

**Fiscal Year 2015
Annuity Retirement Benefit Fund
Review of Operations**

(Local Public Service Mutual Aid Associations)



地方公務員共済組合連合会
Pension Fund Association for Local Government Officials

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[DISCLAIMER]

When there are any discrepancies between original Japanese version and English translation version, the original Japanese shall prevail.

Section 1 Pension Fund System for Local Government Officials, Etc.

Pension Fund System for Local Government Officials

○ Pension Fund System for Local Government Officials

The pension fund system for local government officials was established in December 1962 as a system to comprehensively manage the long-term benefits program, short-term benefits program and welfare services program for local government employees and their families, for the purpose of providing mutual aid for local government employees.

• Local Public Service Law, Article 43

“A mutual benefit system with mutual aid in view should be put into practice for the purpose of furnishing appropriate benefits in cases where illness, injuries, childbirth, suspension of business, calamities, retirement, disability, or death occur to personnel themselves, or where persons supported by them are visited by illness, injuries, childbirth, death, or calamities.”

• Local Public Officers, etc. Mutual Aid Association Act, Article 1

“This Act shall establish a mutual aid system to provide appropriate benefits with regard to an illness, injury, child delivery, temporary leave, accident, retirement, disability or death of an employee or an illness, injury, child delivery, death or accident of an employee’s nonworking dependents and provide for necessary matters concerning these benefits and welfare services to be performed, and additionally shall provide for matters concerning the pension system etc. for employees of local government-related entities for the purpose of contributing to the improvement of lifestyle stability and welfare of local public employees and their survivors and contributing to the efficient management of public duties.”

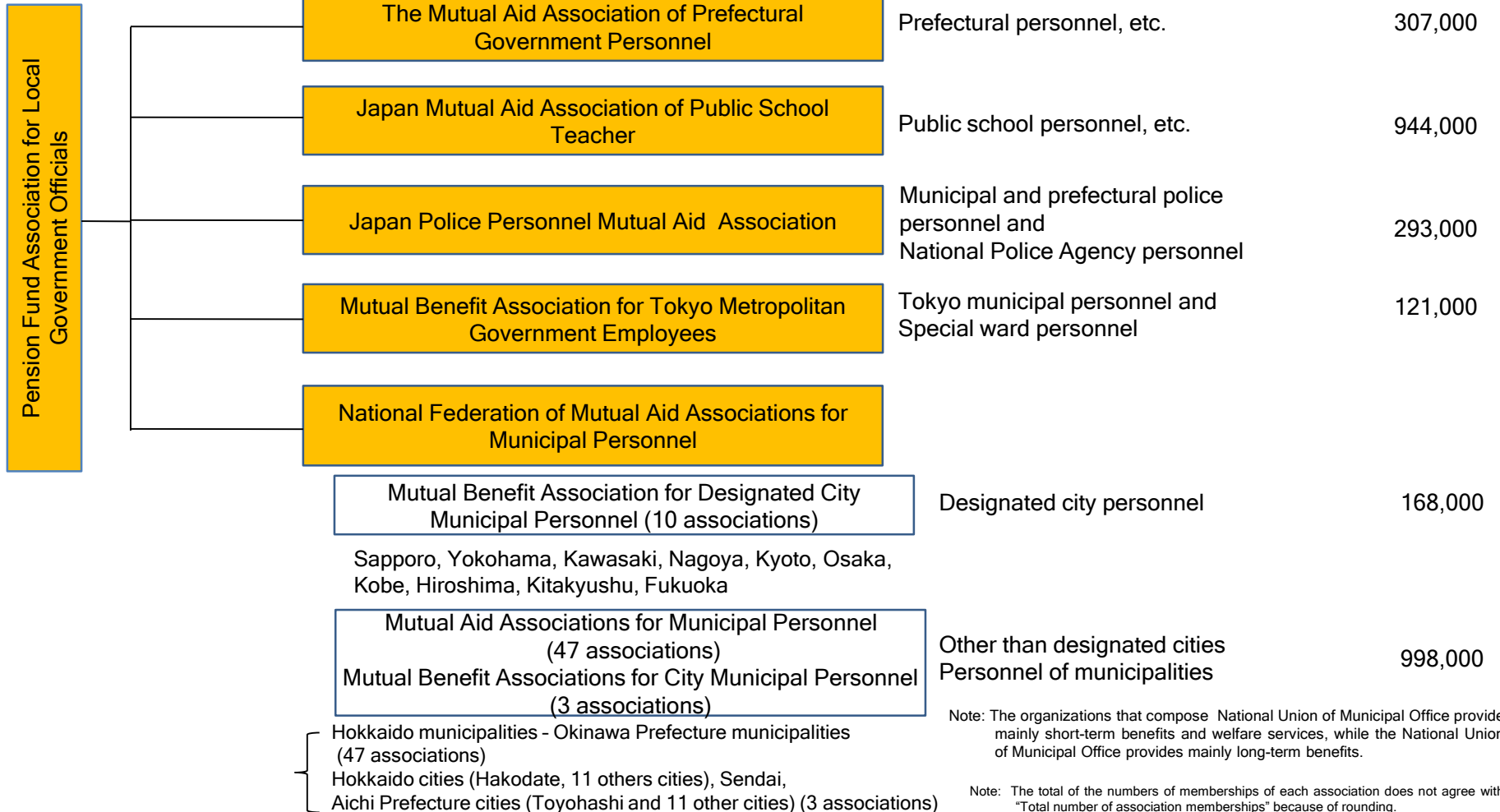
○ Establishment of Pension Fund Association for Local Government Officials

Pension Fund Association for Local Government Officials, which was established on April 1, 1984 for the purpose of integrating pension funding units, stabilizing the pension funding base and achieving appropriate and smooth management of activities pertaining to mutual aid association long-term benefits, in order to maintain sound management of the local government officials’ pension system, is a federation comprising all Mutual Aid Associations for local government employees (as of March 31, 2016, 64 associations and National Federation of Mutual Aid Associations for Municipal Personnel.

Organization of Local Public Service Personnel Mutual Aid Associations

Total 64 mutual aid associations

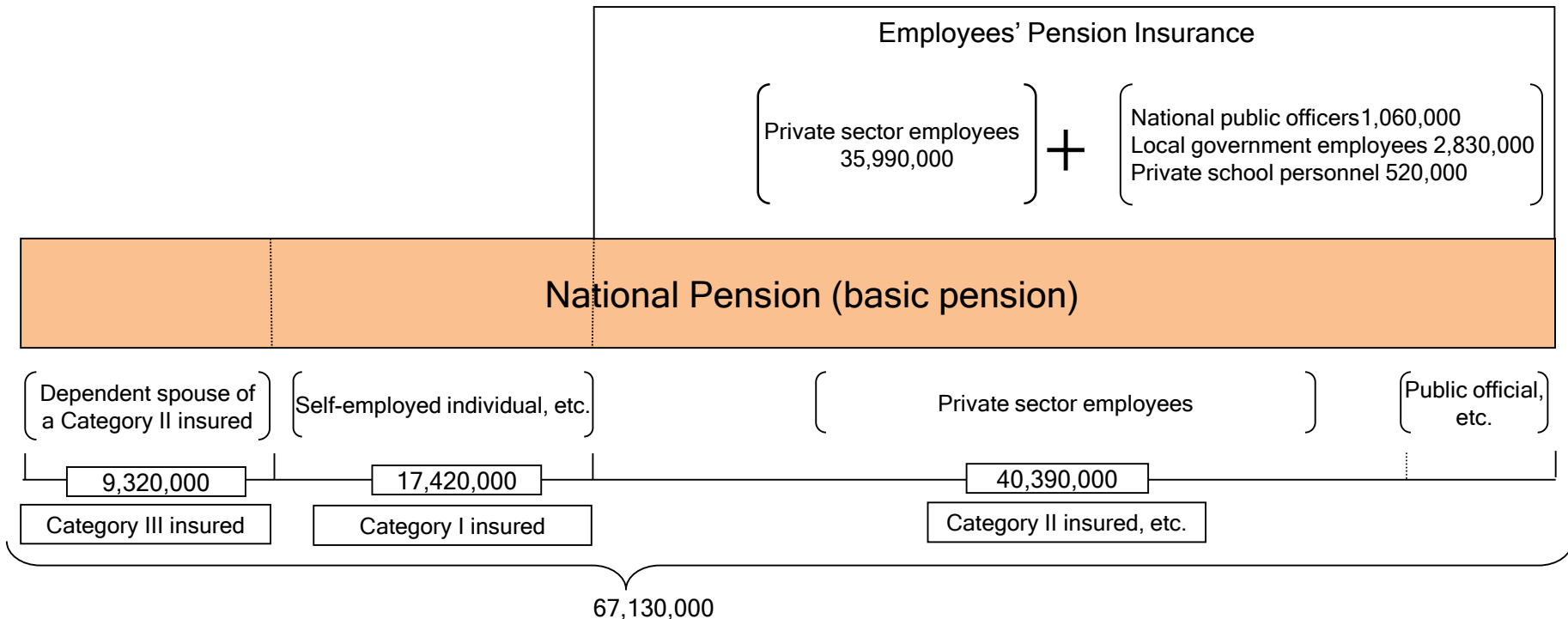
Total number of association memberships 2,831,000
March 2016



Outline of the public pension system after Integration of Employee Pension Plans - From October 2015 -

With Integration of Employee Pension Plans, the mutual pension was discontinued and consolidated into Employee Pension Insurance. Government employees and school personnel at private schools are also enrolled in Employee Pension Insurance, and insurance premiums and benefits identical to those of private sector employees have been realized (systemic differences have been eliminated).

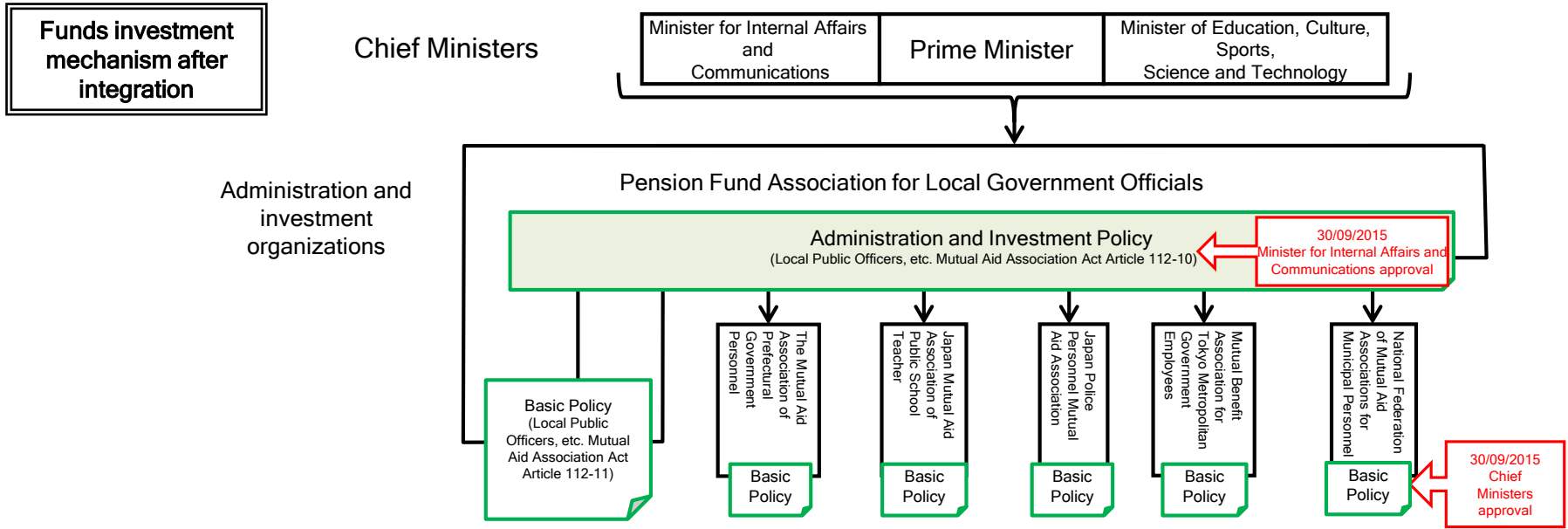
(March 31)



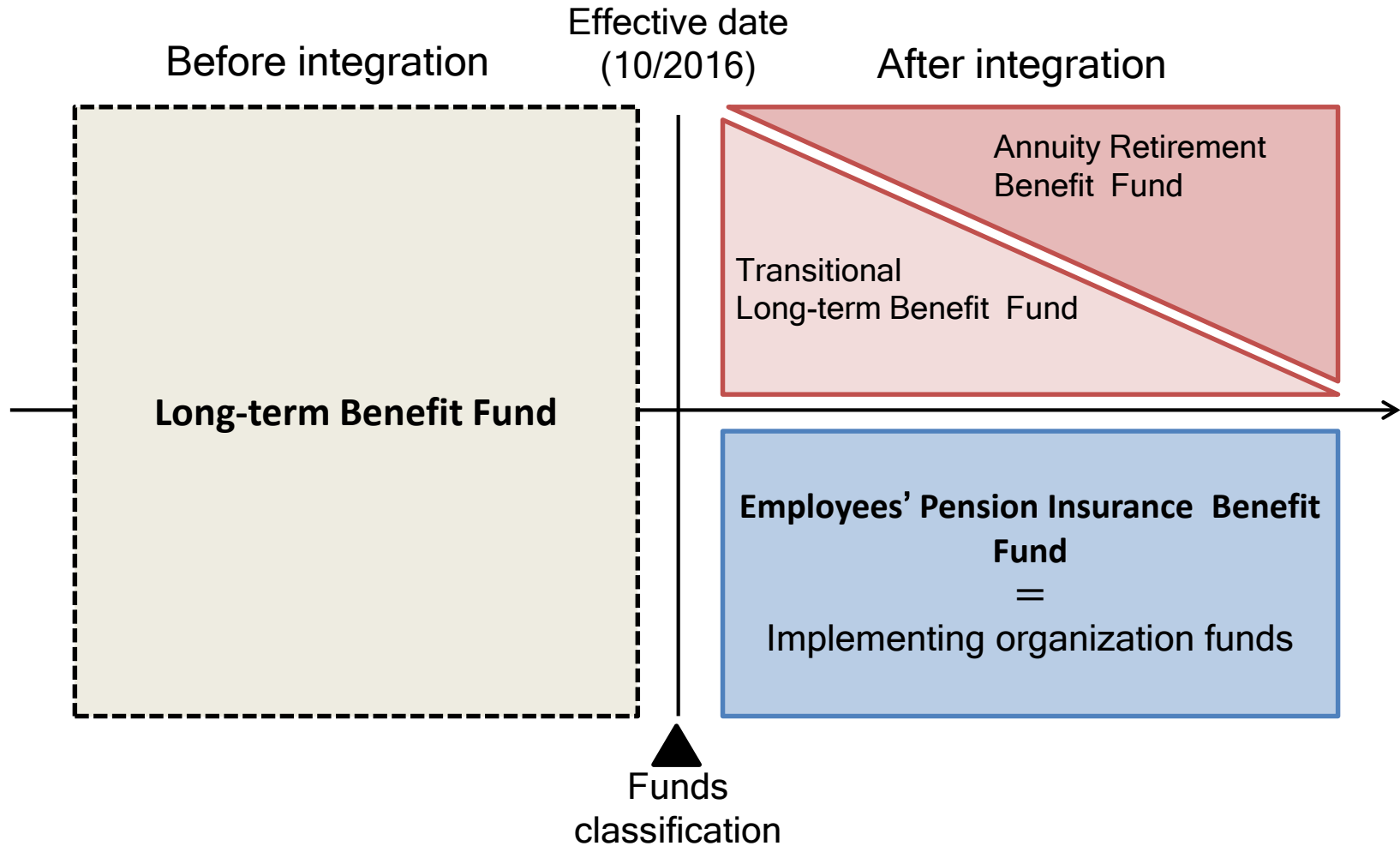
(Note) Individuals enrolled in a corporate pension who are included among individuals covered by Employee Pension Insurance 16,500,000
(Breakdown: Employees' Pension Fund: 3,630,000; defined-benefit pension plans: 7,820,000; defined contribution pension plans (corporate type): 5,050,000)
In addition, 210,000 individuals are enrolled in a defined contribution pension plan (individual type), and 450,000 individuals are covered by the National Pension Fund.

Funds investments after Integration of Employee Pension Plans ①

- **Funds investments after Integration of Employee Pension Plans**
To ensure efficient administration and processing after integration with the Employees' Pension Benefit System as well, mutual aid associations will continue to manage memberships' pension records and prepare standard reports.
The association sets and revises standard compensation, collects insurance premiums, determines pension benefit, and provides pensions.
In addition, mutual aid associations are responsible for continuing to perform activities such as funds management and investments.
Until now, as a result of Integration of Employee Pension Plans, Long-term Benefit Fund had been the only funds available as the source of funds for long-term benefit, but since October 2015 there are three sources of funds: Employees' Pension Insurance Benefit Fund, Annuity Retirement Benefits Fund, and Transitional Long-term Benefit Fund.
- **Formulation of administration and investment policies and basic policies**
 - ① Pension Fund Association for Local Government Officials formulates Administration and Investment Policy (Including the Portfolio at Local Public Service Mutual Aid Associations), which serves as the common policy for organizations such as Local Public Service Personnel Mutual Aid Associations in each region (the Implementing Organizations). (Local Public Officers, etc. Mutual Aid Association Act Article 112-10)
 - ② A Basic Policy (Including the benchmark portfolio) pertaining to funds administration and investment is formulated at Local Public Service Personnel Mutual Aid Associations or other organization in each region, so that it conforms to Administration and Investment Policy set by Pension Fund Association for Local Government Officials. (Local Public Officers, etc. Mutual Aid Association Act Article 112-11)



Funds investments after Integration of Employee Pension Plans ②



(Reference) Comparison of characteristics of each benefit after Integration of Employee Pension Plans

	Employees' Pension Insurance Benefits	Transitional Long-term Benefits	Annuity Retirement Benefits
Pension characteristics	Employee Pension Insurance in public pension form [Social security system portion]	Benefits remaining transitionally against the backdrop of expected rights concerning part of a mutual aid pension in public pension form	Part of retirement benefits [Corresponds to private sector corporate pensions]
	Benefit amount tied to inflation		As a rule, benefit level is linked to government bond return
	Macroeconomic slide applied		—
	Actuarial valuation every 5 years	Preparation of fund current status and outlook every 5 years	Actuarial valuation every 5 years
Fund administration system	Pay-as-you-go system	Closed Pension Plan	Advanced funding method
Benefits design	Defined benefits (scheme that sets benefit level in the form of a certain percentage of service period compensation)		Cash balance-type (system that sets benefit level in a form synchronized with government bond return, etc.)
Premium rate	Has been increased in stages, and for public officials as been set at 18.3% since 2018. (Employee Pension Insurance has been set at 18.3% since 2017)	Because it is a Closed Pension Plan, no new contributions are generated	The maximum insurance premium rate is 1.5%, and is set by considering factors such as the entitlement rate

Basic Approach concerning investment of Annuity Retirement Benefit Fund

- It is assumed that, as a basic policy, funds will be invested with the objective of stably contributing to retirement etc. pension benefits operations, based on the characteristics of a cash balance-type pension program that determines benefit levels in a form synchronized with government bond returns, etc.
- The investment of Annuity Retirement Benefits Fund shall be managed appropriately by establishing the Benchmark Portfolio so that investment returns needed for the fund (i.e., assumed return (meaning the assumed return stipulated in Article 28, Paragraph (5) of the Ordinance for Enforcement of Local Public Officers, etc. Mutual Aid Association Act (Cabinet Order No. 352 of 1962))) will be generated with the minimum risk.

Administration and Investment Policy for Annuity Retirement Benefit Adjustment Fund (excerpt)

(1) Basic Policy

The Association shall manage Annuity Retirement Benefit Adjustment Fund and Annuity Retirement Benefit with the objective of contributing to the stability of Annuity Retirement Benefit plan operations based on the characteristics of a cash-balance pension plan whose benefit level is linked to government bond yields. Accordingly, the Association shall administer and invest Annuity Retirement Benefit Adjustment Fund by establishing an asset mix from the long-term perspective (the “Benchmark Portfolio”).

(2) Investment target, risk management

(i) Investment target

The investment of Annuity Retirement Benefit Fund, which has the characteristics of a cash-balance pension plan, shall be managed appropriately by establishing the Benchmark Portfolio so that investment returns needed for the fund (i.e., assumed return (meaning the assumed return stipulated in Article 28, Paragraph (5) of the Ordinance for Enforcement of Local Public Officers, etc. Mutual Aid Association Act (Cabinet Order No. 352 of 1962))) will be generated with the minimum risk.

In doing so, the Association shall pay attention not to distort, among other things, price formation in the market and private sector investment activities.

The Benchmark portfolio

Benchmark portfolio

- Approach

The Association manages Annuity Retirement Benefit Fund with the objective of contributing to the stability of Annuity Retirement Benefit plan operations based on the characteristics of a cash-balance pension plan whose benefit level is linked to government bond returns. Accordingly, the Association established the asset mix from a long-term perspective. The full amount of Annuity Retirement Benefit Fund portfolio (100%) is invested domestic bonds.

	Domestic bonds
Asset Mix	100%

- Investment target

The investment of Annuity Retirement Benefit Fund, which have the characteristics of a cash-balance pension plan, shall be managed appropriately by establishing the Benchmark Portfolio so that investment returns needed for the funds (i.e., assumed return (meaning the assumed return stipulated in Article 28, Paragraph (5) of the Ordinance for Enforcement of Local Public Officers, etc. Mutual Aid Association Act (Cabinet Order No. 352 of 1962))) will be generated with the minimum risk.

In doing so, the Association pays attention not to distort, among other things, price formation in the market and private sector investment activities.

The assumed interest rate is 0.48%.

Risk Management ①

- “Risk” encompasses various kinds of risk, and if interest rate risk, price fluctuation risk, credit risk, liquidity risk and other factors are also viewed as “risks” for asset investment, in some cases the possibility that the required return cannot be ensured can be viewed as a “risk”. Therefore, for asset investment it is vital to consider the various risks commensurate with investment from a long-term point of view.
- Risk management is being implemented appropriately by undertaking investments of funds safely and efficiently from a long-term point of view and giving consideration to the characteristic of a cash balance-type pension plan that determines benefit levels in a form that is lined to the government bond returns etc.

Implementation policy for risk management concerning investment of funds (Excerpt)

1. Basic Approach concerning risk management

The Mutual Aid Association of Prefectural Government Personnel, Japan Mutual Aid Association of Public School Teacher, Japan Police Personnel Mutual Aid Association, Mutual Benefit Association for Tokyo Metropolitan Government Employees, National Federation of Mutual Aid Associations for Municipal Personnel, and Pension Fund Association for Local Government Officials will appropriately perform risk management concerning investments of their funds based on the following matters.

- ① Undertake investments of funds safely and efficiently from a long-term point of view.
- ② The investment of each fund is undertaken based on a benchmark portfolio, which is formulated on the principle of appropriately diversifying the invested funds among multiple assets that possess different characteristics, including risks and returns (referred to below as “diversified investments”)

2. Risk management Implementation entities and management objects

(1) Omitted

(2) Annuity Retirement Benefit Fund

- ① The Association shall conduct risk management for investments of Annuity Retirement Benefit Adjustment Fund and Annuity Retirement Benefit Fund.
- ② Each association etc. shall conduct risk management for investment of its Annuity Retirement Benefit Fund (at Pension Fund Association for Local Government Officials, Annuity Retirement Benefit Adjustment Fund).

Risk Management ②

- For investment based on the Benchmark portfolio it is necessary to control the various risk factors, and to ensure earnings that are aligned with the Benchmark portfolio from a long-term viewpoint, managing the size of the divergence between the portfolio allocations by asset category of the Benchmark portfolio and the portfolio allocations by asset category of the actual portfolio in particular becomes especially critical.
- Specifically, for all assets it is necessary to understand and control the conditions creating the divergence between the value of the portfolio allocations by asset category actually held and the portfolio allocations by asset category set by the Benchmark portfolio.
- In addition, because there also are assets for which the management has been outsourced to outside entities under the federation's asset management system, from the viewpoint of ensuring smooth implementation of each operation controls have been implemented for various aspects, including the status of asset management at each asset management organization to which asset management has been outsourced.
- Furthermore, for the Benchmark portfolio formulated based on the long-term economic outlook, it is necessary to regularly verify performance, including the confirmation of assumptions. During that verification we believe it is necessary to confirm whether the existing Benchmark portfolio is appropriate from the viewpoint of long-term, safe and efficient operations.

Governance System ①

1 Local Public Service Mutual Aid Associations

(1) Organization

Pension Fund Association for Local Government Officials is comprised of the Mutual Aid Association of Prefectural Government Personnel, Japan Mutual Aid Association of Public School Teacher, Japan Police Personnel Mutual Aid Association, Mutual Benefit Association for Tokyo Metropolitan Government Employees, and National Federation of Mutual Aid Associations for Municipal Personnel (“the associations, etc.”).

Pension Fund Association for Local Government Officials is providing the associations, etc. with technical and specialized knowledge, materials, and other information related to the management and investment of funds, and together with understanding efforts such as surveys and research that the associations, etc. have implemented, is exchanging information with the associations, etc., including appropriately providing information concerning the information it has understood, and acting as a liaison and coordinator.

In addition, Pension Fund Association for Local Government Officials and the associations, etc. are cooperating while working together, such as providing necessary information, concerning the implementation of activities related to investment of the Implementing Organizations’ funds.

(2) Fund Management Committee of Local Public Service Personnel Mutual Aid Associations

Pension Fund Association for Local Government Officials has established a Fund Management Committee of Local Public Service Personnel Mutual Aid Associations composed of individuals who possess academic and practical experience in such fields as economy, finance, and fund management, to examine technical matters pertaining to the administration and investment of funds (meaning administration and investment of the Managed Fund, administration and investment of Annuity Retirement Benefit Adjustment Fund (including administration of the investment status of Annuity Retirement Benefit Fund of the Associations, etc.), and the administration and investment of Transitional Long-term Benefit Adjustment Fund (including administration of the investment status of Transitional Long-term Benefit Fund of the Associations, etc.))

Governance System ②

2 Implementing Organizations

(1) Governing Council, etc.

To amend the articles of incorporation and operating rules, and study and discuss the business plans, budgets, and settlement of accounts for each business year and other important operating matters, governing councils and other committees have been established at Pension Fund Association for Local Government Officials and the associations, etc., where these matters are decided through deliberations by the governing councils, etc.

The designations, etc. of the governing councils and other committees at Pension Fund Association for Local Government Officials and the associations, etc. are as follows.

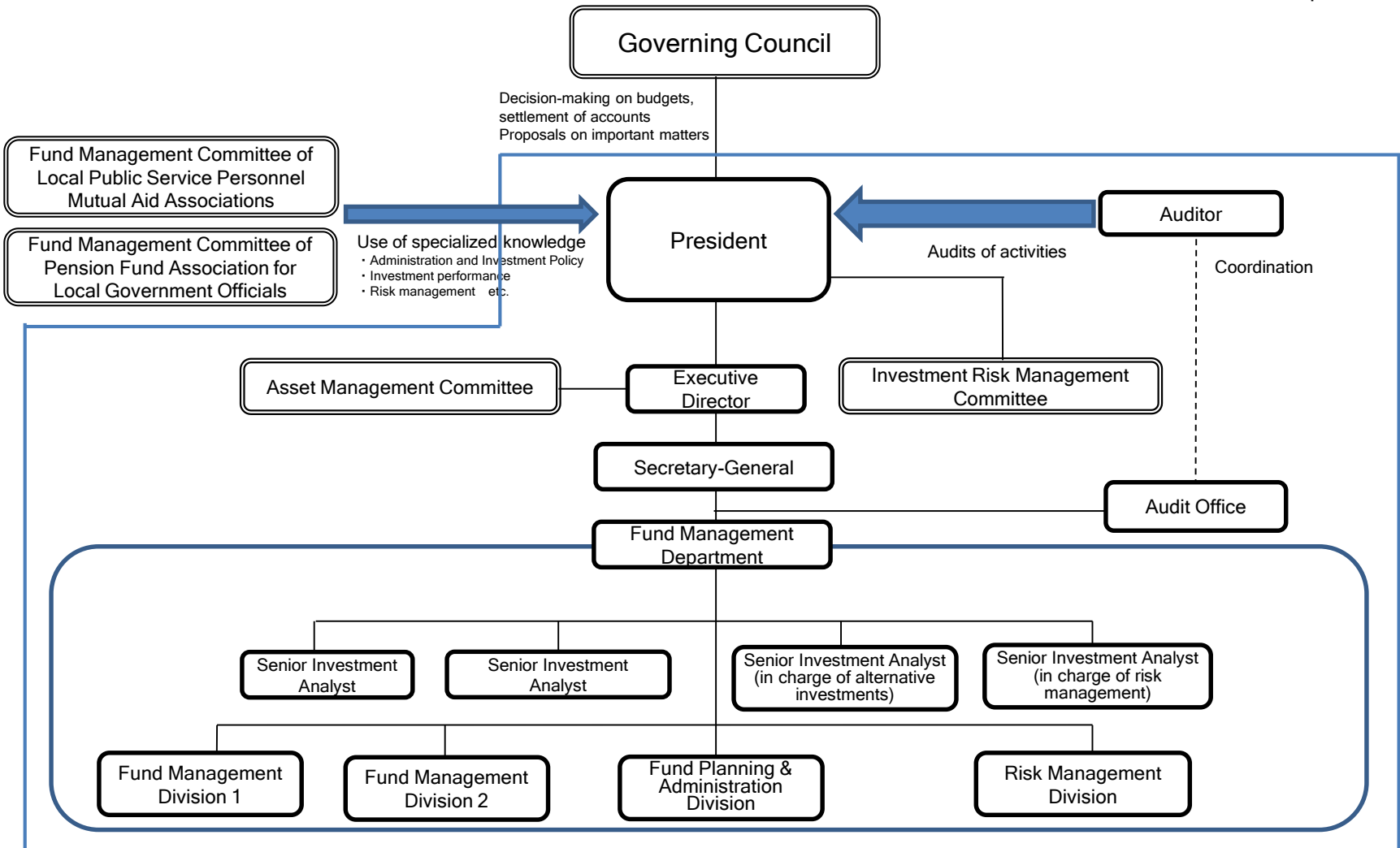
- Governing Council (Local Public Officers, etc. Mutual Aid Association Act Article 38-4 and Article 38-5)
Pension Fund Association for Local Government Officials
- Governing Council (Local Public Officers, etc. Mutual Aid Association Act, Article 6, Article 7, Article 8)
Prefectural Mutual Aid Secretary Office of the Mutual Aid Association of Prefectural Government Personnel; Japan Mutual Aid Association of Public School Teacher; Japan Police Personnel Mutual Aid Association
- Associations Committee (Local Public Officers, etc. Mutual Aid Association Act, Article 6, Article 9, Article 10)
Mutual Benefit Association for Tokyo Metropolitan Government Employees, Mutual Aid Associations for Designated City Municipal Personnel, Mutual Aid Associations for Municipal Personnel (other than Tokyo and designated cities), Mutual Aid Associations for City Municipal Personnel
- General Committee (Local Public Officers, etc. Mutual Aid Association Act, Article 30, Article 31, Article 32)
National Federation of Mutual Aid Associations for Municipal Personnel
- Management Board of Trustees (Local Public Officers, etc. Mutual Aid Association Act, Article 144-5, Article 144-6, Article 144-7)
Group Mutual Aid Department of Prefectural Mutual Aid Association

(2) Utilization of a committee of specialists

For specialized matters pertaining to the management and investment of implementing organization funds, including the formulation and modification of basic policy, Pension Fund Association for Local Government Officials and the associations, etc. utilize committees of specialists composed of individuals who possess academic knowledge or business experience in areas such as economics, finance, and fund investments.

(Reference) Pension Fund Association for Local Government Officials' Governance System

April 1th, 2016



Fund Management Committee of Local Public Service Personnel Mutual Aid Associations

○ Fund Management Committee of Local Public Service Personnel Mutual Aid Associations

Based on the Administration and Investment Policy for the Managed Fund for Employees' Pension Insurance Schemes (established on October 1, 2015), Administration and Investment Policy for Annuity Retirement Benefit Adjustment Fund (established on October 1, 2015), and Administration and Investment Policy for the Transitional Long-term Benefit Adjustment Fund (established on October 1, 2015), Pension Fund Association for Local Government Officials has established a Fund Management Committee of Local Public Service Personnel Mutual Aid Associations composed of individuals who possess academic and practical experience in such fields as economics, finance, and fund management, to examine technical matters pertaining to the management and investment of each of the funds (including management and investment of the Managed Fund, management and investment of Annuity Retirement Benefit Adjustment Fund (including management of the investments of Annuity Retirement Benefit Fund of the Mutual Aid Association of Prefectural Government Personnel, Japan Mutual Aid Association of Public School Teacher, Japan Police Personnel Mutual Aid Association, Mutual Benefit Association for Tokyo Metropolitan Government Employees, and National Federation of Mutual Aid Associations for Municipal Personnel (“the Associations Etc.”).) and management and investment of the Transitional Long-term Benefit Adjustment Fund (including management of the investment status of the Transitional Long-term Benefit Fund of the Associations Etc.).

List of Committee Members (As of April 2016)

Chairman	Wakasugi Takaaki	Director, Michigan University-Mitsui Life Financial Research Center
	Ide Eisaku	Professor, Keio University Faculty of Economics
	Kawakita Hidetaka	Kyoto University, Professor Emeritus
	Kita Kounosuke	Russell Investments Japan Co., Ltd. Executive consultant/Director, Consulting
	Takayama Yoshiko	J-Eurus IR Co., Ltd. Managing Director
	Takehara Hitoshi	Professor, Waseda Business School (Graduate School of Business and Finance)
	Tokushima Katsuyuki	NLI Research Institute Pension Research Center, Chief Pension Consultant
	Toshino Masashi	Adjunct Instructor, Waseda University Faculty of Commerce
	Hachisuka Kazuyo	Managing Director, Japan Economic Research Institute Inc.
	Fujisawa Kumi	President, Think Tank SophiaBank
	Morimoto Masahiro	All-Japan Prefectural and Municipal Workers Union General Manager, Central Executive Committee Bureau of Labor

• Deliberation matters

- ① Matters concerning configuration and revision of the model portfolio
- ② Matters concerning formulation and modification of Administration and Investment Policy
- ③ Matters concerning formulation and modification of risk management implementation policy
- ④ Matters concerning formulation and modification of investment policies for new eligible investment instruments
- ⑤ Other specialized matters concerning management and investment of each of the funds

• Reporting matters

- ① Investment performance
 - ② Status of risk management
 - ③ Investment status of new investments
 - ④ Status of strengthening and training of specialized human resources
 - ⑤ Other matters required by the committee concerning the management and investment of each of the funds
- For specialized matters concerning the management and investment of each of the funds, the committee can express its views concerning important matters through consultations with the president.

Section 2 Status of Fiscal Year 2015 (Second Half) Investments

Fiscal Year 2015 Market Environment (Second Half) ①

【Changes in each market (October - March)】

- Domestic bonds:** The 10-year Japanese Government Bond return on maintained its downward trend (bond price increased) against the backdrop of expectations of additional monetary expansion by the Bank of Japan. From the end of January, the return declined further following the Bank of Japan's announcement of the introduction of negative interest rates
- Domestic equities:** Although share prices rose at the beginning of the fiscal year, partially in response to the large drop in the stock market during the July-September period, risk aversion actions strengthened from the start of the calendar year because of concerns such as the global economic slowdown, beginning with China, and stock prices moved lower.
- Foreign bonds:** Although the return on 10-year U.S. Treasury bonds rose (the bond price fell) at the start of the fiscal year because of expectations of an interest rate hike by the FRB in December, the return subsequently declined (the bond price rose) as the year progressed because of moves to avert risk. The Return on 10-year German government bonds declined (the bond price rose) as well, pushed lower by risk aversion actions after the start of the calendar year.
- Foreign equities:** Share prices of foreign equities rose at the start of the fiscal year, driven by the reaction to the broad market decline in the July-September period and factors such as monetary easing in China and Europe. Although a period when risk aversion activity intensified and stock prices fell was also seen after the start of the new year, other factors such as a reaction to crude oil prices also had an effect, and from February share prices moved higher.
- Foreign currency exchange rate:** At the beginning of the fiscal year, the dollar/yen exchange rate fluctuated around 121 yen. Following the Bank of Japan's announcement at the end of January that it would introduce a negative interest rate policy, a phase during which the yen weakened temporarily was evident, but amidst global moves to avoid risk the yen appreciated considerably. Looking at the euro/yen exchange rate, various factors including additional monetary expansion by the ECB resulted in appreciation of the yen despite a period of notable yen weakness following the Bank of Japan's announcement of the introduction of negative interest rates.

○Reference indices

		September 30, 2015	December 31, 2015	March 31, 2016
Domestic bonds	(10-year government bond return) (%)	0.36	0.27	-0.03
Domestic equities	(TOPIX, no dividends) (Points)	1411.16	1547.30	1347.20
	(Nikkei Stock Average) (Yen)	17388.15	19033.71	16758.67
Foreign bonds	(10-year U.S. government bond return) (%)	2.04	2.27	1.77
	(10-year German government bond return) (%)	0.59	0.63	0.15
Foreign equities	(NY Dow-Jones) (US \$)	16284.70	17425.03	17685.09
	(German DAX) (Points)	9660.44	10743.01	9965.51
Exchange rates	(Dollar/Yen) (Yen)	119.78	120.24	112.39
	(Euro/Yen) (Yen)	133.73	130.70	128.07

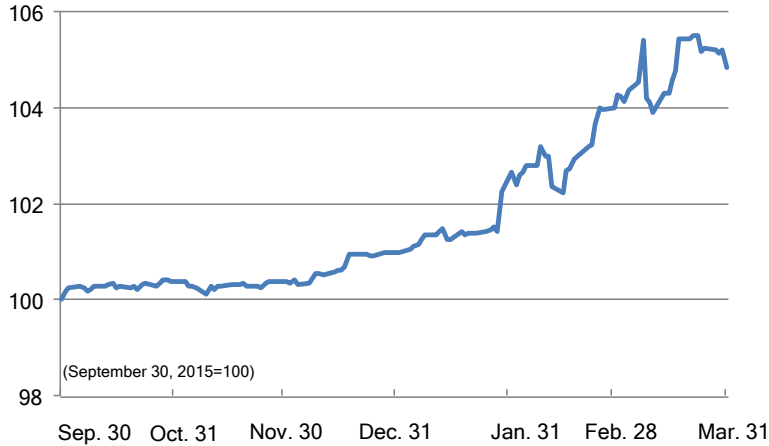
○Benchmark returns

		October 2015 ~ March 2016
Domestic bonds		4.84%
NOMURA-BPI Overall		
Domestic equities		-3.39%
TOPIX (including dividends)		
Foreign bonds		-2.58%
Citi World Government Bond Index (excluding Japan; no hedge, Japanese yen basis)		
Foreign equities		-0.69%
MSCI ACWI (excluding Japan; Japanese yen basis, including dividends)		

Fiscal Year 2015 Market Environment (Second Half) ②

Changes in benchmark indices (FY2015 second half)

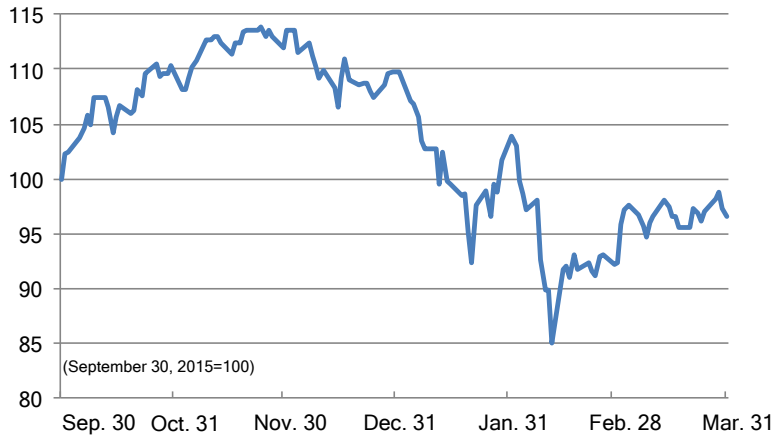
【Domestic bonds】



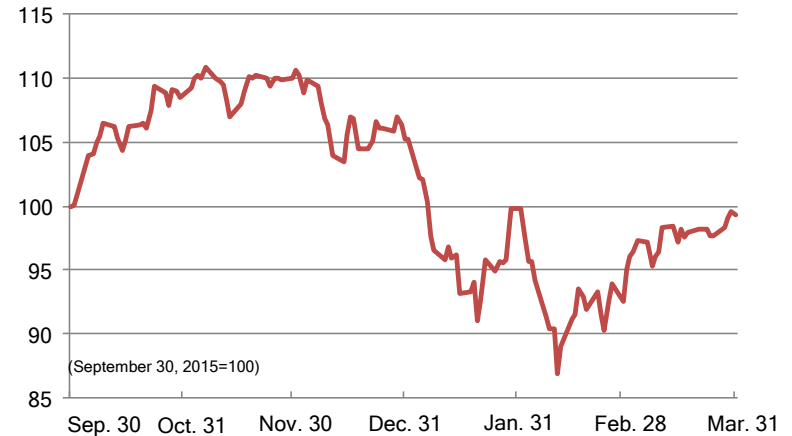
【Foreign bonds】



【Domestic equities】



【Foreign equities】



Portfolio Allocation by Asset Category

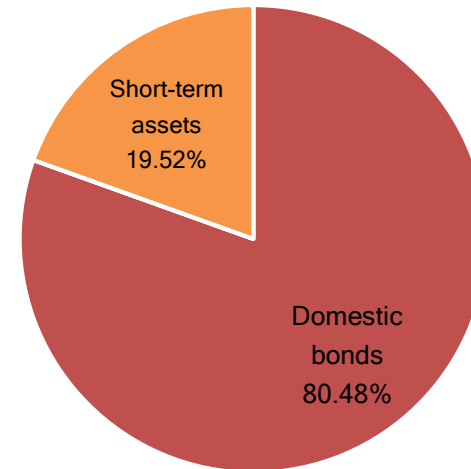
(Unit: 100 mil. yen, %)

	Asset Value	Portfolio Allocations
Domestic bonds	1,104	80.48
Short-term assets	268	19.52
Total	1,372	100.00

(Note 1) The benchmark portfolio is 100% domestic bonds.

(Note 2) The total of the individual figures shown above might not agree with the total because of rounding.

Fiscal Year 2015 year-end Portfolio Allocations by Investment Asset

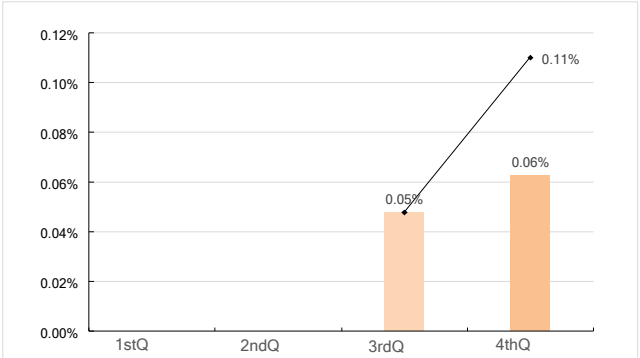


Fiscal Year 2015 Annuity Retirement Benefit Fund : Return on Investments

- The realized return for fiscal year 2015 (second half) was 0.11%.
- The realized return in the third quarter was 0.05%; the realized return in the fourth quarter was 0.06%.
- The domestic bonds held Annuity Retirement Benefit Fund are evaluated at book value because it is assumed the bonds will be held in the funds until maturity.

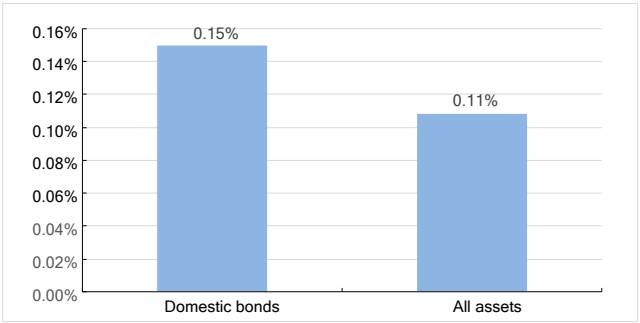
(Unit: %)

	Fiscal Year 2015				
	1st Q	2nd Q	3rd Q	4th Q	FY total
Realized return	/	/	0.05	0.06	0.11
Domestic bonds	/	/	0.12	0.08	0.15



(Reference) (Unit: %)

	Fiscal Year 2015				
	1st Q	2nd Q	3rd Q	4th Q	FY total
Modified total return	/	/	0.31	3.45	4.86



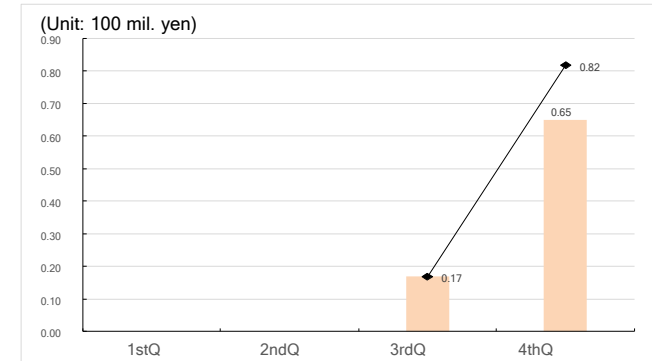
(Note 1) Returns since October 2015, when the pension system was integrated with Employees' Pension Insurance System.
 (Note 2) "3rd Q" and "4th Q" are period rate. "Fiscal year total" is the period rate for the second half of fiscal year 2015.
 (Note 3) The returns are after deduction of fees.
 (Note 4) The modified total return is the realized return tempered for changes to valuation gains and losses when tentatively valued at current market value.

Fiscal Year 2015 Annuity Retirement Benefit Fund : Investment Income

- The realized income for fiscal year 2015 (second half) were ¥82 million.
- The realized income in the third quarter was 17 million; the realized income in the fourth quarter was ¥ 65 million.
- The domestic bonds held in Annuity Retirement Benefit Fund are evaluated at book value because it is assumed the bonds will be held in the funds until maturity.

(Unit: 100 mil. yen)

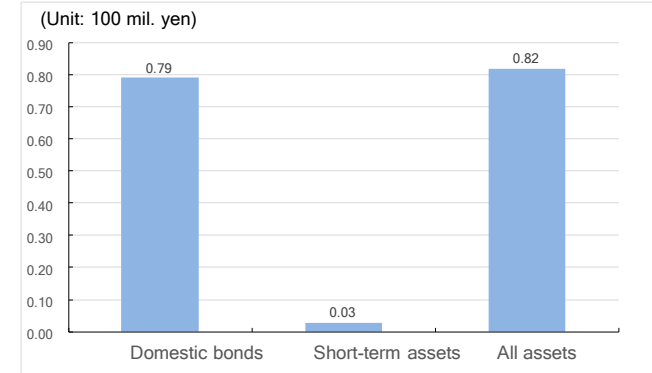
	Fiscal Year 2015				
	1st Q	2nd Q	3rd Q	4th Q	FY total
Realized income			0.17	0.65	0.82
Domestic bonds			0.16	0.63	0.79
Short-term assets			0.00	0.02	0.03



(Reference)

(Unit: 100 mil. yen)

	Fiscal Year 2015				
	1st Q	2nd Q	3rd Q	4th Q	FY total
Investment income			1.08	35.56	36.64



(Note 1) Incomes since October 2015, when the pension system was integrated with Employees' Pension Insurance System.

(Note 2) "Fiscal year total" is the income for the second half of fiscal year 2015.

(Note 3) The incomes are after deduction of fees.

(Note 4) The investment incomes are the realized incomes tempered for changes in valuation gains or losses when tentatively valued at current market value.

(Note 5) The total of the individual figures shown above might not agree with the total because of rounding.

Fiscal Year 2015 Annuity Retirement Benefit Fund : Value of Assets

(Unit: 100 mil. yen)

	Fiscal Year 2015											
	End of 1st Q			End of 2nd Q			End of 3rd Q			Fiscal year-end		
	Book value	Market value	Valuation gains/losses	Book value	Market value	Valuation gains/losses	Book value	Market value	Valuation gains/losses	Book value	Market value	Valuation gains/losses
Domestic bonds							287	288	1	1,104	1,140	36
Short-term assets							367	367	0	268	268	0
Total							654	655	1	1,372	1,408	36

(Note 1) Investment asset amounts since October 2015, when the pension system was integrated with Employees' Pension Insurance System.

(Note 2) The total of the individual figures shown above might not agree with the total because of rounding.

(Note 3) Market value and the gain or loss from valuation are used as references for tentatively calculating current market value.

Fiscal Year 2015 Annuity Retirement Benefit Fund: Fees

There are no fees related to investment because the full amount of Annuity Retirement Benefit Fund, including in-house investments, is invested in domestic bonds.

Status of Risk Management

- Duration is 14.44.

FY2015 year-end duration

	Domestic bonds
Fund	14.44
(Reference) NOMURA-BPI Overall	8.74

Outsourced Investment Institutions

The full amount of Annuity Retirement Benefit Fund (100%) is invested through programs such as in-house investments.

Glossary

- Administration and Investment Organizations
The four management and investment entities are Government Pension Investment Fund, Federation of National Public Service Personnel Mutual Aid Associations, Pension Fund Association for Local Government Officials, and Promotion and Mutual Aid Corporation for Private Schools of Japan.
- Transitional Long-term Benefit (TLTB) Funds
The combined funds of the TLTB association reserve funds administered and invested by mutual aid associations and the National Federation of Mutual Aid Associations for Municipal Personnel (collectively “Mutual Aid Associations, etc.”) for benefit payments of the old occupational portion (TLTB) after the integration of employee pension schemes, and the TLTB Adjustment Fund built by the Pension Fund Association for Local Government Officials for the purpose of providing necessary amounts in case of a shortage in TLTB payments by each Mutual Aid Associations, etc.
- Employees’ Pension Insurance (EPI) Benefit Funds
The combined funds of EPI benefit association reserve funds administered and invested by Mutual Aid Associations, etc. for EPI benefit payments, and the EPI Benefit Adjustment Fund built by Pension Fund Association for Local Government Officials for the purpose of providing necessary amounts in case of a shortage in EPI benefit payments by the Mutual Aid Associations, etc.
- Government funding ratio
In association with the integration of employee pension schemes, it was necessary to assign a portion of mutual aid associations’ pension reserves that match the level of Employees’ Pension Insurance (EPI) to EPI reserves (shared resources) after the integration. Specifically, an amount equivalent to the funding ratio of EPI before integration (the level of reserves measured as a number years’ worth of amount held against annual expenditure of the basic pension and EPI (first tier and second-tier) funded by insurance premiums) was set aside as shared resources. This funding ratio is called the government funding ratio.
- Annuity Retirement Benefit (ARB) Fund
The combined funds of the ARB association reserve funds, which each mutual aid association and the National Federation of Mutual Aid Associations for Municipal Personnel (collectively “Mutual Aid Associations, etc.”) started to build and are administering and investing for benefit payments of annuity retirement benefit after the integration of employee pension schemes, and the ARB Adjustment Fund, which the Pension Fund Association for Local Government Officials started to build for the purpose of providing necessary amounts in case of a shortage in ARB payments by each Mutual Aid Associations, etc. For the third quarter of FY 2015, the aggregate amount of the ARB Fund of Mutual Aid Associations, etc., is calculated because the ARB Adjustment Fund is yet to be built.
- Long-term Benefit Fund
This is a pension fund administered and invested by the Pension Fund Association for Local Government Officials before the integration of employee pension schemes. The fund was built to provide for any shortage in pension benefit payments of mutual aid associations.