	Funding Basis	
	2010	2013
Rate of return on investments (Discount Rate)	6.1% pa	4.6% pa
Rate of general pay increases *	4.8% pa **	3.8% pa
Rate of increase to pensions in payment (in excess of guaranteed minimum pension)	3.3% pa	2.5% pa

* Plus an allowance is also made for promotional pay increases.

** 1% pa for 2010/11 and 2011/12, reverting to 4.8% pa thereafter.

- The full actuarial valuation reports for 2007, 2010 and 2013 are published on the County Council's website and can be viewed using the following web address:

www.gloucestershire.gov.uk/pensionsinvestments

- See note N26 for details of the Actuarial Present Value of Promised Retirement Benefits.

N7 Analysis of Contributions Receivable and Benefits Payable

	2013/14		2014/15	
	Contributions receivable	Benefits payable	Contributions receivable	Benefits payable
	£000	£000	£000	£000
Gloucestershire County Council (Administering Authority)	37,946	37,147	39,624	39,057
Scheduled Bodies (141 14/15)# (137 re-stated 13/14)** (Bodies admitted by right)	39,487	28,592	*45,308	28,613
Admitted Bodies (35 14/15) (31 13/14)** (Bodies admitted by agreement)	7,462	2,749	7,934	3,338
	84,895	68,488	92,866	71,008

Scheduled Bodies now include 75 (70 13/14) schools who have converted to academy status.

This figure contains one school which in 2014/15 changed from being a Foundation School (which was already included within Scheduled Bodies) to an Academy.

* The increase in scheduled bodies' contributions of £5.8m is due mainly to the increase in employers' pension contributions as a result of the 2013 Actuarial Valuation and an employer paying an extra £1m to improve its funding level.

** These numbers relate to active employers with active members.

N8 Statement of Investment Principles

A Statement of Investment Principles, which sets out the Pension Fund's long-term investment objectives, its style of management and policies together with risk management, performance targets and details of how that performance is monitored and reviewed, can be found on pages 148 to 159. This statement is also available on the website at the following address
www.gloucestershire.gov.uk/pensionsinvestments

N9 Related Party Transactions

Gloucestershire County Council, as Administering Authority for the Fund, incurred the following costs in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Pension Fund.

	2013/14 £000	2014/15 £000
Administration expenses	1,256	1,412

Part of the Pension Fund's cash holdings are invested on the money markets by the Treasury Management team of Gloucestershire County Council, see notes N2, N23 and N27.

Of the County Council's key management personnel, some of the Director: Strategic Finance's remuneration costs were charged to the Fund to reflect time spent. These consisted of salary, fees and allowances of £10,813 (£10,276 2013/14) and

employers' pension contributions £2,801 (£2,559 2013/14).

The Director: Strategic Finance is a member of the Fund as a contributing Gloucestershire County Council employee. This does not impact on her role as Finance Director and S151 officer, which is clearly defined.

Four members of the Pension Committee, excluding the District Council Representative, are also District Council members and these are detailed below:

Member	District Council
Cllr. D. Brown	Gloucester City Council
Cllr. C. Hay	Cheltenham Borough Council
Cllr. L. Stowe	Cotswold District Council
Cllr. R. Theodoulou	Cotswold District Council

In addition Councillor L. Stowe is Cotswold District Council's nominated shareholder for Ubico Limited, Councillor C. Hay sits on the Boards of Cheltenham Borough Homes and Cheltenham Leisure & Culture Trust and Councillor N. Cooper is a governor of Archway School. Ubico Limited, Cheltenham Borough Homes, Cheltenham Leisure & Culture Trust and Archway School are employers in the Fund.

Transactions between employers and the Fund are disclosed in note N7.

N10 Contingent Liabilities and Contractual Commitments

The Fund has an investment within a private equity fund managed by Yorkshire Fund Managers. The following table shows the Fund's total commitment and the remaining liability, following drawdowns, at the year end.

	Total Commitment	Outstanding liability 2013/14	Outstanding liability 2014/15
	£000	£000	£000
Chandos Fund	3,000	546	286
CBRE	30,000	1,749	591
	33,000	2,295	877

In May 2014 the commitment to CBRE, the global property manager, was increased from £20m to £30m.

N11 Contingent Assets

Due to retrospective adjustments to how pension payments are made for Registration staff working additional hours or on a fee basis, a contingent asset of £38,504 (13/14 £38,504) has been recorded for possible additional contributions from ex members of staff, during 2015/2016 and future years.

N12 Unquoted Holdings

The following holdings are unquoted:

	2013/14 £000	2014/15 £000
<u>Pooled investment vehicles</u>		
UK equity unitised insurance policy	10,044	9,218
Global equity managed funds	280,844	311,184
Overseas equity unitised insurance policies	367,653	437,153
UK limited liability partnerships	740	5,874
Overseas limited liability partnerships	1,528	4,607
Global multi asset unitised insurance policy	69,290	78,772

	730,099	846,808
<u>Property unit trusts</u>		
UK property unit trust	14,505	19,755
Overseas property unit trust	7,426	11,759
	21,931	31,514
	752,030	878,322

N13 Stocklending

The Pension Funds' custodian has been authorised to release stock to third parties under a stock lending arrangement. At 31st March 2015 the value of stock out on loan was £4.8m (2013/14 £3.9m) of which £4.8m (£3.9m) were UK equities. Collateral of £5.1m (£4.2m) equal to 106% (108%) of stock out on loan was held in the form of AA rated (or better) UK and G10 Overseas Government debt. The Pension Fund stipulates those institutions that are allowed to borrow its stock and the type of collateral that is acceptable.

N14 Financial Asset Analysis

		2013/14	2014/15	Note
		£000	£000	
Financial assets				
<u>Fixed interest securities</u>				
UK – Public Sector	– Quoted	62,670	63,141	
- Other	- Quoted	78,682	93,852	
Overseas – Public Sector	- Quoted	6,796	13,678	
- Other	- Quoted	2,251	2,847	
		150,399	173,518	
<u>Equities</u>				
UK	– Quoted	316,478	312,365	
<u>Index-linked securities</u>				
UK – Public Sector	– Quoted	78,543	89,044	
Overseas – Public Sector	- Quoted	-	14,638	
		78,543	103,682	
<u>Pooled investment vehicles</u>				
Unit Trusts				
Overseas – Equities – managed from outside the UK	- Quoted	47,095	58,499	
Unitised Insurance Policies				
UK – Equities	– Unquoted	10,044	9,218	
Overseas – Equities – managed from outside the UK	– Unquoted*	367,653	437,153	
Global – Multi Asset – managed from within the UK	- Unquoted	69,290	78,772	
Other Managed Funds				
O.E.I.C.'s				
Overseas - Fixed Interest	– managed from outside the UK – Quoted*	65,561	73,436	
Global – Equities	- managed from outside the UK – Unquoted*	280,844	311,184	
Limited Liability Partnerships				
UK Property – managed from within the UK - Unquoted		740	5,874	
Overseas Fixed Interest – managed from outside the UK	- Unquoted	1,528	4,607	
		842,755	978,743	

Property Unit Trusts			
UK - managed from within the UK	- Quoted	68,988	82,072
- managed from within the UK	- Unquoted	-	2,595
- managed from outside the UK	- Unquoted	14,505	17,160
Overseas – managed from outside the UK	- Unquoted	7,426	11,759
		<u>90,919</u>	<u>113,586</u>
			N10
Derivative Contracts			
Futures – UK		16	27
Forward Foreign Exchange Contracts		156	560
		<u>172</u>	<u>587</u>
			N17
Other Investments			
Venture Capital/Private Equity – UK		<u>4,934</u>	<u>4,587</u>
			N10
Cash (Managers)			
Cash instruments	– UK	15,082	4,261
	– Overseas	1,122	1,441
Cash Deposits	– UK	704	377
	– Overseas	117	797
		<u>17,025</u>	<u>6,876</u>
Other Investment Balances			
Debtors			
Outstanding settlement of investment transactions		-	1,092
Accrued dividend income and tax reclaims due on dividend income		4,584	4,347
		<u>4,584</u>	<u>5,439</u>
Total Financial Assets		<u>1,505,809</u>	<u>1,699,383</u>
Financial Liabilities			
Derivative Contracts			
Futures – Overseas		-	-73
Forward Foreign Exchange Contracts		-16	-876
		<u>-16</u>	<u>-949</u>
			N17
Other investment balances			
Creditors			
Outstanding settlement of investment transactions		<u>-1,449</u>	<u>-1,436</u>
Total Financial Liabilities		<u>-1,465</u>	<u>-2,385</u>
Long Term Assets			
Contributions due from employers		609	338
Money due re. transfer of staff to another pension scheme		3,090	2,472
		<u>3,699</u>	<u>2,810</u>
			N24
Current Assets			
Contributions due from employers		3,050	3,076
Other current assets (debtors)		294	581
Money due re. transfer of staff to another pension scheme		618	1,236
Cash balances		7,451	6,413
		<u>11,413</u>	<u>11,306</u>
			N23
			N24
Current Liabilities			
Unpaid benefits		-61	-5
Other liabilities (creditors)		-12,900	-1,975
Receipts in advance		-	-60
		<u>-12,961</u>	<u>-2,040</u>
			N25

1,506,495	1,709,074
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* These overseas pooled funds may incorporate some UK assets.

N15 Investment Income

Investment income arises from the following investment categories:

	2013/14 £000	2014/15 £000
Fixed interest	6,307	6,537
Equities	13,192	11,105
Index-linked	2,050	1,264
Pooled investment vehicles	4,504	4,631
Interest on cash deposits	125	93
Private equity	586	-
Other income from Stocklending, underwriting and class actions	22	25
	<hr/> 26,786	<hr/> 23,655
Withholding tax	-1	-41
	<hr/> *26,785	<hr/> 23,614

*Please see Note 19 – Changes to Comparative Figures

N16 Separately Invested Additional Voluntary Contributions (AVC's)

Gloucestershire County Council LGPS provides additional voluntary contribution (AVC) schemes for its members, with The Prudential Assurance Company Limited and Phoenix Life Limited. The AVC's are invested separately in funds managed by them. These are in the form of with-profits, unit-linked and deposit accounts and secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in this arrangement receive an annual statement confirming amounts held to their account and movements in the year. These amounts are not included in the Pension Fund Accounts in accordance with section 4 (2) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093).

	Prudential		Phoenix Life		Total Investments	
	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000
Value of investments at 1st April	7,390	7,416	138	115	7,528	7,531
Prior year adjustments	-	2	-	-	-	2
Contributions received in year *	664	661	2	0	666	661
Death in service premiums paid by members	-7	-6	-	-	-7	-6
Sales of investments	-957	-946	-25	-21	-982	-967
Changes in value of investments	326	400	-	-	326	400
Present value of investments	<hr/> 7,416	<hr/> 7,527	<hr/> 115	<hr/> 94	<hr/> 7,531	<hr/> 7,621

* Contributions paid by members in the Prudential scheme during 2014/15 totalled £661,109 (2013/14 £664,112) which included additional death in service premiums totalling £6,417 (2013/14 £6,794).

N17 Derivatives

Investments in derivatives are only made if they contribute to a reduction of risks and facilitate efficient portfolio management. A derivative is a generic term for financial instruments used in the management of portfolios and is a financial contract between two parties, the value of which is determined by the underlying asset. Derivatives include futures, forwards, swaps and options.

The fixed income portfolio uses futures and options for duration and yield curve management purposes. Additionally, the investment strategy for this manager, for all overseas currency exposures, is to be fully hedged back in to Sterling which is achieved by the use of foreign exchange forward contracts. To mitigate large unrealised profits or losses accruing with any one counterparty the contracts are split between a handful of banks and the contracts rolled quarterly in order that any gains or losses are realised at regular intervals.

The investment strategy of the property manager with overseas holdings is to place forward currency trades with the intention of hedging foreign currency exposure to ensure the portfolio is not impacted by currency fluctuations. The hedges are achieved by placing foreign exchange forward contracts with the Fund's custodian.

In the table below, the 'notional value' of the stock purchases under futures contracts is the economic exposure and the value subject to market movements as at 31st March 2015.

Derivative Contract Analysis	Contract type*	2013/14 Notional Value	2014/15 Notional Value	Expiration	2013/14 Market Value	2014/15 Market Value
Investment Assets		£000	£000		£000	£000
<u>Futures</u>						
UK – Fixed Interest				Less than 3		
UK Long Gilt Future	ET	4,162	2,415	months	16	27
UK Futures		4,162	2,415		16	27
Total Futures		4,162	2,415		16	27
<u>Forward foreign exchange contracts</u>						
	OTC	16,411	21,631	Less than 6	156	560
				months		
Total Derivative Assets		20,573	24,046		172	587
Investment liabilities						
<u>Futures</u>						
Overseas – Fixed Interest				Less than 3		
US Treasury Bond Future	ET	-	3,753	months	-	-73
Overseas Futures		-	3,753		-	-73
Total Futures		-	3,753-		-	-73
<u>Forward foreign exchange contracts</u>						
	OTC	658	32,462	Less than 6	-16	-876
				months		
Total Derivative Liabilities		658	36,215		-16	-949
Net Futures					156	-362

* Contract types ET (exchange traded) OTC (over-the-counter)

The total Futures' initial margin for 2014/15 was £0.0m (£0.1m 2013/14) and the total variation margin was £0.2m (£0.2m 2013/14). The initial margin is an amount of money deposited by both buyers and sellers of Futures contracts to ensure performance of the terms of the contract. The variation margin reflects the accumulated cash flows from the daily marking to market that accrues in the futures broker's account.

A breakdown of the open forward foreign exchange contracts at 31st March 2015 is given below:-

Open Forward Currency Contracts at 31st March 2015

Settlement	Currency bought	Local Value 000	Currency Sold	Local Value 000	Asset Value £000	Liability Value £000
Up to six months	GBP	13,982	EUR	18,642	484	
Up to six months	GBP	2,860	USD	4,195	32	
Up to three months	USD	1,757	BRL	5,559	19	
Up to three months	GBP	1,292	MXN	29,110	8	
Up to six months	GBP	758	AUD	1,466	7	
Up to six months	GBP	413	HKD	4,702	5	
Up to six months	GBP	387	MYR	2,125	3	
Up to six months	GBP	174	CNY	1,589	2	
Up to six months	GBP	599	JPY	106,365	-	
Up to six months	GBP	10,868	USD	16,643		- 346
Up to three months	GBP	7,650	USD	11,750		- 267
Up to six months	GBP	5,478	USD	8,340		- 142
Up to six months	EUR	5,959	GBP	4,416		- 102
Up to three months	GPB	1,190	USD	1,787		- 14
Up to six months	GBP	2,706	EUR	3,738		- 4
Up to six months	GBP	154	NZD	309		- 1
					560	- 876
Net forward currency contracts at 31st March 2015						- 316
Prior year comparative						
Open forward currency contracts at 31st March 2014					156	- 16
Net forward currency contracts at 31st March 2014						140

N18 Investments Exceeding 5% of Total Net Assets or that Exceed 5% of their Asset Class

At 31st March 2015 the Pension Fund held two, (2013/14, two) investments that each exceeded 5% of the total value of the net assets of the scheme. These are detailed as follows:

Investments exceeding 5% of Total Net Assets

	2013/14 £000	%	2014/15 £000	%
* BlackRock Global Equity Fund	367,653	24.4	437,153	25.6

* GMO World Equity Allocation Investment Fund	280,844	18.6	311,184	18.2
	648,497	43.0	748,337	43.8

*BlackRock investments are Unitised Insurance Policies
GMO Investment Fund is an O.E.I.C. investing in global equities*

* Indicates assets which are in excess of 5% of both net assets and their asset class for 2014/15

Investments exceeding 5% of their Asset Class

	2013/14		2014/15	
	£000	%	£000	%
Fixed interest securities				
Treasury 4.25% 2040	19,247	12.8	21,942	12.6
Treasury 3.75% 2021	13,714	9.1	14,479	8.3
Treasury 4.25% 2039	8,864	5.9	9,725	5.6
Treasury 1.25% 2018 **	11,366	7.6	-	-
Equities				
Royal Dutch Shell 'B' Shares	19,788	6.3	18,476	5.9
HSBC Holdings	18,933	6.0	18,174	5.8
Index-linked securities				
United Kingdom IL 1.875% 2022	14,393	18.3	14,932	14.4
United Kingdom IL 1.25% 2027	12,359	15.7	13,681	13.2
Treasury IL Variable Rate 2035	11,302	14.4	13,109	12.6
United Kingdom IL 1.125% 2037	9,052	11.5	10,873	10.5
US Treasury IL 1.375% 2044	-	-	9,132	8.8
Treasury IL 1.25% 2055	6,992	8.9	9,390	9.1
United Kingdom IL 1.25% 2032	7,211	9.2	8,339	8.0
United Kingdom IL 0.375% 2062	7,277	9.3	5,831	5.6
Treasury IL 0.75% 2047	4,017	5.1	5,202	5.0
Pooled investment vehicles				
* BlackRock Global Equity Fund	367,653	43.6	437,153	44.7
* GMO World Equity Allocation Investment Fund	280,844	33.3	311,184	31.8
Standard Life Global Absolute Return Strategies Fund	69,290	8.2	78,772	8.0
Legg Mason Global Funds - WA GMS	64,647	7.7	72,587	7.4
BlackRock Emerging Markets Index Fund	47,095	5.6	58,499	6.0
Property unit trusts				
Hermes Property Unit Trust	68,988	75.9	82,072	72.3
Global Alpha Fund	5,136	5.6	8,671	7.6
Derivative contracts - assets				
UK Long Gilt Future (LIF) Exp Jun 14	16	100.0	-	-
UK Long Gilt Future (LIF) Exp Jun 15	-	-	27	100.0
Derivative contracts - liabilities				
US Treasury Bond Future (CBT) Exp Jun 15	-	-	-73	100.0
Other investments - Venture Capital/Private Equity				
South West Venture Fund	2,931	59.4	2,833	61.8
Chandos Fund	2,003	40.6	1,754	38.2

** Investment held is now below 5% of asset class

N19 Changes to Comparative Figures

Management expenses (Notes 1 and 22)

Pension Fund expenses have been accounted for in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs. This has resulted in Administrative Expenses and Investment Management Expenses being amalgamated under Management Expenses and the comparator figures for 2013/14 being restated to reflect the amalgamation.

Transaction costs previously included within the purchase cost/proceeds of investment purchases and sales have now been added to Investment Management Expenses with a corresponding offset against Profit on Disposal of Investments.

Fees previously deducted at source and offset against dividend income are now offset against Profit on Disposal of Investments.

A more detailed breakdown of management expenses can be found in Note N22.

Fund Account	2013/14	2013/14 re-stated	Difference
	£000	£000	£000
Administrative expenses	1,256	-	-1,256
Investment management expenses	5,638	-	-5,638
Management expenses	-	7,390	7,390
Investment income	-29,005	26,786	2,219
Profit and losses on disposal of investments and changes in market value of investments	-91,172	-93,887	-2,715
			<u>-</u>

Investment Movement Summary (Note 4)

Cash movement, currency adjustments and other end of year settlements	-471	2,244	<u>2,715</u>
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Investment Income (Note 15)

Pooled investment vehicles	6,723	4,504	<u>-2,219</u>
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Nature and extent of risks arising from Financial Instruments (Note N27)

Other Price Risk - Sensitivity Analysis

Pooled Funds containing global equities were previously classified under Overseas Equities. As these funds may incorporate some UK assets they have been re-classified as Multi National Equities.

The 2014/15 Values on Increase and Decrease have been valued on a 3 year standard deviation and the 2013/14 values have been re-stated to ensure a direct comparison. Both the re-stated figures and the original figures for 2013/14 are shown in Note 27.

N20 Contributions Breakdown

	2013/14 £'000	2014/15 £'000
From Employers:		
Normal	38,166	41,158
Augmentation	-	-
Deficit Funding	27,700	32,228
Other	2,943	2,727
	<u>68,809</u>	<u>76,113</u>
From Members:		
Normal	15,774	16,379

Additional Voluntary	312	374
	16,086	16,753

The employers' monthly contributions and deficit funding payments are based on a percentage of pensionable pay and have been identified above. The deficit funding contributions relate to past service benefit accrual and are payable over an agreed recovery period, not exceeding 20 years.

Other contributions are those contributions paid by an employer to compensate the Pension Fund for early retirement costs, excess ill health retirement costs or to improve their funding levels.

These payments follow the principles outlined in the Funding Strategy Statement. Early retirement costs are usually paid in one lump sum or were historically paid over several years dependent on the status of the employer. When a payment is spread there is an extra cost to reflect the delay in total payment. There are currently no early retirement costs being spread; however at 31st March 2015 £0.1m (2013/14 £0.2m) was due to the Pension Fund for early retirements, which have been accrued.

Excess ill health retirement costs are invoiced for as they arise and funding level payments are made by an employer voluntarily.

It had been agreed previously that an employer who left the Fund in 2008/09 could spread the payment of their deficit over a number of years. The total amount was credited to the Pension Fund and an accrual made for the outstanding amount. The accrual is rolled forward each year and adjusted for deficit payments made.

N21 Custody of Investments

The accounts for the year ended 31st March 2015 use the valuations for the Fund's assets provided by our custodian, BNY Mellon Asset Servicing SA/NV. This reflects the position of the custodian who is ultimately the master book of record. Fund Managers must make sure that their records agree with those kept by the custodian, although the investment values may be obtained from different sources. Using the custodian's valuations ensures that the various portfolios are priced consistently, so that the same stocks, in different portfolios, are valued on the same basis. Investments held in custody by BNY Mellon Asset Servicing SA/NV on behalf of the Pension Fund, are ring-fenced from the assets of the Bank and segregated within its books as belonging to Gloucestershire County Council's Pension Fund.

N22. Management expenses

Pension Fund expenses have been accounted for in accordance with the *CIPFA guidance Accounting for Local Government Pension Scheme Management Costs*. This has resulted in Administrative Expenses and Investment Management Expenses being amalgamated under Management Expenses.

Transaction costs of £350,127 (£345,271 2013/14) previously included within the purchase cost/proceeds of investment purchases and sales have now been added to Investment Management Expenses with a corresponding offset against Profit on Disposal of Investments.

A third category of expense, Oversight & Governance, has also been added.

Comparator figures for 2013/14 have been re-stated to reflect the amalgamation and the addition of the third category and the re-categorisation of some of the expenses.

	2013/14 re-stated £000	2014/15 £000
Investment management expenses *	6,074	5,753

Administration expenses	858	933
Oversight & governance	458	407
Please see note N19	7,390	7,093

* Please see a more detailed breakdown of the investment management expenses below.

Within oversight and governance costs there were actuarial expenses of £134,997 (£197,343 2013/14) generated by specific employer requirements, these were then charged back to the employer. The corresponding income is included within Recoveries for Services Provided in the Fund Account.

	2013/14 re-stated £'000	2014/15 £'000
Investment management expenses*		
Management fees - invoiced	2,598	2,865
- deducted from investment	1,154	1,868
	<u>3,752</u>	<u>4,733</u>
Performance fee - invoiced	1,563	244
- deducted from investment	352	354
	<u>1,915</u>	<u>598</u>
	<u>5,667</u>	<u>5,331</u>
Transaction costs	345	350
Custody costs	62	72
	<u>6,074</u>	<u>5,753</u>

The management fees disclosed above include all investment management fees directly incurred by the Fund. In addition to these costs, indirect costs are incurred through the bid-offer spread on investments sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of investments.

The change in management fees is due to a combination of an increase in market values on which most of the Fund Managers' fees are based and a reduction in performance fees. In 14/15 the fee basis of one manager was changed from a combination of a percentage of assets under management and an outperformance element to purely a percentage of assets under management.

N23. Cash

From the 1st April 2010 the Pension Fund has had its own bank account. At 31st March 2015 cash of £6.4m (£7.5m 2013/14) was invested through the County Council's short-term investment procedures. During the year the average investment balance was £4.4m (£10.3m 2013/14) earning interest of £20k (£57k 2013/14).

N24 Current & Long Term Assets

	2013/14 £000	2014/15 £000
Contributions due - Employees	551	572
Contributions due - Employers	2,499	2,504
Sundry debtors	294	581
Money due re. transfer of staff to another pension scheme*	618	1,236
	<u>3,962</u>	<u>4,893</u>

Cash balances	7,451	6,413
	<u>11,413</u>	<u>11,306</u>

*The annual instalment of £618k due from a transfer of staff to another pension scheme in 2014/15 was not received in 2014/15. Therefore an accrual has been included for the 2014/15 and 2015/16 instalments within Current Assets. Instalments due beyond 2015/16 have been included under Long Term Assets. The instalment relating to 2014/15 has now been received.

Analysis of debtors	2013/14	2014/15
	£000	£000
Current assets		
Central government bodies	628	1,311
Other local authorities	1,381	1,399
NHS bodies	15	16
Public corporations and trading funds	-	-
Academies	402	405
Other entities and individuals	1,536	1,762
	<u>3,962</u>	<u>4,893</u>
	2013/14	2014/15
	£'000	£'000
Long term assets		
Central government bodies	3,090	2,472
Other entities and individuals	609	338
	<u>3,699</u>	<u>2,810</u>

One central government body has transferred to another pension fund and the resulting bulk transfer value due is being paid over a number of years. The total amount was credited to the Pension Fund and an accrual has been made for the outstanding amount. The accrual will be rolled forward each year and adjusted for payments made. Payments of £1,236,000 are due to the Pension Fund within the next twelve months.

It had been agreed that two employers who left the Fund could spread the payment of their deficits over a number of years. The total amount was credited to the Pension Fund and accruals made for the outstanding amount. Accruals are rolled forward each year and adjusted for deficit payments made. One employer has now paid its deficit in full. Payments of £26,000 are due to the Pension Fund within the next twelve months.

N25. Current liabilities

	2013/14	2014/15
	£000	£000
Benefits payable	-61	-5
Sundry creditors	-12,900	-1,975
Receipts in advance	-	-60
	<u>-12,961</u>	<u>-2,040</u>
Analysis of creditors	2013/14	2014/15
	£000	£000
Central government bodies	-589	-690
Other local authorities	-9,368	-178
Other entities and individuals	-3,004	-1,172
	<u>-12,961</u>	<u>-2,040</u>

Sundry Creditors in 2013/14 contained an accrual of £9.2m relating to a bulk transfer value due to another pension fund; £9.5m was subsequently paid in June 2014.

N26 Actuarial Present Value of Promised Retirement Benefits

In addition to the triennial funding valuation (See Note N6), the fund's Actuary also undertakes a valuation of the pension fund liabilities on an IAS19 basis every year. These liabilities have been projected using a roll forward approximation from the last triennial valuation as at 31st March 2013.

Balance Sheet:

Year Ended	31 st March 2014 £m	31 st March 2015 £m
Present Value of Promised Retirement Benefits	2,304	2,748

Net Assets Available for Benefits

Year Ended	31 st March 2014 £m	31 st March 2015 £m
Net Assets	1,506	1,709

The assumptions used are those adopted for the Administering Authorities IAS19 report, as required by the Code of Practice, and these differ from those used for the triennial valuation. It is estimated that the impact of the change of assumptions to 31st March 2015 is to increase the actuarial present value by £364m (£94m 2013/14).

Significant Actuarial Assumptions Used

Financial assumption:

Year Ended	31 st March 2014 % pa	31 st March 2015 % pa
Inflation/Pension Increase Rate	2.8	2.4
Salary Increase Rate	4.1	3.8
Discount Rate	4.3	3.2

Longevity assumption:

The life expectancy assumption is based on the Fund's VitaCurves with improvements in line with the CMI 2010 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25% p.a. Based on these assumptions the average future life expectancies at age 65 are summarised below:

	Males	Females
	Years	
Current Pensioners	22.5	24.6
Future Pensioners**	24.4	27.0

** Future pensioners are assumed to be currently aged 45.

Commutation assumption:

An allowance is included for future retirements to elect to take 50% of the maximum additional tax free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax free cash for post-April 2008 service.

N27. Nature and extent of risks arising from Financial Instruments

The Gloucestershire Local Government Pension Fund's ("The Fund") objective is to generate positive investment returns for a given level of risk. Therefore the Fund holds financial instruments such as securities (equities, bonds), collective investment schemes (or pooled funds) and cash and cash equivalents. In addition debtors and creditors arise as a result of its operations. The value of these financial instruments in the financial statements approximates to their fair value.

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

The Fund's investments are managed on behalf of the Fund by the appointed Investment Managers. Each Investment Manager is required to invest the assets managed by them in accordance with the terms of their investment guidelines or pooled fund prospectus. The Gloucestershire Local Government Pension Fund Committee ("Committee") has determined that the investment management structure is appropriate and is in accordance with its investment strategy. The Committee regularly monitors each investment manager and considers and takes advice on the nature of the investments made and associated risks.

The Fund's investments are held by BNY Mellon Asset Servicing, who acts as custodian on behalf of the Fund.

Because the Fund adopts a long term investment strategy, the high level risks described below will not alter significantly during the year unless there are significant strategic or tactical changes in the portfolio.

Market Risk

Market risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in market prices, interest rates or currencies. The Fund is exposed through its investments in equities, bonds and investment funds, to all these market risks. The aim of the investment strategy is to manage and control market risk within acceptable parameters, while optimising the return from the investment portfolio.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical, industry sectors, individual securities, investment mandate guidelines and Investment Managers. The risk arising from exposure to specific markets is limited by the strategic asset allocation, which is regularly monitored by the Committee as well as appropriate monitoring of market conditions and benchmark analysis.

Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, caused by factors other than

interest rate or foreign currency movements, whether those changes are caused by factors specific to the individual instrument, its issuer or factors affecting all such instruments in the market.

Market price risk arises from uncertainty about the future value of the financial instruments that the Fund holds. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited. The Investment Managers mitigate this price risk through diversification in line with their own investment strategies and mandate guidelines.

Other Price Risk - Sensitivity Analysis

The sensitivity of the Fund's investments to changes in market prices has been analysed using the volatility of return experienced by each investment portfolio during the year to 31st March 2015. The volatility data is broadly consistent with a one-standard deviation movement in the value of the assets. The analysis assumes that all other variables remain constant.

Movements in market prices would have increased or decreased the assets, as held by the Fund's custodian, at 31st March 2015 by the amounts shown below:

As at 31st March 2015	Value	Volatility of return	Value on Increase	Value on Decrease
	£000	%	£000	£000
UK Bonds	170,671	6.8	182,277	159,066
UK Index Linked Gilts	89,045	10.4	98,305	79,784
UK Equities	321,583	10.7	355,992	287,174
Overseas Bonds	95,528	5.1	100,400	90,656
Multi National Equities*	885,608	9.0	965,313	805,903
UK Property	107,701	2.7	110,609	104,793
Overseas Property	11,759	14.7	13,488	10,030
Venture Capital/Private Equity	4,587	14.3	5,243	3,931
	1,686,482		1,831,627	1,541,337
Total Gloucestershire Fund	1,686,482	6.5%	1,796,103	1,576,861

As at 31st March 2014 - re-stated	Value	Volatility of return	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000
UK Bonds	150,399	6.0	159,423	141,375
UK Index Linked Gilts	78,543	10.0	86,397	70,689
UK Equities	326,521	13.7	371,254	281,788
Overseas Bonds	67,090	5.7	70,914	63,266
Multi National Equities*	764,882	11.3	851,314	678,450
UK Property	84,233	2.7	86,507	81,959
Overseas Property**	7,425	8.9	8,086	6,764
Venture Capital/Private Equity	4,935	14.1	5,631	4,239
	1,484,028		1,639,526	1,328,530
Total Gloucestershire Fund	1,484,028	8.1	1,604,235	1,363,822

* Previously classified as Overseas Equities

** Unable to use 3 year standard deviation therefore standard deviation used to cover period

*** Please see Note 19 - Changes to Comparative Figures

As at 31st March 2014 - original	Value	Volatility of return	Value on Increase	Value on Decrease
	£000	%	£000	£000

UK Bonds	150,399	6.9	160,777	140,022
UK Index Linked Gilts	78,543	9.3	85,822	71,263
UK Equities	326,521	15.3	376,495	276,547
Overseas Bonds	67,090	17.8	79,052	55,127
Overseas Equities	764,882	19.4	912,955	616,808
UK Property	84,233	3.5	87,166	81,301
Overseas Property	7,425	8.9	8,087	6,765
Venture Capital/Private Equity	4,935	13.1	5,579	4,290
	1,484,028		1,715,933	1,252,123
Total Gloucestershire Fund	1,484,028	8.1	1,604,235	1,363,822

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risk, which represents the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. This risk will affect the value of both fixed interest and index linked securities. The amount of income receivable from cash balances will also be affected by fluctuations in interest rates.

The Funds exposure to interest rate movements, as a result of the bond portfolio, as at the 31st March 2015 is set out below along with the interest rate sensitivity analysis data.

Interest Rate Risk Sensitivity Analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. Over the last five years long term yields, as measured by the yield on the FTSE Over 15 Year Gilt Index, have averaged 3.4% (2013/14 3.7%) and moved between a high of 4.6% (4.5% 2013/14) and a low of 2% (2.8% 2013/14). As at the end of March 2015 this yield was 2.2% (3.4% 2013/14). Given the high degree of uncertainty over the future economic situation, the Fund's bond manager has advised that it is entirely possible that yields could fluctuate anywhere within this historic range in the next year, or in extreme circumstances outside these boundaries.

The analysis that follows assumes that all other variables, in particular, exchange rates, remain constant and shows the effect in the year on the values of a +/- 100bps (1%) change in interest rates.

Asset type	Carrying amount as at 31st March 2015	Change in the year in the net assets available to pay benefits	
	£000	+100BPS £000	-100BPS £000
	Bond Portfolio - Fixed Interest Securities excluding cash	355,601	-46,138

Asset type	Carrying amount as at 31st March 2014	Change in the year in the net assets available to pay benefits	
	£000	+100BPS £000	-100BPS £000
	Bond Portfolio - Fixed Interest Securities excluding cash	294,926	-35,041

Foreign Currency Risk

Foreign currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on both monetary and non-monetary investments denominated in a currency other than Sterling. For a Sterling based investor, when Sterling weakens, the Sterling value of foreign currency denominated investments rises. As Sterling strengthens, the Sterling value of foreign currency denominated investment falls. Apart from permitting the fixed income portfolio manager and global property manager to hedge currency exposures back to Sterling, the Fund's current policy is to not hedge foreign currency exposure.

Currency Risk Sensitivity Analysis

Following analysis of historical data, by the Fund's performance measurement service, the likely volatility associated with foreign exchange rate movements is considered to be 5.6% (as measured by one standard deviation).

This analysis assumes that all other variables, in particular interest rates, remain constant.

A 5.6% strengthening/weakening of the Pound against the various countries in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

2014/15 Currency exposure - Asset type	Asset value as at 31st March 2015	Change to net assets available to pay benefits	
	£000	£000 +5.6%	£000 -5.6%
	Global Fixed Interest	2,283	2,411
UK Equities	739	780	698
Global Equities	721,333	761,728	680,938
Emerging Market Equities	58,499	61,775	55,223
Global Multi Asset			

	78,772	83,183	74,361
	861,626	909,877	813,375

2013/14 Currency exposure - Asset type	Asset value as at 31st March 2014 £000	Change to net assets available to pay benefits	
		£000 +5.3%	£000 -5.3%
Global Fixed Interest	1,133	1,193	1,073
UK Equities	725	763	687
Global Equities	623,502	656,548	590,456
Emerging Market Equities	47,095	49,591	44,599
Global Multi Asset	69,290	72,962	65,618
	741,745	781,057	702,433

Credit Risk

Credit risk represents the risk that the counterparty to a transaction or financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. This is often referred to as counterparty risk.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However, the careful selection and monitoring of counterparties including brokers, custodian and investment managers minimises any credit risk that may occur through the failure to settle transactions in a timely manner. The Fund's contractual exposure to credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Bankruptcy or insolvency of the custodian may affect the Fund's access to its assets. However, all assets held by the custodian are ring-fenced as "client assets" and therefore cannot be claimed by creditors of the custodian. The Fund manages its risk by monitoring the credit quality and financial position of the custodian.

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

The Fund's bond portfolios have significant credit risk through its underlying investments. This risk is managed through diversification across sovereign and corporate entities, credit quality and maturity of bonds. The market prices of bonds incorporate an assessment of credit quality in their valuation which reflects the probability of default (the yield of a bond will include a premium that will compensate for the risk of default).

The Council believes it has managed its exposure to credit risk within an acceptable level and its default experience over the last five financial years is not significantly out of line with the industry.

Another source of credit risk is the cash balances held to meet operational requirements or by the managers at their discretion. Internally held cash is managed on the Fund's behalf by the Council's Treasury Management Team in line with the Fund's Treasury Management Policy which sets out the permitted counterparties and limits. The Fund invests surplus cash held with the custodian in diversified money market funds.

Through its securities lending activities, the Fund is exposed to the counterparty risk of the collateral provided by borrowers against the securities lent. This risk is managed by restricting the collateral permitted to high grade sovereign debt and baskets of liquid equities. Cash collateral is not permitted.

Foreign exchange contracts are subject to credit risk in relation to the counterparties of the contracts which are primarily banks. The maximum credit exposure on foreign currency contracts is any net profit on forward contracts, should the counterparty fail to meet its obligations to the Fund when it falls due.

The credit risk within the bond portfolios can be analysed using standard industry credit ratings and the analysis as at 31st March 2015 is set out below.

31st March 2015	AAA	AA	A	BBB	BB	B	Unrated
Credit Analysis	£000	£000	£000	£000	£000	£000	£000
UK Gilts	63,475	-	-	-	-	-	-
UK Index Linked	89,296	-	-	-	-	-	-
Overseas Govt Bonds	12,229	-	-	-	-	-	-
Overseas Inflation-linked	13,548	-	-	-	-	-	-
Corporate Bonds	-	3,419	36,006	24,390	9,076	-	1,815
Asset Backed	1,779	1,448	6,186	12,748	-	-	-
Emerging Markets	-	-	1,797	2,237	-	-	-
Mortgages	1,105	-	-	-	-	-	-
Supra/Sov/Local Govts	4,669	-	-	-	-	-	-

Cash/Cash Equivalents/Currency Forwards	-	-	-	-	-	-	2,182
	186,101	4,867	43,989	39,375	9,076	-	3,997
% of Fixed Interest Portfolio	64.8	1.7	15.3	13.6	3.2	-	1.4

31st March 2014	AAA	AA	A	BBB	BB	B	Unrated
Credit Analysis	£000	£000	£000	£000	£000	£000	£000
UK Gilts	59,499	-	-	-	-	-	-
UK Index Linked	78,890	-	-	-	-	-	-
Overseas Govt Bonds	6,081	-	-	-	-	-	-
Overseas Inflation-linked	-	-	-	-	-	-	-
Corporate Bonds	-	3,165	25,770	86,249	4,948	2,001	1,033
Asset Backed	1,538	2,296	5,712	11,373	-	-	-
Emerging Markets	-	-	-	-	-	-	-
Mortgages	1,015	-	-	-	-	-	-
Supra/Sov/Local Govts	4,502	-	-	851	-	-	-
Cash/Cash Equivalents/Currency Forwards	3,715	-	-	-	-	-	8,841
	155,240	5,461	31,482	98,473	4,948	2,001	9,874
% of Fixed Interest Portfolio	50.5	1.8	10.2	32.0	1.6	0.7	3.2

Treasury Management Year End Cash Balances

The management of Pension Fund cash balances not held by the Custodian is delegated to Gloucestershire County Council's Treasury Management team to manage in accordance with their Treasury Management Strategy, which reflects the CIPFA Code of Practice on Treasury Management in Public Services. Pension Fund cash is invested separately from Gloucestershire County Council monies.

The Fund's cash holding under its treasury management arrangements at 31st March 2015 is shown below:

Account Name	Balances as at 31st March 2014		Balances as at 31st March 2015	
	Rating*	£000	Rating*	£000
Ignis Liquidity Fund	AAAmf	2,427	AAAmf	3,837
Federated Prime Rate Liquidity Fund	AAAmf	-	AAAmf	2,019
**HSBC Instant Access	A1/AA-	20	A-1+/AA-	531
HSBC Current Account	A1/AA-	4	A-1+/AA-	25
Svenska Handelsbanken	A1/AA-	5,000	A-1+/AA-	-
Total		7,451		6,412

* Ratings quoted are all Standard and Poors as at 31st March 2015 and 2014 with the exception of Federated Prime, which is Fitch rated as at 31st March 2015.

** Renamed

Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Pension Fund has adequate cash resources to meet its commitments. A substantial portion of the Fund's investments consist of readily realisable securities, in particular equities and fixed income investments, even though a significant proportion is held in pooled funds. However, the main liability of the Fund are the benefits payable, which fall due over a long period and the investment strategy reflects the long term nature of these liabilities. Therefore the Fund is able to manage the liquidity risk that arises from its investments in less liquid asset classes such as property which are subject to longer redemption periods and cannot be considered as liquid as the other investments. The Fund maintains a cash balance to meet working requirements and has immediate access to its cash holdings.

All financial liabilities are due within one year.

Refinancing risk

Refinancing risk relates to the Fund being required to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. Refinancing risk within the Bond portfolio is mitigated through credit and liquidity analysis of all investments and diversification by issuer and maturity. The CBRE property fund managed on behalf of the Pension Fund is not leveraged or subject to refinancing risk. However, the underlying investments within this portfolio are leveraged and so may be subject to refinancing risk. This risk is mitigated by covenants written into the Fund documentation. There are no other financial instruments that have refinancing risk as part of its treasury management and investment strategies.

Fair value hierarchy

The Fund is required to classify its investments using a fair value hierarchy that reflects the subjectivity of the inputs used in making an assessment of fair value. Fair value is the value at which the investments could be realised within a reasonable timeframe. This hierarchy is not a measure of investment risk but a reflection of the ability to value the investments at fair value. The fair value hierarchy has the following levels:

- Level 1 – Unadjusted quoted prices in an active market for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 – Inputs other than quoted prices under Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Unobservable inputs for the asset or liability used to measure fair value that rely on the reporting entity's own assumptions concerning the assumptions that market participants would use in pricing an asset or liability, including assumptions about risk.

The following sets out the Fund's investment assets (by class) measured at fair value according to the fair value hierarchy, as held by the Fund's custodian, at 31st March 2015.

2014/15	Level 1	Level 2	Level 3
Type of Asset	£000	£000	£000
UK Equities	312,365	-	-
Global Equities	309,628	1,556	-
Emerging Market Equities	58,499	-	-
Fixed Interest	156,993	-	-
Index Linked Securities	89,045	-	-
Overseas Fixed Interest	89,916	4,607	-
Overseas Indexed Linked	14,638	-	-
Unitised Insurance Policy	446,370	78,772	-
Property	-	101,494	17,966
Private Equity	-	-	4,587
Cash & Cash Equivalents	5,702	-	-
TOTAL	1,483,156	186,429	22,553

2013/14	Level 1	Level 2	Level 3
Type of Asset	£000	£000	£000
UK Equities	316,478	-	-
Global Equities	280,844	-	-
Emerging Market Equities	47,095	-	-
Fixed Interest	141,368	-	-
Index Linked Securities	78,543	-	-
Overseas Fixed Interest	74,609	1,528	-
Overseas Indexed Linked	-	-	-
Unitised Insurance Policy	446,986	-	-
Property	-	79,316	12,343
Private Equity	-	-	4,935
Cash & Cash Equivalents	17,200	-	-
TOTAL	1,403,123	80,844	17,278

N28. Transfers in and out of the Pension Fund

Transfers in from other pension funds

During 2014/15 an employer transferred its employees in from another Local Government Pension Scheme. The Pension Fund received a bulk transfer value of £2.56m to cover these liabilities.

Transfers to other pension funds

The Pension Fund received notification from the Government that all Probation Trusts across the country would be transferring their pension assets and liabilities into the Greater Manchester Pension Fund (GMPF). This involved transferring the Gloucestershire Probation Trust's records, pensioners and members to GMPF together with the Probation Trust's share of the Pension Fund assets. At the time of the last Annual Report this figure was estimated to be approximately £25m. When

the transfer of assets was completed the actual amount calculated by the Actuaries was £28.7m and this was paid in November 2014.

N29. Accounting Standards that have been issued but have not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 requires consideration of the impact of Standards that have been issued but not yet adopted. This is to enable users to evaluate the risk of these new Standards on the Pension Fund's current financial position.

The Pension Fund has yet to adopt International Financial Reporting Standard (IFRS) 13 Fair Value Measurement (May 2011). IFRS 13 defines fair value and sets out in a single IFRS a framework for measuring fair value. It also identifies the disclosure requirement for items measured at fair value. Although this new standard was originally issued in May 2011, and applied to accounting periods beginning on or after 1st January 2013, its adoption was deferred by the CIPFA/LASSAC Local Authority Accounting Code Board until the 2015/16 Code.

It is anticipated that this Standard will not have a material impact on our accounts when it is applied prospectively from 1st April 2015.

N30. Events after the reporting date

Preliminary figures received from the Custodian indicated that at the end of August 2015 the value of the Pension Fund's investments had fallen by approximately 9% on year end values. However investments are valued at fair value and the benefit only realised upon sale and therefore any change is considered a non-adjusting event.