



**Buckinghamshire  
Council**

Buckinghamshire Pension Fund



# Pension Fund Annual Report

Year ending March 2021 | Pension Scheme Reg no: 10123049

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# Scheme Management and Advisors

## **Administering Authority**

Buckinghamshire Council (BC)

## **Pension Fund Committee**

(BC unless stated)

Cllr Timothy Butcher – Chair

Cllr John Gladwin – Vice Chair

Cllr Chris Adams

Cllr David Anthony

Cllr Alan Bacon

Cllr Ralph Bagge

Cllr John Chilver

Cllr Norman Miles – Milton Keynes Council

Matthew Barber –Thames Valley Police

## **Asset Pool and Asset Pool Operator**

Brunel Pension Partnership

## **Advisors**

Mercer Investment Consulting

Carolyn Dobson

## **Fund Managers**

BlackRock

Blackstone Alternative Asset Management

Legal & General Investment Management

Pantheon Private Equity

Partners Group

Royal London Asset Management

## **Custodian**

State Street

## **Fund Legal Advisors**

Buckinghamshire Council Legal Team

## **Actuary**

Barnett Waddingham LLP

## **Bankers to the Fund**

Lloyds TSB Bank plc

## **Auditor**

Grant Thornton UK LLP

## **AVC Providers**

Scottish Widows

Prudential

## **Scheme Administrators**

The Pensions and Investments Team at

Buckinghamshire Council

## **Head of Projects and Pensions**

Mark Preston

## **Head of Pensions**

Julie Edwards

## **Pensions and Investments Accountant**

Rachael Martinig

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## Introduction by the Head of Projects and Pensions

Contained within this publication are the reports and accounts of the Buckinghamshire Pension Fund (BPF). The Fund is part of the Local Government Pension Scheme (LGPS) and is administered by The Pensions and Investments Team at Buckinghamshire Council (BC).

### COVID-19 Pandemic

2020 will be remembered as the year which fundamentally changed the way we live, work and interact with each other. The outbreak of COVID-19 led to changes in the country's economic and social-cultural landscape that were unprecedented. During 2020/2021, the Pensions and Investments Team worked hard to provide continuity of services, whilst abiding by Government guidelines to slow the spread of the virus and ensure the safety of staff and service users. As COVID-related legislation transformed, the Team adapted, seeking out innovative solutions to fulfill statutory obligations and meet the needs of the service. The Brunel Pension Partnership have also stressed the many gains made during this past year on key projects such as climate change policy and the transitioning of clients' assets, demonstrating the resilience of the Fund and the importance of future focused asset management.

### Buckinghamshire Council Corporate Plan

Buckinghamshire Council (BC) was established on 1<sup>st</sup> April 2020 as a new unitary authority to replace the five District Councils and County Council within Buckinghamshire. All services will undergo a review to ensure they are fit for purpose and in line with the vision for the newly established Council. The Pensions and Investments Team service review is expected to be delivered during 2021/2022. The Team underwent a review in 2019, resulting in a restructure that included the creation of new posts and a more fluid and unified approach to administration. This next review will ensure these changes continue to meet the ambitions and priorities set out in the BC Corporate Plan for 2020-2023.

### The McCloud Judgement

On 20 December 2018, in the McCloud and Sergeant cases, The Court of Appeal ruled that public service pension schemes had committed 'unlawful age discrimination' by only providing protection for older members following scheme changes in 2014/15. Although the original case concerned the Judges and Firefighters schemes, the ruling was applied to all public service pension schemes, including the LGPS. The Supreme Court denied the Government's appeal on 27 June 2019, culminating in the 15 July 2019, statement to the Treasury, in which the Government confirmed it would 'take steps to remove the discrimination'. In July 2020 a consultation was released proposing an extension of the LGPS statutory Underpin to all active members in the scheme on 31 March 2012 regardless of age, who moved to the CARE scheme on 1 April 2014. The Government released a further statement in June 2021 confirming legislation will largely reflect the proposals in the consultation. A formal response to the consultation is expected during 2021/2022.

The impact of the forthcoming changes will be significant in terms of administration and costs associated with the Scheme. Preparatory measures such as ensuring adequate resources and project management is in place are already underway to mitigate the associated risks. It is expected that the regulations will apply from April 2023.

### Triennial Valuation

This report is based on the contribution rates set out in the 31 March 2019 valuation report that took effect from 1 April 2020. The next triennial valuation will take place on 31 March 2022. The Fund actuary, Barnett Waddingham LLP, confirmed that, 'returns over the year to 31 March 2021 have been strong, helping to offset the significant fall in asset values at the end of the previous year. As at 31 March 2021, in market value terms, the Fund's assets were slightly more than where they were projected to be based on the previous valuation.'

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During 2019/2020 the Government issued a consultation which, amongst other things, proposed changing the LGPS valuation cycle from triennial to quadrennial, in order to bring it in line with other public sector pension schemes. The consultation concluded on 31 July 2019 with the outcome of the valuation considerations yet to be received.

### **Brunel Pension Partnership**

Brunel's annual report demonstrates the benefits of pooling, highlighting annual savings of more than £34 million and the 'increased opportunities for stewardship, diversification and climate analysis' that pooling allows.

Denise Le Gal, Brunel's Chair reflected on the past year by commenting, 'the pandemic has raised our awareness of the world around us, particularly when it comes to the threat of climate change, the fragility of supply chains and the importance of human capital'. Brunel launched their Climate Change Policy in January 2020 and published the first 'Responsible Investment and Stewardship Outcomes' report in June 2020. The report covers Brunel's biggest priorities from climate change to cyber risk and provides an analysis of how Brunel is performing against its own standards.

The Chair also reflected on the progress made during the past year. 'We have made great strides in designing and launching new funds, opening manager searches and transitioning client assets.' Transition of the Fund's assets began in July 2018 and by the end of 2021 the majority of the assets will have transitioned.

While the annual report recognises the economic and investment uncertainty created by COVID, the Chair reassured that, 'whatever may lie in store, we will navigate the troubled waters with an eye firmly on the long-term horizon.'

### **Pension Fund Management Update**

The market value of the Pension Fund as at 31 March 2021 was £3,628bn. In the year to 31 March 2021 the Fund achieved a return of 26.6% compared to the benchmark return of 22.2%, an outperformance of 4.4%. In the three years to 31 March 2021, the Fund achieved a return of 8.9%, an outperformance of 0.8% compared to its 8.1% benchmark for that period.

The Fund's strategy seeks to maximise the value of the Fund without increasing its exposure to risk over the medium to long term in order to meet the pension payment liabilities made, both now and in the future, to Fund members. Investment strategy decisions are made in accordance with the principles in our Investment Strategy Statement.

We welcome any comments you have on this publication, or any matter relating to pensions administration. Contact details can be found at the end of this report.



**Mark Preston**  
**Head of Projects & Pensions**  
Buckinghamshire Council  
15 July 2021

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# The Local Government Pension Scheme

## The Local Government Pension Scheme Overview

The Local Government Pension Scheme (LGPS) is a statutory public service pension scheme, the provisions of which are protected and guaranteed in law. The LGPS scheme regulations are determined nationally; however, the scheme itself is administered and managed locally by 90 Funds in England and Wales. Unlike the other public sector pension schemes, the LGPS operates on a funded basis. There is no single set of accounts; each Fund is responsible for meeting its own liabilities. Valuations are carried out locally to ensure sufficient assets and to set employer contribution rates accordingly.

## LGPS benefits

The LGPS is a defined benefit scheme providing benefits to scheme members according to salary and length of service. On 1 April 2014, the scheme changed from a final salary scheme to a Career Average Revalued Earnings (CARE) scheme. All scheme members moved to the CARE scheme in 2014, however, any pension benefits built up before this date continue to be calculated on a final salary basis.

The table below sets out the key features of the LGPS.

Feature	LGPS 2014
Type of scheme	Safeguarded, defined benefit, CARE scheme
Accrual Rate	1/49 <sup>th</sup> (or 1/98 <sup>th</sup> in the 50/50 scheme)
Revaluation Rate	Consumer Price Index (CPI)
Pensionable Pay	Pay including non-contractual overtime and additional hours
Contribution Flexibility	50/50 section allows members to pay 50% of their usual contributions for 50% of the usual pension benefits Members can choose to pay towards APCs or AVCs to build up additional pension benefits in the scheme
Normal Pension Age	Equal to State Pension Age (minimum age 65)
Minimum Pension Age	55 (rising to 57 from 2028)
Lump Sum Commutation	£1 of annual pension provides £12 of lump sum up to a maximum of 25% of the total pension pot
Death in Service Lump Sum	3 x Pensionable Pay
Death in Service Survivor Benefits	1/160th accrual based on Tier 1 ill health pension enhancement
Ill Health Provision	Tier 1 - Immediate payment with service enhanced to Normal Pension Age (NPA) Tier 2 - Immediate payment with 25% service enhancement to Normal Pension Age Tier 3 - Temporary payment of pension for up to 3 years
Indexation of Pension in Payment	Consumer Price Index (CPI)
Vesting Period	2 years



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## Employer contributions

Employer's contribution rates are assessed at the triennial valuation and set based on each employer's individual liabilities. The last valuation took place on 31 March 2019 with the next valuation taking place on 31 March 2022. Employer contributions have an important role in funding the cost of scheme benefits. Employer contribution tables showing each individual employer's contribution rate are available online at: <https://www.buckscc.gov.uk/services/council-and-democracy/local-government-pension-scheme/employers/contribution-rates/>

## Employee Contributions

Employee contributions are set at a national level and are adjusted on 1 April each year in line with any increase to the CPI. An individual's contribution rate is determined by their pensionable pay. Since 1 April 2014 pensionable pay includes all actual pay, including contractual and non-contractual overtime, and emoluments deemed as pensionable. The total pensionable pay will fall into one of the 9 bands and corresponding contribution rates. Scheme employers are responsible for determining which band an employee comes under and hence the contribution rate that will be paid. Employers must review contribution rates annually and in the event of any material change. Contributions are deducted directly from an employee's salary and benefit from tax relief.

The table below sets out the contribution bands for the period 1 April 2020- 31 March 2021.

Band	Pay Bands (Actual pensionable pay)	Contribution Rate Main Section	Contribution Rate 50/50 Section
1	Up to £14,600	5.5%	2.75%
2	£14,601 to £22,800	5.8%	2.9%
3	£22,801 to £37,100	6.5%	3.25%
4	£37,101 to £46,900	6.8%	3.4%
5	£46,901 to £65,600	8.5%	4.25%
6	£65,601 to £93,000	9.9%	4.95%
7	£93,001 to £109,500	10.5%	5.25%
8	£109,501 to £164,200	11.4%	5.7%
9	£164,201 or more	12.5%	6.25%

## Retirement benefits

Normal Pension Age (NPA) before 1 April 2014 was 65 for most people. NPA for pension benefits built up after 1 April 2014 is the same as State Pension Age (minimum age 65) and the scheme is funded on this basis. However, members can choose to voluntarily retire from age 55 (increasing to 57 on 6 April 2028 in line with government policy) and age 75.

A member may have more than one NPA within a single pension account due to the historical changes in NPA. However, when a member releases their pension benefits in respect of a single pension account, they must do so in its entirety. As a safeguarded benefit, the LGPS offers no flexible draw down options.

If a member voluntarily retires before NPA, actuarial reductions are applied to their benefits. This is due to actuarial assumptions that the pension will be in payment for a longer duration. If a member retires after NPA, late retirement increases are applied. Reductions and increases applied depend on how many years late or early the pension is being paid in accordance with an individual's NPA and are set by the Government Actuary Department (GAD). Information about reductions and increases are available on the [pension Fund website](#).

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## Calculation of pension

Final salary pension benefits built up before 1 April 2014 are calculated when someone leaves the scheme or retires. Final salary pension benefits built up before 1 April 2008 are calculated as:

Membership (years and days) x Final salary x 1/80 = Pension

Final salary pension benefits built up between 1 April 2008 – 31 March 2014, are calculated as:

Membership (years and days) x Final salary x 1/60 = Pension

CARE pension benefits, built up after 1 April 2014, are calculated on an annual basis, revalued according to CPI at the end of the scheme year, and added to the member's pension account. This amount is then carried forward to the following year. The example below shows the calculation for three years' worth of accrual under the CARE scheme:

Year 1: Pensionable pay x 1/49 x Revaluation % = Year 1 pension balance

Year 2: Pensionable pay x 1/49 + Year 1 pension balance x Revaluation % = Year 2 pension balance

Year 3: Pensionable pay x 1/49 + Year 2 pension balance x Revaluation % = Year 3 pension balance

## Lump sum

Members who paid into the scheme before 1 April 2008 have an automatic tax free lump sum in addition to their annual pension. This is calculated as:

Membership (years and days) x Final salary x 1/80 x 3 = Lump Sum

All members have the option of exchanging some of their annual pension to create a tax free lump sum. Each £1 of annual pension given up, will provide £12 of lump sum, up to a maximum of 25% of their total pension pot.

## Ill Health Retirement

If a member's employment is terminated due to ill health, they are entitled to receive full pension benefits paid immediately at the value accrued to the date of termination, regardless of age, without reductions. In cases of severe ill-health, there is also an enhancement paid. To qualify for ill-health retirement, the member must:

- i) Have met the two year vesting period.
- ii) Be permanently unable to perform their current role until NPA.
- iii) Not be immediately able to take up gainful employment for a period of at least one year.

Upon meeting these criteria, a tier is assigned depending on the severity of the illness and the likelihood of whether or not the member will be capable of undertaking gainful employment before NPA. The features of each tier are set out in the table below. Tier 1 and 2 are payable for life. A tier 3 ill-health pension is payable for a maximum of three years.

Tier	Requirements	Enhancement Paid
1	Member is unlikely to be capable of undertaking gainful employment before NPA	Full enhancement to NPA
2	Member is likely to be capable of undertaking gainful employment before NPA	25% enhancement to NPA
3	Member is likely to be capable of obtaining gainful employment within 3 years of the date employment ended	No enhancement

A deferred member may also have their pension released early due to ill-health. Ill-health pensions for deferred members operate on a single tier and there are no enhancements paid.



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## **Death benefits**

Survivor pensions are payable for a spouse, civil partner or a cohabiting partner. Children's pensions are also payable to eligible children under age 18, those between the ages of 18 and 23 if in full time education, or dependants deemed to be mentally or physically incapacitated.

Death grants are one off lump sums payable to a nominated beneficiary or a deceased member's estate. For active members, there is a death in service lump sum payable of 3 x pensionable pay.

A pensioner will receive a death grant if they die before age 75 and retired within 10 years of their death. The death grant in this circumstance is 10 years annual pension less the pension already received.

Deferred members who ceased active membership after 1 April 2008 will receive a death grant of 5 x the annual pension. Deferred members who ceased active membership before 1 April 2008 will receive a death grant equivalent to the automatic lump sum. If the deferred member also has an active LGPS account, they will receive the death grant with the highest value, not both.

# Governance of the Fund

## The Pension Fund Committee

The Pensions and Investments Team at Buckinghamshire Council is the administering authority for Buckinghamshire Pension Fund. The Pension Fund Committee (PFC) is responsible for:

- Determining the overall investment objectives for the Fund as set out in the Fund's Investment Strategy Statement
- The Fund's asset allocation policy
- Approving the Funding Strategy Statement, Investment Strategy Statement, Governance Compliance Statement, Pension Administration Strategy, and the Communications Policy
- Monitoring Fund performance and scheme governance
- Appointing firms to provide investment and actuarial advice to the Fund
- Monitoring the performance of Brunel in their delivery of investment services to the Fund
- Making representations to the Brunel Oversight Board on matters of concern regarding the service provided by Brunel and the performance of its portfolios
- Any other matters relating to the management and investment of the Pension Fund, as required

## PFC Membership for 2020/2021

The PFC is made up of 9 elected members including representation from Thames Valley Police and Milton Keynes Council.

Cllr Timothy Butcher – BC - Chair  
Cllr John Gladwin – BC - Vice Chair  
Cllr Chris Adams – BC  
Cllr David Anthony – BC  
Cllr Alan Bacon – BC

Cllr Ralph Bagge – BC  
Cllr John Chilver – BC  
Cllr Norman Miles – Milton Keynes Council  
Matthew Barber – Thames Valley Police

## PFC Meeting attendance Matrix 2019/2020

	Chair (TB)	Vice (JG)	BC Cllr Rep (CA)	BC Cllr Rep (DA)	BC Cllr Rep (AB)	BC Cllr Rep (RB)	BC Cllr Rep (JC)	MKC Cllr Rep (NM)	TVP Cllr Rep (MB)
02/07/2020	Y	Y	N	Y	Y	Y	Y	N	N
24/09/2020	Y	Y	Y	N	Y	Y	Y	N	N
29/09/2020	Y	N	Y	Y	Y	Y	Y	N	Y
19/11/2020	Y	Y	N	N	Y	Y	Y	N	N
25/02/2021	Y	Y	N	N	Y	Y	Y	N	N

All PFC meetings were conducted virtually during 2020/2021 due to COVID-19.

All members of the PFC have voting rights. PFC Members are required to disclose any declarations of interest at the beginning of each PFC meeting.

Training offered to PFC members included:

- Pension Fund Committee Induction
- Barnett Waddingham Administration and Investment Training
- Chartered Institute of Public Finance and Accountancy (CIPFA) Pensions Network Annual Conference
- Brunel Annual Engagement Day – Webinar 1 Investments
- Brunel Annual Engagement Day – Webinar 2 Responsible Investment
- Task Force on Climate Related Financial Disclosures (TCFD)

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## Buckinghamshire Pension Board

The Buckinghamshire Pension Board (BPB) assists the administering authority with governance and administration of the Scheme. The BPB is made up of an equal number of member and employer representatives.

### BPB Membership for 2020/2021

Steve Mason – Scheme member representative – Chair

Roona Ellis – Scheme employer representative – Vice Chair

Bev Black – Scheme employer representative

Pete Dearden – Scheme member representative

Joe McGovern – Scheme member representative

Tina Pearce – Scheme member representative

Ian Thompson – Scheme employer representative

Lisa Wheaton – Scheme employer representative

### BPB meeting and training attendance matrix 2020/2021

	Chair (SM)	Vice (RE)	Emp Rep (BB)	Emp Rep (IT)	Emp Rep (LW)	Mem Rep (PD)	Mem Rep (JM)	Mem Rep (TP)
Meeting 23/07/2020	Y	Y	Y	Y	Y	Y	Y	Y
Meeting 14/10/2020	Y	Y	Y	Y	Y	Y	Y	Y
Meeting 16/12/2020	Y	Y	N	Y	Y	Y	Y	Y
Meeting 17/03/2021	Y	Y	Y	Y	N	Y	Y	Y
CIPFA/BW Annual Event - June 2020		Y	Y					Y
CIPFA McCloud Implementation Workshop Seminar - Aug 2020	Y	Y						Y
In-house BW Administration & Investment Training - Sept 2020	Y	Y	Y	Y	Y		Y	Y
CIPFA/BW Autumn Seminar 2020 Sept/Oct 2020						Y		
CIPFA Pension Conference Nov 2020								
CIPFA McCloud Stakeholder Engagement				Y				
CIPFA/BW Spring Seminar - Feb 2021	Y			Y				
AON webinar - TPR Single Code of Practice - March 2021	Y							

### Annual Review of the Buckinghamshire Pension Fund Board

The Public Service Pensions Act 2013 introduced the requirement to have a Local Pension Board to assist in the good governance of the scheme.

The Board met four times in 2020/21. The Board consists of 4 Employer and 4 Member representatives and all positions were filled during the year. An attendance rate of 94% has been achieved for this year. All members of the Board have equal voting rights.

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Members of the Board are required to disclose any declarations of interest at the beginning of each BPB meeting.

In accordance with Section 248a of the Pensions Act 2004, every member of the BPB must be conversant with the rules of the scheme (the Local Government Pension Scheme Regulations), and any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme.

BPB members must also have knowledge and understanding of the law relating to pensions, and such other matters as may be prescribed.

Accordingly, all members of the Board are encouraged to take advantage of the many training opportunities notified to them by Pensions Officers and to maintain their core knowledge via self-study using the Pension Regulator's Public Services toolkit for online learning. This includes modules on conflicts of interest, managing risk and internal controls, maintaining accurate member data, maintaining member contributions, providing information to members and others, resolving internal disputes and reporting breaches of the law.

Other training opportunities offered to and undertaken by Board Members include:

- Barnett Waddingham Board Member Seminars
- Barnett Waddingham Administration and Investment Training
- LGPC Annual Trustee's Conference
- In-house Actuarial Training
- In-house Employer Training

At the end of its sixth year since inception, the Board looked back at a busy and varied 12 months. The Board undertook annual reviews of:

- Their Terms of Reference, Code of Conduct Policy, Conflicts Policy and the Knowledge and Understanding Framework,
- The Pension Fund Pension Administration Strategy, and
- The Pension Fund Risk Register.

At each meeting of the Board, reports were presented and considered regarding:

- Pension Fund Administration Performance Statistics,
- Pension Fund Administration Year-end Updates,
- Pension Fund Committee agendas and minutes, and
- Updates from Officers regarding the progress in implementing the Brunel Pension Partnership as part of the Government LGPS Investments reform agenda and pension fund performance.

Ad-hoc reports were presented and considered regarding:

- Breaches of the La,
- Governance Compliance Statement
- Guaranteed Minimum Pension Reconciliation/Rectification
- I-Connect/My Pension Online
- Internal Administration Benchmarking
- Internal Disputes Resolution Procedure
- Scheme member and employer communications
- Training Opportunities

In addition, the Board Chair attended meetings of the Pensions Committee in an 'observer' capacity and had regular meetings with senior Officers to review Administration and Investments.

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## **Statement from the Chair**

The last 12 months have been unprecedented for Officers and Board Members alike, as we all adapt to working under COVID-19 restrictions. It is to their great credit that Officers have maintained their exceptional level of service whilst largely working from home, a huge challenge for all concerned.

Board meetings during the period have also occurred remotely via 'Teams', as have any ad-hoc discussions with Officers. Whilst this has proven to be an effective medium for continuing 'business as usual' I am sure that all concerned, both Board Members and Officers alike, look forward to resuming face to face contact once again as we begin to approach a post-COVID world.

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# Scheme Administration

## The Pensions and Investments Team

The Pensions and Investments Team at Buckinghamshire Council administer the Local Government Pension Scheme on behalf of the Buckinghamshire Pension Fund. The Pensions and Investments Team consists of five sub teams: The Benefit Administration Team, the Employer Liaison Team, the Payroll Team the Systems Team, and the Treasury Team. The first four sub-teams are responsible for administering the Local Government Pension Scheme overseen by the Pensions Administration Manager.

## Benefit Administration Team

At 31 March 2021, there were 25,406 active members, 30,881 deferred members, 18,509 pensioner members and 2,508 dependant members. The Benefit Administration Team are responsible for dealing with all member administration on behalf of the Fund. This includes setting up records for new entrants, processing leavers, transfers, refunds, retirements, deaths, pension sharing orders on divorce and responding to all enquiries from Scheme members.

## Payroll Team

The inhouse Payroll Team are responsible for paying all pension benefits, including the payment of refunds, death benefits and transfer payments. They process the monthly pensioner payroll, and issue payslips and P60s. At 31 March 2021 there were 21,017 pensions in payment processed on a monthly basis.

## Employer Liaison Team

The Fund's 275 active employers include scheduled bodies (major and smaller), admitted bodies and Local Education Authority (LEA) schools and academies in Buckinghamshire and Milton Keynes. The Employer Liaison Team are responsible for administering the Fund's year end procedures, admitting new employers, processing academy conversions and bulk transfers, as well as responding to all enquiries from Scheme employers, and providing them with continued support and training.

## Systems

The Systems Team is responsible for the specialist computer systems within the Pensions and Investments Team, including the management of Altair (the Fund's pension administration system), document imaging, pensioner payroll, and workflow management as well as the production of data for reporting purposes. The team are also responsible for the roll-out and maintenance of 'my pension online', our online member portal and the i-Connect data exchange system used by Scheme employers.

## Treasury Team

The Treasury Team is responsible for implementing the Fund's investment strategy, reviewing and monitoring the Pension Fund's investments and ensuring all monies due to the Fund are received. The team also provides the Council's treasury function.

## Knowledge and Skills Policy Statement

The Pensions and Investments Team recognise the importance of ensuring adequate resources in the dischargement of its pensions administration responsibilities. As an organisation, we are committed to ensuring staff and members responsible for financial administration, governance, and decision-making, are equipped with the full range of knowledge and skills to enable them to perform their duties effectively. We seek to utilise capable and experienced staff and make provisions to ensure successful training and continued professional development. Members of the Fund's decision-making and governance bodies are offered extensive training, allowing the acquisition and maintenance of an appropriate level of expertise, knowledge and skills consummate to their role.

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## How the Service is Delivered

### Key technologies employed

#### Altair

Altair is the Fund's pension administration platform designed to meet the complete requirements of digitalised pension administration. Altair provides an electronic database solution allowing for both the storage of paperwork on individual member records, as well as bulk interfacing of pension data. Altair allows for fast electronic calculations on an individual or bulk basis, and stores over 300 of the Fund's standard member letter templates that can be generated with individual member personalisations. Altair also allows for the set-up of bespoke workflow systems tailored to suit individual case procedures, allowing for effective monitoring. Performance statistics can be extracted from the workflows to assess the efficiency of administrative procedures and to measure case completion in reference to target turnaround times.

#### My Pension Online

'My pension online' is the Fund's self-service facility allowing Scheme members to access their pension records online safely, securely and in a way that is cost effective and environmentally friendly. Access to 'my pension online' is provided via individual login to a secure web portal available at: <https://ms.buckinghamshire.gov.uk>. 'My pension online' sits alongside Altair, which means that any updates to member records appear live on 'my pension online' in real time. Using 'my pension online' members are able to; update addresses and death grant nomination details, view documents and letters, view active and deferred annual benefit statements, and payslips where a pension is in payment. 'My pension online' also features calculator modellers allowing members to run various pension calculations such as retirement and death estimates.

'My pension online' is the default method for all pension communication to members including the issuing of P60s and Annual Benefit Statements. Once a document is uploaded to 'my pension online' an email notification is sent to the member advising them that the document is ready to view. Registration for 'my pension online' is not automatic. Members must register and set up an account with a secure username and password. Members are entitled to opt out of electronic communication by providing written notice to the Fund.

In line with the Communications Policy Statement, the Pensions and Investments Team work to actively promote registration for 'my pension online'.

- Targeted communication to both unregistered members and partially registered members (those who have made an attempt to register but not completed registration).
- Engagement with employers through various communication and training sessions to encourage their employees to register.
- Promotion of the features and benefits of 'my pension online' at appropriate opportunities via letters, newsletter, forms, guides, booklets, and our website.

Overall, 'my pension online' has been well received by members. As at 31 March 2021 a total of 31.46% of all active, deferred and pensioner members had registered for 'my pension online', an increase of 4.1% on last year.

The following table shows the distribution of registration against membership categories for 2020/2021. Please note: These figures do not include frozen refunds, undecided leavers, and records for dependant members.



	Total membership	Total registered	Percentage of total membership registered (rounded to 00%)
Actives	25,406	9,367	36.87%
Deferred	30,881	7,757	25.12%
Pensioner/Dependants	21,017	6,808	32.39%
<b>Total</b>	<b>77,304</b>	<b>23,932</b>	<b>30.96% (average total)</b>

## i-Connect

i-Connect is a real-time data transfer solution for employers, streamlining data transfer to the Fund by reducing the costs and risks associated with the manual processing of pensions data, such as data protection breaches. i-Connect allows for either individual or bulk data transfer, via manual or automatic upload submissions. Data is interfaced directly to Altair. i-Connect supports employers in the fulfilment of their pension responsibilities by identifying data mismatches, thereby improving the quality of data for valuations, and reducing cost and complexity to both the employer and administering authority.

As i-Connect provides an improved service and represents value for money for both employers and members, the aim of the Pensions and Investments Team is to ensure a complete digitalisation of all data transfer. All new employers are automatically set up on i-Connect as part of the onboarding process and employers already in the scheme have been contacted to arrange onboarding. As at 31 March 2021, a total of 147 employers had been onboarded to i-Connect. As at 1 April 2021, the Fund will levy charges for the processing of any excel spreadsheet received from employers as per the Pensions Administration Strategy.

## Member and employer resources

### Website

The principle source of information for members and employers, is the Fund website available at: [www.buckinghamshire.gov.uk/pensions](http://www.buckinghamshire.gov.uk/pensions)

Web content is developed and maintained by the Pensions and Investments Team and holds:

- Information about the LGPS for members and employers including latest scheme news and important regulatory updates
- Fund specific information about procedures and processes for members and employers
- Details of upcoming events and training for members and employers such as member surgeries and webinars
- Pension Fund policies and information on Fund governance
- Contact details for enquiries, complaints and providing feedback.
- Links to a range of other useful websites that provide further information and assistance for scheme members such as the [National LGPS website](#), [Money Helper](#) and [the FCA](#).

### Fund literature

In addition to the above, the Fund produces a range of literature available on the website which can be downloaded. This includes information guides, booklets and forms for Scheme members and employers to notify the Fund of changes. Newsletters are also produced for a range of audiences to provide updates and information about the scheme. Our employer newsletter 'In-Form' is issued on a quarterly basis, and newsletters for pensioners, active and deferred members are issued annually.

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## Incoming queries

Current and prospective members with queries can contact us via the Fund's helpline on 01296 383755, open Monday to Thursday 9am -5.30pm and Friday 9am-5pm. The helpline is manned by dedicated staff trained to assist in answering member queries, either by providing a direct and immediate response, or by setting up workflow for further investigation.

The Benefit Administration Team also hold member surgery days twice a month in which members can book a half an hour appointment with a pensions officer to discuss their pension or obtain further information about the Scheme. Information about upcoming dates and times of member surgeries are available on our website, the member can contact us directly either by email or telephone to book.

Members can also submit queries via email to: [pensions@buckinghamshire.gov.uk](mailto:pensions@buckinghamshire.gov.uk)

Members who require technical assistance accessing 'my pension online' can either call the helpline, or email our dedicated inbox: [mypensiononline@buckinghamshire.gov.uk](mailto:mypensiononline@buckinghamshire.gov.uk)

Members are also able to submit enquiries about their pension in writing to the Pensions and Investments Team at: The Pensions and Investments Team, Buckinghamshire Council, Walton Street Offices, Walton Street, Aylesbury, Buckinghamshire, HP20 1UD.

Each employer is assigned a dedicated Employer Liaison Officer (ELO) who they can contact either by phone or email, or they can email the dedicated employer inbox: [employers@buckinghamshire.gov.uk](mailto:employers@buckinghamshire.gov.uk)

Feedback about any aspect of service from either members or employers, can be provided to the Fund's dedicated feedback inbox: [pension.feedback@buckinghamshire.gov.uk](mailto:pension.feedback@buckinghamshire.gov.uk)

## Arrangements for gathering assurance of effective and efficient administration operations

The Pensions and Investments Team take the following actions to ensure service delivery is adequately reviewed, assessed and scrutinised for overall effectiveness.

- Ensuring reports at year-end are provided to the BPB detailing administration performance and complaints under the Internal Disputes Resolution Procedure.
- The team undergoes an internal audit on an annual basis. The internal audit report includes an action tracker which details outstanding issues.
- The Council's Audit and Governance Committee review outstanding internal audit actions. The Committee consists of twelve elected members who meet to consider matters relating to the Council's constitution, accounts, risk management and governance arrangements.

## Arrangements for ensuring accuracy

The Pensions and Investments Team take the following actions to ensure accuracy of pension administration processing:

- The Systems team undertake regular system testing. Standard checks are undertaken at regular intervals and upon the introduction of any software upgrades.
- The Benefit Administration Team and Payroll Team have checking procedures imbedded into all workflow to ensure both the accuracy of calculations and the fulfilment of regulatory requirements.
- The Employer Liaison Team carry out data cleansing and validation on the monthly and yearly returns submitted.
- The Treasury Team undertake financial reconciliation data checks both monthly and annually.

## Arrangements for ensuring data protection and confidentiality

The Pensions and Investments Team take the following actions to ensure data protection and confidentiality:

- Callers to the Pensions Helpline must complete security checks before data is shared.
- Due to the corporate use of strong end-to-end encryption and anti-spoofing technology, Buckinghamshire Council have passed the government's whitelist assessment. We can securely email any other organisation on the government whitelist, as well as those with an email address ending 'gov.uk' as end-to-end encryption ensures the message is secure in transit.
- For those organisations not on the whitelist, or do not have a 'gov.uk' email, we are able to send and receive emails containing personal data securely via the Egress Switch encrypted email service. Under the terms of our licence, once registered, employers and Scheme members are able to correspond with us, or any other person holding a full Egress Switch licence, without charge.
- If employers are not able to use Egress Switch, they are required to password protect all correspondence containing personal data.
- All member correspondence which includes sensitive data is sent via Egress, and where they have a 'my pension online' account, it is published there, and the member must login to access the document.
- If a deferred or pensioner member wishes to change their address following a period where contact details are not held, we request date of birth verification and a proof of address document.
- Where a third party seeks to act on behalf of a member, a signed letter of authority dated within the past three months must have been provided.

The Fund's summary and full privacy notices, as well as our memorandum of understanding are available at: <https://www.bucksc.gov.uk/services/council-and-democracy/local-government-pension-scheme/general-data-protection-regulation/>

## Referrals to other services

The Pensions and Investments Team refer members primarily to the following services:

**Money Helper** - Money Helper provides free independent and impartial information about pensions. Money Helper is available to assist members and beneficiaries of the Scheme with any pension query they have or any general requests for information or guidance concerning their pension benefits.

In writing: Money and Pension Services, 120 Holborn, London, EC1N 2TD

By telephone: 0800 011 3797

Website: <https://www.moneyhelper.org.uk/en>

**The Pensions Ombudsman (TPO)** - TPO deals only with pension complaints. It can help if members have a complaint or dispute about the administration and/or management of personal and occupational pension schemes.

In writing: 10 South Colonnade, Canary Wharf, E14 4PU

By telephone: 0800 917 4487

Website: [www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk)

**The Financial Conduct Authority (FCA)** - The FCA regulates the conduct of financial service firms and financial markets in the UK. The website provides advice and information to consumers in the avoidance of pension scams and includes a register members can check to find a suitably qualified independent financial advisor.

In writing: FCA Head Office, 12 Endeavor Square, London, E20 1JN

By telephone: 0800 111 6768

Website: <https://www.fca.org.uk/>

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## Summary of Key Projects Undertaken by the Pension Administration Team 2020/2021

In 2020/2021 the pension administration team undertook the following projects:

### GMP reconciliation

When contracting out came to an end on 5 April 2016, Funds were required to reconcile their GMP (Guaranteed Minimum Pension) data with the data held by HMRC and resolve any discrepancies. The original completion date of the project was 31 December 2018; however, the Fund did not receive all the data from HMRC until July 2020. Since this data was received, the Pensions and Investments Team have been working with Independent Transitional Management Ltd (ITM) to reconcile the data. At March 2020, 59,025 member records were reconciled. Of the 10,051 members remaining, 8,699 do not require rectification, 806 member's records will be rectified with no impact on their pension payments, 370 scheme member pensions will need to be recalculated and a further 176 scheme members require further analysis. Overall, the Pensions and Investments Team have made good progress on the project and hope to make final amendments during 2021/2022.

### Transition to digital services

COVID-19 highlighted the relevancy of the Fund's aim to enhance digital access across our services. Onboarding all Fund employers onto i-Connect, the Funds data transfer solution for employers, has been an area of significant gain over the past year. On 31 March 2020, 82 of the Fund's employers used i-Connect, at 31 March 2021, this number rose to 147, representing a rise of 57%. Equally significant gains have been made with the use of 'my pension online', with nearly a third of the Fund's membership using the portal. Functionality of 'my pension online' has also been improved with a new feature allowing pensioners to view payments in payslip format online and to upload documents directly to their record. We provided employer training by webinars and have digitalised many of our forms.

### Data Improvement Plan

Complete and accurate records are essential for adequate pension administration. Data accuracy reports are produced every September and presented to The Pensions Regulator (TPR). During 2019/2020, the Pensions and Investments Team made significant progress in working to improve the quality of both scheme specific and common data. Common data are items specified as essential in TPR guidance, while scheme specific data is not prescribed as it is specific to each particular scheme type. During 2020/2021, the Pensions and Investments Team continued to work through data errors. Progress since 2018 is shown in the table below and an updated plan is produced annually to continue improving the quality of data.

Year	Common data	Scheme specific data
2018	91%	86%
2019	93%	95.1%
2020	95.1%	96%

### The McCloud judgement

Following the high court ruling known as the McCloud Judgement, the government released a consultation proposing to remove age discrimination from the LGPS by extending the statutory Underpin. The project will involve significant time and resources to implement. To comply with the proposed regulations, Funds must gather certain membership data from employers, including those that have exited the LGPS. Our focus during 2020/2021 has been to prepare employers for historic data gathering by communicating regularly to explain what is likely to be required. We have also taken steps to communicate with members about the proposed changes via newsletters and through our dedicated member webpage. We will begin data gathering during 2021/2022. The regulations are expected to apply from 1 April 2023.

## Key Performance Data

Table 1: Case completion totals

Process	Cases total	Total cases complete	Percentage	Fund KPI target (Working days)	Percentage completed within fund KPI target
Retirements (actual)	3207	2810	88%	10	96%
Retirement (estimates)	1321	1218	92%	10	95%
Deaths (initial notification)	709	709	100%	1	92%
Deaths (actual)	785	726	92%	10	94%
Leavers	4129	2995	73%	10	75%
Refund (actual)	800	789	99%	10	98%
Refund (estimates)	2139	1911	89%	10	97%
Divorce (actual)*	16	9	56%	20	100%
Divorce (estimates)	214	192	90%	10	97%
Member opt outs	973	918	94%	10	100%
Transfer out (actual)	128	110	86%	10	92%
Transfer out (estimates)	317	300	95%	10	94%
Transfer in (actual)	195	133	68%	20	89%
Transfer in (estimates)	350	277	79%	10	94%
Interfund transfer out (estimate)	609	594	98%	10	77%
Interfund transfer out (actual)	360	356	99%	10	86%
Interfund transfer in	1315	1193	91%	30	78%
Aggregations (in-house)	3609	2890	80%	30	80%
Additional Contributions	330	316	96%	10	98%
New starters created	2243	2003	89%	10	88%
Changes**	832	796	96%	10	98%
Payroll set-ups	3134	3069	98%	5	96%
Payroll related tasks	2696	2635	98%	5/10	90%

The figures above are extracted from the pensions administration system (Altair). 'Cases total' includes those open at 31/3/2020 from the preceding year and those created during the year. 'Total cases complete' represents those of the 'Cases total' completed between 1/4/2020 and 31/3/2021. The figures above do not account for all queries received and dealt with by the Pensions and Investments Team, as there is not a singular figure available for quantifying general queries that are answered without the need to set up workflow.

\*Actual divorce cases commence when a Pension Sharing Order (PSO) is received. However, the PSO cannot be legally carried out by the Administering Authority until a Decree Absolute is issued by the Court which can cause considerable delay.

\*\*Change tasks include hours changes for members subject to the underpin as well as changes in member's personal details. E.g. address changes, name changes and changes to death grant nominations. Changes the member has made via 'my pension online' are not included in this figure.

## Staffing indicators

Table 2: LGPS administrative staff

Staffing (Full Time Equivalent)	As at 31 March 2019	As at 31 March 2020	As at 31 March 2021
Management	2	2	2
Benefit Administration	21	23.6	23.6
Employer Liaison	7.2	7.6	7.6
IT/Systems	4	5	5
Pensioner Payroll	3	3	3
Communications/Technical officer	0.9	0.9	1
<b>Subtotal</b>	<b>38.1</b>	<b>42.1</b>	<b>42.2</b>
Non-LGPS admin. staff	2.5	0.9	0.9
Temporary agency staff	0	0	0
<b>Total staff (FTE)*</b>	<b>40.6</b>	<b>43</b>	<b>43.1</b>

Table 3: Staff : fund members ratio (based on total LGPS administration staff)

Membership type	As at 31 March 2019	As at 31 March 2020	As at 31 March 2021
Active	1 : 624	1 : 596	1 : 593
Deferred	1 : 905	1 : 728	1 : 858
Pensioner	1 : 515	1 : 494	1 : 488
<b>Total</b>	<b>1 : 2060</b>	<b>1 : 1818</b>	<b>1 : 1939</b>

Table 4: Caseload analysis for 2020/2021

Cases open at beginning of year	5,481
New cases during year	38,797
Cases completed during year	39,731
Cases open at end of year	4,547
<b>Average no. of workflow cases per FTE member of staff</b>	<b>1,049*</b>

The cases used in the above table are measured against the totals in table 1.

\*The average number of workflow cases per FTE member of staff has increased by 11.6% from the previous year.

## Member and employer feedback

The Pensions and Investments Team aim to assess satisfaction levels of our service users through capturing qualitative and quantitative feedback. Prior to April 2020, feedback was provided spontaneously either verbally or in writing, and we did not actively seek methods to obtain feedback. Two new methods of collecting feedback were introduced in 2020/2021, the feedback inbox and digital surveys.

The feedback inbox was set up in July 2020. The aim of the inbox is to provide an open invitation to all our service users, particularly Scheme members, to express their thoughts on any aspect of the service in an informal and qualitative way. Any suggestions received from the feedback inbox are given due consideration and have been very helpful in understanding the perspective of our service users. The feedback inbox is advertised on our website and also on our letters. The table below shows how the feedback inbox has been used between 1 July 2020 and 31 March 2021.

Table 5: Feedback inbox thematic analysis

Compliments	9
Suggestions	5
Complaints	1
Other	3

Due to the COVID-19 pandemic, during 2020/2021, face to face training sessions with employers were put on hold. Remote training was delivered on a one to one basis by the Employer Liaison Team and via three topical webinars delivered on Microsoft Teams. All employers were invited to attend the webinars. Attendance levels were higher than all previous sessions run face to face. Attendance for the webinars are shown in the box below

Table 6: Employer attendance

Name of webinar	Total attendees
The Service Level Agreement, the Pensions Administration Strategy and Submitting information	41
The year-end process (non i-Connect)	31
The year-end process (i-Connect)	23

To assess employer's satisfaction of the webinars, we introduced short digital surveys, hosted by Citizen Space. Surveys are anonymous to ensure honest responses. The surveys were designed to provide a quantitative method of capturing user feedback. The same two questions were asked on each survey; namely, 'How would you rate the webinar?' and 'Would you recommend the webinar to other employers?' 23 employers completed the surveys in total. Response to the surveys are shown below.

Table 6 and 7: Employer webinar satisfaction

Overall, how would you rate the webinar?	Very Poor	Poor	Ok	Good	Excellent
The Service Level Agreement, the Pensions Administration Strategy, and Submitting information		2	1	7	1
The year-end process (non i-Connect)				4	2
The year-end process (i-Connect)				5	1
<b>Total as a percentage</b>	<b>0%</b>	<b>9%</b>	<b>4%</b>	<b>70%</b>	<b>17%</b>

Would you recommend the webinar to other employers?	Yes	No	Unsure
The Service Level Agreement, the Pensions Administration Strategy and Submitting information	9	2	
The year-end process (non i-Connect)	6		
The year-end process (i-Connect)	5		1
<b>Total as a percentage</b>	<b>87%</b>	<b>9%</b>	<b>4%</b>

The third question was, 'Do you have any comments about how we could improve the webinar?' 9 employers answered this question which allowed for deeper insight into the answers given for the previous two questions. This feedback will be used to inform on our current processes and future webinars.



## Internal Dispute Resolution Procedure (IDRP)

The Local Government Pension Scheme (LGPS) operates a two-stage dispute procedure under Regulations 72 to 79 of the Local Government Pension Scheme Regulations 2013. The IDRP can be used by anyone who is, or has been in the last six months:

- An active scheme member
- A deferred scheme member
- A pension credit scheme member
- A pensioner scheme member
- A prospective scheme member (entitled worker either currently or in the future)
- A dependant scheme member including a civil partner, surviving spouse, cohabiting partner, as well as an adult or child dependent either receiving a pension or entitled to receive a pension

If there is a dispute about whether a person qualifies for one or more of these status', the IDRP can be used to resolve it.

To commence a dispute using the IDRP, the applicant must submit the stage one application within six months from the date they were provided with notice of the initial decision that they wish to appeal. The purpose of stage one is for the initial decision to be re-examined by whoever made the decision; this will be either the BPF or the Scheme employer. Each employer is asked to nominate a specified person to deal with IDRPs and any complaints against the Scheme employer will be directed to them. Where the complaint is against BPF, a specified person within BPF will respond to the IDRP.

A stage two IDRP application can begin in the following circumstances:

- It's within six months of the applicant receiving the stage one decision letter and they are unhappy with the adjudicator's decision
- The applicant has not received a decision or an interim letter from the adjudicator and it's been two months since the stage one IDRP application was received
- The applicant received an interim letter from the adjudicator following the submission of their stage one IDRP application, but it has been one month after the expected reply date given in the letter and the stage one decision has not been received

A stage two application will be dealt with by someone from BPF that was not involved in the initial decision. Where the stage one complaint was against the Scheme employer, the specified person within BPF or the Fund's legal advisor will undertake the stage two review. Where the stage one complaint was against the administering authority, the Fund's legal advisor is responsible for the review.

If the applicant remains dissatisfied after progressing through stage two, they are entitled to seek remedy with the Pensions Ombudsman (TPO). They must do this within 3 years of the original decision being made and any decision made by TPO will be final and binding.

Table 8: Details of IDRP cases 2020/2021

Area of complaint	Authority	Stage and Case description	Date of decision	Decision
Refund	Administering Authority	Stage one Member appealing tax reduction on refund. Refund was found to have been processed correctly in line with relevant guidance.	June 2020	Declined
Ill-Health	Administering Authority	Stage one, stage two	July 2020	Declined

		Member appealed value of ill-health benefits as differed from original estimate. Estimate had been calculated incorrectly. Member was awarded compensation payment in light of error.		
Retirement	Administering Authority	Stage one Member wished to revoke election to receive retirement benefits. Retirement was processed correctly in line with relevant guidance.	July 2020	Declined
AVC Transfer	Administering Authority	Stage one Member appealed that AVC Fund should have been transferred in 2006 with main scheme benefits. Investigation confirmed this was correct and AVC fund was then transferred.	July 2020	Upheld
Transfer	Administering Authority	Stage one Member complained that BPF had caused delay to transfer, resulting in reduced value. However, delay was not caused by BPF.	Sept 2020	Declined
Refund	Administering Authority	Stage one, stage two Member appealed decision to award deferred benefits rather than a refund. However, issuing of deferred benefits was in line with regulations.	Dec 2020	Declined
AVC Transfer	Administering Authority	Stage one Member complained AVC fund had not transferred with main scheme benefits in 2007. Investigation confirmed this was correct and AVC fund was then transferred.	March 2021	In Progress

## National Fraud Initiative

BPF participates in the National Fraud Initiative (NFI). The NFI is a data matching exercise carried out by the Cabinet Office to assist in the prevention and detection of fraud. The most common types of fraud identified by the NFI are pension, council tax and state benefit fraud. The audit commission produces a biennial report comparing data held by DWP, local authorities and local authority pension Funds, highlighting possible data matches. In some of these circumstances further action will be required. The table below shows the results of the 2020/2021 NFI report.

Table 9: NFI report

Total data matches	578
Total processed at 31 March	287
Value of overpayments*	£1,753.06

\*Overpayments in excess of £125 will be recovered by the Fund.

## Discretions

Scheme employers participating in the LGPS in England and Wales must formulate, publish and keep under review a statement of policy on all mandatory discretions (or where the discretion is non-mandatory, are recommended to), which they have the power to exercise in relation to members of the CARE Scheme and earlier schemes.

The six specific mandatory discretions stipulated in the LGPS regulations are:

- Whether to waive upon the voluntary early payment of benefits, any actuarial reduction on compassionate grounds or otherwise

- Whether, as the 85-year rule does not (other than on flexible retirement) automatically fully apply to members who would otherwise be subject to it and who choose to voluntarily draw their benefits on or after age 55 and before age 60, to switch the 85-year rule back on in full for such members
- Whether to permit flexible retirement for staff aged 55 or over who, with the agreement of the Scheme employer, reduce their working hours or grade
- Whether to waive all, or part of any actuarial reduction for members retiring before Normal Pension Age at full cost to the Scheme employer
- Whether, where an active member wishes to purchase extra annual pension of up to £7,316 (figure at 1 April 2021) by making additional pension contributions (APCs), to voluntarily contribute towards the cost of purchasing that extra pension via a shared cost additional pension contribution (SCAPC)
- Whether, at full cost to the Scheme employer, to grant extra annual pension of up to £7,316 (figure at 1 April 2021) to an active member or within 6 months of leaving to a member whose employment was terminated on the grounds of redundancy or business efficiency

Table 10: Exercise of Employer discretions in 2020/2021

The following table summarises how the above discretions have been exercised for employer consent retirements in 2020/2021. The numbers in boxes correspond to the above discretions.

Employer discretion	Number
Early retirement with Employer's consent	1
Flexible retirement	18
Redundancy retirement	49
Contribute to shared cost APC	88
Grant additional pension	1
Waive any actuarial reductions	0

## Employer Flexibilities

When an employer exits the Fund, a cessation valuation is carried out by the Fund actuary to assess the cost of any remaining liabilities. In most circumstances there will be a sum of money owed to the Fund known as an exit payment. Until recently, there was no alternative provided in the LGPS regulations to allow for any flexibility to meet this cost and the sum was due automatically to the Fund upon exit. In September 2020, the LGPS regulations were amended to include two further options for meeting this deficit that can be exercised at the Fund's discretion. These are:

- Whether to allow an exiting employer to meet the exit payment in instalments (Debt Spreading), or
- Whether to allow the employer to participate in the Fund as a 'deferred employer'. This would mean the employer continues to pay contributions as determined by the actuary to the Fund until their liabilities are met.

The Fund's policy on exercising these discretions can be found in the Funding Strategy Statement.

During 2020/2021, the Fund did not exercise their discretion regarding employer flexibilities.

## Fund participation data

Table 11: Five-year analysis of the Fund's membership data at 31 March 2021

Composition of Membership	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Active	22,754	24,042	24,141	24,489	25,406
Deferred	26,699	27,313	28,991	29,936	30,881
Pensioner	15,420	16,297	17,117	17,920	18,509
Dependant	2,146	2,251	2,294	2,370	2,508
Frozen Refund	2,852	3,381	3,877	4,330	4,690
Undecided Leaver	1,317	1,593	1,258	1,729	1,388
<b>Total</b>	<b>71,188</b>	<b>74,877</b>	<b>77,678</b>	<b>80,774</b>	<b>83,382</b>

Table 12: Five-year analysis of retirement type for new pensioners.

Type of retirement	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Early retirement	878	910	853	815	707
Normal retirement	81	93	78	187	4
Late retirement	137	152	134	91	253
Ill health retirement	24	24	24	25	16
<b>Total</b>	<b>1,120</b>	<b>1,179</b>	<b>1,089</b>	<b>1,118</b>	<b>980</b>

Table 12: Summary of the number of employers in the Fund as at 31 March 2021

	Active	Ceased	Total
Scheduled Body	213	54	267
Admitted Body	62	85	147
<b>Total</b>	<b>275</b>	<b>139</b>	<b>414</b>

## Value for money statement

The Fund's total membership increased from 81,056 in 2019/20 to 83,553 in 2020/21, an increase of 3.08%. The total cost per member decreased from £27.18 in 2020 to £26.64, a decrease of 1.99%.

On 1 April 2020 there were 5,481 administration workflow cases open. During 2020/21, a further 38,797 administration cases were received. In total, 39,731 cases were completed throughout the year, with 4,547 cases open at 31 March 2021. Of the open cases, 2,497 (55%) were waiting for information from either Scheme members or employers in order for processing to take place.

Our corporate Key Performance Indicator is to complete 90% of daily workflow procedures for high priority areas. These include retirements, deaths, refunds and annual allowance calculations. For each quarter in 2020/21 the following completion rates were achieved:

Table 13: Task completion rates by quarter

Quarter 1	92.44%
Quarter 2	93.11%
Quarter 3	95.12%
Quarter 4	96.77%

# Financial Performance

Table 1: Three year forecast of income and expenditure

<b>Fund Account</b>	<b>2020 /2021 Forecast £000</b>	<b>2020/2021 Actual £000</b>	<b>2021 /2022 Forecast £000</b>	<b>2022 /2023 Forecast £000</b>	<b>2023/2024 Forecast £000</b>
Contributions	149,065	152,299	154,583	156,902	159,256
Transfers in	12,500	24,293	15,500	15,500	15,500
Other Income	120	198	150	150	150
<b>Total Income</b>	<b>161,685</b>	<b>176,592</b>	<b>170,083</b>	<b>172,402</b>	<b>174,756</b>
Benefits payable	(118,721)	(121,120)	(122,937)	(124,781)	(126,653)
Transfers out	(10,500)	(18,959)	(12,500)	(12,500)	(12,500)
<b>Total Benefits</b>	<b>(129,221)</b>	<b>(140,079)</b>	<b>(135,437)</b>	<b>(137,281)</b>	<b>(139,153)</b>
Surplus of Contributions over Benefits	32,464	36,513	34,647	35,121	35,603
Management Expenses	(16,721)	(18,371)	(16,647)	(16,896)	(17,150)
<b>Total Income less Expenditure</b>	<b>15,743</b>	<b>18,142</b>	<b>18,000</b>	<b>18,225</b>	<b>18,453</b>
Investment income	14,000	23,079	7000		
Taxes on income	(90)		(45)		
Change in market value of investments	120,000	683,306	126,000	132,300	138,915
<b>Net return on investments</b>	<b>133,910</b>	<b>706,583</b>	<b>133,105</b>	<b>132,450</b>	<b>139,065</b>
<b>Net increase/(decrease) in the Fund</b>	<b>149,653</b>	<b>724,725</b>	<b>151,105</b>	<b>150,675</b>	<b>157,518</b>

Table 2: Future assumed return (based on the 2019 valuation)

<b>Future assumed returns</b>	<b>2019</b>
Equities	6.70%
Gilts	1.70%
Bonds	2.60%
Absolute Return Fund	5.50%
Cash	0.30%
Property	6.10%

Table 3: Budget vs Outturn report on the management expenses to the Fund

	<b>2019/2020 Forecast £000</b>	<b>2019/2020 Actual £000</b>	<b>2020/2021 Forecast £000</b>	<b>2020/2021 Actual £000</b>
<b>Administrative Costs</b>				
Staffing costs	1,500	1,504	1,679	1,561
Transport	2	3	3	0
Supplies and Services	675	561	579	522
Support Services	150	144	150	150
Income	-8	-9	-6	-7
<b>Subtotal</b>	<b>2,319</b>	<b>2,203</b>	<b>2,405</b>	<b>2,226</b>
<b>Investment Management Expenses</b>				
Supplies and Services	13,704	13,538	14,000	15,507
<b>Subtotal</b>	<b>13,704</b>	<b>13,538</b>	<b>14,000</b>	<b>15,507</b>
<b>Oversight and governance costs</b>				
Staffing costs	220	242	282	251
Transport	2	2	2	0
Supplies and Services	450	473	370	363
Support Services	20	16	20	24
<b>Subtotal</b>	<b>692</b>	<b>733</b>	<b>674</b>	<b>638</b>
<b>Total</b>	<b>16,371</b>	<b>16,474</b>	<b>17,079</b>	<b>18,371</b>

Table 4: Net assets

<b>Net Assets</b>	<b>2020/2021 Forecast £000</b>	<b>2020/2021 Actual £000</b>
Long term investments	840	840
Equities - quoted	40,214	25,638
Bonds	432,604	480,116
Pooled investment vehicles	2,284,937	2,858,278
Property – unit trusts	226,507	213,051
Cash	62,172	43,662
Investment income receivable	7,765	7,124
<b>Net investment assets</b>	<b>3,055,039</b>	<b>3,628,709</b>

Table 5: Movement in Assets and Liabilities

<b>Movement in Assets &amp; Liabilities</b>	<b>2020/2021 Forecast</b>	<b>2020/2021 Actual</b>
Surplus of Contributions over Benefits	32,344	36,513
Management Expenses	(16,721)	(18,371)
Returns on Investments	134,030	706,583
<b>Net increase in the net assets available for benefits during the year</b>	<b>149,653</b>	<b>724,725</b>

Table 6 Five-year analysis of pension overpayments, recoveries and any amounts written off

<b>Year</b>	<b>Payments received for overpayments made £000</b>	<b>Total money recovered from monthly pension payments £000</b>	<b>Total overpayments recovered £000</b>	<b>Total overpayments written off £000</b>	<b>Total overpayments £000</b>
<b>2016/2017</b>	59	142	201	9	210
<b>2017/2018</b>	36	165	201	7	208
<b>2018/2019</b>	236	17	253	8	261
<b>2019/2020</b>	36	20	56	6	62
<b>2020/2021</b>	109	16	125	7	132

## Employee Contributions

Employers are responsible for paying over employee contributions on a monthly basis to the Fund. The total value of Employee contributions received from **1 April 2020 to 31 March 2021 (£000): £34,794.**

## An analysis of amounts due to the Fund from Employers

The total value of Employer contributions received from **1 April 2020 to 31 March 2021 (£000): £117,504.** Some employers paid contributions in advance in 2017/2018 and 2018/2019. The 2020/2021 contributions reflect the full annual contributions illustrating an increase compared to 2019/2020 where no contributions were received in advance.

Table 7: Analysis of the timeliness of receipt of contributions.

	<b>2016/ 2017</b>	<b>2017/ 2018</b>	<b>2018/ 2019</b>	<b>2019/ 2020</b>	<b>2020/ 2021</b>
Number of payments received	2508	2704	2757	3039	3432
Number of payments late	136	192	115	145	222
Percentage of payments received late	5.42%	7.1%	4.17%	4.77%	6.47%
Percentage of payments received on time	94.58%	92.9%	95.83%	95.23%	93.53%

Table 8: Age of overdue contributions 2020/2021

<b>Length of overdue payments</b>	<b>Number</b>
1-2 days late	52
3-10 days late	99
11-30 days late	38
1-2 months late	23
3-6 months late	10
6+ months	0
<b>Total</b>	<b>222</b>

In 2020/2021 the Fund did not exercise the option to levy interest on overdue contributions.



Table 9: Average Employer and Employee contributions received from 1 April 2020 to 31 March 2021

Employer	Employer's contribution	Average employee's contribution
Abbey View Primary Academy	22.8%	5.5%
Acorn Childcare	18.5%	6.2%
Action for Children Services Ltd	22.6%	9.6%
Alfriston School	22.8%	6.1%
Alliance in Partnership (Buckingham Park)	16.0%	5.0%
Ambassador Theatre Group	40.1%	6.4%
Amersham School	22.8%	5.9%
Amersham Town Council	25.0%	6.4%
Ashbrook School	21.0%	5.7%
Ashridge Security Management Ltd	23.6%	5.8%
Aspens Services Ltd (Shenley Brook End School)	25.9%	5.5%
Aspens Services Ltd (Sir William Ramsay School)	24.0%	5.9%
Aspire Schools	22.8%	6.5%
Aston Clinton Parish Council	25.1%	6.5%
Avalon Cleaning Systems	36.4%	5.5%
Aylesbury Grammar School	22.8%	6.3%
Aylesbury High School	22.8%	6.2%
Aylesbury Town Council	23.8%	6.6%
Aylesbury Vale Academy	22.8%	5.9%
Beaconsfield High School	22.8%	6.2%
Beaconsfield School, The	22.8%	6.3%
Beaconsfield Town Council	25.1%	6.4%
Bearbrook Combined & Pre-school	22.8%	5.7%
Bedgrove Infant School	24.8%	5.6%
Bedgrove Junior School (Academy)	22.8%	5.8%
Beechview Academy	22.8%	5.6%
BLEP (Buckinghamshire Local Enterprise Partnership)	22.7%	9.8%
Bletchley & Fenny Stratford TC	25.1%	6.9%
Bourne End Academy	22.8%	5.9%
Bourton Meadow Academy	22.8%	5.8%
Bow Brickhill Parish Council	20.8%	5.2%
Bradwell Parish Council	20.8%	5.6%
Bridge Academy	21.0%	6.1%
Brill CofE School	22.8%	5.5%
Brookmead Combined School	25.2%	5.9%
Brooksward School	20.9%	5.1%
Broughton & Milton Keynes Parish Council	20.8%	6.3%
Brushwood Junior School	22.6%	5.9%
Buckingham Town Council	25.1%	5.7%
Buckinghamshire College Group	22.7%	6.2%
Buckinghamshire Council	25.7%	6.6%
Buckinghamshire Music Trust	17.3%	6.6%
Buckinghamshire UTC	18.3%	5.9%
Bucks County Museum Trust	21.5%	8.0%
Bucks MK Fire Authority	17.4%	7.0%

Bucks New University	22.4%	6.9%
Bucks Strictly Education	26.4%	6.0%
Burnham Grammar School	22.8%	6.3%
Burnham Parish Council	25.1%	7.3%
Busy Bee Cleaning Services Ltd (Walton High)	30.4%	6.5%
Busy Bee Cleaning Services Ltd (WDC)	26.3%	5.4%
Campbell Park Parish Council	25.1%	6.5%
Capita (WDC)	22.0%	6.1%
Castlefield School	26.5%	6.0%
Caterlink Ltd (Buckingham Primary Sc)	23.4%	5.5%
Caterlink Ltd (Chiltern Hills Academy)	18.5%	5.5%
Chalfont St Giles Parish Council	25.0%	6.5%
Chalfont St Peter CofE Academy	22.8%	5.8%
Chalfont Valley E-ACT Primary Academy	22.8%	5.8%
Chalfonts Community College	22.8%	6.3%
Charles Warren Academy	21.0%	5.6%
Chartwells Ltd (Oakgrove School)	70.3%	6.1%
Chepping View Primary Academy	22.8%	5.7%
Chepping Wycombe Parish Council	25.1%	6.1%
Chesham Bois CofE Combined School	22.8%	5.8%
Chesham Bois Parish Council	24.4%	5.8%
Chesham Grammar School	22.8%	6.1%
Chesham Town Council	25.1%	6.0%
Chestnuts Academy	21.0%	5.9%
Chiltern Hills Academy	22.8%	5.9%
Chiltern Rangers CIC	18.9%	6.8%
Chiltern Way Federation	22.8%	6.1%
Chilterns Conservation Board	15.9%	7.0%
Christ the Sower Ecumenical Primary School	21.0%	5.8%
Cleantec Services (Denham Green School)	32.1%	5.8%
Cleantec Services (MK Academy)	29.3%	5.6%
Cleantec Services (Oakgrove School)	32.7%	5.5%
Cleantec Services (Radcliffe School)	26.7%	5.5%
Coldharbour Parish Council	20.8%	6.3%
Cottesloe School	26.0%	5.9%
C-Salt (Woughton Leisure Centre)	20.0%	6.0%
Cucina Restaurants Ltd (Denbigh Sch)	31.1%	5.4%
Cucina Restaurants Ltd (Walton High)	20.5%	5.5%
Curzon C of E	22.8%	5.7%
Danesfield School	25.0%	5.7%
Denbigh School	21.0%	6.0%
Denham Green E-ACT Primary Academy	22.8%	5.6%
Derwent Facilities Management Ltd	27.3%	5.9%
Dorney School	22.8%	5.7%
Dr Challoner's Grammar School	22.8%	6.2%
Dr Challoner's High School	22.8%	6.0%
Eaton Mill Nursery	21.6%	8.1%
Edlesborough School	22.8%	5.1%
Elmhurst School (Academy)	22.8%	5.7%

Elmtree Infant & Nursery School	22.8%	5.7%
EMLC Academy Trust	21.0%	7.3%
Excelcare	30.0%	6.3%
Fairfields Primary School	21.0%	5.5%
Fremantle Trust, The	132.8%	6.5%
Fresh Start Catering Ltd	31.7%	5.5%
Fujitsu (TVP)	21.3%	6.4%
George Grenville Academy	22.8%	5.4%
Gerrards Cross CE School	22.8%	5.6%
Gerrards Cross Town Council	25.1%	6.5%
Glastonbury Thorn First School	21.0%	5.9%
Great Horwood CoFE Combined School	22.8%	5.6%
Great Kimble CoFE School	22.8%	5.6%
Great Kingshill CoFE Combined School	22.8%	5.7%
Great Marlow School	22.8%	6.3%
Great Missenden CoE Combined School	22.8%	5.8%
Great Missenden Parish Council	22.2%	6.2%
Green Park School	20.9%	5.1%
Green Ridge Academy	22.8%	5.8%
Greenleys Junior School	21.0%	5.7%
Hambleton Parish Council	25.1%	5.7%
Hamilton Academy	22.8%	5.9%
Hanslope Parish Council	20.8%	5.8%
Hayward Services (John Colet School)	41.3%	5.5%
Hazeley Academy	21.0%	5.9%
Hazlemere Parish Council	25.1%	6.5%
Heritage Care Ltd - (Now Ambient Support Ltd)	26.8%	6.0%
Heronsgate School	21.0%	5.8%
Heronshaw School	21.0%	5.7%
Highcrest Academy	22.8%	6.3%
Hightown Housing Association	45.3%	6.4%
Holmer Green Senior School	22.8%	6.2%
Holmwood School	21.0%	5.7%
Holne Chase Primary	21.0%	5.6%
Hughenden Parish Council	20.8%	6.3%
Ickford Learning Trust - Ickford School	22.8%	5.6%
Innovate Ltd	22.3%	6.5%
Inspiring Futures Through Learning (MAT)	21.0%	7.2%
Iver Parish Council	25.1%	6.3%
Ivinghoe Parish Council	20.8%	5.4%
Ivingswood Academy	22.8%	5.7%
John Colet School	22.8%	6.0%
John Hampden Grammar School	22.8%	6.1%
Jubilee Wood Primary School	21.0%	5.9%
Kents Hill Park School	21.0%	6.0%
Kents Hill School	21.0%	5.7%
Khalsa Secondary Academy	22.8%	8.7%
Kids Play Childcare	24.5%	6.3%
Kingsbridge Educational Trust (MAT staff)	21.0%	7.8%

Knowles Primary School	21.0%	5.8%
Lace Hill Academy	22.8%	5.6%
Lane End Parish Council	25.1%	6.5%
Lent Rise Combined School	22.8%	5.6%
Little Marlow Parish Council	25.1%	5.8%
Little Missenden Parish Council	20.8%	5.7%
Longwick CofE Combined School	22.8%	5.6%
Lord Grey Academy	21.0%	6.0%
Loudwater Combined School	25.3%	5.6%
Loughton & Great Holm Parish Council	25.1%	6.7%
Loughton School	21.0%	5.7%
Manpower Direct Ltd	26.2%	6.6%
Marlow Bottom Parish Council	20.8%	5.5%
Marlow Town Council	25.1%	5.9%
Mears Group plc	18.8%	6.6%
Mentmore Parish Council	20.8%	5.5%
Mercury Infrastructure Services Ltd	27.9%	4.9%
Middleton Primary School	21.0%	5.9%
Milton Keynes - Strictly Education	21.6%	6.0%
Milton Keynes Academy	21.0%	6.3%
Milton Keynes College	18.1%	6.4%
Milton Keynes Council	21.9%	6.0%
Milton Keynes Development Partnership (MKDP)	18.0%	9.7%
Milton Keynes Schools	21.6%	5.9%
Misbourne School, The	22.8%	6.1%
Monkston Primary Academy	21.0%	5.8%
Moorland Primary School	21.0%	5.7%
New Bradwell Parish Council	20.8%	5.7%
New Bradwell School (Academy)	21.0%	5.7%
New Chapter School	21.0%	5.8%
Newport Pagnell Town Council	25.1%	7.6%
Newton Longville Parish Council	20.8%	4.7%
NSL Wycombe	25.6%	6.2%
Oakgrove School	21.0%	5.9%
Olney Infant Academy	21.0%	5.7%
Olney Middle School (Academy)	21.0%	5.8%
Olney Town Council	25.1%	6.1%
Orchard Academy	21.0%	5.8%
Ousedale School	21.0%	5.9%
Overstone Combined School	27.3%	5.7%
Oxford Diocesan Bucks Schools Trust (MAT head office staff only)	22.8%	6.3%
Oxford Health NHS Foundation Trust (OBMH)	18.0%	7.2%
Oxley Park Academy	21.0%	6.0%
Padbury CofE School	22.8%	5.6%
Paradigm Housing Group	18.1%	7.4%
Penn Parish Council	20.8%	5.8%
Piddington and Wheeler End Parish Council	25.1%	5.5%
Places for People Leisure (Newp TC)	23.1%	5.5%

Places for People Leisure (WDC)	25.6%	5.8%
Police and Crime Commissioner for Thames Valley	16.6%	7.3%
Police Superintendents' Association	16.6%	6.8%
Portfields Combined School	20.5%	5.0%
Premier Academy, The	21.0%	6.3%
Princes Risborough Primary School	22.8%	5.7%
Princes Risborough School	22.8%	6.0%
Princes Risborough Town Council	25.1%	6.3%
Radcliffe School	21.5%	6.4%
Red Kite Community Housing	21.9%	6.5%
Rickley Park Primary School	21.0%	5.8%
Ridge Crest Cleaning Ltd (Shenley Brook End School)	23.4%	5.2%
Ridge Crest Cleaning Ltd (Walton High)	25.5%	5.6%
Ringway Infrastructure Services Limited (MK)	22.8%	6.7%
Ringway Jacobs (Bucks)	21.4%	7.2%
RM Education Ltd	19.6%	6.8%
Royal Grammar School	22.8%	6.5%
Royal Latin School	22.8%	6.0%
Seer Green CE Combined School	22.8%	5.6%
SERCO (MKC Recreation & Maintenance)	24.4%	6.4%
SERCO (MKC)	20.6%	6.2%
Shenley Brook End & Tattenhoe Parish Council	25.1%	6.7%
Shenley Brook End School	21.0%	5.8%
Shenley Church End Parish Council	25.1%	6.2%
Shepherdswell Academy	21.0%	5.8%
Sir Henry Floyd Grammar School	22.8%	6.2%
Sir Herbert Leon Academy	21.0%	5.9%
Sir Thomas Fremantle Secondary School	22.8%	6.0%
Sir William Borlase's Grammar School	22.8%	6.1%
Sir William Ramsay School	22.8%	6.0%
Southwood Middle School	21.5%	5.8%
Sports Leisure Management (SLM)	27.0%	5.9%
St John's CE Combined School	22.8%	5.4%
St Mary's CE Combined School	22.8%	5.6%
St Nicolas' CE Combined School Taplow	22.8%	5.7%
St Paul's Catholic School	22.3%	6.1%
Stanton School	20.9%	5.2%
Stantonbury Campus	21.0%	6.0%
Stantonbury Parish Council	25.1%	6.1%
Stephenson Academy	21.0%	6.2%
Stony Stratford Town Council	24.7%	6.4%
Taplow Parish Council	20.8%	5.8%
Thames Valley Police	16.6%	6.7%
Thomas Harding Junior School	22.8%	5.4%
Thrift Farm	26.7%	5.9%
Two Mile Ash School	21.0%	5.9%
Vale of Aylesbury Housing Trust	23.1%	7.5%
Waddesdon C of E School	22.8%	6.1%
Waddesdon Parish Council	20.8%	5.8%

Walton High	21.0%	6.5%
Water Hall Primary School	21.0%	5.5%
Waterside Combined School	22.8%	5.0%
Watling Academy	21.0%	6.4%
Wendover Parish Council	25.1%	6.5%
West Bletchley Council	25.1%	6.4%
West Wycombe Combined School	22.8%	5.6%
West Wycombe Parish Council	25.1%	5.5%
Weston Turville Parish Council	20.8%	6.5%
Whitehouse Primary School	21.0%	5.9%
Winslow Town Council	25.1%	6.2%
Woburn Sands Town Council	25.1%	6.5%
Wolverton and Greenleys Town Council	25.1%	6.6%
Wolverton and Watling Way Pools Trust	14.2%	8.5%
Wooburn and Bourne End Parish Council	25.1%	6.6%
Wooburn Green Primary School (The Meadows School)	22.8%	5.6%
Woodside Junior School	22.8%	5.7%
Woughton Community Council	22.1%	6.3%
Wycombe Heritage & Arts Trust	15.7%	6.5%
Wycombe High School	22.8%	6.5%
Wyvern School	20.8%	5.0%

# Actuary's Statement as at 31 March 2021

## Introduction

The last full triennial valuation of the Buckinghamshire Pension Fund (the Fund) was carried out as at 31 March 2019 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 (the Regulations) and in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated 31 March 2020.

## Asset value and funding level

The results for the Fund at 31 March 2019 were as follows:

- The value of the Fund's assets as at 31 March 2019 used for valuation purposes was £2,989m.
- The Fund had a funding level of 94% i.e. the assets were 94% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a deficit of £186m.

## Contribution rates

The employer contribution rates, in addition to those paid by the members of the Fund, are set to be sufficient to meet:

- The annual accrual of benefits allowing for future pay increases and increases to pensions in payment when these fall due;
- plus an amount to reflect each participating employer's notional share of the Fund's assets compared with 100% of their liabilities in the Fund, in respect of service to the valuation date.

The primary rate of contribution on a whole Fund level was 18.2% of payroll p.a. The primary rate as defined by Regulation 62(5) is the employer's share of the cost of benefits accruing in each of the three years beginning 1 April 2020.

In addition, further "secondary" contributions are required from employers in order to pay off the Fund's deficit by no more than 15 years with effect from the 2019 valuation. This secondary rate is based on each employer's particular circumstances and so individual adjustments are made for each employer. The total secondary contributions payable by all employers, present in the Fund as at 31 March 2019, over the three years to 31 March 2023 is estimated to be as follows:

Secondary Contributions	2020/2021	2021/2022	2022/2023
Total as a % of payroll	3.9%	4.0%	4.1%
Equivalent to total monetary amounts of	£18.2m	£19.4m	£20.6m

Details of each employer's contribution rate are contained in the Rates and Adjustments Certificate in the triennial valuation report.

## Assumptions

Assumptions	Assumptions used for the 2019 valuation
<b>Financial assumptions</b>	
Market date	31 March 2019
CPI inflation	2.6% p.a.
Long-term salary increases	3.6% p.a.
Discount rate	4.8% p.a.
<b>Demographic assumptions</b>	

Post-retirement mortality	Male/Female
Member base tables	S3PA
Member mortality multiplier	110%/95%
Dependent base tables	S3DA
Dependent mortality multiplier	95%/80%
Projection model	CMI 2018
Long-term rate of improvement	1.25% pa
Smoothing parameter	7.5
Initial addition to improvements	0.5% pa

The mortality assumptions translate to life expectancies as follows:

Assumed life expectancies at age 65:	
Average life expectancy for current pensioners- men currently age 65	21.7 years
Average life expectancy for current pensioners- women currently age 65	25.0 years
Average life expectancy for future pensioners – men currently age 45	23.1 years
Average life expectancy for future pensioners- women currently age 45	26.5 years

Full details of the demographic and other assumptions adopted as well as details of the derivation of the financial assumptions used can be found in the 2019 valuation report.

## Updated position since the 2019 valuation

### Assets

Returns over the year to 31 March 2021 have been strong, helping to offset the significant fall in asset values at the end of the previous year. As at 31 March 2021, in market value terms, the Fund assets were slightly more than where they were projected to be based on the previous valuation.

### Liabilities

The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate (the discount rate relative to CPI inflation) – the higher the real discount rate the lower the value of liabilities. As at 31 March 2021, the real discount rate is estimated to be lower than at the 2019 valuation due to lower future expected returns on assets in excess of CPI inflation.

We have updated the derivation of the CPI inflation assumption to be 0.8% p.a. below the 20 year point on the Bank of England (BoE) implied inflation curve. The assumption adopted at the 2019 valuation was that CPI would be 1.0% p.a. below the 20 year point on the BoE implied inflation curve. This update was made following the Government's response (on 25 November 2020) to the consultation on the reform of RPI, and the expectation that the UK Statistics Authority will implement the proposed changes to bring RPI in line with CPIH from 2030. This updated approach leads to a small increase in the value of liabilities.

The value of liabilities will also have increased due to the accrual of new benefits net of benefits paid. It is currently unclear what the impact of the COVID-19 pandemic is on the Fund's funding position. It is expected that COVID-related deaths will not have a material impact on the Fund's current funding level, however, impact on future mortality rates may be more significant and we will be reviewing the Fund's mortality assumption as part of the next valuation.

**Graeme D Muir, FFA**  
**Partner, Barnett Waddingham**



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## Investment Policy and Performance Report

The planned asset allocation and actual asset allocation at the beginning and end of the 2020/2021 financial year are shown in the table below.

A strategic review of asset allocation, in February 2020, showed that the overall risk factor (standard deviation) for the Fund is 12.8%. The next strategic review of asset allocation is due in 2023 following the outcome of the 31 March 2022 triennial valuation. Interim strategy reviews can be taken if required.

Table 1: Asset Allocation

	<b>Planned % 31 March 2020</b>	<b>Actual % 31 March 2020</b>	<b>Planned % 31 March 2021</b>	<b>Actual % 31 March 2021</b>
Overseas Equities	49	47	49	54
Bonds	25	28	25	25
Alternatives	18	15	18	14
Property	8	8	8	6
Cash	0	2	0	1
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

The Fund's Investment Strategy Statement sets out the principles that will guide the Committee when making decisions about the investment of the Fund's assets.

### Investment Administration

The Fund's assets are managed by external fund managers. The Fund's bonds within segregated mandates are held by our global custodian, State Street. The Funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS).

In the year to 31 March 2021 the annual return was 26.6% compared to the benchmark return of 22.2%, an outperformance of 4.4%. Blackrock, Blackstone and Royal London outperformed. Legal & General's performance in accordance with its passive mandate matched the benchmark. During the year, 6% of property investments were transitioned to Brunel's UK Property portfolio. 4% was transitioned from passive emerging market equity to Brunel's active smaller company equity portfolio.

In the three years to 31 March, the Fund achieved a return of 8.9%, an annual outperformance of 0.8% compared to its 8.1% benchmark for that period. Over the three years Blackrock, Blackstone and RLAM have outperformed their benchmarks.

Legal & General, in accordance with their passive tracker mandate matched the benchmark.

Table 2: Investments' Annual and Three-Year Performance

Assets Category	Annual Performance					Three-Year performance		
	Openin g Value £m	Closing Value £m	Net Perfor mance %	Bench mark %	Net Relativ e Return %	Net Perfor mance %	Bench mark %	Net Relativ e Return %
<b>Asset Pool Managed Investments</b>								
Active Emerging Market Equity	123	198	46.1	42.8	3.3	-	-	-
Active Global High Alpha Equity	402	603	50.0	39.1	10.9	-	-	-
Active Low Volatility Global Equity	111	160	20.2	39.6	-19.4	-	-	-
Active Smaller Company Global Equity	0	181	-	-	-	-	-	-
Passive Developed Listed Equity	726	842	39.4	39.4	0.0	-	-	-
Brunel UK Property	0	224	0.2	2.5	-2.3			
Unlisted Equity	11	20	-	-	-	-	-	-
Infrastructure	14	39						
Private Markets Cash	0	6	-	-	-	-	-	-
<b>Total Asset Pool</b>	<b>1,387</b>	<b>2,273</b>						
<b>Non-Asset Pool Managed Investments</b>								
RLAM – Core Plus Active Bonds	470	511	8.8	6.1	2.7	4.7	4.0	0.7
LGIM – Passive Listed Corporate Bonds	132	141	7.2	7.2	0.0	4.1	4.1	0.0
LGIM – Passive Listed Index-Linked Bonds	231	237	2.3	2.3	0.0	4.1	4.1	0.0
La Salle - Property Multimanager	223	0	-	-	-	-	-	-
Pantheon - Unlisted Equity	107	94	-	-	-	-	-	-
Partners - Unlisted Equity	21	13	-	-	-	-	-	-
Cash	49	28	-	-	-	-	-	-
Blackrock-Dynamic Diversified Growth Fund	135	160	18.2	0.1	18.1	5.9	0.6	5.3
Blackstone – Offshore Sterling Hedge Fund	147	171	16.5	0.1	16.3	3.6	0.6	3.0
<b>Total Non-Asset Pool</b>	<b>1,515</b>	<b>1,355</b>						
<b>Total Fund</b>	<b>2,902</b>	<b>3,628</b>	<b>26.6</b>	<b>22.2</b>	<b>4.4</b>	<b>8.9</b>	<b>8.1</b>	<b>0.8</b>

The performance of the Fund's private equity investments has been excluded from the combined performance monitoring summary. This is common practice for many LGPS Funds due to the problematic nature of calculating private equity returns on a quarter-by-quarter basis, the issue of which reference benchmark to put in place and the valuations are quarterly in arrears and adjusted for cash contributions/distributions made during the quarter. Due to the long-term nature of these investments, where there is underperformance the Committee would not be able to terminate the contracts with these managers if they were to underperform. The Committee are monitoring the portfolio based on the investment manager reports for Pantheon and Partners Group.

The table below shows the Fund's investment performance over historical periods to 31 March 2021 compared to the Fund's investment benchmark.

Table 3: Investment Performance

	<b>1 year %</b>	<b>3 years %</b>	<b>5 years %</b>
Buckinghamshire Pension Fund	26.6	8.9	10.1
Strategic Benchmark	22.2	8.1	9.2
Relative	4.4	0.8	0.9

## The Local Government Pension Scheme (LGPS) Code of Transparency

The LGPS Scheme Advisory Board in England and Wales launched a Code of Transparency in May 2017, publishing a cost template that would allow pension funds to gather cost information for listed investment assets in a consistent manner. Since then, the Financial Conduct Authority has set up a new organisation, The Cost Transparency Initiative, to take forward the work of standardising cost disclosure across the investment industry. The Fund is a strong supporter of the work carried out to date on cost transparency and has encouraged all of its investment managers to sign up to the LGPS Code of Transparency. The Fund has engaged with managers of the Direct Investment Portfolio to encourage them to complete the cost template relevant to their asset class.

The cost transparency table for 2020/21, provided by the Fund manager, is displayed below.

<b>Fund Manager</b>	<b>Management Fees</b>	<b>3rd Party Fees</b>	<b>Total Fees</b>
BlackRock Investment Management (UK) Limited	1,594,021.00	-	1,594,021.00
Brunel Pension Partnership	9,251,881.81	3,151,455.97	12,403,337.77
Legal & General Assurance (Pensions Management) Limited	201,943.19	-	201,943.19
M&G Total	26,053.03	40,653.02	66,706.05
Pantheon	4,149,284.01	200,125.55	4,349,409.55
Royal London Asset Management	537,186.05	160,736.99	697,923.04
<b>Total</b>	<b>15,760,369.08</b>	<b>3,552,971.52</b>	<b>19,313,340.60</b>

# Investment Pooling Report

In 2015 the Government issued LGPS: Investment Reform Criteria and Guidance which set out the criteria the local government pension scheme should meet when developing proposals for pooling assets.

Benefits of scale

- Strong governance and decision making.
- Reduced costs and excellent value for money, and
- An improved capacity and capability to invest in infrastructure.
- It should be noted that the responsibility for determining asset allocations and the investment strategy remains with the individual pension funds.

As a result of the investment pooling agenda, the Buckinghamshire Fund joined with nine other LGPS administering authorities to set up the Brunel Pension Partnership. Buckinghamshire Council, the Administering Authority at the time, approved the business case in February 2017, based on an estimated potential fee savings of £550 million over a 20-year period across the ten funds. From 1 April 2020, the five districts and Councils serving Buckinghamshire residents were replaced by the new Buckinghamshire Council.

The financial model estimated that net cumulative savings of £122.3m could be achieved by 2035/36 for the Buckinghamshire Pension Fund, with a breakeven point during the 2020/2021 financial year.

The expected cost and savings for the Buckinghamshire Pension Fund, as per the original business case approved in February 2017, and then submitted to Government, are set out in the following tables.

## Buckinghamshire Pension Fund Expected Costs and Savings from Pooling (As per Business Case Submissions)

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000	£000	£000
<b>Set up cost</b>	117	1,060				
<b>Ongoing Brunel Costs</b>			473	617	637	657
<b>Client Savings</b>			(385)	(397)	(409)	(421)
<b>Transition Costs</b>			1,152	1,945	10	
<b>Fee Savings</b>			(137)	(1,723)	(3,173)	(3,995)
<b>Net Costs/realised savings</b>	117	1,060	1,102	443	(2,935)	(3,758)

	2022/23	2023/24	2024/25	2025/26	2026-2036	Totals
	£000	£000	£000	£000	£000	£000
<b>Set Up Cost</b>						<b>1,177</b>
<b>Ongoing Brunel Costs</b>	679	701	724	747	8,952	<b>14,185</b>
<b>Client Savings</b>	(433)	(446)	(460)	(474)	(5,593)	<b>(9,017)</b>
<b>Transition Costs</b>						<b>3,108</b>
<b>Fee Savings</b>	(4,914)	(5,900)	(6,316)	(6,754)	(98,820)	<b>(131,732)</b>
<b>Net Costs/Realised Savings</b>	(4,668)	(5,646)	(6,053)	(6,481)	(95,461)	<b>(122,279)</b>

Following approval of the business case, the Brunel Pension Partnership Ltd (Brunel) was established in July 2017, as a company wholly owned by the Administering Authorities (in equal shares) that participate in the pool. The company is authorised by the Financial Conduct Authority (FCA). It is responsible for implementing the detailed Strategic Asset Allocations of the participating funds by investing Funds' assets within defined outcome focussed investment portfolios. In particular, it researches and selects the external managers or pooled funds needed to meet the investment objective of each portfolio.

Now that Brunel is operational, the financial performance of the pool will be monitored to ensure that Brunel is delivering on the key objectives of investment pooling. This includes reporting of the costs associated with the appointment and management of the pool company including set up costs, investment management expenses and the oversight and monitoring of Brunel by the client funds. The set up and transition costs incurred to date are set out in the following table.

<b>Buckinghamshire's Share of the Brunel Pool Set Up Costs</b>	<b>Direct £000</b>	<b>Indirect £000</b>	<b>Total £000</b>	<b>Cumulative to Date £000</b>
<b>Set up costs</b>				
Recruitment	0	0	0	18
Legal	0	0	0	133
Consulting, Advisory & Procurement	0	0	0	82
Other support costs e.g. IT, accommodation	0	0	0	0
Share Purchase/Subscription Costs	0	0	0	840
Staff Costs	0	0	0	0
Other Costs	0	0	0	184
<b>Total Set Up Costs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,256</b>
<b>Transition Costs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Transition Fee</b>	<b>0</b>	<b>46</b>	<b>46</b>	<b>165</b>
<b>Tax</b>	<b>0</b>	<b>91</b>	<b>91</b>	<b>589</b>
<b>Other Transition Costs</b>	<b>0</b>	<b>1,101</b>	<b>1,101</b>	<b>3,426</b>
<b>Total Transition Costs</b>	<b>0</b>	<b>1,238</b>	<b>1,238</b>	<b>4,180</b>

The Buckinghamshire Fund transitioned assets to Brunel's Global Developed Passive Equity Portfolio in July 2018. During 2019/2020 assets were transitioned to Emerging Market Equity, Global High Alpha Equity and Low Volatility Equity portfolios. The Fund also committed £75m to the Brunel cycle 1 infrastructure portfolio and £75m to the Brunel cycle 1 private equity portfolio.

During 2020/21 the Fund transitioned 5% of the Fund from Brunel's Global Developed Passive Equity Portfolio to Brunel's Smaller Company Equity Portfolio. The Fund committed £250m to the Brunel cycle 2 infrastructure portfolio, £120m to the Brunel cycle 2 private equity portfolio and £130m to the Brunel cycle 2 private debt portfolio. The property portfolio, previously managed by La Salle, has been taken over by Brunel.

The savings achieved during 2020/2021 and the cumulative savings/(costs) are set out in the following tables.

## 2020/2021 Investment Fee Savings from Pooling

Portfolio	Value in Original Business Case 31 March 2016 £000	Value at 31 March 2021 £000	Price Variance £000	Quantity Variance £000	Total Saving /(Cost) £000
Global Developed Passive Equity (Unhedged)	370,549	841,815	135	(111)	24
UK Equity	217,240	0	0	1,135	1,135
Low Volatility Equity	0	159,691	143	(426)	(283)
Emerging Markets Equity	0	197,734	234	(1,076)	(842)
High Alpha Global Equity	460,215	602,912	1,430	(482)	948
Smaller Company Equity	0	180,831	64	(405)	(341)
Property	188,298	219,362	343	(33)	310
Private Equity	172,370	70,331	137	1,749	1,886
Infrastructure	18,198	75,759	1,187	(2,084)	(897)
<b>Total</b>	<b>1,426,870</b>	<b>2,348,435</b>	<b>3,673</b>	<b>(1,733)</b>	<b>1,940</b>

## Cumulative Investment Fee Savings from Pooling

Portfolio	Value in Original Business Case 31 March 2016 £000	Value at 31 March 2021 £000	Price Variance £000	Quantity Variance £000	Total Saving /(Cost) £000
Global Developed Passive Equity (Unhedged)	370,549	841,815	355	(305)	50
UK Equity	217,240	0	0	2,681	2,681
Low Volatility Equity	0	159,691	148	(455)	(307)
Emerging Market Equity	0	197,734	307	(1,491)	(1,184)
High Alpha Global Equity	460,215	602,912	1,864	(434)	1,430
Smaller Company Equity	0	180,831	64	(405)	(341)
Property	188,298	219,362	343	(33)	310
Private Equity	172,370	70,331	305	1,541	1,846
Infrastructure	18,198	75,759	1,279	(668)	611
<b>Total</b>	<b>1,426,870</b>	<b>2,348,435</b>	<b>4,665</b>	<b>431</b>	<b>5,096</b>

The price variance shows the difference between the fees paid in 2020/21 and those that would have been paid at the previous rates. The quantity variance reflects the difference in fees as a result of asset growth or change in asset allocation compared to the business case. Therefore, when comparing the fee savings against the business case the price variance reflects the actual saving in fees. The analysis shows the fee savings achieved for the assets that have transitioned to Brunel portfolios against the fees charged at the time the business case for pooling was prepared in 2016.

At the time of the business case in 2016, the Fund was invested in UK equities. The Fund has reduced investments in UK equities, resulting in a quantity variance saving offset by additional costs in new allocations to emerging market equity, low volatility equity and smaller company equity. The Brunel private equity allocation is lower than the position in 2016, resulting in a quantity variance cost. Conversely, the fund had a smaller allocation to infrastructure in 2016 resulting in a quantity variance cost. The private equity allocation is expected to increase over the forthcoming years as Brunel invests the money committed to the cycle 1 and cycle 2 private markets.

A summary of the costs and savings to date compared to the original business case is provided in the following table.

#### Expected Costs compared to Actual Costs/Savings to Date

<b>2020/21</b>	<b>Budget in year £000</b>	<b>Budget Cumulative £000</b>	<b>Actual in year £000</b>	<b>Actual Cumulative £000</b>
Set Up Costs	-	1,177	-	1,256
Ongoing Brunel Costs	637	1,726	1,179	3,167
Buckinghamshire Fund Savings	(409)	(1,190)	(325)	(944)
Transition Costs	10	3,108	1,238	4,180
Fee Savings	(3,173)	(5,033)	(3,673)	(4,665)
<b>Net costs / (Realised Savings)</b>	<b>(2,935)</b>	<b>(212)</b>	<b>(1,581)</b>	<b>2,994</b>

The most significant variances from the original business case can be summarised as follows:

- Fee savings to date are lower since the fixed interest assets will be transitioned in 2021/22 rather than the earlier date anticipated in the original business case.
- Transition costs were lower in 2018/2019, partly due to the transition costs for the passive mandates being lower than expected.
- Transition costs for active equity portfolios were included in 2018/2019 in the original business case, whereas these assets were transitioned in 2019/2020.
- Additional resources have been required by Brunel over and above those envisaged by the original business case, in order to deliver the service required by their clients. As a result, the ongoing overhead costs of the Brunel company are higher than originally estimated.
- Transition costs for fixed income portfolios were included in 2019/2020 in the original business case, whereas these assets will be transitioned in 2021/22; in part due to the revised transition timetable agreed between clients and Brunel and the impact of the coronavirus pandemic.
- The original business case forecast that the Buckinghamshire Pension Fund pooling costs would break even in 2020/21. The combination of the cost of additional resources and the revised transition timetable mean that the Fund is projected to breakeven in 2022/23.

# History of the Fund

Table 1: Active membership

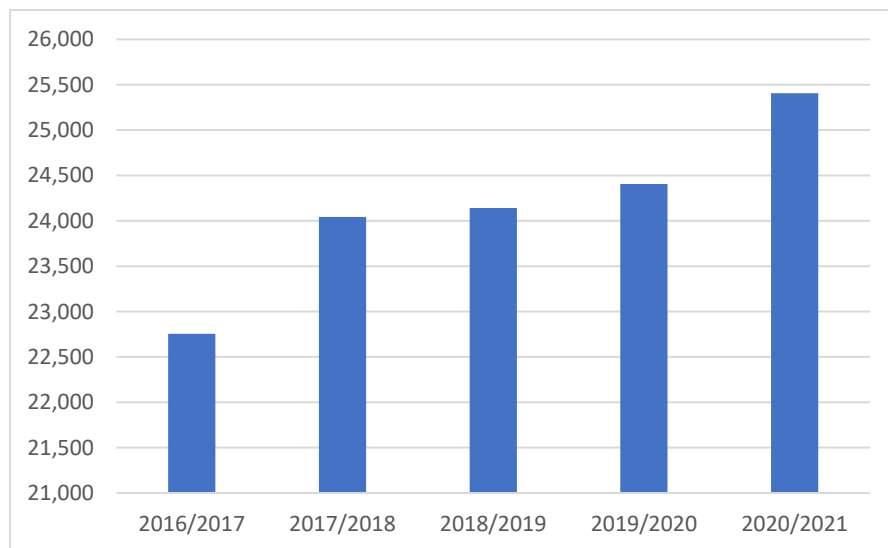


Table 2: Deferred membership

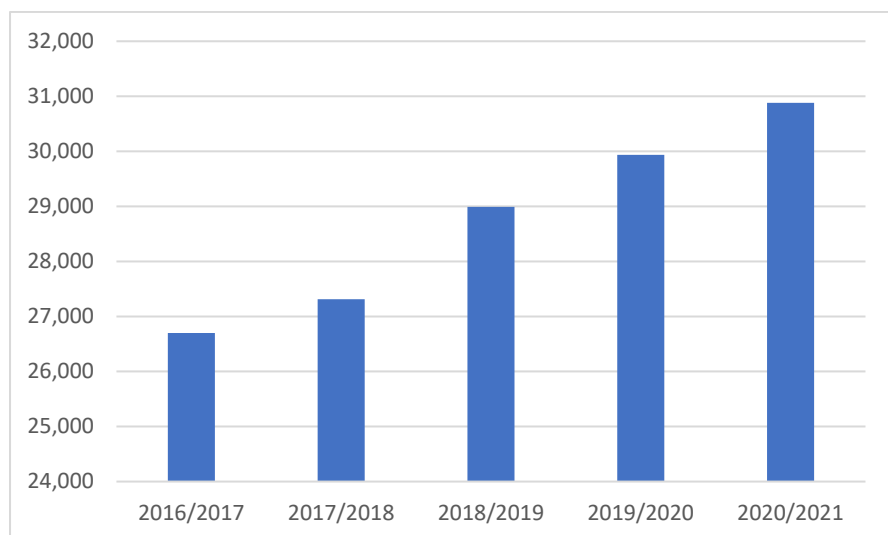


Table 3: Pensioner membership

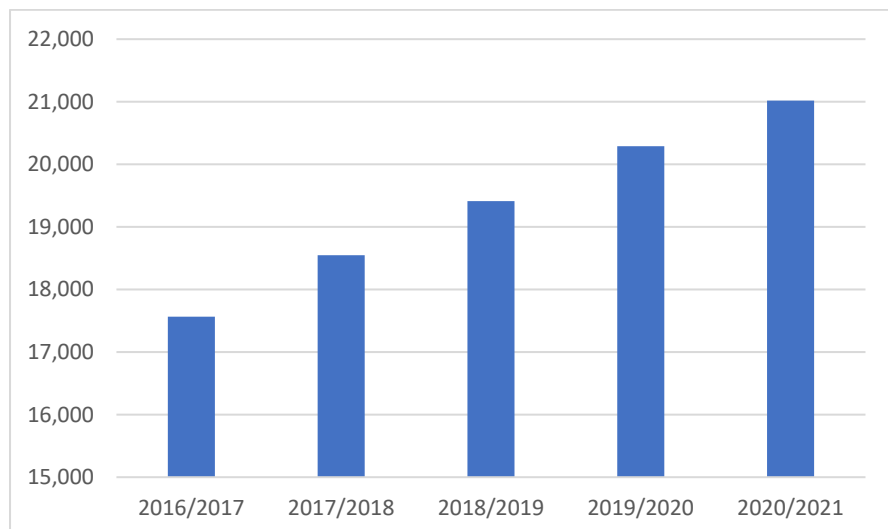




Table 4: Contributions received (£millions)

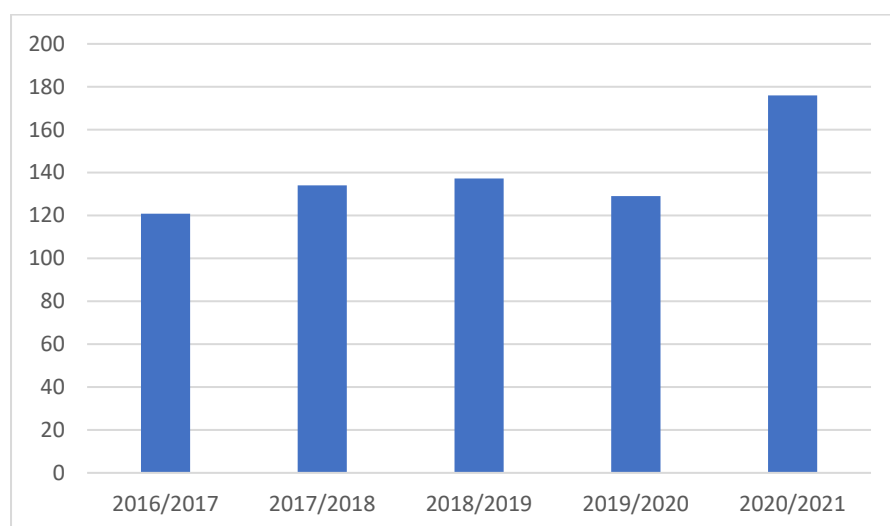


Table 5: Benefits paid (£millions)

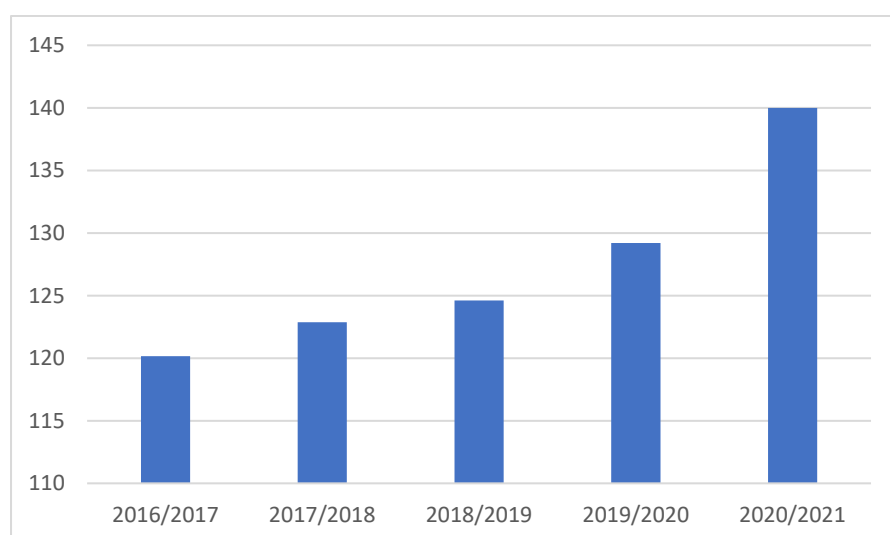
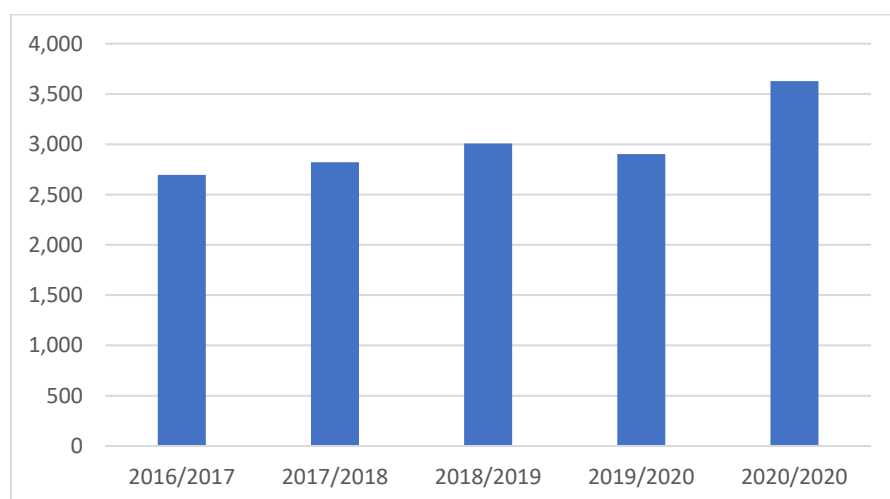


Table 6: Fund Value (£millions)



# Risk Management

## Risk Management Report

The Fund's statutory documentation and accounts contain the required sections detailing the Fund's approach to the various types of risks it faces across its operations, together with how the Fund aims to mitigate each of these. In particular:

- The Governance Compliance Statement reviews the risk areas and mitigation approach within the Fund's management and governance structure
- The Investment Strategy Statement covers risk measurement and management in an investment sense; and
- The Funding Strategy Statement includes a section, prepared in conjunction with the Fund's actuary, on the identification of risks and countermeasures in relation to the Fund's funding position and investment strategy

The Pension Fund accounts contain a detailed section on the nature and extent of the risks arising from Financial Instruments, including detailed sensitivity analysis of the potential monetary impact to the Fund of the varying financial risks.

The Pension Fund Risk Register in the following table is reviewed by the Pension Fund Committee twice a year. It details the risks and risk mitigation measures in place:

### Key to the risk/impact

In accordance with the Council's risk management framework, scores between 0 and 5 are attributed to the impact of the risk. The impact areas are service/performance, reputation/political, financial, data protection/technological, legislation/regulatory and health and safety. Scores between 0 and 6 are attributed to the likelihood of the risk from extremely unlikely (1) to extremely likely (6). The scores for each risk are combined and assigned red, amber or green in the heat map in accordance with the table below.

### Matrix and Heat Map- Scoring detail and colour scale

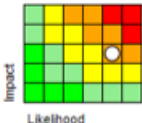

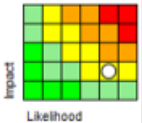
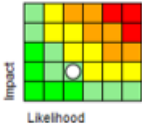

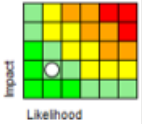
5	5	10	15	20	25	30
4	4	8	12	16	20	24
3	3	6	9	12	15	18
2	2	4	6	8	10	12
1	1	2	3	4	5	6
	1	2	3	4	5	6

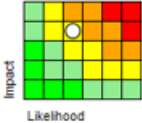

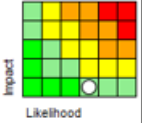
Scoring colour code	
	1-3
	4-6
	7-12
	13-20
	21-30

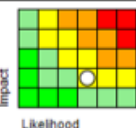

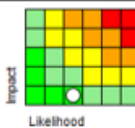
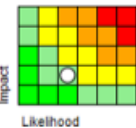

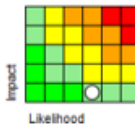
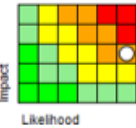

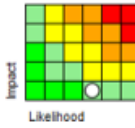
Scale	Impact Areas
0-5	Service/Performance
0-5	Reputation/Political
0-5	Financial
0-5	Data Protection/ Technological
0-5	Legislation/ Regulatory
0-5	Health & Safety

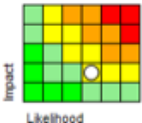

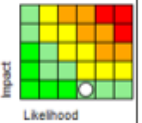
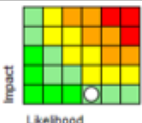

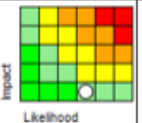
Scale	Likelihood
1-6	Scores from

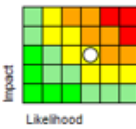

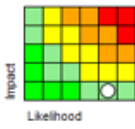
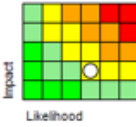

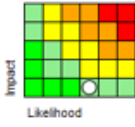
## Pensions and Investments Team- Administration risk register

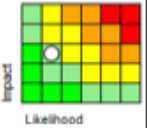

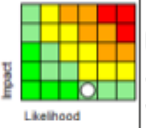
Risk Name	Risk Description	Current Score	Current Matrix	Direction of Travel	Target Score	Target Matrix	Latest Note	Action	Action Progress	Action Update	Action Due Date	Risk Owner	Date Risk Reviewed
RS-PA-01 Employer LGPS knowledge	Lack of employer understanding of the LGPS and knowledge of the Service Level Agreement may cause incorrect information to be provided and additional queries from employers	15			10		No change					Julie Edwards	10-Feb-2021
RS-PA-02 Staff Capacity Issues	A lack of capacity due to staff losses or sickness could adversely affect the workload of the pensions section resulting in decreased productivity.	6			4		As previously mentioned, it is expected that the McCloud remedy will result in a huge <u>amount</u> of additional workloads for administration teams and additional staffing resource will be required. Agreement for additional staffing resource has been requested and it is the intention to recruit to these roles as soon as possible so that					Julie Edwards	10-Feb-2021

Risk Name	Risk Description	Current Score	Current Matrix	Direction of Travel	Target Score	Target Matrix	Latest Note	Action	Action Progress	Action Update	Action Due Date	Risk Owner	Date Risk Reviewed
							training can take place prior to the McCloud remedial action taking place. There is an increased risk likelihood taking into account difficulties in recruitment & training as well as other areas of additional workloads.						
RS-PA-03 Pensions Administration Software	The risk that the pensions administration software (Altair) causes disruption due to system crashes etc. leading to calculation errors, delays and a loss of working time.	12			4		<p>This risk has further decreased in likelihood.</p> <p>The role out of windows 10 laptops is complete and the issues from this have now been resolved.</p> <p>There has been a decrease in the amount of downtime from the Altair (the pensions administration software) as updates are now taking place out of working hours.</p> <p>The impact of this risk is still high as any issues do have a significant impact on the <a href="#">team</a> but the likelihood has reduced.</p>					Julie Edwards	10-Feb-2021

Risk Name	Risk Description	Current Score	Current Matrix	Direction of Travel	Target Score	Target Matrix	Latest Note	Action	Action Progress	Action Update	Action Due Date	Risk Owner	Date Risk Reviewed
RS-PA-04 Software Updates	Software updates resulting from scheme changes may create errors in calculations thus resulting in more time spent checking and re-doing calculations.	8			3		Increased risk impact to minor level. The McCloud remedy will result in a lot of recalculations. Although Heywood are working on what updates are needed to the pensions admin system, we are unaware as yet whether manual interventions will be needed.					Julie Edwards	10-Feb-2021
RS-PA-05 Staff Retention	Staff retention. There is a risk of losing trained staff to other organisations due to a lack of flexibility in the career matrix.	6			4		No change to risk rating.					Julie Edwards	10-Feb-2021
RS-PA-06 Quality / Timeliness Data from Employers	Poorly performing employers/payroll providers can cause additional work on the pensions team by not providing information which they have a statutory duty to provide. This results in wasted time chasing employers and creating a backlog of work.	18			4		No change to rating.  Significant work has now taken place with one large employer and improvements have been made. Changes will be taking place over the first quarter of 2021/22 in how we obtain data from employers using third party payroll providers with the aim to improve timeliness and quality so it is hoped that the	Work with employers and payroll providers to improve data quality and timeliness.				Julie Edwards	10-Feb-2021

Risk Name	Risk Description	Current Score	Current Matrix	Direction of Travel	Target Score	Target Matrix	Latest Note	Action	Action Progress	Action Update	Action Due Date	Risk Owner	Date Risk Reviewed
							likelihood of this risk will reduce soon.						
RS-PA-07 TUPE / Payroll Provider Changes	Additional work and disruption is caused due to outsourcing and changes in schools payroll providers creating losses of vital information. This results in a lot of extra work on pensions administration staff attempting to piece together information which should have been provided	8			4		No change.  This is still an ongoing issue and the administration team find out late that a payroll provider has changed. A procedure is in place to ask employers to advise as soon as possible but it is not always followed. monthly monitoring is now taking place by the Employer Liaison Team and where it is identified that employers are not advising the administration team, charges may be imposed in line with the Pensions Admin Strategy.					Julie Edwards	10-Feb-2021
RS-PA-08 TUPE Transfers / Academy Conversions	The increase of TUPE transfers / schools opting for academy status has resulted in an increased workload for pensions staff. The TUPE officer must deal with the admission agreements as well as liaising with external contractors	4			4		No change					Julie Edwards	10-Feb-2021

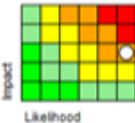

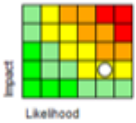


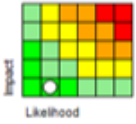
Risk Name	Risk Description	Current Score	Current Matrix	Direction of Travel	Target Score	Target Matrix	Latest Note	Action	Action Progress	Action Update	Action Due Date	Risk Owner	Date Risk Reviewed
	and the fund actuaries. The range of employees involved differ between employer but range from one employee to hundreds.												
RS-PA-09 Guaranteed Minimum Pension reconciliation	The end of contracting-out of the Additional State Pension from April 2016 means that a Guaranteed Minimum Pension reconciliation of the Fund's records with the HMRC's records will need to be completed by 2018. This reconciliation may result in identifying overpayments/under payments. If the reconciliation is not complete before the closing of the office this could result in the Fund being liable for GMP's which we should not be responsible for.	12			5		No change to rating.  The reconciliation side of this process is now <u>complete</u> and the rectification side will now take place. The intention is to have this complete by July 2021. Details regarding the number of reconciliations and underpayments/overpayments should be known by March 2021.	Reconcile Fund data to HMRC data. Identify under / overpayments Rectify payments.		Data reconciled.  Under / overpayments will be identified in March 2021. Rectification scheduled for July 2021.		Julie Edwards	10-Feb-2021
RS-PA-11 Admitted Bodies Deficits	If Admitted Bodies who joined the Fund prior to 1997 fail or if current Admitted Bodies reduce their active members to 0, then the Fund has no powers to ensure these organisation make good any deficit.	8			4		Increased due to current economic climate arising from Covid-19.					Julie Edwards	10-Feb-2021

Risk Name	Risk Description	Current Score	Current Matrix	Direction of Travel	Target Score	Target Matrix	Latest Note	Action	Action Progress	Action Update	Action Due Date	Risk Owner	Date Risk Reviewed
RS-PA-13 Annual Benefits Statements Issuance	The Public Sector Pensions Act 2013 requires that Annual Benefits Statements are issued to Scheme Members by 31 August. There is a risk that the Regulator will issue a fine although this is the position for most local authorities.	6			4		No change from previous rating.  The team continue to work with employers to clear any outstanding queries. It is hoped that the majority of these queries will be cleared prior to the 2020/21 year end returns being uploaded on the system. This should reduce the ongoing queries and improve the number of ABS's issued. If this happens this risk likelihood should reduce at the next update					Julie Edwards	10-Feb-2021

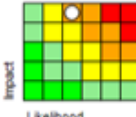












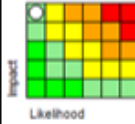
## Pensions & Investments Team – Investment risk register










Risk Name	Risk Description	Current Score	Current Matrix	Direction of Travel	Target Score	Target Matrix	Latest Note	Action	Action Progress	Action Update	Action Due Date	Risk Owner	Date Risk Reviewed
RS-PI-01 Investment Strategy	If the investment strategy does not produce the returns as envisaged / required then funds perform worse than expected, the deficit increases, pressure on employer contributions, pressure on Council Tax and reputational pressure on the Pension Fund	20			20		Investment Strategy and Investment Strategy Statement reviewed in 2020.					Julie Edwards	14-Feb-2021
RS-PI-02 Significant Downturn in a Particular Sector	If there is a significant downturn in a particular sector / geographical location due to <u>man-made</u> or natural disasters, then funds perform worse than expected, the deficit increases, employers contributions would need to be increased.	16			12		Investment Strategy and Investment Strategy Statement reviewed in 2020. Following the coronavirus pandemic financial markets have been volatile, the medium and long term economic impact is unknown.					Julie Edwards	14-Feb-2021
RS-PI-03 New Investment Vehicle Not Understood	If a new investment vehicle is not understood by the Pension Fund Committee then loss of control, limited governance	6			6		Asset class training plan to be scheduled in the Pension Fund Committee forward plan aligned with Brunel Pension					Julie Edwards	14-Feb-2021

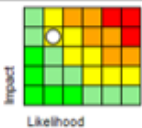

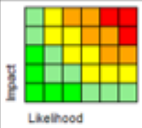
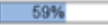
Risk Name	Risk Description	Current Score	Current Matrix	Direction of Travel	Target Score	Target Matrix	Latest Note	Action	Action Progress	Action Update	Action Due Date	Risk Owner	Date Risk Reviewed
	exercised, poor controls / limited challenge and errors.						Partnership transition plan.						
RS-PI-04 Public Sector Cuts	Public sector cuts could increase the number of early retirements, increase in administration costs and impact on revenue. Public sector cuts, member opt outs, localism and outsourcing could reduce the number of active members reducing contributions income. Contributions income could bring forward the date when the Fund has to use investment income to meet benefit payments.	18			10		The Buckinghamshire Council service transformation programme with potential redundancies and role changes will impact on the administration team workloads. Coronavirus has had an impact on the public sector finances, if there are Medium Term Financial Plan staff savings then there will be an impact on administration team workloads. Other employers in the Fund may also be reducing their workforce in response to COVID related budget pressures.					Julie Edwards	14-Feb-2021
RS-PI-05 Significant Changes in Government Regulations	If significant changes in government regulations occur, for example IAS19, then limited opportunities for innovation exist and resource is wasted supporting employers / members with non-	18			2		MHCLG undertook an informal consultation on draft statutory guidance on LGPS asset pooling in the spring, updated statutory guidance is expected later this year.  When the LGPS					Julie Edwards	14-Feb-2021

Risk Name	Risk Description	Current Score	Current Matrix	Direction of Travel	Target Score	Target Matrix	Latest Note	Action	Action Progress	Action Update	Action Due Date	Risk Owner	Date Risk Reviewed
	value adding activities.						benefit structure was reformed in 2014, transitional protections were applied to certain older members close to normal retirement age. In December 2018 the Court of Appeal upheld a ruling ("McCloud/Sargeant") that transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling apply to the LGPS. Benefits accrued from 2014 may need to be enhanced so that all members, regardless of age, will benefit from the underpin. Quantifying the impact at this stage is very difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service.	Identify resources.	Report to Pension Fund Committee on 25 February 2021 to approve resources to implement the remedy.				

Risk Name	Risk Description	Current Score	Current Matrix	Direction of Travel	Target Score	Target Matrix	Latest Note	Action	Action Progress	Action Update	Action Due Date	Risk Owner	Date Risk Reviewed
							<p>MHCLG are currently consulting on the reforms for the LGPS remedy. There will be an additional administration burden and complexity as a result of McCloud.</p> <p>On 12th February 2021 the Government announced that the £95k cap, introduced on 4th November 2020, no longer applied since it has been recognised that the cap has unintended consequences.</p>						
RS-PI-06 Poor Fund Management	If there is poor Fund management caused by poor selection, loss of key staff, change in process or not keeping up with the market then there will be poor performance, reduced assets, damage to reputation and increased deficit.	15			15		Investment Strategy and Investment Strategy Statement was reviewed in 2020.					Julie Edwards	14-Feb-2021
RS-PI-07 Underestimation of Pensioner Longevity	If there is an underestimation of pensioner longevity then there will be a failure to have high enough pension contributions and	6			6		The 2019 actuarial valuation detailed analysis of key mortality assumptions based on fund data over a five year period					Julie Edwards	14-Feb-2021

Risk Name	Risk Description	Current Score	Current Matrix	Direction of Travel	Target Score	Target Matrix	Latest Note	Action	Action Progress	Action Update	Action Due Date	Risk Owner	Date Risk Reviewed
	increased pressure on future contributions.						reported a slowing in the rate of improvement compared to 2016.						
RS-PI-08 Inflation	If inflation is significantly greater than currently forecast, then a combination of lower bond values and increasing pay levels will cause the deficit to widen (all else equal). If inflation is negative (deflation) for a prolonged period of time, the value of the inflation linked bonds will decrease. However, the value of the liabilities would not fall to the same extent as pay levels are unlikely to fall and pensions cannot be reduced, which will cause the deficit to widen (all else equal).	20			15		The Consumer Prices Index (CPI) 12 month rate was 0.6% in December 2020, up from 0.3% in September, an increase in inflation would increase the return requirement from the portfolio to meet benefit payments.					Julie Edwards	14-Feb-2021
RS-PI-09 Loss of Confidence by Employees and Employers	If there is loss of confidence by employees and employers in the Pension Fund management then political fallout, seen as a poor performer, criticism from external audit and Public Interest Reports.	5			5		The LGPS Technical Officer role was vacant in the early months of 2020, the post holder has a key role leading on employer and employee communications for the Fund and has now been appointed for nearly a year.					Julie Edwards	14-Feb-2021

Risk Name	Risk Description	Current Score	Current Matrix	Direction of Travel	Target Score	Target Matrix	Latest Note	Action	Action Progress	Action Update	Action Due Date	Risk Owner	Date Risk Reviewed
RS-PI-10 Market Volatility	If stock market volatility exists at key points in the cycle e.g. at time of actuarial review then, deficit grows as does pressure on employer costs.	30			20		The Fund's un-hedged overseas investments have benefited significantly from sterling weakness in recent years and will continue to make gains if there is further sterling depreciation. Following the UK's departure from the EU some of the gains have unwound as sterling has appreciated.  Increased market volatility is anticipated during the forthcoming months due to the ongoing uncertainty around the economic impact of the coronavirus.					Julie Edwards	14-Feb-2021
RS-PI-11 Failure / Fraud at a Fund Management House or Nominee Company	If a failure / fraud of a fund management house or nominee company occurs, then there will be a short term performance failure, time and cost implications and a potential loss of opportunity if at the wrong moment.	5			5		Ongoing review using governance structures described previously. Diversification of asset allocation mitigates the impact if a fraud were to occur.					Julie Edwards	14-Feb-2021
RS-PI-12 Policy Compliance	If officers undertake fraudulent activity or do not follow policy decision or recommend	4			4		Effective scrutiny of officer activity by line management, Pension Fund Committee and					Julie Edwards	14-Feb-2021

Risk Name	Risk Description	Current Score	Current Matrix	Direction of Travel	Target Score	Target Matrix	Latest Note	Action	Action Progress	Action Update	Action Due Date	Risk Owner	Date Risk Reviewed
	inappropriate / radical policy decision then too great an exposure in certain areas will exist leading to greater volatility, <u>break down</u> of trust, policy decisions slowed, loss of opportunity and reputation damage.						audit.						
RS-PI-14 Transition to Brunel Pool		8					As at 31 December 2020, 59% of the Fund's assets had transferred to portfolios managed by the Brunel Pension Partnership.	Transition assets to Brunel pool		59% of the Fund's assets transitioned to Brunel portfolios by 30 September 2020.	31-Dec-2021	Julie Edwards	14-Feb-2021

## Internal Audit Testing

An audit of pension administration was undertaken as part of the 2020/21 Internal Audit plan, agreed by the audit board and approved by the Regulatory and Audit Committee. The audit is intended to evaluate the adequacy and effectiveness of the system of internal controls in place to manage and mitigate financial and non-financial risks. The table below summarises the areas tested and the conclusion of the auditors.

Risk Areas	Area Conclusion
Policies, Procedures and Training	Substantial
Service Level Agreement with External Customers	Reasonable
Opt in/out and Transfers	Reasonable
Employee and Employer Contributions	Substantial
Reconciliations	Substantial
Income from Customers	Substantial
Performance Monitoring	Substantial

The overall conclusion for the system of internal control being maintained is: **Reasonable**. The definitions for the overall conclusion rating is shown in the table below.

	Definition	Rating Reason
<b>Substantial</b>	There is a sound system of internal control designed to achieve objectives and minimise risk.	The controls tested are being consistently applied and risks are being effectively managed. Actions are of an advisory nature in context of the systems, operating controls and management of risks. Some medium priority matters may also be present.
<b>Reasonable</b>	There is a good system of internal control in place which should ensure objectives are generally achieved, but some issues have been raised which may result in a degree of risk exposure beyond that which is considered acceptable.	Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently developed. Majority of actions are of medium priority, but some high priority actions may be present.
<b>Partial</b>	The system of internal control designed to achieve objectives is inadequate. There are an unacceptable number of weaknesses which have been identified and the level of non-compliance and / or weaknesses in the system of internal control puts the system objectives at risk	There is an inadequate level of internal control in place and/or controls are not being operated effectively and consistently. Actions may include high and medium priority matters to be addressed.
<b>Limited</b>	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.	The internal control is generally weak/does not exist. Significant non-compliance with basic controls which leaves the system open to error and/or abuse. Actions will include high priority matters to be actions. Some medium priority matters may also be present.



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# Statement of Responsibilities for the Statement of Accounts

## **The Council's Responsibilities**

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Service Director of Finance & Section 151 Officer
- Manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets
- Approve the Statement of Accounts, delegated to the Audit and Governance Committee.

## **The Service Director of Finance & Section 151 Officer Responsibilities**

The Service Director of Finance & Section 151 Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2020/202 (the Code).

In preparing this Statement of Accounts, the Service Director of Finance & Section 151 Officer has:

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with the Code
- Kept proper accounting records which were up to date
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

## **Certificate of the Service Director of Finance & Section 151 Officer**

I certify that this Statement of Accounts for the year ended 31 March 2021 gives a true and fair view of the financial position of the Council as at 31 March 2021 and its income and expenditure for the year ending 31 March 2021

**David Skinner**

**Service Director of Finance & section 151 officer**

**Buckinghamshire Council**

15 May 2024

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# Independent Auditor's Report to the Members of Buckinghamshire Council on the financial statements of Buckinghamshire Pension Fund

## Opinion

We have audited the financial statements of Buckinghamshire Council Pension Fund (the 'Pension Fund') administered by Buckinghamshire Council (the 'Authority') for the year ended 31 March 2021 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2021 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Service Director of Finance & S151 Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Service Director of Finance & S151 Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the

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Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Service Director of Finance & S151 Officer's use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

The responsibilities of the Service Director of Finance & S151 Officer with respect to going concern are described in the 'Responsibilities of the Authority, Service Director of Finance & S151 Officer and Those Charged with Governance for the financial statements' section of this report.

### **Other information**

The Service Director of Finance & S151 Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements, our auditor's report thereon, and our auditor's report on the Authority's financial statements. Our opinion on the Pension Fund's financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Pension Fund's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Buckinghamshire Pension Fund's financial statements or our knowledge of the Pension Fund obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Pension Fund financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinion on other matter required by the Code of Audit Practice (2020) published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)**

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements and our knowledge of the Pension Fund, the other information published together with the Pension Fund's financial statements in the Statement of Accounts, for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

### **Matters on which we are required to report by exception**

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;

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- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
  - we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters in relation to the Pension Fund.

### **Responsibilities of the Authority, the Service Director of Finance & S151 Officer and Those Charged with Governance for the financial statements**

As explained more fully in the Statement of Responsibilities set out on page 3, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Service Director of Finance & S151 Officer. The Service Director of Finance & S151 Officer is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Service Director of Finance & S151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Service Director of Finance & S151 Officer is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Pension Fund will no longer be provided.

The Audit and Governance Committee is Those Charged with Governance for the Pension Fund. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting

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standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Public Service Pensions Act 2013, The Local government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

- We enquired of senior officers and the Audit and Governance Committee, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit and Governance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to the pressure on management in terms of how they report performance. The Fund faces external scrutiny of its spending and stewardship of funds, and this could potentially place management under undue pressure. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk. Therefore, the journals we selected for testing were identified based on the risk assessment configuration and the weighted risk calculation. For this purpose, we used our judgement to assign a numerical value (score) to each transaction. Transactions which are analysed as being higher risk were assigned a higher score. These higher risk transactions were then tested to identify any potential management bias. We found no instances of management bias as a result of our testing.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Service Director of Finance & S151 Officer has in place to prevent and detect fraud;
  - journal entry testing, with a focus on journals having characteristics which indicate potential management bias;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of level 3 investments and IAS 26 pensions liability valuations;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:

- 
- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
  - knowledge of the local government pensions sector;
  - understanding of the legal and regulatory requirements specific to the Pension Fund including:
- the provisions of the applicable legislation
  - guidance issued by CIPFA, LASAAC and SOLACE
  - the applicable statutory provisions.
  - In assessing the potential risks of material misstatement, we obtained an understanding of:
    - the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
    - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

### **Use of our report**

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Mark Stocks, Key Audit Partner**

**for and on behalf of Grant Thornton UK LLP, Local Auditor**

**Birmingham**

**15 May 2024**

## Buckinghamshire Pension Fund Accounts

The Buckinghamshire Pension Fund Accounts contain two core statements, the Pension Fund Account and the Net Assets Statement. Each of the statements is accompanied by supplementary notes providing additional detail to the figures presented.

<b>31 March 2020</b>	<b>Pension Fund Account</b>	<b>Note</b>	<b>31 March 2021</b>
<b>£000</b>			<b>£000</b>
	<b>Dealings with Members, Employers and Others directly Involved in the Fund</b>		
	<b>Income</b>		
(116,621)	Contributions	3	(152,299)
(12,403)	Transfers in from other pension funds	4	(24,293)
(152)	Other income		(198)
<b>(129,176)</b>			<b>(176,790)</b>
	<b>Benefits</b>	5	
95,975	Pensions		100,311
23,045	Commutation of pensions and lump sums		20,969
	<b>Payments to and on Account of Leavers</b>	6	
878	Refunds of contributions		590
9,311	Transfers out to other pension funds		18,369
<b>129,209</b>			<b>140,239</b>
<b>33</b>	<b>Net (Additions)/Withdrawals from Dealings with Members</b>		<b>(36,551)</b>
<b>16,474</b>	<b>Management expenses</b>	7	<b>18,371</b>
<b>16,507</b>	<b>Net (Additions)/Withdrawals including Fund Management Expenses</b>		<b>(18,180)</b>
	<b>Returns on Investments</b>		
(40,527)	Investment income	8	(23,079)
116,993	Profits and losses on disposal of investments and changes in the market value of investments	9	(683,306)
351	Taxes on income	16	0
<b>76,817</b>	<b>Net Returns on Investments</b>		<b>(706,385)</b>
<b>93,324</b>	<b>Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year</b>		<b>(724,565)</b>

## Net assets statement

31 March 2020	Net Assets Statement	Note	31 March 2021
£000			£000
	<b>Investments</b>		
840	Long term investments	9	840
36,849	Equities - quoted	9	25,638
421,714	Bonds	9	480,116
2,160,297	Pooled investment vehicles	9	2,858,278
213,484	Property - unit trusts	9	213,051
61,856	Cash deposits	9	43,662
	Derivative contracts	9	0
7,873	Investment income receivable	9	7,124
<b>2,902,913</b>	<b>Net Investments</b>	11	<b>3,628,709</b>
<b>15,495</b>	Current assets	15	<b>17,620</b>
<b>(4,708)</b>	Current liabilities	15	<b>(8,064)</b>
<b>2,913,700</b>	<b>Net Assets of the Fund Available to Fund Benefits at 31 March</b>		<b>3,638,265</b>

Note: The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 18.

### Note 1 - Description of the Fund

Buckinghamshire Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) and is administered by Buckinghamshire Council. Organisations participating in the Fund include the Council, Milton Keynes Council, parish Councils of Buckinghamshire, Thames Valley Police, Buckinghamshire and Milton Keynes Fire Authority, and other scheduled and admitted bodies. These are listed in Note 21 to these Financial Statements. Teachers, fire fighters and police officers, for whom separate pension schemes apply, are excluded from the Fund. The Administering Authority is Buckinghamshire Council.

The purpose of the Fund is to provide defined benefits for employees and their widows, widowers and children, based on pay and past service. The Scheme is a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49<sup>th</sup>. Employee contribution bands range from 5.5% to 12.5% of pensionable pay. In April 2014 a 50/50 option was introduced which means members can pay half their contribution rate and build up half the pension benefit whilst retaining full value of other scheme benefits such as death in service lump sum and ill health cover. Accrued pension is revised annually in line with the Consumer Prices Index. Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. More details of benefits provided under the scheme are available on the Council's pension website.

[Local Government Pension Scheme | Buckinghamshire Council](#)



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

- The Local Government Pension Scheme Regulations 2013 (as amended);
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended); and
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

In 2015 the Government announced that they wanted the 91 Local Government Pension Scheme funds to pool their investments into larger pools in order to achieve savings in investment management costs. Brunel Pension Partnership Ltd was formed to implement the investment strategies for ten Funds. The founding Funds include The Environment Agency Pension Fund, and the Local Government Funds of Avon, Buckinghamshire, Cornwall, Devon, Dorset, Gloucestershire, Oxfordshire, Somerset and Wiltshire. The company Brunel Pension Partnership Ltd was formed on 14 October 2016. By 31 March 2021 the collective assets transitioned to Brunel portfolios were circa £17.9 billion.

The objective of pooling assets is to achieve savings over the longer term from both lower investment management costs and more effective management of the investment assets. The pool will look to deliver the savings based upon the collective buying power the collaboration initiative will produce. Local accountability will be maintained as each individual fund will remain responsible for strategic decisions including asset allocation. The pooling of assets will only affect the implementation of the investment strategy in terms of manager appointments. The transition of assets began in July 2018 and by the end of 2021 the majority of the assets will have transitioned, although illiquid alternative assets such as private equity may need a longer transition timetable. More information and updates can be found on the Brunel Pension Partnership website at:

[www.brunelpensionpartnership.org](http://www.brunelpensionpartnership.org)

The following table summarises the membership of the Fund:

<b>Membership of the Fund</b>	<b>31 March 2020</b>	<b>31 March 2021</b>
Contributors	24,489	25,406
Pensioners	20,290	21,017
Deferred pensioners	29,936	30,881
<b>Total Membership of the Fund</b>	<b>74,715</b>	<b>77,304</b>

### **Investment strategy statement**

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require administering authorities to formulate and to publish a statement of its investment strategy, in accordance with guidance issued from time to time by the Secretary of State. The Buckinghamshire Pension Fund Investment Strategy Statement can be viewed on the Council's pension website.

[Funding and investment policies | Pensions \(buckinghamshire.gov.uk\)](#)

### **Further information**

The Council publishes a separate Annual Report on the Buckinghamshire Pension Fund, which gives more detailed information, a copy can be viewed on the Council's pension website.

[The Pension Fund Annual report | Pensions \(buckinghamshire.gov.uk\)](#)

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## **Basis of Preparation**

The accounts summarise the Fund's transactions for the 2020/21 financial year and its position at year end as at 31 March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting (the Code), which is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits is disclosed at Note 18 of these accounts. The Buckinghamshire Pension Fund is administered by Buckinghamshire Council.

## **Note 2 - Accounting Policies and Critical Judgement in Applying Accounting Policies**

### **Accounting Policies**

#### **Accruals of Income and Expenditure**

The financial statements are prepared on an accruals basis, unless otherwise stated. That is, income and expenditure are recognised as they are earned or incurred, not as they are received or paid. Contributions, benefits and investment income are included on an accruals basis. All settlements for buying and selling investments are accrued on the day of trading. Interest on deposits is accrued if not received by the end of the financial year. Investment management expenses are accounted for on an accruals basis. Administrative expenses are accounted for on an accruals basis, staff costs are paid by Buckinghamshire Council then recharged to the Fund at the year end and group transfers to and from the Fund are accounted for on an accruals basis unless it is too early in the negotiations for an estimate of the value to be available. Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Net Assets Statement. Some additional payments are made to beneficiaries on behalf of certain employers. These payments are subsequently reimbursed by those employers. The figures contained in the accounts are shown exclusive of both payments and reimbursements.

#### **Contribution Income**

Normal contributions are accounted for on an accruals basis as follows:

Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes which rise according to pensionable pay.

Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate. As set out in the Fund Actuary's Rates and Adjustment certificate, certain employers can pay the primary and/or secondary contributions for the 3 years of the valuation period.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date

Employers' augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

#### **Investment Income**

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Interest income is recognised in the Fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis. Investment income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as investment income. Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset. Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

### **Benefits Payable**

Pensions and lump sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

### **Management Expenses**

All management expenses are accounted for on an accruals basis. Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. These are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

### **Financial Instruments**

Financial instruments that are “held for trading” are classified as financial assets and liabilities at fair value through profit or loss when the financial instrument is:

- Acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or
- Part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking; or
- A derivative.

Financial assets and liabilities at fair value through profit or loss are initially recognised at fair value excluding transaction costs and carried at fair value without any deduction for transaction costs that would be incurred on sale or disposal.

Financial instruments have been classified as Loans and Receivables when they have fixed or determinable payments and are not quoted in an active market. Loans and receivables are initially recognised at Fair Value and carried at historic cost as they are all short term.

The value of market quoted investments is determined by the bid market price ruling on the final day of the accounting period. Fixed interest securities are recorded at net market value based on their current yields. Pooled investments in property funds, equity funds, fixed interest funds, private equity funds and hedge fund of funds are valued by the Fund manager in accordance with industry guidelines. Note 12 includes commentary on the valuation methods that the Fund’s fund managers use.

### **Foreign Currency Transactions**

Foreign currency transactions are translated into sterling at the exchange rate ruling at the date of transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

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## Cash and Cash Equivalents

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

## Contingent Assets & Liabilities and Commitments

Contingent liabilities are disclosed by way of a note when there is a possible obligation which may require a payment or a transfer of economic benefits. The timing of the economic transfer and the level of certainty attaching to the event are such that it would be inappropriate to make a provision.

Contingent assets are disclosed by way of a note where inflow or a receipt or an economic benefit is possible and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the Fund.

Commitments are disclosed by way of a note when there is a contractual commitment which may require a payment. The timing of the payment is such that it would be inappropriate to make a provision.

Commitments are accounted for at the best estimate of the obligation.

## Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under the code, the fund has opted to disclose the actuarial present value or promised retirement benefits by way of a note to the net assets statement (Note 18)

## Critical Judgements in Applying Accounting Policies

### Assumptions made about the future and other major sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end date and the amounts reported for assets and liabilities at the year-end date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the Net Assets Statement at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 18)	Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance: A 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £129m A 0.1% increase in assumed earnings inflation would increase

		the value of liabilities by approximately £10m a one-year increase in assumed life expectancy would increase the liability by approximately £256m.
Level 2 investments (Note 12)	Level 2 investments are financial instruments where quoted market prices are not available.	Level 2 investments are valued at £3.439 billion in the financial statements. A 1% increase in the value of the investments would mean that the accounts are understated by £34m.

### Events After the Reporting Date

There have been no events since 31 March 2021, and up to the date when these accounts were authorised that required any adjustments to these accounts. The war in Ukraine, the Israel-Gaza war and recent market turmoil has impacted global financial markets. As at the end of December 2023, investments are valued overall at £3.972 billion a higher value than in these financial statements as at 31 March 2021.

### Accounting Standards that have been issued but not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. Potentially relevant standards include annual improvements to IFRS standards 2014/2016, IFRIC 22 foreign currency transactions and advance considerations and amendments to IFRS9 financial instruments: prepayment features with negative compensation.

None of the accounting standards that have been issued but not yet adopted will have a significant impact on the financial statements.

### Note 3 - Contributions

Contributions relating to wages and salaries paid up to 31 March 2021 have been included in these accounts, there were no augmented employers' contributions received during 2019/2020 or 2020/2021.

2019/2020 £000	Contributions by Category	2020/2021 £000
	<b>Employers' Contributions</b>	
(64,063)	Normal Contributions	(100,383)
(20,524)	Deficit Recovery Contributions	(17,121)
<b>(84,587)</b>	<b>Total Employers' Contributions</b>	<b>(117,504)</b>
<b>(32,034)</b>	<b>Members' Contributions</b>	<b>(34,795)</b>
<b>(116,621)</b>	<b>Total Contributions</b>	<b>(152,299)</b>

<b>2019/2020 £000</b>	<b>Contributions by Authority</b>	<b>2020/2021 £000</b>
(42,780)	Administering authority	(56,847)
(69,752)	Scheduled bodies	(91,855)
(4,089)	Admitted bodies	(3,597)
<b>(116,621)</b>	<b>*Total Contributions</b>	<b>(152,299)</b>

\*Total contributions can fluctuate between years due to employers making advanced payments due to the slight discount they receive in doing so.

## Note 4 - Transfer Values

<b>2019/2020 £000</b>	<b>Transfers in from other pension funds</b>	<b>2020/2021 £000</b>
(2,059)	Group transfers	(1,898)
(10,344)	Individual transfers	(22,395)
<b>(12,403)</b>	<b>Total Transfers in from other pension funds</b>	<b>(24,293)</b>

The individual transfer values relate to transfers, which have been received during the financial year i.e. included on a cash basis. On 31 March 2021 there were six outstanding transfer values receivable greater than £50k, for which £763k had not been received. (On 31 March 2020 there were seven outstanding transfer values receivable greater than £50k, for which £1,211k had not been received).

On 31 March 2021 there were two group transfers to the Fund being negotiated with other funds (three on the 31 March 2020), the value of one of the transfers to the Fund is £1,095k and has been accrued. Calculations have not yet been carried out for one of the transfers.

The above refer to payments into the Fund from other pension funds.

## Note 5 – Benefits

Benefits include all valid benefit claims notified during the financial year.

<b>2019/2020 £000</b>	<b>Benefits Payable by Category</b>	<b>2020/2021 £000</b>
95,975	Pensions	100,311
20,532	Commutations of pensions and lump sum retirement benefits	18,220
2,513	Lump sum death benefits	2,749
<b>119,020</b>	<b>Total Benefits</b>	<b>121,280</b>

<b>2019/2020 £000</b>	<b>Benefits Payable by Authority</b>	<b>2020/2021 £000</b>
41,916	Administering authority	61,253
67,587	Scheduled bodies	50,560
9,517	Admitted bodies	9,467
<b>119,020</b>	<b>Total Benefits</b>	<b>121,280</b>

## Note 6 - Payments to and on Account of Leavers

<b>2019/2020 £000</b>	<b>Payments to and on Account of Leavers</b>	<b>2020/2021 £000</b>
903	Refunds to members leaving service	597
(24)	Payments for members joining the state scheme	(7)
0	Group transfers to other pension funds	5,379
9,311	Individual transfers to other pension funds	12,990
<b>10,190</b>	<b>Total Payments to and on Account of Leavers</b>	<b>18,959</b>

The individual transfer value to other Pension Funds relate to transfers, which have been paid during the financial year i.e. included on a cash basis. On 31 March 2021 there was one outstanding transfer value that was greater than £50k, for which £78k had not yet been paid (on 31 March 2020 there were seven outstanding transfer values receivable greater than £50k, for which £1,211k had not been received). On 31 March 2021 there were four group transfers out from the Fund to other Pension Funds being negotiated (three on the 31 March 2020), the value of three of the transfers to the Fund is £5,379k and has been accrued. Calculations have not yet been carried out for one of the transfers. The above refer to payments from the Fund into other pension funds.

## **Note 7 - Management Expenses**

<b>2019/2020 £000</b>	<b>Management Expenses</b>	<b>2020/2021 £000</b>
2,203	Administrative costs	2,226
13,538	Investment management expenses	15,507
733	Oversight and governance costs	638
<b>16,474</b>	<b>Total Management Expenses</b>	<b>18,371</b>

The analysis of the cost of managing the Fund during the period has been prepared in accordance with CIPFA guidance. Management expenses have been categorised as administrative costs, investment management expenses and oversight/governance costs. Included in the oversight and governance costs are £38k for the external audit main fee and £7k for the IAS19 assurance letters for scheduled bodies. In 2019/20 the external audit main fee was £19.275k.

Management fees for pooled funds and transaction costs have been included in the investment management expenses. The investment management expenses include £0.28m (£0.89m in the 2019/2020 financial year) in respect of performance related fees payable to the Fund's investment managers. It also includes £4.734m in respect of transaction costs (£4.030m in the 2019/2020 financial year).

## **Note 8 - Investment Income**

Investment income from equities has significantly decreased in 2020/21 following the transition of the Fund's segregated equity holdings to Brunel pooled funds, dividend income is accumulated within the fund and is accounted for in the market value change rather than investment income.

<b>2019/2020 £000</b>	<b>Investment Income</b>	<b>2020/2021 £000</b>
(15,072)	Dividends from equities	(1,258)
(16,137)	Income from bonds	(14,242)
(541)	Income from pooled investments	(536)
(7,262)	Income from property unit trusts	(5,549)
(770)	Interest on cash deposits	(1,352)
(744)	Other	(142)
<b>(40,527)</b>	<b>Total Investment Income</b>	<b>(23,079)</b>

## Note 9 - Investments

All investments are valued on a fair value basis and where there is an active market the bid price is the appropriate quoted market price. The investment accounting information is provided by State Street, the Fund's custodian.

During 2020/2021 realised profit of £103,918m and unrealised profit of £579,388m combined to report an increase in the market value of investments of £683,306m.

<b>Investments (All values are shown £000)</b>	<b>Value at 31 March 2020 £000</b>	<b>Reclassific ation of Assets £000</b>	<b>Purchases at Cost £000</b>	<b>Sales Proceeds £000</b>	<b>Realised Profit/ (Loss) £000</b>	<b>Unrealised Profit/ (Loss) £000</b>	<b>Value at 31 March 2021 £000</b>
Long term investments	840	0	0	0	0	0	840
Equities - quoted	36,850	0	158,309	(179,156)	5,535	4,100	25,638
Bonds	421,713	0	132,353	(94,973)	5,942	15,081	480,116
Pooled investment vehicles	2,160,298	0	265,473	(223,254)	63,999	591,762	2,858,278
Property - unit trusts	213,484	0	5,880	(3,200)	27,014	(30,127)	213,051
Derivative contracts	0	0	2,459	(2,459)	0	0	0
Cash deposits	61,855	0	0	(18,193)	0	0	43,662
	<b>2,895,040</b>	<b>0</b>	<b>564,474</b>	<b>(521,235)</b>	<b>102,490</b>	<b>580,816</b>	<b>3,621,585</b>
Investment income due	7,873						7,124
	<b>2,902,913</b>						<b>3,628,709</b>

During 2019/2020 realised profit of £87,619m and unrealised losses of £204,613m combined to report a decrease in the market value of investments of £116,993m.

<b>Investments (All values are shown £000)</b>	<b>Value at 31 March 2019 £000</b>	<b>Reclassific ation of Assets £000</b>	<b>Purchases at Cost £000</b>	<b>Sales Proceeds £000</b>	<b>Realised Profit/ (Loss) £000</b>	<b>Unrealised Profit/ (Loss) £000</b>	<b>Value at 31 March 2020 £000</b>
Long term investments	840	0	0	0	0	0	840
Equities - quoted	573,933	0	347,507	(870,319)	22,920	(37,191)	36,850
Bonds	428,687	0	110,978	(110,343)	4,595	(12,204)	421,713
Pooled investment vehicles	1,690,849	0	737,308	(170,102)	58,630	(156,387)	2,160,298
Property - unit trusts	214,243	0	11,057	(6,381)	1,424	(6,859)	213,484
Derivative contracts	(34)	0	326	(376)	50	34	0
Cash deposits	80,693	0	0	719,760	44,356	(25,486)	61,855
	<b>2,989,211</b>	<b>0</b>	<b>1,207,176</b>	<b>1,184,354</b>	<b>87,619</b>	<b>(204,613)</b>	<b>2,895,040</b>



Investment income due	10,489						7,873
	<b>2,999,700</b>						<b>2,902,913</b>

Pooled investment vehicles are funds where the Fund is not the named owner of specific investments such as shares or bonds but owns a proportion of a pooled fund. The Code requires that pooled investments are analysed between unit trusts, unitised insurance policies and other managed funds. The pooled investment vehicles in the tables above are other managed funds. These funds include the following types of investments:

- Equities
- Fixed interest securities
- Index linked gilts
- Hedge fund of funds
- Diversified growth funds
- Infrastructure
- Private equity fund of funds

The change in the fair value of investments during the year comprises all increases and decreases in the fair value of investments held at any time during the year, including profits and losses realised on sales of investments during the year. The Fund's investments in derivatives are not material and therefore further disclosures are not included in the accounts. Indirect costs are incurred through the bid-offer spread on investments within pooled investments.

The Fund does not participate directly in a stock lending programme.

Assets which exceed 5% of the total value of the net assets of the Fund are shown in the table below:

<b>Fund Manager/Mandate</b>	<b>Proportion of Fund 31 March 2020 £000</b>	<b>%</b>	<b>Proportion of Fund 31 March 2021 £000</b>	<b>%</b>
<b>Investments managed by Brunel Pension Partnership Ltd</b>				
Passive Global Developed Equities	725,922	25	841,815	23
Global High Alpha Equities	401,912	14	602,912	17
Property – unit trusts	-	-	222,602	6
Emerging Market Equities	123,402	4	197,734	6
	<b>1,251,236</b>	<b>43</b>	<b>1,865,063</b>	<b>52</b>
<b>Investments managed by the Fund</b>				
Legal & General Investment Management - Passive index-tracker	362,721	12	377,516	11
Royal London Asset Management	469,468	16	511,010	14
	<b>832,189</b>	<b>28</b>	<b>888,526</b>	<b>25</b>

## Note 10 - Investment Management Arrangements

Fund manager fees have been calculated according to the specific mandate and the associated contract agreement as shown in the following table:

<b>Fund Manager/Mandate</b>	<b>Proportion of Fund 31 March 2020 £000</b>	<b>%</b>	<b>Proportion of Fund 31 March 2021 £000</b>	<b>%</b>
<b>Investments managed by Brunel Pension Partnership Ltd</b>				
Low Volatility Equities	110,593	4	159,691	4
Passive Developed Equities	725,922	25	841,815	23
Emerging Markets Equities	123,402	4	197,734	6
Global Equities	401,912	14	602,912	17
Infrastructure	11,451	0	43,783	1
Private Equity	14,105	1	22,444	1
Smaller Companies Equities	0	0	180,831	5
Property – unit trusts	0	0	222,602	6
<b>Total Investments managed by Brunel Pension Partnership Ltd</b>	<b>1,387,385</b>		<b>2,271,812</b>	
<b>Investments managed by the Fund</b>				
LaSalle – Property unit trusts	222,898	8	1,114	0
BlackRock -Cash/inflation plus	135,425	5	160,110	4
Blackstone Alternative Asset Management - Hedge fund of funds	146,881	5	171,071	5
Investec Asset Management- Less constrained global equities	1,122	0	777	0
Legal & General Investment Management – Passive index-tracker	362,721	12	377,516	11
Mirabaud Investment Management Limited- UK equities	217	0	217	0
Pantheon Private Equity- Private equity	106,965	4	93,728	3
Partners Group- Private equity	21,042	1	13,177	0
Royal London Asset Management- Core plus bonds	469,468	16	511,010	14
Schroders- Less constrained global equities	3,180	0	2305	0
Aberdeen Standard Investments – Less constrained UK equities	964	0	134	0
GTP	908	0	698	0
Hg Capital	600	0	581	0
<b>Total Investments managed by the Fund</b>	<b>1,472,391</b>		<b>1,332,438</b>	
<b>Total</b>	<b>2,859,776</b>	<b>100</b>	<b>3,604,250</b>	<b>100</b>

## Note 11 - Analysis of the Value of Investments

<b>31 March 2020 £000</b>	<b>Analysis of the Value of Investments</b>	<b>31 March 2021 £000</b>
<b>840</b>	<b>Long Term Investments</b>	<b>840</b>
	<b>Bonds</b>	
	<b>Fixed Interest Securities</b>	
0	Overseas public sector	5,992
286,003	UK other	307,521
73,474	Overseas other	73,455
<b>359,477</b>	<b>Total Fixed Interest Securities</b>	<b>386,968</b>

	<b>Index-Linked Gilts</b>	
51,806	UK Index-linked gilts public sector	85,851
10,431	UK Index-linked gilts other	7,297
<b>62,237</b>	<b>Total Index-Linked Gilts</b>	<b>93,148</b>
<b>421,714</b>	<b>Total Bonds</b>	<b>480,116</b>
	<b>Equities</b>	
129	UK quoted	150
36,720	Overseas quoted	25,488
<b>36,849</b>	<b>Total Equities</b>	<b>25,638</b>
	<b>Pooled Investment Vehicles</b>	
0	UK Equities	0
362,721	UK Bonds	377,516
1,361,829	Overseas Equities	1,982,983
135,421	Overseas Diversified Growth Fund (GBP)	160,106
146,881	Overseas Hedge Fund of Funds (GBP)	171,071
22,828	Overseas Infrastructure	44,837
130,617	Overseas Private Equities	121,765
<b>2,160,297</b>	<b>Total Pooled Investment vehicles</b>	<b>2,858,278</b>
	<b>Other</b>	
213,484	Property - unit trusts	213,051
0	Derivatives	0
61,856	Cash deposits – sterling and foreign cash	43,662
7,873	Investment Income receivable	7,124
<b>283,213</b>	<b>Total Other</b>	<b>263,837</b>
<b>2,902,913</b>	<b>Total Value of Investments</b>	<b>3,628,709</b>

## Note 12 - Financial Instruments

The Net Assets of the Fund disclosed in the Net Assets Statement are made up of the following categories of financial instruments:

31 March 2020				31 March 2021		
Fair value through profit and loss	Financial Assets at Amortised Cost	Financial Liabilities at Amortised Cost	Financial Assets	Fair value through profit and loss	Financial Assets at Amortised Cost	Financial Liabilities at amortised cost
£000	£000	£000		£000	£000	£000
<b>840</b>			<b>Long Term Investments</b>	<b>840</b>		
359,477			Fixed Interest Securities	386,968		
36,849			Equities	25,638		
62,237			Index Linked Gilts	93,149		
213,484			Property – unit trusts	213,051		
135,421			Diversified Growth Fund	160,106		

			<b>Pooled Investments:</b>			
362,721			Bonds	377,516		
1,361,829			Equities	1,982,983		
22,828			Infrastructure	44,837		
146,881			Hedge Fund of Funds	171,071		
130,618			Private Equity	121,765		
7,873			Investment Income receivable	7,124		
27,532*	34,324*		Cash deposits	29,682	13,980	
	5,182		Current assets		4,814	
<b>2,868,590*</b>	<b>39,506*</b>			<b>3,614,730</b>	<b>18,794</b>	
			<b>Financial Liabilities</b>			
			Derivatives			
		(3,721)	Current liabilities			(6,920)
		<b>(3,721)</b>				<b>(6,920)</b>
<b>2,868,590*</b>	<b>67,038</b>	<b>(3,721)</b>	<b>Total</b>	<b>3,585,048</b>	<b>48,476</b>	<b>(6,920)</b>
		<b>2,904,373</b>				<b>3,626,604</b>

\*Restated. The Fund was erroneously classifying cash with custodian held in money market funds as financial asset at amortised cost. The nature of money market funds is such that they generally fall within the fair value through profit or loss category. To rectify this prior period error, cash with the custodian held in money market funds has now been classified at fair value through profit or loss while the remaining cash deposits are correctly classified at amortised cost. The rectification of this prior period error will not have any impact on the Fund's Net Asset Statement as the valuation of cash with custodian held in money market funds was based on the net asset values at year end which is appropriate for money market funds.

<b>31 March 2020 £000</b>	<b>Reconciliation to Net Assets of the Fund Available to Fund Benefits at 31 March in the Net Assets Statement</b>	<b>31 March 2021 £000</b>
2,913,700	Net Investments	3,638,265
(10,313)	Less contributions due current assets	(12,805)
986	Add HMRC current liabilities	1,144
2,904,373	<b>Valuation of Financial Instruments carried at fair value</b>	3,626,604

The net gains and losses on financial instruments are shown in the table below;

<b>31 March 2020 £000</b>		<b>31 March 2021 £000</b>
	<b>Financial Assets</b>	
116,993	Fair value through profit and loss	(683,306)
0	Loans and receivables	0
0	Financial liabilities measured at amortised cost	0
	<b>Financial Liabilities</b>	
0	Fair value through profit and loss	0
0	Loans and receivables	0
0	Financial liabilities measured at amortised cost	0

116,993	Total	(683,306)
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The Code requires that for each class of financial assets and financial liabilities an authority shall disclose the fair value of that class of assets and liabilities in a way that permits it to be compared with its carrying amount. As all investments are disclosed at fair value, carrying value and fair value are therefore the same.

## Valuation of Financial Instruments Carried at Fair Value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

**Level 1:** Financial instruments where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities, quoted equities are classified as level 1. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

**Level 2:** Financial instruments where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data. Fixed interest securities are traded in an active market and evaluated prices sourced from a valid pricing vendor. The values of the hedge fund of funds are based on the net asset value provided by the Fund manager. Assurances over the valuation are gained from the independent audit of the value.

**Level 3:** Financial instruments at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions. The values of the investment in private equity are based on valuations provided by the general partners to the private equity fund of funds in which the Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS. Valuations are audited annually as at 31 December, and the valuations as at 31 March reflect cash flow transactions since 31 December.

The following table analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

Value at 31 March 2021	Quoted Market Price Level 1 £000	Using Observable Inputs Level 2 £000	With Significant Unobservable Outputs Level 3 £000	Total £000
Long term investments	0	0	840	840
Equities	326	25,315	0	25,641
Fixed interest securities	0	386,968	0	386,968
Index linked gilts	0	93,149	0	93,149
Equities	0	1,982,983	0	1,982,983
Bonds	0	377,516	0	377,516
Diversified Growth Fund	0	160,106	0	160,106
Hedge fund of funds	0	171,071	0	171,071

Infrastructure	0	0	44,837	44,837
Private Equity	0	0	121,762	121,762
Property – unit trusts	0	213,026	25	213,051
Cash instruments	0	29,682	0	29,682
<b>Total</b>	<b>326</b>	<b>3,439,816</b>	<b>167,464</b>	<b>3,607,606</b>

Cash deposits in money market fund have been included in the above analysis as they are held at fair value through profit or loss. Remaining cash deposits are held at amortised cost and therefore excluded from the analysis.

<b>Reconciliation to Net Investments in the 31 March 2021 Net Assets Statement</b>	<b>£000</b>
Net investments	3,628,709
Less Cash deposits	(13,980)
Less investment income receivable	(7,124)
Add rounding error	1
<b>Valuation of Financial Instruments carried at fair value</b>	<b>3,607,606</b>

<b>Value at 31 March 2020</b>	<b>Quoted Market Price Level 1 £000</b>	<b>Using Observable Inputs Level 2 £000</b>	<b>With Significant Unobservable Outputs Level 3 £000</b>	<b>Total £000</b>
Long term investments	0	0	840	840
Equities	129	36,720	0	36,849
Fixed interest securities	0	359,477	0	359,477
Index linked gilts	0	62,237	0	62,237
Diversified Growth Fund	0	135,421	0	135,421
Hedge Fund	0	146,881	0	146,881
Infrastructure	0	0	22,828	22,828
Bonds	0	362,721	0	362,721
Equities	0	1,361,829	0	1,361,829
Private Equity	0	0	130,618	130,618
Property – unit trusts	0	213,484	0	213,484
Cash instruments*	0	27,532*	0	27,532
<b>Total</b>	<b>129</b>	<b>2,678,770</b>	<b>154,286</b>	<b>2,860,717*</b>

Restated\*

<b>Reconciliation to Net Investments in the 31 March 2020 Net Assets Statement</b>	<b>£000</b>
Net investments	2,902,913
Less Cash deposits	(34,324)
Less investment income receivable	(7,873)
<b>Valuation of Financial Instruments carried at fair value</b>	<b>2,860,717*</b>

\*Restated

### Sensitivity Analysis of Assets Valued at Level 3

Using Mercer's analysis of market volatility for individual asset classes in the last 20 years and current market trends, the Fund has determined that the valuation methods described above are likely to be accurate within the following ranges and has set out below the potential impact on the closing value of investments held at 31 March 2021 and 31 March 2020.

	Assessed valuation range (+/-)	Value at 31 March 2021 £000	Value on increase £000	Value on decrease £000
Infrastructure	16.6%	44,837	52,280	37,394
Private equity	25.8%	121,765	153,180	90,350
<b>Total</b>		<b>166,602</b>	<b>205,460</b>	<b>127,744</b>

	Assessed valuation range (+/-)	Value at 31 March 2020 £000	Value on increase £000	Value on decrease £000
Infrastructure	16.4%	22,828	26,572	19,084
Private equity	26.4%	130,617	165,100	96,134
<b>Total</b>		<b>153,445</b>	<b>191,672</b>	<b>115,218</b>

### Reconciliation of Fair Value Measurements Within Level 3

	Value at 31 March 2020 £000	Purchases £000	Sales £000	Realised profit/(loss) £000	Unrealised profit/loss £000	Value at 31 March 2021 £000
Private equity	130,617	9,960	(28,234)	23,516	(14,094)	121,765
Infrastructure	22,828	49,499	(25,642)	103	(1,951)	44,837
<b>Total</b>	<b>153,445</b>	<b>59,459</b>	<b>(53,876)</b>	<b>23,619</b>	<b>(16,045)</b>	<b>166,602</b>

	Value at 31 March 2019 £000	Purchases £000	Sales £000	Realised profit/(loss) £000	Unrealised profit/loss £000	Value at 31 March 2020 £000
Private equity	135,939	15,974	(35,441)	28,443	(14,297)	130,617
Infrastructure	15,853	8,861	(2,974)	1,116	(27)	22,828
<b>Total</b>	<b>151,792</b>	<b>24,834</b>	<b>(38,415)</b>	<b>29,559</b>	<b>(14,324)</b>	<b>153,445</b>

The Fund's fund managers provided the following commentary on the valuation methods they use:

**Royal London Asset Management – equities £25.315m, fixed interest securities £386.968m and index-linked gilts £93.149m – Level 2 – Total - £505.432m**

A segregated mandate managed by Royal London Asset Management, the valuation pricing is based on closing bid prices.

**Brunel – Passive Global Developed Equity £841.815m, Active Global High Alpha Equity £602.912m, Active Global Emerging Markets Equity £197.734m, Active Low Volatility Equity £159.691m and Active Smaller Companies Equity £180.831m ACS Funds – Level 2 – Total £1,982.983m**

**Passive equities** - The method used to value units is the same at every valuation date throughout the year. All holdings of the appropriate Pooled Fund Sections are valued at the close of business valuation point using a recognised pricing service. These values are then adjusted to allow for outstanding dividends, tax payable or recoverable and any relevant expenses (this creates the “bid price”).

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**Active equities** - Weekly prices each Wednesday valued at close of business valuation point. These values are then adjusted to allow for outstanding dividends, tax payable or recoverable and any relevant expenses (this creates "bid price").

**Pooled bonds - LGIM – Passive Tracker Fund – Level 2 £377.516m**

The method used to value units is the same at every valuation date throughout the year. All holdings of the appropriate Pooled Fund Sections are valued at the close of business valuation point using a recognised pricing service. These values are then adjusted to allow for outstanding dividends, tax payable or recoverable and any relevant expenses (this creates the "bid price").

**Diversified Growth Fund - BlackRock Institutional Jersey Dynamic Diversified Growth Fund – Level 2 £160.106m**

The above Fund is a sub-fund of the BlackRock Institutional Jersey Funds umbrella which reports under UK SORP and is not exchange-traded. The price is determined daily by the Funds Administrator and will be representative of the Fund's net asset value ("NAV") at each dealing point subject to any spreads applied, where appropriate. The Fund is not subject to any redemption notice periods and can be redeemed at each dealing point, currently on a daily basis.

**Blackstone – Hedge Fund of Funds – Level 2 £171.071m**

Blackstone's direct securities and derivative investments made through Blackstone's fund of hedge fund vehicles, such as Securities, Options, Futures are valued using prices quoted on the relevant exchanges. Forward currency contracts are valued at the current forward market prices obtained from brokers. Total return swaps are valued using the last reported public closing price of the underlying index.

**Infrastructure – Level 3 - Brunel (£39.251m) and Partners Group (£5.586m) – Total £44.837m**

**Brunel** - Brunel selects managers who apply a fair value process, which is in accordance with International Financial Reporting Standards (IFRS) and United States Generally Accepted Accounts Principles (US GAAP). Systematically Brunel ensures valuations are driven by IPEV guidelines and that this process is annually appraised by third parties for appropriateness.

**Partners Group** - Partners Group performs independent valuations of its underlying investments through a fair market valuation process, which is in accordance with International Financial Reporting Standards (IFRS) and United States Generally Accepted Accounting Principles (US GAAP).

Partners Group gathers the valuation-relevant information by systematically screening a broad set of sources for valuation-relevant information about portfolio companies which are held directly or indirectly by Partners Group's programs and mandates. This includes information supplied by the firm's due diligence and monitoring professionals, underlying fund managers and information published in industry journals and/or other publications.

**Private Equity – Level 3 – Brunel (£20.444m), Pantheon (£93.729m) and Partners Group (£5.586m) – Total - £121.765m**

**Brunel – Private Equity – Level 3**

Brunel selects managers who apply a fair value process, which is in accordance with International Financial Reporting Standards (IFRS) and United States Generally Accepted Accounts Principles (US GAAP).



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Systematically Brunel ensures valuations are driven by IPEV guidelines and that this process is annually appraised by third parties for appropriateness.

### **Pantheon – Private Equity – Level 3**

Investments are valued using the most relevant of methods listed below:

- Cost/recent round of financing/price of recent investment where recent transactions may be the most reflective of fair value.
- Comparable Private Company Transactions used for companies with low enterprise value or low EBITDA which means it is not appropriate to use earnings multiples of similar publicly listed companies.
- Earnings/Earnings Multiples/Performance Multiples valuations involve applying a multiple, appropriate to the company being valued, to the earnings of a company. The valuation is described as a function of two variables, price and earnings (The most widely used of the valuation methodologies, especially for buyout or other businesses that have comparable characteristics to companies in the public markets).
- Underlying value of Net Assets.
- Discounted Cash flows (DCF) where there are predictable cash flows visible over a given time horizon.
- Industry Benchmarks are normally based on the assumption that investors are willing to pay for market share, and that profitability of the business in the does not vary greatly.
- Unrestricted Publicly traded securities are valued at the closing public market price on the valuation date.

These methods are consistently applied across all investment types.

### **Partners Group – Private Equity – Level 3**

Partners Group performs independent valuations of its underlying investments through a fair market valuation process, which is in accordance with International Financial Reporting Standards (IFRS) and United States Generally Accepted Accounting Principles (US GAAP).

Partners Group gathers the valuation-relevant information by systematically screening a broad set of sources for valuation-relevant information about portfolio companies which are held directly or indirectly by Partners Group's programs and mandates. This includes information supplied by the firm's due diligence and monitoring professionals, underlying fund managers and information published in industry journals and/or other publications.

### **Brunel - Property unit trusts – Level 2 £213.051m and Level 3 £25k**

Brunel selects managers who apply either open market values or a fair value processes, open market values are in accordance with RICS valuation standards and fair value processes are driven by IPEV guidelines. Systematically Brunel ensure that both processes are annually appraised by third parties for appropriateness.

## **Note 13 - Additional Financial Risk Management Disclosures**

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of

an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (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 that there is sufficient liquidity to meet the Fund's forecast cash flows. The Buckinghamshire Pension Fund Committee manages these investment risks as part of its overall Fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Buckinghamshire Pension Fund Committee. The Buckinghamshire Pension Fund Risk Assessment analyses the risks faced by the Council's pensions operations, it is reviewed regularly by the Buckinghamshire Pension Fund Committee to reflect changes in activity and in market conditions. The analysis below is designed to meet the disclosure requirements of IFRS 7.

## Market Risk

Market risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in market prices of equities, commodities, interest rates, foreign exchange rates and credit spreads. This could be as a result of changes in market price, interest rates or currencies. The objective of the Fund's investment strategy is to manage and control market risk exposure within acceptable parameters, while optimising the return.

In general, excessive volatility in market risk is managed through diversification across asset class, investment manager, country, industry sector and individual securities. Each manager is expected to maintain a diversified portfolio within their allocation.

## Market Price Risk

Market price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting the market in general.

By diversifying investments across asset classes and managers, the Fund aims to reduce the exposure to price risk. Diversification of asset classes seeks to reduce correlation of price movements, whilst the appointment of specialist managers enables the Fund to gain from their investment expertise.

## Market Price - Sensitivity Analysis

Whilst the value of the Fund's assets is sensitive to changes in market conditions and the Fund's assets are diversified across fund managers and asset classes to mitigate the risks. The Fund's liability to pay future benefits is equally sensitive, particularly to interest rate changes. In consultation with Mercer, the Fund's investment consultant, the Fund has determined that the following movements in market price risk are reasonably possible for 2020/2021. Assuming that all other variables, in particular foreign exchange rates and interest rates, remain constant. If the market price of the Fund's investments does increase/decrease in line with the table below, the change in the market price of net assets available to pay benefits would be as follows;

Asset Type	31 March 2021 £000	Percentage Change %	Value on increase £000	Value on decrease £000
Long term investments	840	19.1%	1,000	680

Equities – quoted	25,638	19.1%	30,535	20,741
Bonds	480,116	4.94%	503,836	456,398
Pooled investment vehicles	2,858,278	16.49%	3,329,477	2,387,079
Property - unit trusts	213,051	16.6%	248,417	177,685
Cash deposits	43,662	1.0%	44,100	43,226
Investment income receivable	7,124	19.1%	8,485	5,763
<b>Total</b>	<b>3,628,709</b>		<b>4,162,766</b>	<b>3,094,656</b>

In consultation with Mercer, the Fund's investment consultant, the Fund determined that the following movements in market price risk were reasonably possible for 2019/2020, assuming that all other variables, in particular foreign exchange rates and interest rates, remain constant. If the market price of the Fund's investments did increase/decrease in line with the table below, the change in the market price of net assets available to pay benefits would be as follows;

<b>Asset Type</b>	<b>31 March 2020 £000</b>	<b>Percentage Change %</b>	<b>Value on increase £000</b>	<b>Value on decrease £000</b>
Long term investments	840	20.6	1,013	667
Equities – quoted	36,849	20.6	44,440	29,258
Bonds	421,714	4.84	442,117	401,311
Pooled investment vehicles	2,160,297	16.93	2,526,137	1,794,457
Property - unit trusts	213,484	15.6	246,788	180,180
Derivative contracts	0	12.2	0	0
Cash deposits	61,856	1.0	62,475	61,237
Investment income receivable	7,873	20.6	9,495	6,251
<b>Total</b>	<b>2,902,913</b>		<b>3,332,465</b>	<b>2,473,361</b>

## Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

## Interest Rate – Sensitivity Analysis

The Fund recognises that interest rates vary and can impact income to the Fund and the fair value of the assets, both of which affect the value of the net assets available to pay benefits. The sensitivity of the Fund's investments to changes in interest rates has been analysed by showing the impact of a 1% change, long term average interest rates are expected to move less than 1% from one year to the next. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

<b>31 March 2021 Exposure to interest rate risk</b>	<b>Asset Value £000</b>	<b>Value after impact of 1% increase in interest rates £000</b>	<b>Value after impact of 1% decrease in interest rates £000</b>
Cash and cash equivalents	46,548	46,548	46,548
Fixed interest bonds	386,968	390,838	383,098
Variable rate bonds	93,149	93,149	93,149
<b>Total</b>	<b>526,665</b>	<b>530,535</b>	<b>522,795</b>

<b>31 March 2020 Exposure to interest rate risk</b>	<b>Asset Value £000</b>	<b>Value after impact of 1% decrease in interest rates £000</b>	<b>Value after impact of 1% decrease in interest rates £000</b>
Cash and cash equivalents	64,862	64,862	64,862
Fixed interest bonds	359,477	363,072	355,882

Variable rate bonds	62,237	62,237	62,237
<b>Total</b>	<b>486,576</b>	<b>490,171</b>	<b>482,981</b>

<b>2020/2021 Exposure to interest rate risk</b>	<b>Interest receivable £000</b>	<b>Impact of 1% increase £000</b>	<b>Impact of 1% decrease £000</b>
Cash and cash equivalents	1,352	1,366	1,338
Fixed interest bonds	8,676	8,763	8,589
Variable rate bonds	5,566	5,622	5,510
<b>Total</b>	<b>15,594</b>	<b>15,751</b>	<b>15,437</b>

<b>2019/2020 Exposure to interest rate risk</b>	<b>Interest receivable £000</b>	<b>Impact of 1% increase £000</b>	<b>Impact of 1% decrease £000</b>
Cash and cash equivalents	770	778	762
Fixed interest bonds	9,830	9,928	9,732
Variable rate bonds	6,307	6,370	6,244
<b>Total</b>	<b>16,907</b>	<b>17,076</b>	<b>16,738</b>

Changes in interest rates do not impact on the value of cash/cash equivalent balances but they will affect the interest income received on those balances. Changes to both the fair value of assets and the income received from investments impact on the net assets available to pay benefits.

### Currency Risk

Currency risk represents the risk that the fair value of financial instruments will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than sterling. When Sterling depreciates the Sterling value of foreign currency denominated investments will rise and when Sterling appreciates the Sterling value of foreign currency denominated investments will fall. Over the long term the differences in currencies are likely to balance out and the Fund has chosen not to hedge its currencies

### Currency Risk – Sensitivity Analysis

The sensitivity of the Fund's investments to changes in foreign currency rates have been analysed using a 7.92% movement in exchange rates in either direction for 31 March 2021. This analysis assumes that all variables, in particular interest rates, remain constant. Based on the composition of the Fund's currency exposure a 7.92% fluctuation in the currency is considered reasonable. A 7.92% weakening or strengthening of Sterling against the various currencies at 31 March 2021 would have increased or decreased the net assets by the amount shown below;

<b>Currency Exposure by Asset Type</b>	<b>31 March 2021 £000</b>	<b>Value on increase £000</b>	<b>Value on decrease £000</b>
		<b>+7.92%</b>	<b>-7.92%</b>
Equities – quoted	1,879,785	2,028,664	1,730,906
Infrastructure	19,526	21,072	17,980
Overseas private equity	121,765	131,409	112,121
Property – unit trusts	23	25	21
Cash deposits	24,604	26,553	22,655
<b>Total</b>	<b>2,045,703</b>	<b>2,207,723</b>	<b>1,883,683</b>

The sensitivity of the Fund's investments to changes in foreign currency rates have been analysed using a 7.64% movement in exchange rates in either direction for 31 March 2020. This analysis assumes that all variables, in particular interest rates, remain constant. Based on the composition of the Fund's currency exposure a 7.64% fluctuation in the currency is considered reasonable. A 7.64% weakening or

strengthening of Sterling against the various currencies at 31 March 2020 would have increased or decreased the net assets by the amount shown below;

Currency Exposure by Asset Type	31 March 2020 £000	Value on increase £000	Value on decrease £000
		<b>+7.64%</b>	<b>-7.64%</b>
Equities – quoted	1,276,253	1,373,759	1,178,747
Infrastructure	19,227	20,696	17,758
Pooled investment vehicles	130,617	140,596	120,638
Property - unit trusts	29	31	27
Cash deposits	43,923	47,279	40,567
<b>Total</b>	<b>1,470,049</b>	<b>1,582,361</b>	<b>1,357,737</b>

One important point to note is that currency movements are not independent of each other. If Sterling strengthened generally it may rise against all the above currencies producing losses across all the currencies.

### Currency Exposure by Significant Currency

The Fund's most significant currency exposures are to US Dollars and EUROS, using data on currency risk of 8.03% for the US Dollar and 6.77% for the EURO. Weakening or strengthening of Sterling against US Dollars and EUROS at 31 March 2021 would have increased or decreased the net assets by the amounts shown in the following table;

Asset Type	31 March 2021 £000	Percentage Change %	Value on increase £000	Value on decrease £000
US Dollars	1,218,209	8.03%	1,316,031	1,120,386
EUROS	244,333	6.77%	260,875	227,792
Japanese Yen	136,427	8.64%	148,214	124,639
<b>Total</b>	<b>1,598,968</b>		<b>1,725,120</b>	<b>1,472,817</b>

Weakening or strengthening of Sterling against US Dollars and EUROS at 31 March 2020 would have increased or decreased the net assets by the amounts shown in the following table;

Asset Type	31 March 2020 £000	Percentage Change %	Value on increase £000	Value on decrease £000
US Dollars	869,526	7.73	936,740	802,312
EUROS	196,309	6.72	209,501	183,117
<b>Total</b>	<b>1,065,835</b>		<b>1,146,241</b>	<b>985,429</b>

### 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. The market value of investments generally reflects an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. In essence the Fund's entire investment portfolio is exposed to some sort of credit risk. The Fund is exposed to credit risk through its investment managers, custodian and its daily treasury management activities. Credit risk is minimised through the careful selection and monitoring of financial institutions and counterparties. Contractual credit risk is represented by the net payment or receipt that remains outstanding.

A source of credit risk is the cash balances held internally or by managers. The Fund's bank account is held at Lloyds, which holds an "A+" long term credit rating. The management of the cash held in this account is managed by the Council's Treasury Management Team in line with the Council's Treasury Management Strategy which sets out the permitted counterparties and limits. The value of the Fund invested by the Treasury Management Team at 31 March 2021 was £0.976m in an instant access Lloyds account and £2.000m invested in Federated's money market fund. (On 31 March 2020 £1.109m was invested in an instant access Lloyds account and £2.000m invested in Federated's money market fund.) Cash held by investment managers is invested with the global custodian, State Street, in a diversified money market fund rated AAAM.

## Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The main liabilities of the Fund relate to the benefits payable which fall due over a long period of time. The investment strategy reflects this and sets out the strategic asset allocation of the Fund. Liquidity risk is mitigated by investing a proportion of the Fund in actively traded instruments in particular equities and fixed income investments. The Fund maintains a cash balance to meet operational requirements. The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer to convert into cash. The following table summarises the Fund's illiquid assets by fund manager;

31 March 2020 £000		31 March 2021 £000
146,881	Blackstone hedge fund of funds	171,071
11,451	Brunel infrastructure	43,783
14,105	Brunel private equity	22,444
0	Brunel property unit trusts	222,602
222,898	LaSalle property unit trusts	0
106,965	Pantheon private equity	93,728
21,042	Partners Group private markets	13,177
600	Hg Capital	581
<b>523,942</b>		<b>567,386</b>

## Note 14 - Related Parties

The Buckinghamshire Pension Fund is administered by Buckinghamshire Council and therefore there is a strong relationship between the Council and the Buckinghamshire Pension Fund.

Buckinghamshire Council was reimbursed £2.49m (£2.35m in the 2019/2020 year) for oversight & governance costs and administration costs incurred by Buckinghamshire Council on behalf of the Fund. The Council is also the single largest employer of members of the Fund and contributed £56.8m to the Fund in 2020/2021 (£45.3m in the 2019/2020 year).

The Fund's surplus cash held for day to day cash flow purposes is invested on the money markets by Buckinghamshire Council's treasury management team, through a service level agreement. During the year to 31 March 2021, the Fund had an average investment balance of £5.9m (£8.1m in the 2019/2020 year), earning interest of £11k (£53k in the 2019/2020 year).

Membership of the Local Government Pension Scheme (LGPS) for Councillors closed to new members on 31 March 2014. Councillors who were active members ceased to be a member at the next end of term of office. There are no members of the Buckinghamshire Pension Fund Committee who are a deferred member of the Fund. There are no members of the Buckinghamshire Pension Fund Committee who were pensioner members of the Fund on 31 March 2021 (on 31 March 2020 no pensioner members and one

deferred member). The Service Director of Finance & S151 Officer, holds a key position in the financial management of the Fund and is an active member. He is an employee of Buckinghamshire Council for whom a portion of his costs of employment are re-charged to the Fund. Disclosure of his pay costs can be found within the officer remuneration note in the main Buckinghamshire Council accounts. Members of the Buckinghamshire Pension Fund Committee and the post of Head of Pensions are the key management personnel involved with the Buckinghamshire Pension Fund. £32k was incurred by the Buckinghamshire Pension Fund for costs in relation to key management personnel. Members of the Buckinghamshire Pension Fund Committee are disclosed in the Buckinghamshire Pension Fund Report and Accounts.

The Fund has transactions with Brunel Pension Partnership Ltd (Brunel) (Company number 10429110) which was formed on 14 October 2016 and will oversee the investment of pension fund assets for ten Funds. The founding Funds include The Environment Agency Pension Fund, and the Local Government Funds of Avon, Buckinghamshire, Cornwall, Devon, Dorset, Gloucestershire, Oxfordshire, Somerset and Wiltshire. Each of the 10 organisations, including Buckinghamshire Council, own 10% of Brunel. During the year to 31 March 2021 Brunel provided services costing £1,179k (£1,144k in the year to 31 March 2020).

## Note 15 - Current Assets and Liabilities

31 March 2020 £000	Current Assets and Liabilities	31 March 2021 £000
	<b>Current Assets</b>	
10,313	Contributions due from employers 31 March	12,806
3,006	Cash balances (not forming part of the investment assets)	2,885
2,176	Other current assets	1,929
<b>15,495</b>	<b>Total Current Assets</b>	<b>17,620</b>
	<b>Current Liabilities</b>	
(727)	Management charges	(146)
(986)	HM Revenue and Customs	(1,144)
(673)	Unpaid benefits	(440)
(2,322)	Other current liabilities	6,334)
<b>(4,708)</b>	<b>Total Current Liabilities</b>	<b>(8,064)</b>
<b>10,787</b>	<b>Net Current Assets</b>	<b>9,556</b>

## Note 16 - Taxes on Income

2019/2020 £000	Taxes on Income	2020/2021 £000
0	Withholding tax - fixed interest securities	0
351	Withholding tax - equities	0
<b>351</b>	<b>Total Taxes on Income</b>	<b>0</b>

The Fund retains the following taxation status:

- VAT input tax is recoverable on all fund activities by virtue of Buckinghamshire Council being the administering authority.
- The Fund is an exempt approved fund under the Finance Act 2004 and is therefore not liable to UK income tax or capital gains tax.
- Income earned from investments overseas in certain countries is subject to withholding tax, unless an exemption is available.

## Note 17 - Actuarial Position of the Fund

In accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013 (as amended), the Fund's actuary, Barnett Waddingham LLP, undertakes a funding valuation every three years to review the financial position of the Fund and to set appropriate contribution rates for each employer in the Fund for the forthcoming triennial period. The last such valuation took place as at 31 March 2019. The next valuation will take place as at 31 March 2022 and results are scheduled to be released by March 2023.

On 31 March 2019, the market value of the assets held were £3,007.020m, sufficient to cover 94% of the accrued liabilities assessed on an ongoing basis. All employers are projected to be fully funded by no later than 31 March 2035. The primary rate of contribution is the employers' share of the cost of benefits accruing in each of the three years beginning 1 April 2020 and is 18.2% of payroll. In addition, each employer pays a secondary contribution rate based on their particular circumstances, the secondary contribution rate across the whole Fund averages 3.9% in 2020/2021, 4.0% in 2021/22 and 4.1% in 2021/22.

The results of the valuation are that the past service funding level of the Fund as a whole has increased from 87% to 94% between 31 March 2016 and 31 March 2019. The improvement of the funding position since the previous valuation is mainly due to good investment returns and employer contributions. To produce the future cashflows or liabilities and their present value Barnett-Waddingham formulate assumptions about the factors affecting the Fund's future finances such as inflation, salary increases, investment returns, rates of mortality, early retirement and staff turnover etc. The Fund's actuary undertook an interim valuation as at 31 March 2021 which showed that the funding level had decreased to 92%. The estimated value of liabilities at 31 March 2021 is estimated by rolling forward the 31 March 2019 valuation membership data.

The main assumptions used in the valuation were:

### Financial assumptions

- |                     |      |
|---------------------|------|
| • Discount rate     | 4.8% |
| • Pension increases | 2.6% |
| • CPI inflation     | 2.6% |
| • Salary increases  | 3.6% |

## Note 18 - Actuarial Present Value of Promised Retirement Benefits

International Financial Reporting Standards (IFRS) requires the disclosure of the actuarial present value of promised retirement benefits. The Fund's Actuary has prepared a report which rolls forward the value of the Employers' liabilities calculated for the triennial valuation as at 31 March 2019. On an IAS 19 basis the Actuary estimates that the net liability as at 31 March 2021 is £2,518m (31 March 2020 £1,647m), but figures calculated on an IAS 19 basis are not relevant for calculations undertaken for funding purposes or for other statutory purposes undertaken under UK pensions legislation. The Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

For the triennial valuation the actuary asks the question – what is the value of the assets required based on existing investment strategy to be sufficient to meet future liabilities? For IAS 19 valuations, however, the actuary asks the question – how much would need to be borrowed on the corporate bond market to meet future liabilities?

The expected returns on the assets actually held will be different from borrowing costs, and so different amounts are required. This manifests itself in different discount rates being used in each type of valuation, and so different values are placed on the same liabilities.

31 March 2020		31 March 2021
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£000		£000
4,549,742	Present value of funded obligation	6,146,928
(2,902,913)	Fair value of scheme assets	(3,628,709)
<b>1,646,829</b>	<b>Net Liability</b>	<b>2,518,219</b>

The present value of funded obligation consists of £6,052m (£4,446m at 31 March 2020) in respect of vested obligation and £95m (£104m at 31 March 2020) in respect of non-vested obligation. Vested benefits are the benefits that employees have a right to receive even if they do not render services to the employer. In other words, the employees will receive their vested benefits even if they stop working for the employer. Thus, non-vested benefits are the benefits an employee can receive in the future if he or she continues providing services to the employer. The liabilities above are calculated on an IAS19 basis and therefore differ from the results of the triennial funding valuation (see Note 17) because IAS19 stipulates a discount rate rather than a rate that reflects market rates. The main assumptions used were:

31 March 2020		31 March 2021
2.65%	RPI increases	3.20%
1.85%	CPI increases	2.85%
2.85%	Salary increases	3.85%
1.85%	Pension increases	2.85%
2.35%	Discount rate	2.00%

These assumptions are set with reference to market conditions at 31 March. The Actuary's estimate of the duration of the Fund's past service liabilities is 22 years. An estimate of the Fund's future cashflows is made using notional cashflows based on the estimated duration above. These estimated cashflows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cashflows, discounted at this single rate, equates to the net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point). This is consistent with the approach used at the previous accounting date.

Similarly, to the approach used to derive the discount rate, the Retail Prices Index (RPI) increase assumption is set using a Single Equivalent Inflation Rate (SEIR) approach, using the notional cashflows described above. The single inflation rate derived is that which gives the same net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, as applying the BoE implied inflation curve. As above, the Merrill Lynch AA rated corporate bond yield spot curve is assumed to be flat beyond the 30-year point and the BoE implied inflation spot curve is assumed to be flat beyond the 40-year point. This is consistent with the approach used at the previous accounting date. As future pension increases are expected to be based on CPI rather than RPI, the Actuary has made a further assumption about CPI which is that it will be 0.8% below RPI i.e. 1.85%.

Salaries are assumed to increase at 1.0% above CPI. This differs from the salary increase assumption at the previous accounting date and has been updated in line with the most recent funding valuation. The liabilities include an allowance for the Court of Appeal judgement in relation to the McCloud & Sargeant cases which related to age discrimination within the Judicial & Fire Pension schemes respectively.

### Demographic/Statistical assumptions

The actuary has adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2019. The post retirement mortality tables adopted are the S3PA tables with a multiplier of 110% for males and 95% for females. These base tables are then projected using the CMI 2018 Model, allowing for a long-term rate of improvement of

1.25% p.a., smoothing parameter of 7.5 and an initial addition to improvements of 0.5% pa. The assumed life expectations from age 65 are:

Life expectancy from age 65 (years)	31 March 2020	31 March 2021
<b>Retiring today</b>		
Males	21.8	21.6
Females	25.1	25.0
<b>Retiring in 20 years</b>		
Males	23.2	22.9
Females	26.5	26.4

The actuary also assumed that:

- Members will exchange half of their commutable pension for cash at retirement;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age; and
- The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

## Note 19 - Contingent Liabilities and Contractual Commitments

Outstanding contractual commitments at 31 March 2021 relate to outstanding call payments due on unquoted limited partnership funds held in the private equity, resources, global real estate and infrastructure parts of the portfolio. The amounts “called” by the funds are irregular in both size and timing over several years from the date of each original commitment. The undrawn amount, the outstanding commitment, for each of these contracts is shown in the table below:

Outstanding Capital Commitments	31 March 2020 £000	31 March 2021 £000
Brunel Infrastructure Cycle 2	250,000	233,826
Brunel Private Debt Cycle 2	130,000	130,000
Brunel Private Equity Cycle 2	120,000	119,094
Brunel Infrastructure Cycle 1	61,095	51,473
Brunel Private Equity Cycle 1	64,240	55,658
Pantheon Asia Fund V LP	1,587	1,436
Pantheon Asia Fund VI LP	18,506	3,441
Pantheon USA Fund VII Limited	1,168	1,057
Pantheon USA Fund VIII Feeder LP	4,517	4,014
Pantheon Global Secondary Fund IV Feeder LP	4,063	1,481
Partners Group Global Resources 2009, LP	3,435	3,079
Pantheon Europe Fund V “A” LP	854	860
Pantheon Europe Fund VI LP	3,061	3,084
Partners Group Global Real Estate 2008 SICAR	1,781	1,707
Partners Group Global Infrastructure 2009 SICAR	2,806	2,690
	<b>667,114</b>	<b>612,900</b>

On 31 March 2021 there were two group transfers to the Fund being negotiated with other Funds (three on the 31 March 2020), the value of one of the transfers to the Fund is £1,095k and has been accrued. Calculations have not yet been carried out yet for one of the transfers.

On 31 March 2021 there were four group transfers from the Fund other Funds being negotiated (three on the 31 March 2020), the value of three of the transfers to the Fund is £5,379k and has been accrued. Calculations have not yet been carried out for one of the transfers.

## Note 20 - Additional Voluntary Contributions (AVCs)

AVC providers secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. The AVC providers to the Fund are Prudential and Scottish Widows. Prudential invests in several funds including with profits accumulation, deposit and discretionary funds. Scottish Widows invests in a range of funds to suit Scheme members' changing lifestyles. These amounts are not included in the pension fund accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of funds) Regulations 2016.

<b>2019/2020 £000</b>	<b>Prudential</b>	<b>2020/2021 £000</b>
4,740	Value of AVC fund at beginning of year	4,727
622	Employees' contributions and transfers in	751
160	Investment income and change in market value	328
(795)	Benefits paid and transfers out	(800)
<b>4,727</b>	<b>Value of AVC fund at year end</b>	<b>5,006</b>

<b>Restated 2019/2020 £000</b>	<b>Scottish Widows</b>	<b>2020/2021 £000</b>
2,838	Value of AVC fund at beginning of year	2,087
0	Correction opening value	0
72	Employees' contributions	63
(143)	Investment income and change in market value	292
(680)	Benefits paid and transfers out	(285)
<b>2,087</b>	<b>Value of AVC fund at year end</b>	<b>2,157</b>

## List of Scheduled and Admitted Bodies

### Scheduled Bodies

Amersham Town Council  
Aston Clinton Parish Council  
Aylesbury Town Council

Brushwood Junior School  
Buckinghamshire New University  
Buckinghamshire University Technical College

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Abbey View Primary School	Burnham Grammar School
Alfriston School	Castlefield School
Amersham School	Chalfonts Community College
Ashbrook School	Chalfont St Peter CE Academy
Aspire Schools	Chalfont Valley E-Act Academy
Aylesbury College	Charles Warren Academy
Aylesbury Grammar School	Chepping View Primary Academy
Aylesbury High School	Chesham Bois CofE Combined School
Aylesbury Vale Academy	Chesham Grammar School
Buckinghamshire Council	Chestnuts Academy
Buckinghamshire and Milton Keynes Fire Authority	Chiltern Hills Academy
Beaconsfield Town Council	Chiltern Way Academy
Bletchley & Fenny Stratford Town Council	Campbell Park Parish Council
Bradwell Parish Council	Chalfont St Giles Parish Council
Broughton & Milton Keynes Parish Council	Chepping Wycombe Parish Council
Buckingham Town Council	Chesham Bois Parish Council
Burnham Parish Council	Chesham Town Council
Beaconsfield High School	Chiltern Crematorium
Bearbrook Combined & Pre-school	Chilterns Conservation Board
Bedgrove Infant School	Coldharbour Parish Council
Bedgrove Junior School	Coleshill Parish Council
Beechview Academy	Danesfield School
Bourne End Academy	Denbigh School
Bourton Meadow Academy	Denham Green E-Act Academy
Bridge Academy	Dorney School
Brill CofE Combined School	Dr Challoner's Grammar School
Brookmead School	Dr Challoner's High School
Bushfield School	Edlesborough School
Brooksward School	Elmhurst School (Academy)
Gerrards Cross CoE School	Elmtree Infant and Nursery School
Glastonbury Thorn First School	EMLC Academy Trust
Great Horwood CofE Combined School	Fairfields Primary School
Great Kimble CoE School	George Grenville Academy
Great Kingshill CoE Combined School	Germander Park School
Great Marlow School	Great Missenden CoE Combined School
Green Park School	Olney Infant School
Great Missenden Parish Council	Olney Middle Academy
Green Ridge Academy	Orchard Academy
Gerrards Cross Parish Council	Ousedale School
Hughenden Parish Council	Overstone Combined School
Hambleton Parish Council	Oxford Diocesan Bucks School Trust (MAT)
Hanslope Parish Council	Oxley Park Academy
Hazlemere Parish Council	Padbury CofE School
Hamilton Academy	Portfields Combined School
Heronsgate School	Princes Risborough Primary School
Heronshaw School	Princes Risborough School
Holmer Green Senior School	Penn Parish Council
Holmwood School	Piddington & Wheeler End Parish Council
Holne Chase Primary School	Princes Risborough Town Council
Ickford School	PCC for Thames Valley
Inspiring Futures Through Learning	Rickley Park Primary School

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Iver Parish Council  
Ivinghoe Parish Council  
John Colet School  
John Hampden Grammar School  
Jubilee Wood Primary School  
Kents Hill & Monkston Parish Council  
Kents Hill Park School  
Kents Hill School  
Khalsa Secondary Academy  
Kingsbridge Education Trust (MAT)  
Knowles Primary School  
Lace Hill Academy  
Lent Rise Combined School  
Longwick CofE Combined School  
Lord Grey Academy  
Loudwater Combined School  
Loughton School  
Lacey Green Parish Council  
Lane End Parish Council  
Little Marlow Parish Council  
Little Missenden Parish Council  
Longwick-cum-Ilmer Parish Council  
Loughton & Great Holm Parish Council  
Marlow Bottom Parish Council  
Marlow Town Council  
Mentmore Parish Council  
Milton Keynes Development Partnership  
Milton Keynes Council  
Newport Pagnell Town Council  
Newton Longville Parish Council  
New Bradwell School  
New Chapter Primary School  
New Bradwell Parish Council  
Olney Town Council  
Olney Town Council  
Oakgrove School  
Olney Infant School  
Woburn Sands Town Council  
Wolverton & Greenleys Town Council  
Wooburn & Bourne End Parish Council  
Woughton Community Council  
Waddesdon CoE School  
Walton High  
Water Hall Primary School  
Waterside Combined School

Royal Grammar School  
Royal Latin School  
Shenley Brook End and Tattenhoe Parish Council  
Shenley Church End Parish Council  
Stantonbury Parish Council  
Stony Stratford Town Council  
St John's CofE Combined School  
St Mary & St Giles CofE School  
St Mary's CofE Combined School  
St Nicolas' CE Combined School Taplow  
St Paul's RC School  
Seer Green CofE School  
Shenley Brook End School  
Shepherdswell School  
Sir Henry Floyd Grammar School  
Sir Herbert Leon Academy  
Sir Thomas Fremantle Academy  
Sir William Borlase's Grammar School  
Sir William Ramsay School  
Southwood Middle School  
Stanton School  
Stantonbury Campus  
The Beaconsfield School  
The Hazeley Academy  
The Highcrest Academy  
The Misbourne School  
The Premier Academy  
Thomas Harding Junior School  
The Radcliffe School  
Taplow Parish Council  
Two Mile Ash School  
Thames Valley Police  
Waddesdon Parish Council  
Wendover Parish Council  
West Bletchley Town Council  
West Wycombe Parish Council  
Weston Turville Parish Council  
Winslow Town Council  
Watling Academy  
West Wycombe Combined School  
Whitehouse Primary School  
Wooburn Green Primary Academy  
Woodside Junior School  
Wycombe High School  
Wyvern School

## **Admitted Bodies**

Acorn Childcare  
Action for Children Services Ltd

Excelcare  
Fremantle Trust

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Alliance in Partnership (BPPS)	Fujitsu Services Ltd
Alliance in Partnership (BPS)	Hayward Services Ltd (John Colet)
Alliance in Partnership (TWOMA)	Hightown Housing Association Ltd
Ambassador Theatre Group	Innovate Ltd
Ambient Support	Kids Play Ltd
Ashridge Security Management	Manpower Direct Ltd
Aspens Services Ltd	Mears Group plc
Avalon Cleaning Services (Langland School)	Mercury Infrastructure Limited
Birkin Cleaning Services (Shenley Brooke End)	NSL Services Group
Buckinghamshire Local Enterprise Trust	Oxfordshire Health NHS Foundation Trust
Buckinghamshire Music Trust	Paradigm Housing Association
Bucks Association of Local Councils	Places for People Leisure (Newport Pagnell TC)
Bucks County Museum Trust	Places for People Leisure (WDC)
Busy Bee Cleaning Services Ltd (Walton High)	Police Superintendents Association Limited
Busy Bee Cleaning Services Ltd (BC)	Red Kite Community Housing Ltd
C-SALT (Woughton Leisure Centre)	Ringway Infrastructure Services
Capita (WDC)	Ringway Jacobs
Caterlink Ltd (Chiltern Hills Academy)	RM Education
Chartwells Ltd (Oakgrove School)	Serco (MKC)
Chiltern Rangers CIC	Serco (MKC Recreation & Maintenance)
Cleantec Services Limited (Denham Academy)	Sports Leisure Management
Cleantec Services Limited (MK Academy)	Thrift Activity Farm Ltd
Cleantec Services Limited (Oakgrove School)	Turn it On Ltd
Cleantec Services Limited (Radcliffe School)	Vale of Aylesbury Housing Trust
Cucina Restaurants Ltd (Denbigh School)	Wolverton & Watling Way Pools Trust
Cucina Restaurants Ltd (Walton High)	Wycombe Heritage and Arts Trust
Derwent Facilities Management Ltd	

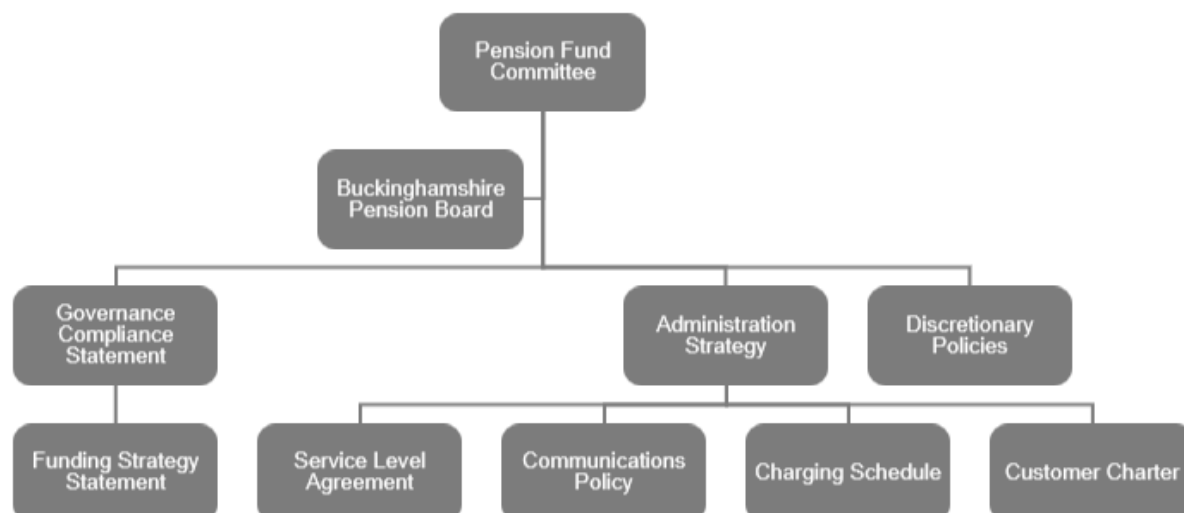
## Pension Fund Policy Statements

The Local Government Pension Scheme (England and Wales) Regulations provide the statutory framework within which LGPS administering authorities are required to publish governance policy and governance compliance statements.

The Pension Administration Strategy and Charging Schedule establish levels of performance for both the Administering Authority and Scheme employers, detailing actions to be taken if targets are not met.

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The following diagram demonstrates the relationship between the statutory requirements of the Buckinghamshire Pension Fund and its associated policies:



The BC Pension Fund policy Statements and Pension Administration Strategy are available for download at <http://www.buckscc.gov.uk/services/council-and-democracy/local-government-pension-scheme/policies/>

## Governance Compliance Statement

### Introduction

This is the governance compliance statement which sets out the Council's arrangements (in its capacity as administering authority of the Buckinghamshire Pension Fund), for discharging its responsibilities in accordance with the Local Government Pension Scheme (LGPS) Regulations 2013.

Regulation 55 of the LGPS Regulations 2013 requires an administering authority to prepare and publish a governance compliance statement. It should cover whether the administering authority delegates its

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functions in relation to the pension fund to a committee, a sub-committee or an officer of the council; and where this is the case, details of:

- the terms, structure and operational procedures of the delegation
- the frequency of any committee or sub-committee meetings
- whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights;
- the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying; and
- details of the terms, structure and operational procedures relating to the local pension board.

## **Pension Fund Committee**

### **Governance Arrangements**

Under the terms of the Council's Constitution, the functions of the Council as administering authority of the Pension Fund are delegated to the Pension Fund Committee and are excluded from the delegation of authority to the Cabinet and other Committees.

The Pension Fund Committee consults within their advisory framework and with the Head of Projects & Pensions before making decisions within the scope of their delegated powers. The Committee receives professional advice from an investment consultant and support from an independent adviser on investment strategy and other investment matters.

The Pension Fund Committee are responsible for administering, investing and managing the Fund. The Terms of Reference for the Pension Fund Committee are to agree and ensure the continual review of:

- the overall investment objective for the Fund;
- the Fund's Investment Strategy Statement;
- the Fund's asset allocation policy;
- the appointment of firms to provide investment and actuarial advice to the Fund; and,
- any other matters relating to the management and investment of the Pension Fund, as requested.

Terms of reference are available on the Council's website at:

[Our constitution | Buckinghamshire Council](#)

The Chairman reports annually to the Cabinet and the Council on the discharge of the Committee's delegated responsibility and the performance of the Fund.

The Pension Fund Committee meets at least four times a year. At each meeting the Committee receives a report on the investment performance of the fund in the quarter and the fund's longer term performance. Its members act in a quasi-trustee capacity and consequently, no substitutions are permitted.

The membership of the Pension Fund Committee is:

- Seven elected members from Buckinghamshire Council
- One elected member from Milton Keynes Council
- One elected Police and Crime Commissioner (PCC) or Deputy PCC member from Thames Valley Police



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## Functions and Responsibilities

The Pension Fund Committee approves the Pension Fund's Funding Strategy Statement, the Investment Strategy Statement, the Governance Compliance Statement, Pension Administration Strategy, and the Communications Policy. Other key responsibilities of the Committee include:

- Policy approval
- Appointing Advisers and monitoring Fund performance
- Monitoring Scheme Governance

The Funding Strategy Statement, required by regulation 7 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, sets out the aims and purpose of the Fund and the responsibilities of the administering authority as regards funding the scheme.

The Investment Strategy Statement also required by regulation 7, recommends an authority formulates, publishes and maintains an Investment Strategy Statement. This must include: -

- a requirement to invest money in a wide variety of investments;
- the authority's assessment of the suitability of particular investments and types of investments;
- the authority's approach to risk, including the ways in which risks are to be measured and managed;
- the authority's approach to pooling investments, including the use of collective investment vehicles and shared services;
- the authority's policy on how social, environmental or corporate governance considerations are considered in the selection, non-selection, retention and realisation of investments; and
- the authority's policy on the exercise of rights (including voting rights) attaching to investments.

The Investment Strategy Statement must also set out the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investment.

The Fund's Funding Strategy Statement and Investment Strategy Statement can be found at: [Investment and fund management | Buckinghamshire Council \(buckscc.gov.uk\)](#)

The Communications Policy details the overall strategy for involving stakeholders in the Pension Fund. The Pension Fund also has a Breaches of Law Policy. Additionally, an administering authority discretions document has been developed stating those discretions found within the scheme that it has adopted.

The Pension Administration Strategy is an important tool in managing and improving the administrative performance of the Fund. It formally sets out the requirements of both Buckinghamshire Council as the administering authority and participating employers/third party payroll providers in the Fund in a single document within one framework. A formal review is undertaken every three years.

The Fund's administration policies can be found at: [Policies | Buckinghamshire Council \(buckscc.gov.uk\)](#)

## Local Pension Board

### Governance Arrangements

The purpose of the Local Pension Board is to assist the administering authority in its role as a scheme manager of the Scheme. This covers all aspects of governance and administration of the LGPS, including funding and investments. Such assistance is to secure compliance with the Regulations, any other

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legislation relating to the governance and administration of the Scheme and any requirements imposed by the Pensions Regulator in relation to the Scheme. The Board must also ensure the effective and efficient governance and administration of the Scheme and help the administering authority, including undertaking work requested by the administering authority.

The Local Pension Board meet four times a year. Substitutions are not permitted.

The membership of the Local Pension Board is:

- Four Scheme employer representatives
- Four Scheme member representatives

Details of the Local Pension Board's membership, Terms of Reference, Code of Conduct Policy, Conflicts Policy and Knowledge and Understanding Framework are available on the Council's website at:

[Buckinghamshire Pension Board | Buckinghamshire Council \(buckscc.gov.uk\)](https://buckscc.gov.uk)

## **Stakeholder Engagement**

A triennial meeting of the Pension Fund, called the 'Pensions General Meeting', is held in December in the year of the Fund valuation (the year prior to when the revised contribution rates from the valuation are due to come into effect), to which all employer representatives and scheme members are welcome. The purpose of the meeting is to report on investment performance and current issues of concern to the Fund stakeholders.

Mechanisms used to involve stakeholders include:

- Communication with Scheme employers
- Dedicated Employer Liaison Officers and LGPS Technical Officer
- Training Events
- Meetings with the Actuary and the Auditors
- Meetings with Advisors
- Meetings with Brunel Pension Partnership
- Meetings with Finance Directors of Scheme Employers
- The annual report for the Pension Fund
- Scheme member newsletters/updates

## **Review and Compliance with Best Practice**

This statement will be kept under review and will be revised and published annually or following any material change.

The Pension Fund is regularly audited, and no material findings have arisen from either our internal or external auditors.

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

It therefore seeks to utilise individuals who are both capable and experienced and it will provide/arrange training for staff and members of the pension fund's decision-making bodies to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

The Regulations require a statement as to the extent to which the governance arrangements comply with guidance issued by the Secretary of State. This statement is confirming that all the above mentioned mechanisms are in place and are effective and embedded. Any breach will be reported to the Chairman of the Pension Fund Committee. A summary of our compliance with recommended good practice is outlined in the following tables.

Good Practice Requirement	Met/Not Met	Evidence
<b>Structure</b>		
The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing Council.	Met	Pension Fund Committee (PFC) Terms of Reference
That representatives of LGPS Scheme employers and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Met	PFC Terms of Reference and Buckinghamshire Pension Board (BPB) Terms of Reference
That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Met	PFC meets at least four times per year and BPB meets four times per year. BPB minutes are on the PFC agenda and vice-versa
<b>Representation</b>		
That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: - i) Scheme employers (including non-local government employers, e.g. admitted bodies); ii) Scheme members (including deferred and pensioner scheme members), iii) Independent professional observers, and iv) Expert advisors (on an ad-hoc basis).	Met	Key stakeholders on PFC or BPB as per Terms of Reference  PFC and BPB BPB PFC and BPB iv) PFC and BPB
That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	Met	All PFC members and advisers get all papers except where it concerns them.  BPB members are provided with relevant training as required under The Pensions Regulator's Code of Practice 14.
Selection and role of lay members		

That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Met	This is set out in the Committee's terms of reference.
<b>Voting</b>		
The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Met	Section 1.17 of the PFC Terms of Reference confirms all 9 members have voting rights. Section 1.18 confirms members have quasi-trustee status and substitutions are not permitted. PFC's Quorum is 3 members. BPB has 4 employer representatives and 4 scheme member representatives. The Terms of Reference confirms the Quorum is 4 Board members, comprising of at least 2 employer and 2 scheme member representatives. Substitutions are not permitted.
<b>Training/facility time/expenses</b>		
That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Met	Training for PFC members is undertaken annually as detailed by the PFC training plan. This organisation has adopted the key recommendations of the Code of Practice on Public Sector Pensions Finance Knowledge and Skills. Reimbursement of Expenses is defined in the BC constitution.  Training for BPB members is undertaken in accordance with The Pensions Regulator's Code of Practice 14.
That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Met	Reimbursement of expenses is defined in BC Constitution.
<b>Meetings (frequency/quorum)</b>		
That an administering authority's main committee or committees meet at least quarterly.	Met	PFC Terms of Reference.
That an administering authority's secondary committee or panel meet at least quarterly and is synchronised	Met	BPB Terms of Reference.

with the dates when the main committee sits.		
<b>Access</b>		
That subject to any rules in the council constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	Met	Confirmed that this applies by Democratic Services.
<b>Scope</b>		
That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Met	PFC forward plan requires Pensions & Investment Team managers to attend meetings to discuss and raise issues outside the usual scope of Pension Fund Investment.
<b>Publicity</b>		
That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	Met	All non-confidential agendas, papers and minutes are on Buckinghamshire Council's external website. There is a separate policies section on the website where all governance policies are available.

## Pensions Administration Strategy

### Introduction

With 5.8 million members, the Local Government Pension Scheme (LGPS) is one of the largest public sector pension schemes in the UK. Buckinghamshire Pension Fund has approximately 250 employers with over 73,000 scheme members in total.

<http://www.buckscc.gov.uk/services/council-and-democracy/local-government-pension-scheme/employers/contribution-rates/>

The LGPS is one national scheme, administered locally, and is a valuable part of the pay and reward package for employees working in local government or for other employers participating in the Scheme.

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Success in promoting the Scheme amongst members and ensuring a high quality service delivery depends upon the relationship between the administering authority and scheme employers, and scheme employers and their employees. It should be noted that where a scheme employer uses a third party payroll provider, the scheme employer remains the responsible party under The LGPS Regulations.

Good quality administration and communication assists in the overall promotion of the Scheme and reminds employees of the value of the LGPS, which in turn aids recruitment, retention and motivation of employees. Providing employees with confidence in the administration of their benefits, in a scheme with ever increasing complexity, is a challenge facing both administering authorities and scheme employers. The Local Government Pension Scheme Regulations 2013 enable an administering authority to prepare a written statement to assist the administering authority and scheme employers in working together to provide a high quality service to all parties. This document sets out the pension administration strategy of Buckinghamshire Council as the administering authority of the Buckinghamshire Pension Fund, after consultation with scheme employers and the Local Pension Board.

The aim of the strategy is to detail the procedures for liaison and communication, and to establish levels of performance for both the administering authority and scheme employers. It endeavours to promote good working relationships, provide transparency and improve efficiency and quality. It specifies how performance levels will be monitored and action that can be taken if targets are not met.

The strategy is effective from 1 April 2020. Any enquiries in relation to this strategy should be sent to:

Pensions Administration Manager  
Pensions & Investments Team  
Buckinghamshire Council  
Walton Street Offices  
Aylesbury  
HP20 1UD

## **Regulatory Framework**

Regulation 59 of The Local Government Pension Scheme Regulations 2013 enables an administering authority to prepare a written statement of the authority's policies in relation to the following:

- Procedures for liaison and communication with its scheme employers.
- The establishment of levels of performance which the administering authority and its scheme employers are expected to achieve in carrying out their scheme functions by:
  - the setting of performance targets
  - the making of agreements about levels of performance and associated matters, or
  - such other means as the administering authority considers appropriate
- Procedures which aim to secure that the administering authority and its scheme employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance.
- Procedures for improving the communication by the administering authority and its scheme employers to each other of information relating to those functions.
- The circumstances in which the administering authority may consider giving notice to any of its scheme employers under Regulation 70 (additional costs arising from scheme employer's level of performance) on account of that employer's unsatisfactory performance in carrying out its Scheme functions when measured against levels of performance.
- The publication by the administering authority of annual reports dealing with:

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- the extent to which that authority and its scheme employers have achieved the levels of performance established, and
  - such other matters arising from its pension administration strategy as it considers appropriate; and
  - such other matters as appear to the administering authority after consulting its scheme employers and such other persons as it considers appropriate, to be suitable for inclusion in that strategy.

Regulation 59(3) states that an administering authority must keep the strategy under review and make appropriate revisions following any material change in its policies in relation to any matters contained within the strategy.

When preparing, reviewing or revising the strategy, an administering authority must consult its scheme employers and any other persons it considers appropriate. This will be carried out via direct mailing, employer newsletters or via the Pension Board.

Under Regulation 59(6), where an administering authority publishes its pension administration strategy, or that strategy is revised, it must send a copy to each of its scheme employers and to the Secretary of State as soon as is reasonably practicable.

Full regard must be given to the strategy by both an administering authority and scheme employers when performing their functions under the LGPS Regulations.

Regulation 70 of The Local Government Pension Scheme Regulations 2013 applies where, in the opinion of an administering authority, it has incurred additional costs which should be recovered from a scheme employer, because of that scheme employer's level of performance in carrying out its functions under the LGPS Regulations. Should the situation arise, an administering authority may give written notice to the scheme employer stating the reasons why, in the administering authority's opinion, their performance is not satisfactory, the amount of additional costs to be recovered and the basis on which the specified amount has been calculated and the provisions of the strategy which are relevant to the decision to give notice.

Considering the regulatory framework, this strategy details the requirements in accordance with Regulations 59 and 70 of The Local Government Pension Scheme Regulations 2013 and lays the foundation of the day to day relationship between Buckinghamshire Council as the administering authority and the scheme employers of Buckinghamshire Pension Fund.

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## Responsibilities and Procedures

### Procedures for liaison and communication with scheme employers

Delivery of a high quality administration service does not rest solely with the administering authority but is highly dependent on effective partnership working with scheme employers and other statutory and advisory bodies.

This strategy takes account of scheme employers' current pension knowledge, perception of current administration standards and specific training needs to ensure the required standard can be met.

Procedures for liaison and communication between Buckinghamshire Pension Fund and scheme employers are contained within Buckinghamshire Pension Fund's Communication Policy.

<http://www.buckscc.gov.uk/services/council-and-democracy/local-government-pension-scheme/policies/>

### Procedures for improving communication between the administering authority and scheme employers

Effective communication between all parties concerned reduces errors, improves efficiency and nurtures better working relationships. Where performance monitoring shows there is cause for concern, the scheme employer's dedicated Employer Liaison Officer will work closely with them to improve any underperformance.

### Training

Buckinghamshire Council as the administering authority will provide annual training sessions for all scheme employers and additional training and support to scheme employers where concerns are identified. All scheme employers may request an ad-hoc training session.

### Website

Buckinghamshire Pension Fund's website is reviewed and updated on a regular basis. The website has relevant information for scheme employers regarding scheme changes and all relevant policies agreed by the administering authority are published on the site. All employer newsletters are also available. The website address is: [www.buckinghamshire.gov.uk/pensions](http://www.buckinghamshire.gov.uk/pensions)

## Establishing levels of performance

### Performance Standards

In relation to the entitlement of scheme members, the LGPS stipulates that certain decisions are to be made by either the administering authority or scheme employer. In order to fulfil these requirements and also comply with disclosure legislation, Buckinghamshire Council as the administering authority has agreed levels of performance between itself and scheme employers prescribed under a Service Level Agreement (SLA).

### TUPE Transfers

Any existing scheme employer planning a contract likely to involve a TUPE transfer of staff should contact the TUPE Liaison Officer at the earliest opportunity. The employer will be provided with a guide, detailing all of the options available to them, the process to be followed if Admitted Body status is required and the relevant charges that will apply including actuary and legal fees and bond requirements.

### Overriding legislation

In discharging their roles and responsibilities under the LGPS Regulations, the administering authority and scheme employers are required to comply with overriding legislation such as:

- Superannuation Act 1972;



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- Pensions Act 1995 and associated disclosure legislation;
  - Freedom of Information Act 2000;
  - Finance Act 2004;
  - Equality Act 2010;
  - Public Service Pensions Act 2013;
  - Data Protection Act 2018; and
  - Health and Safety legislation.

The above are minimum requirements and in addition to these there are also local standards and best practice outlined below.

### **Internal Standards**

These are standards detailed in the SLA and include:

- Compliance with all requirements in the SLA;
- Provision of information or notifications in the required format using i-Connect and/or using forms/spreadsheets as provided with the SLA;
- All information or notifications to be legible and accurate;
- Communications to be in plain language;
- Information provided to be checked for accuracy by another member of staff;
- A nominated pensions contact within each scheme employer; and
- Information provided or decisions made within the timescales contained within the SLA.

### **Timeliness**

Overriding legislation dictates minimum standards required in relation to certain actions, decisions and information to be provided by an administering authority and scheme employers. In addition to these minimum standards, Buckinghamshire Pension Fund has deadlines for the provision of data and local performance measures to be met and which are used for monitoring purposes. These measures are contained within the SLA.

### **Data quality**

In order to meet the targets set out in the SLA, it is imperative that the data provided by scheme employers is accurate. Data should be provided using i-Connect or the forms/spreadsheets provided with the SLA. This will ensure member records are correct and will enable the administering authority to submit accurate data as part of the triennial valuation. The administering authority will apply data quality control and review processes.

### **Employer Liaison Officers**

Each scheme employer will be allocated a specific Employer Liaison Officer as their main point of contact regarding any aspect of administering the LGPS.

### **Procedures for ensuring compliance with statutory requirements and levels of performance**

Ensuring compliance is the responsibility of the administering authority and scheme employers. The administering authority will work with its scheme employers to adhere to all the appropriate legislation and provide support to ensure quality and timeliness of provision of data is continually improved. Various methods will be used to ensure compliance and service improvement such as:

### **Audit**

Buckinghamshire Pension Fund will be subject to an annual audit of its processes and internal controls, with the Council's Regulatory and Audit Committee applying scrutiny to the Fund. Both the administering

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authority and scheme employers will be expected to comply with requests for information from internal and external auditors in a timely manner. Any subsequent recommendations will be implemented into the appropriate document.

### **Performance monitoring**

The administering authority will report on each scheme employer periodically against specific tasks outlined in the SLA. The administering authority will monitor its own performance in accordance with the SLA, provide an internal benchmark comparison year on year and report outcomes to the Pension Board.

### **Employer liaison meetings**

Meetings with scheme employers and their Employer Liaison Officer will take place at the request of either the administering authority or the scheme employer to review performance against targets and the quality of data exchange. Frequent meetings will be arranged for larger employers or where deemed necessary by either party.

### **Pension Board**

The purpose of the Board is to assist the administering authority in its role as manager of the Scheme. This covers all aspects of Governance and administration of the LGPS, including funding and investments. Regular reports on administration performance and other associated matters will be discussed at Pension Board meetings.

The Board's Terms of Reference can be found at:

<https://www.buckscc.gov.uk/media/4508426/pfb-terms-of-reference.pdf>

### **Pension Fund Committee**

The Pension Fund Committee (PFC) is responsible for setting overall investment strategy, including asset allocation and the Investment Strategy Statement. They appoint Advisors and monitor Fund performance. They are responsible for monitoring scheme governance and policy approval. The PFC's Terms of Reference can be found in the Council's Constitution at: <https://www.buckscc.gov.uk/media/4510769/council-constitution.pdf>

### **Valuation**

Buckinghamshire Pension Fund is subject to a triennial full valuation of its assets in accordance with the LGPS Regulatory Framework. The Fund actuary sets employer contribution rates based on the data submitted. Interim mini-valuations may also be undertaken at the discretion of the Pension Fund Committee. Both the administering authority and scheme employers will be expected to comply with requests for information from the actuary in a timely manner.

### **Year End and Annual Benefit Statements.**

Annual year end processes will be circulated to all scheme employers in a timely manner. Outline details are within the SLA. Annual Benefit Statements will be made available to members online, by 31 August each year, unless they have elected for a hard copy. Further details on Annual Benefit Statements are outlined in the Communications Policy.

### **Treasury Management**

A service level agreement exists between Buckinghamshire Council's Treasury Management Service and the Pensions & Investments Team which is approved by the Pension Fund Committee.

### **Circumstances where the administering authority may levy costs associated with a scheme employer's poor performance**

Routine and cyclical activity is not directly charged to a scheme employer.

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Any additional costs incurred by the administering authority as a direct result of poor performance will be recovered from the scheme employer. The circumstances where additional costs will be recovered include:

- Constant failure to provide relevant information to the administering authority, scheme member or other relevant party in accordance with the SLA;
- Failure to pass relevant information to the scheme member or potential members due to poor quality or within the prescribed timescale;
- Failure to deduct and pay over correct employee and employer contributions to the Buckinghamshire Pension Fund within the prescribed timescales; and
- Payment of fines being levied on the administering authority due to a scheme employer's under-performance by the Pensions Regulator, Pensions Ombudsman or any other regulatory body.

The administering authority may also charge for other services. Details of all the charges that apply are detailed at Appendix A.

### **Procedures to address unsatisfactory performance**

The relevant Employer Liaison Officer will work with a scheme employer at the earliest opportunity if they are failing to meet the requirements of the performance levels required under the SLA and ultimately this strategy. They will identify any underlying issues and assist with any necessary training and development required to address the performance.

Steps to recover additional administration costs will only be taken where persistent failure occurs after intervention and support has been offered and undertaken by the relevant Employer Liaison Officer. These steps will only be implemented once all opportunities to address performance issues are exhausted. The steps to be taken in these circumstances are:

- The scheme employer will be written to setting out the areas of unsatisfactory performance;
- A meeting will be arranged with the scheme employer to discuss the unsatisfactory performance and to formulate a plan on how to address those areas;
- Where a scheme employer does not agree to a meeting or does not show improvement in line with action agreed during the meeting, a formal notice will be issued. This will detail the areas of unsatisfactory performance identified, the steps taken to resolve those areas and that the additional costs will be recovered;
- The costs to be recovered will be clearly set out taking into account the time taken by the administering authority to resolve the specific area of unsatisfactory performance; and
- Make the claim against the scheme employer, giving reasons for doing so, in accordance with the Regulations.

Administering Authority unsatisfactory performance will be reported to the Pension Board and Pension Fund Committee if applicable. Performance is monitored against the SLA.

### **Review Process**

The administration strategy will be reviewed every 3 years unless circumstances dictate more regular reviews are required. The current version of the administration strategy will be available on our website at the link below. Hard copies will be made available on request.

<https://www.buckscc.gov.uk/services/council-and-democracy/local-government-pension-scheme/policies/>

Pensions & Investments Team, Buckinghamshire Council, Walton Street Offices, Walton Street, Aylesbury, HP20 1UD

01296 383755

[employers@buckinghamshire.gov.uk](mailto:employers@buckinghamshire.gov.uk)

[www.buckinghamshire.gov.uk/pensions](http://www.buckinghamshire.gov.uk/pensions)

## Charging Schedule

1	Failure to notify Buckinghamshire Council of new starters by the 19 <sup>th</sup> of the month following the month payroll action was taken	£50 per occurrence
2	Failure to notify Buckinghamshire Council of a change in hours or a change in member's address by the 19 <sup>th</sup> of the month following the date where payroll action was taken	£50 per occurrence
3	Failure to notify Buckinghamshire Council of unpaid leave, parental leave or trade dispute breaks by the 19 <sup>th</sup> of the month following the month in which payroll action was taken	£50 per occurrence
4	Failure to notify Buckinghamshire Council of any member leaving by the 19 <sup>th</sup> of the month following the month in which the member left	£50 per occurrence
5	Failure to notify Buckinghamshire Council of any retirement within 3 weeks before the member's retirement date	£50 per occurrence
6	Where, as a result of the Employer's/Payroll Provider's failure to notify Buckinghamshire Council of a retirement, interest becomes payable on any lump sum or death grant paid, Buckinghamshire Council will recharge the total amount of interest to the Scheme employer	Interest calculated in accordance with Regulation 81 of The LGPS Regulations 2013
7	Failure to notify Buckinghamshire Council of the death in service of a member within 10 working days of notification	£50 per occurrence
8	Failure to notify Buckinghamshire Council of the monthly contributions deducted by the 19 <sup>th</sup> of the month via the monthly notification spreadsheet (non i-Connect scheme employers)	£50 per occurrence
9	Failure to pay over monthly contributions to Buckinghamshire Council by the 19 <sup>th</sup> of the month following deduction of the contributions	Interest calculated in accordance with Regulation 71 of The LGPS Regulations 2013
10	Failure to pay an additional administration cost	Interest calculated in accordance with Regulation 71 of The LGPS Regulations 2013
11	Failure to provide Buckinghamshire Council with the annual year end return by 30 April	£50 per working day from 1 May to date return is received
12	Failure to respond to requests for Year-end information to resolve queries within the prescribed time	£50 per occurrence
13	Further notification of leaver/retirement/death resulting in a recalculation of benefits	£50 per occurrence
14	Estimate requests in excess of two required in a rolling year	£11.50 per estimate plus VAT per additional request
15	Other non-standard work	Charge dependent on the amount of time taken and Pensions & Investments Team member undertaking the work

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## Notes to the Charging Schedule

Please note the detail below applies to all scheme employers whether they submit a monthly notification spreadsheet or use i-Connect.

1. Notifications of new starters must include all of the information detailed in the New Entrants to the Scheme section of the SLA.
2. Notifications of changes in hours and address must include all of the information detailed in the Changes section of the SLA.
3. Notification of any unpaid leave, parental leave or trade dispute breaks must include all of the information detailed in the Unpaid Leave section of the SLA.
4. Notifications of leavers must include all of the information required on the 'Notification of Employee Leaving' form, detailed in the Leavers section of the SLA. Where an overtime payment is still to be made and the employer is not able to submit the form before the 19<sup>th</sup> of the month following the month in which the member left, they should submit the form as soon as possible after the final payment and not wait until the following month's submission.
5. Notifications of retirements must include all of the information required on the 'Notification of Employee Leaving' form, detailed in the Retirements section of the SLA. Where an overtime payment is still to be made and the employer is not able to submit the form before the 19<sup>th</sup> of the month following the month in which the member left, they should submit the form as soon as possible after the final payment and not wait until the following month's submission.
6. Regulation 81 of The LGPS Regulations 2013 state that interest must be calculated at one per cent above base rate on a day to day basis from the due date to the date of payment and compounded with three-monthly rests. If late payment of a lump sum or death grant occurs as a result of a failure by the scheme member to provide information to the Pensions & Investments Team, the pension fund will be liable for the payment of any interest due.
7. Notification of a death in service must include all of the information required on the 'Notification of Employee Leaving' form, detailed in the Death in Service section of the SLA.
8. Notification of the contributions deducted should be sent (non i-Connect users only) on a monthly basis in order for the contributions to be reconciled and allocated correctly.
9. Requirements regarding payment of monthly contributions are set out in the Monthly Contributions section of the SLA. Regulation 71 of The LGPS Regulations 2013 states that for overdue payments, interest must be calculated at one per cent above base rate on a day to day basis from the due date to the date of payment and compounded with three-monthly rests.
10. Regulation 71 of The LGPS Regulations 2013 states that for overdue payments, interest must be calculated at one per cent above base rate on a day to day basis from the due date to the date of payment and compounded with three-monthly rests.
11. Requirements regarding submission of the annual return are set out in the Year-End Return section of the SLA.
12. Requirements regarding Year-End queries are set out in the Year-End section of the SLA.
13. Accurate information should be provided first time around in accordance with the Leavers and Retirements section of the SLA.

Late notifications will only be reported where the standards set out in the SLA have not been met as a result of the scheme employer's failure to meet the required standards.

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# Communications Policy Statement

## Introduction

Buckinghamshire Council is the administering authority for the Local Government Pension Scheme (LGPS) on behalf of the employers participating in the LGPS through the Buckinghamshire Pension Fund (the Fund). The LGPS is governed by statutory regulations.

Regulation 61 of the Local Government Pension Scheme Regulations 2013 requires Funds to prepare, maintain and publish a written statement setting out its policy concerning communications. This policy statement outlines the Fund's position on:

- The provision of information and publicity about the Scheme to members, employers and representatives of members participating in the Fund.
- The promotion of the Scheme to prospective members and their employers.
- The format, frequency and method of distributing such information or publicity.

This Communication Policy is effective from 5 July 2021 and will be reviewed at its scheduled review date in April 2023, or prior to this should changes be required. It is underpinned by an annual internal communications plan.

## Key communication objectives

- Our messages should be timely, brief and easy to understand
- Wherever possible, we will use digital channels and electronic media for our messages due to their efficiency, security and accessibility
- Where digital channels are not suitable, we will use other methods of communication for our customers and stakeholders
- To provide relevant and timely information to our members to enable them to make informed decisions about their pension benefits
- To train and support scheme employers to enable them to fulfill their statutory responsibilities, as well as to cascade and share scheme information with their staff
- We will manage information securely in line with current data protection legislation
- To consult with relevant stakeholders about the Fund's management and administration
- To strive for continuous improvement and innovation in the way we communicate
- To consider diversity and inclusion in all communications

## Key stakeholders

- Scheme members, split into three broad categories
  - Active scheme members
  - Deferred scheme members
  - Pensioner scheme members and dependants
- Prospective scheme members
- Scheme employers
- Pensions & Investments Team staff
- Our governing bodies i.e. the Pension Fund Committee and the Buckinghamshire Pension Board
- External bodies and member representatives

## Communication with Scheme members

There are three categories of Scheme member;

- Active members who are contributing to the Scheme;

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- Deferred members who have left the Scheme, but have not yet accessed their pension benefits; and
  - Pensioner members and dependants who are in receipt of a pension.

### **Website**

[www.buckinghamshire.gov.uk/pensions](http://www.buckinghamshire.gov.uk/pensions) is our main medium for communicating with Scheme members. It provides comprehensive information about the scheme and is split into a number of categories to ensure quick access and relevance to our varied target audiences. Our Scheme member guides, newsletters, forms and fact sheets are available for download. Our website is regularly reviewed and updated.

### **‘My pension online’ secure member portal**

We are committed to increasing digital access and delivery of our services. By default all Scheme members have an online pension account, although registration is not automatic. ‘My pension online’ enables registered members to securely access their pension record at <https://ms.buckinghamshire.gov.uk>. The content and functionality available is tailored according to whether the member is active, deferred or a pensioner. ‘My pension online’ allows the Fund to communicate directly with our members, with general scheme updates, as well as personal member communications e.g. retirement benefit calculations and forms. It also provides a self-service facility allowing members to make changes to personal details such as their address and death grant nomination, along with a document upload functionality.

### **Email, post and telephone helpline**

Our postal address and main email address for member enquiries ([pensions@buckinghamshire.gov.uk](mailto:pensions@buckinghamshire.gov.uk)) is widely published. Any email containing confidential member information is sent using the Egress Switch encrypted email service or by other secure means.

We have a dedicated helpline number for member enquiries (01296 383755), which is staffed by Member Liaison Officers from 09:00 to 17:30 Monday to Thursday and from 09:00 to 17:00 on Friday.

We have a dedicated email address for technical queries related to ‘my pension online’ ([mypensiononline@buckinghamshire.gov.uk](mailto:mypensiononline@buckinghamshire.gov.uk)), managed by Member Liaison Officers.

### **Webinars, presentations and appointments**

We run a programme of regular webinars for active scheme members or those wishing to join the scheme. These are bookable via the scheme employer. We are able to offer these presentations face to face upon request by Scheme employers, subject to meeting minimum attendance criteria.

Scheme members are able to book an appointment at one of our regular member surgeries to discuss individual questions relating to their pension benefits. These surgeries can be held face to face or via Microsoft Teams. While Pension Officers cannot provide financial advice, they can provide information on benefit entitlements under the Local Government Pension Scheme to help members make informed pension decisions.

### **Annual benefit statements**

The Fund is legally required to provide an annual benefit statement by 31 August each year for all active, deferred and pension credit members, as per Regulation 89 of the Local Government Pension Scheme Regulations 2013. Member statements are published to their online account each year. Members are able to opt out of online access to their pension record. Those who opt out of ‘my pension online’ are provided with printed annual benefit statements and newsletters sent to their home address.

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## Newsletters

We provide Scheme member update newsletters for active, deferred and pensioner scheme members at least annually, or more often, as required. The content is tailored to the audience to ensure that each newsletter is relevant and of interest. The newsletters are published on our website and are linked to the 'my pension online' scheme documents area. Copies are sent by post to members who have opted out of 'my pension online'. The number of printed copies is reducing as 'my pension online' registration increases.

## Payslips/P60s

Payslips are sent to all pensioners twice per year to confirm that the address we hold for them is still current. P60s are issued by the end of May each year. Pensioners can access their monthly payslips and P60s via 'my pension online'.

## Communication with prospective members

Our communication with prospective Scheme members is mainly via their employers. Employers contractually enrol all eligible staff in the LGPS. Scheme information is provided by employers within contracts of employment, which directs employees to the Fund's guides, forms and booklets at [www.bucksc.gov.uk/lgpsguidesandforms](http://www.bucksc.gov.uk/lgpsguidesandforms).

Prospective members can request information, for illustration purposes, of the costs of joining the Scheme from their employer or from the national LGPS website at [www.lgpsmember.org](http://www.lgpsmember.org). These members are able to contact us by telephone, email, post or in person (by appointment).

## Communication with Scheme employers

Employers in the Fund include scheduled bodies, designated bodies, admitted bodies and deemed employers, as defined in Regulation 3 of the Local Government Pension Scheme Regulations 2013.

## Website

The Fund's website is accessible to all Scheme employers. The website includes a dedicated employer area at [www.bucksc.gov.uk/lgpsemployers](http://www.bucksc.gov.uk/lgpsemployers), which is regularly updated with changes to the Scheme, employer administration guidance, newsletters and other relevant information.

## Email and telephone

Each Scheme employer is allocated a dedicated Employer Liaison Officer (ELO) who is their main contact for LGPS administration queries. As an introduction, ELOs issue our Employer Roles and Responsibilities guide (which forms a large part of our Service Level Agreement) to all new employers to the Fund. Scheme employers can email their ELO direct or send their queries to the shared [employers@buckinghamshire.gov.uk](mailto:employers@buckinghamshire.gov.uk) mailbox. General employer communications are sent by email from the Fund's employer mailbox to recipients on the Fund's employer distribution list.

Any email correspondence which includes confidential information is sent by Egress Switch encrypted email service or other secure means e.g. password protection, or between servers with strong end-to-end encryption.

## Newsletters

A quarterly employer newsletter 'In-Form' is produced for Scheme employers, which summarises changes to Scheme legislation, policy, issues currently under debate and Scheme administration. It also includes bitesize training features and a frequently asked questions section to support employer training. The newsletter is sent directly to Employer contacts from the Employers' mailbox and is also available to download from the website.



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## **i-Connect**

i-Connect is a middleware technology solution which enables employers to automate their submission of data to the Fund and move to real-time monthly data reporting. i-Connect reduces the cost and risks associated with manually processing pension data. We are in the process of onboarding all our Employers to i-Connect.

## **Employer meetings, webinars and training sessions**

Meetings with a member of the Employer Liaison Team and Scheme employers will take place at the request of us or the employer. Frequent meetings will be arranged for larger employers or where deemed necessary by either party.

Remote training is offered where possible as it is often convenient for the employer's business needs and reduces travel costs. Employer Liaison Officers are able to offer one to one training over the phone, via Microsoft Teams or, where required, face to face. We run a programme of regular employer webinars providing training on all aspects of the Employer role. Upon request we are also able to prepare bespoke webinars to meet Employer requirements.

## **Annual report and accounts**

Copies of the Fund's annual report and accounts are published on our website by 1 December each year. Due to the length and complexity of the Fund's annual report, hard copies are not routinely provided, but can be produced on request.

## **Pensions general meeting**

We invite representatives from all Scheme employers to attend the Pensions General Meeting, which takes place every 3 years in the year of the Fund valuation (i.e. the year prior to when the revised contribution rates from the valuation are due to come into effect). Speakers are varied but would always include a presentation by the Fund's actuary, Barnett Waddingham LLP.

## **FRS102 / IAS19 Reports**

The FRS102 / IAS19 Reports are prepared annually and are emailed to relevant Scheme employers in PDF format.

## **Communication with members' representatives**

Members' representatives include any individual or group enquiring or acting on behalf of a Scheme member with the Scheme member's authority e.g. trade unions, solicitors, independent financial advisors, etc.

## **Website**

Members' representatives can access a wide range of Scheme information on our website, including our contact details for general enquiries.

## **Email, telephone and post**

Our contact details are widely publicised, and members' representatives can contact us by email, post or telephone.

## **Feedback from stakeholders**

In order to continually develop and improve communication we actively encourage feedback from stakeholders. We have a dedicated mailbox set up to receive and encourage feedback:

[pension.feedback@buckinghamshire.gov.uk](mailto:pension.feedback@buckinghamshire.gov.uk), and regularly issue short digital surveys to employers and members.

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## Communication within the Pensions & Investments Team

We recognise the importance of ensuring that all our staff are fully equipped with the appropriate knowledge and skills to enable them to perform their duties.

We are committed to our team's training and development needs and meet these needs by the use of email briefing notes and internal team meetings, as well as internal and external training sessions on specific topics. We also provide staff with a monthly technical newsletter summarising important Scheme changes, technical guidance, newly published training resources, and key statutory deadlines for the month.

## Communication and Fund Governance

### The Pension Fund Committee

Under Buckinghamshire Council's constitution, the Council has delegated responsibility for decision-making on pension Fund investments to the Pension Fund Committee. The Pension Fund Committee consults within the advisory framework and with officers, before making decisions within the scope of their delegated powers. The Committee receives professional advice from an investment consultant and support/information from an independent adviser on investment strategy and other investment matters. Pension administration matters are reported to the Pension Fund Committee as appropriate.

Full details of the Committee and minutes of all meetings can be found at:

<https://buckinghamshire.moderngov.co.uk/mgCommitteeDetails.aspx?ID=341>

### Buckinghamshire Pension Board

The Local Government Pension Scheme (Amendment) (Governance) Regulations 2014 set out the requirements for an Administering Authority to establish a Local Pension Board.

The purpose of the Buckinghamshire Pension Board is to assist the Administering Authority in its role as a Scheme manager. This covers all aspects of governance and administration of the LGPS, including funding and investments. We work closely with the Buckinghamshire Pension Board, ensuring they can fulfil their duties and responsibilities, including the provision of relevant training.

Full details of the Board and minutes of all meetings can be found at:

<https://buckinghamshire.moderngov.co.uk/mgCommitteeDetails.aspx?ID=1038>

## Availability and format of our publications, frequency & review periods

Communication material	Formats available	Available to	When published / available	When Reviewed?
LGPS guides	Online, paper	All members, prospective members, members' representatives, Scheme employers	Always available	As required
LGPS fact sheets	Online, paper	All members, prospective members, members' representatives, Scheme employers	Always available	As required

<a href="#">My pension online</a>	Online secure portal	All registered members, giving them online access to their pension records	Always available	As required
Pension update newsletter	Online, paper	Active and Deferred members	Produced annually Available online	At least annually or more often as needed
In-Touch Pensioner newsletter	Online, paper	Pensioner members	Produced annually Available online	Annually
In-Form Employer's newsletter	Online, direct email	Scheme employers	Quarterly	Quarterly
Payslips	Online	Pensioner members	Printed copies issued twice per year Available via 'my pension online'	As required
P60s	Paper, online	Pensioner members	Annually and available via 'my pension online'	Annually
Annual Benefit Statements	Paper, online	All Active, Deferred and Pension Credit members	Annually by 31 August	Annually
Retirement guide	Online, paper	Pensioner members	Available online, and at retirement	As required
Annual Report and Accounts	Online	Scheme employers, other interested parties	Produced annually Available online	Annually
Fund Valuation Report	Online	Scheme employers	Published every three years	Every three years
Training/ Presentations	Webinars, phone and face to face	Members, Scheme employers	Programme of webinars published to our website One to one training available on request	As required
Member surgeries	One to one meeting	Scheme members	Fortnightly surgeries, run by appointment	Fortnightly
FRS102 / IAS19 Reports	Electronic	Relevant Scheme employers	Annually	Annually

All communication documents on our website are accessible and comply with The Public Sector Bodies (Websites and Mobile Applications) (No. 2) Accessibility Regulations 2018.

All of our communication documents are available in large print or braille on request.

This communication policy statement is reviewed every three years in line with the triennial valuation and a revised version will be republished following any material change.

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# Funding Strategy Statement

## Introduction

This is the Funding Strategy Statement for the Buckinghamshire Pension Fund (the Fund). It has been prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 as amended (the Regulations) and describes Buckinghamshire Council's strategy, in its capacity as administering authority of the Fund. Buckinghamshire Council replaced Buckinghamshire County Council as administering authority of the Fund on 1 April 2020.

The Fund's Actuary, Barnett Waddingham LLP, has been consulted on the contents of this statement. This statement should be read in conjunction with the Fund's Investment Strategy Statement (ISS) and has been prepared with regard to the guidance (*Preparing and Maintaining a funding strategy statement in the LGPS 2016 edition*) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

## Purpose of the Funding Strategy Statement

The purpose of this Funding Strategy Statement (FSS) is to:

- Establish a clear and transparent fund-specific strategy that will identify how employers' pension liabilities are best met going forward;
- Support the desirability of maintaining as nearly constant a primary contribution rate as possible, as defined in Regulation 62(6) of the Regulations;
- Ensure that the regulatory requirements to set contributions to meet the future liability to provide Scheme member benefits in a way that ensures the solvency and long-term cost efficiency of the Fund are met; and
- Take a prudent longer-term view of funding those liabilities

## Aims and purposes of the Fund

The aims of the Fund are to:

- Manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due;
- Enable primary contribution rates to be kept as nearly constant as possible and (subject to the administering authority not taking undue risks) at reasonable cost to all relevant parties (such as the taxpayers, scheduled, resolution and admitted bodies), while achieving and maintaining Fund solvency and long-term cost efficiency, which should be assessed in light of the risk profile of the Fund and employers, and the risk appetite of the administering authority and employers alike; and
- Seek returns on investment within reasonable risk parameters.

The purpose of the Fund is to:

- Pay pensions, lump sums and other benefits to Scheme members as provided for under the Regulations;
- Meet the costs associated in administering the Fund; and
- Receive and invest contributions, transfer values and investment income.

## Funding Objectives

Contributions are paid to the Fund by Scheme members and the employing bodies to provide for the benefits which will become payable to Scheme members when they fall due.

The funding objectives are to:

- Ensure that pension benefits can be met as and when they fall due over the lifetime of the Fund;
- Ensure the solvency of the Fund;

- Set levels of employer contribution rates to target a 100% funding level over an appropriate time period and using appropriate actuarial assumptions, while taking into account the different characteristics of participating employers;
- Build up the required assets in such a way that employer contribution rates are kept as stable as possible, with consideration of the long-term cost efficiency objective; and
- Adopt appropriate measures and approaches to reduce the risk, as far as possible, to the Fund, other employers and ultimately the taxpayer from an employer defaulting on its pension obligations.

In developing the funding strategy, the administering authority should also have regard to the likely outcomes of the review carried out under Section 13(4)(c) of the Public Service Pensions Act 2013. Section 13(4)(c) requires an independent review of the actuarial valuations of the LGPS funds; this involves reporting on whether the rate of employer contributions set as part of the actuarial valuations are set at an appropriate level to ensure the solvency of the Fund and the long-term cost efficiency of the Scheme so far as relating to the pension Fund. The review also looks at compliance and consistency of the actuarial valuations.

## **Key parties**

The key parties involved in the funding process and their responsibilities are set out below.

### **The administering authority**

The administering authority for the Fund is Buckinghamshire Council. The main responsibilities of the administering authority are to:

- Operate the Fund in accordance with the LGPS Regulations;
- Collect employee and employer contributions, investment income and other amounts due to the Fund as stipulated in the Regulations;
- Invest the Fund's assets in accordance with the Fund's Investment Strategy Statement;
- Pay the benefits due to Scheme members as stipulated in the Regulations;
- Ensure that cash is available to meet liabilities as and when they fall due;
- Take measures as set out in the Regulations to safeguard the Fund against the consequences of employer default;
- Manage the actuarial valuation process in conjunction with the Fund Actuary;
- Prepare and maintain this FSS and also the ISS after consultation with other interested parties;
- Monitor all aspects of the Fund's performance;
- Effectively manage any potential conflicts of interest arising from its dual role as both Fund administrator and Scheme employer; and
- Enable the Local Pension Board to review the valuation process as they see fit.

### **Scheme employers**

In addition to the administering authority, a number of other Scheme employers participate in the Fund. The responsibilities of each employer that participates in the Fund, including the administering authority, are to:

- Collect employee contributions and pay these together with their own employer contributions, as certified by the Fund Actuary, to the administering authority within the statutory timescales;
- Notify the administering authority of any new Scheme members and any other membership changes promptly;
- Develop a policy on certain discretions and exercise those discretions as permitted under the Regulations;
- Meet the costs of any augmentations or other additional costs in accordance with agreed policies and procedures; and

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- Pay any exit payments due on ceasing participation in the Fund.

### **Scheme members**

Active Scheme members are required to make contributions into the Fund as set by the Ministry of Housing, Communities and Local Government (MHCLG).

### **Fund actuary**

The Fund Actuary for the Fund is Barnett Waddingham LLP. The main responsibilities of the Fund Actuary are to:

- Prepare valuations including the setting of employers' contribution rates at a level to ensure Fund solvency and long-term cost efficiency after agreeing assumptions with the administering authority and having regard to the FSS and the Regulations;
- Prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters such as pension strain costs, ill-health retirement costs, compensatory added years costs, etc;
- Provide advice and valuations on the exiting of employers from the Fund;
- Provide advice and valuations relating to new employers, including recommending the level of bonds or other forms of security required to protect the Fund against the financial effect of employer default;
- Assist the administering authority in assessing whether employer contributions need to be revised between valuations as permitted or required by the Regulations;
- Ensure that the administering authority is aware of any professional guidance or other professional requirements which may be of relevance to their role in advising the Fund; and
- Advise on other actuarial matters affecting the financial position of the Fund.

### **Funding strategy**

The factors affecting the Fund's finances are constantly changing, so it is necessary for its financial position and the contributions payable to be reviewed from time to time by means of an actuarial valuation to check that the funding objectives are being met.

The most recent actuarial valuation of the Fund was carried out as at 31 March 2019. The funding position is set out in the table below:

Surplus (Deficit)	(£186m)
Funding Level	(94%)

On a whole Fund level, the primary rate required to cover the employer cost of future benefit accrual was 18.2% of payroll p.a.

The individual employer contribution rates are set out in the Rates and Adjustments Certificate which forms part of the Fund's 2019 valuation report.

The actuarial valuation involves a projection of future cashflows to and from the Fund. The main purpose of the valuation is to determine the level of employers' contributions that should be paid to ensure that the existing assets and future contributions will be sufficient to meet all future benefit payments from the Fund. A summary of the methods and assumptions adopted is set out in the sections below.

### **Funding method**

The key objective in determining employers' contribution rates is to establish a funding target and then set levels of employer contribution rates to meet that target over an agreed period.

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The funding target is to have sufficient assets in the Fund to meet the accrued liabilities for each employer in the Fund.

For all employers, the method adopted is to consider separately the benefits accrued before the valuation date (past service) and benefits expected to be accrued after the valuation date (future service). These are evaluated as follows:

- The past service funding level of the Fund. This is the ratio of accumulated assets to liabilities in respect of past service. It makes allowance for future increases to members' pay and pensions. A funding level in excess of 100% indicates a surplus of assets over liabilities; while a funding level of less than 100% indicates a deficit; and
- The future service funding rate (also referred to as the primary rate as defined in Regulation 62(5) of the Regulations) is the level of contributions required from the individual employers which, in combination with employee contributions, is expected to cover the cost of benefits accruing in future.

The adjustment required to the primary rate to calculate an employer's total contribution rate is referred to as the secondary rate, as defined in Regulation 62(7). Further details of how the secondary rate is calculated for employers is given below in the Deficit recovery/surplus amortisation periods section.

The approach to the primary rate will depend on specific employer circumstances and in particular may depend on whether an employer is an "open" employer – one which allows new recruits access to the Fund, or a "closed" employer – one which no longer permits new staff access to the Fund. The expected period of participation by an employer in the Fund may also affect the total contribution rate.

For open employers, the actuarial funding method that is adopted is known as the Projected Unit Method. The key feature of this method is that, in assessing the future service cost, the primary rate represents the cost of one year's benefit accrual only.

For closed employers, the actuarial funding method adopted is known as the Attained Age Method. The key difference between this method and the Projected Unit Method is that the Attained Age Method assesses the average cost of the benefits that will accrue over a specific period, such as the length of a contract or the remaining expected working lifetime of active members.

The approach by employer may vary to reflect an employer's specific circumstance, however, in general the closed employers in the Fund are admission bodies who have joined the Fund as part of an outsourcing contract and therefore the Attained Age Method is used in setting their contributions. All other employers (for example councils, higher education bodies and academies) are generally open employers and therefore the Projected Unit Method is used. The administering authority holds details of the open or closed status of each employer.

## **Valuation assumptions and funding model**

In completing the actuarial valuation it is necessary to formulate assumptions about the factors affecting the Fund's future finances such as price inflation, pay increases, investment returns, rates of mortality, early retirement and staff turnover etc.

The assumptions adopted at the valuation can therefore be considered as:

- The demographic (or statistical) assumptions which are essentially estimates of the likelihood or timing of benefits and contributions being paid, and
- The financial assumptions which will determine the estimates of the amount of benefits and contributions payable and their current (or present) value.

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## **Future price inflation**

The base assumption in any valuation is the future level of price inflation over a period commensurate with the duration of the liabilities, as measured by the Retail Price Index (RPI). This is derived using the 20 year point on the Bank of England implied Retail Price Index (RPI) inflation curve, with consideration of the market conditions over the six months straddling the valuation date. The 20 year point on the curve is taken to be consistent with the average duration of an LGPS Fund.

This assumption was reviewed following the Chancellor's November 2020 announcement on the reform of RPI and is now assumed to be 0.4% p.a. lower than the 20 year point on the inflation curve. This change will be fully reflected in the ongoing funding assumptions from 31 March 2021. This adjustment accounts for both the shape of the curve in comparison to the Fund's liability profile and the view that investors are willing to accept a lower return on investments to ensure inflation linked returns.

## **Future pension increases**

Pension increases are linked to changes in the level of the Consumer Price Index (CPI). Inflation as measured by the CPI has historically been less than RPI due mainly to different calculation methods. At the March 2019 actuarial valuation, a deduction of 1.0% p.a. was made to the RPI inflation assumption to derive the CPI inflation assumption. The CPI assumption adopted at March 2019 was 2.6% p.a.

This assumption was also reviewed in light of the Chancellor's announcement on the reform of RPI mentioned above and CPI inflation is now assumed to be 0.4% p.a. lower than the RPI assumption (i.e. a total of 0.8% p.a. below the 20 year point on the Bank of England implied RPI inflation curve). This change will be fully reflected in the ongoing funding assumptions from 31 March 2021. This reflects the anticipated reform of RPI inflation from 2030 following the UK Statistics Authority's proposal to change the RPI calculation method in line with the Consumer Prices Index including Housing costs (CPIH). This assumption will be reviewed at future valuations and the difference between RPI and CPI is expected to move towards 0.0% p.a. as we get closer to 2030.

## **Future pay increases**

As some of the benefits are linked to pay levels at retirement, it is necessary to make an assumption as to future levels of pay increases. Historically, there has been a close link between price inflation and pay increases with pay increases exceeding price inflation in the longer term. The long-term pay increase assumption adopted as at 31 March 2019 was CPI inflation plus 1.0% p.a. which includes allowance for promotional increases.

## **Future investment return/discount rate**

To determine the value of accrued liabilities and derive future contribution requirements it is necessary to discount future payments to and from the Fund to present day values.

The discount rate that is applied to all projected liabilities reflects a prudent estimate of the rate of investment return that is expected to be earned from the Fund's long-term investment strategy by considering average market yields in the six months straddling the valuation date. The discount rate so determined may be referred to as the "ongoing" discount rate.

It may be appropriate for an alternative discount rate approach to be taken to reflect an individual employer's situation. This may be, for example, to reflect an employer targeting a cessation event or to reflect the administering authority's views on the level of risk that an employer poses to the Fund. The Fund Actuary will incorporate any such adjustments after consultation with the administering authority.

A summary of the financial assumptions adopted for the 2019 valuation is set out in the table below:



Financial assumptions as at 31 March 2019	
RPI inflation	3.6%
CPI inflation	2.6%
Pension/deferred pension increases and CARE revaluation	In line with CPI inflation
Pay increase	CPI inflation + 1.0% p a
Discount rate	4.8% p a

## Asset valuation

For the purpose of the valuation, the asset value used is the market value of the accumulated fund at the valuation date, adjusted to reflect average market conditions during the six months straddling the valuation date. This is referred to as the smoothed asset value and is calculated as a consistent approach to the valuation of the liabilities.

The Fund's assets are notionally allocated to employers at an individual level by allowing for actual Fund returns achieved on the assets and cashflows paid into and out of the Fund in respect of each employer (e.g. contributions received, and benefits paid).

## Demographic assumptions

The demographic assumptions incorporated into the valuation are based on Fund-specific experience and national statistics, adjusted as appropriate to reflect the individual circumstances of the Fund and/or individual employers.

Further details of the assumptions adopted are included in the Fund's 2019 valuation report.

## McCloud/Sargeant Judgements

The McCloud/Sargeant judgements were in relation to two employment tribunal cases which were brought against the Government in relation to possible age and gender discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. These judgements were not directly in relation to the LGPS, however, do have implications for the LGPS.

In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounted to unlawful discrimination. On 27 June 2019 the Supreme Court denied the Government's request for an appeal in the case. A remedy is still to be either imposed by the Employment Tribunal or negotiated and applied to all public service schemes, so it is not yet clear how this judgement may affect LGPS members' past or future service benefits. It has, however, been noted by Government in its 15 July 2019 statement that it expects to have to amend all public service schemes, including the LGPS. On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits. The consultation closed on 8 October 2020 and the final remedy will only be known after the consultation responses have been reviewed and a final set of remedial Regulations are published.

Further details of this can be found below in the Regulatory risks section.

At the time of drafting this FSS, it is still unclear how this will affect current and future LGPS benefits. As part of the Fund's 2019 valuation, in order to mitigate the risk of member benefits being uplifted and becoming more expensive, the potential impact of McCloud was covered by the prudence allowance in the discount rate assumption. As the remedy is still to be agreed the cost cannot be calculated with certainty, however, the Fund Actuary expects it is likely to be less than 0.05% of the discount rate assumption.

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## **Guaranteed Minimum Pension (GMP) indexation and equalisation**

As part of the restructuring of the state pension provision, the Government needs to consider how public service pension payments should be increased in future for members who accrued a Guaranteed Minimum Pension (GMP) from their public service pension scheme and expect to reach State Pension Age (SPA) post-December 2018. In addition, a resulting potential inequality in the payment of public service pensions between men and women needs to be addressed. Information on the current method of indexation and equalisation of public service pension schemes can be found at:

<https://www.gov.uk/government/consultations/indexation-and-equalisation-of-gmp-in-public-service-pension-schemes/consultation-on-indexation-and-equalisation-of-gmp-in-public-service-pension-schemes>.

On 23 March 2021, the government published the outcome to its Guaranteed Minimum Pension Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching SPA beyond 5 April 2021. This is a permanent extension of the existing 'interim solution' that has applied to members with a GMP reaching SPA on or after 6 April 2016. Details of the consultation outcome can be found at: <https://www.gov.uk/government/consultations/public-service-pensions-guaranteed-minimum-pension-indexation-consultation>. The 2019 valuation assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, it is assumed that the Fund will be required to pay the entire inflationary increase.

## **Deficit recovery/surplus amortisation periods**

Whilst one of the funding objectives is to build up sufficient assets to meet the cost of benefits as they accrue, it is recognised that at any particular point in time, the value of the accumulated assets will be different to the value of accrued liabilities, depending on how the actual experience of the Fund differs to the actuarial assumptions. This theory applies down to an individual employer level; each employer in the Fund has their own share of deficit or surplus attributable to their section of the Fund.

Where the valuation for an employer discloses a deficit then the level of required employer contributions includes an adjustment to fund the deficit over a maximum period of 15 years. Shorter recovery periods have been used for the majority of employers. The adjustment may be set either as a percentage of payroll or as a fixed monetary amount.

Where the valuation for an employer discloses a surplus then the level of required employer contribution may include an adjustment to amortise the surplus over a minimum period of 11 years.

Where an employer's contribution has to increase significantly then, if appropriate, the increase may be phased in over a period not exceeding 3 years.

The deficit recovery period or amortisation period that is adopted for any particular employer will depend on:

- The significance of the surplus or deficit relative to that employer's liabilities;
- The covenant of the individual employer (including any security in place) and any limited period of participation in the Fund;
- The remaining contract length of an employer in the Fund (if applicable); and
- The implications in terms of stability of future levels of employers' contribution.

## **Pooling of individual employers**

The policy of the Fund is that each individual employer should be responsible for the costs of providing pensions for its own employees who participate in the Fund. Accordingly, contribution rates are set for individual employers to reflect their own particular circumstances.

However, certain groups of individual employers are pooled for the purposes of determining contribution rates to recognise common characteristics or where the number of Scheme members is small.

The funding pools adopted for the Fund at the 2019 valuation are summarised in the table below:

<b>Pool</b>	<b>Type of pooling</b>	<b>Notes</b>
Buckinghamshire Council	Past and future service pooling	All employers in the pool pay the same total contributions rate and have the same funding level
Milton Keynes Council	Past and future service pooling	All employers in the pool pay the same total contributions rate and have the same funding level
Thames Valley Police	Past and future service pooling	All employers in the pool pay the same total contributions rate and have the same funding level
Academies	Past and future service pooling	All academies in the pool have the same funding level. Slightly different contribution rates are paid by Bucks and Milton Keynes academies over 2020-2022, converging to the same rate payable from 1 April 2022
Town and Parish Council Pool	Past and future service pooling	All employers in the pool have the same funding level and target the same total contribution rate. Some employers in the pool are stepping up to this target contribution rate over the valuation period

The main purpose of pooling is to produce more stable employer contribution levels, although recognising that ultimately there will be some level of cross-subsidy of pension cost amongst pooled employers.

### **Forming/disbanding a funding pool**

Where the Fund identifies a group of employers with similar characteristics and potential merits for pooling, it is possible to form a pool for these employers. Advice should be sought from the Fund Actuary to consider the appropriateness and practicalities of forming the funding pool.

Conversely, the Fund may consider it no longer appropriate to pool a group of employers. This could be due to divergence of previously similar characteristics or an employer becoming a dominant party in the pool (such that the results of the pool are largely driven by that dominant employer). Where this scenario arises, advice should be sought from the Fund Actuary.

Funding pools should be monitored on a regular basis, at least at each actuarial valuation, in order to ensure the pooling arrangement remains appropriate.

### **New employers joining the fund**

When a new employer joins the Fund, the Fund Actuary is required to set the contribution rates payable by the new employer and allocate a share of Fund assets to the new employer as appropriate. The most common types of new employers joining the Fund are admission bodies and new academies. These are considered in more detail below.

#### **Admission bodies**

Fund to another body (for example as part of a transfer of services from a council or academy to an external provider under Schedule 2 Part 3 of the Regulations). Typically these transfers will be for a limited period (the contract length), over which the new admission body employer is required to pay contributions into the Fund in respect of the transferred members.

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### **Funding at start of contract**

Generally, when a new admission body joins the Fund, they will become responsible for all the pensions risk associated with the benefits accrued by transferring members and the benefits to be accrued over the contract length. This is known as a full risk transfer. In these cases, it may be appropriate that the new admission body is allocated a share of Fund assets equal to the value of the benefits transferred, i.e. the new admission body starts off on a fully funded basis. This is calculated on the relevant funding basis and the opening position may be different when calculated on an alternative basis (e.g. on an accounting basis).

However, there may be special arrangements made as part of the contract such that a full risk transfer approach is not adopted. In these cases, the initial assets allocated to the new admission body will reflect the level of risk transferred and may therefore not be on a fully funded basis or may not reflect the full value of the benefits attributable to the transferring members.

### **Contribution rate**

The contribution rate may be set on an open or a closed basis. Where the funding at the start of the contract is on a fully funded basis then the contribution rate will represent the primary rate only; where there is a deficit allocated to the new admission body then the contribution rate will also incorporate a secondary rate with the aim of recovering the deficit over an appropriate recovery period.

Depending on the details of the arrangement, for example if any risk sharing arrangements are in place, then additional adjustments may be made to determine the contribution rate payable by the new admission body. The approach in these cases will be bespoke to the individual arrangement.

### **Security**

To mitigate the risk to the Fund that a new admission body will not be able to meet its obligations to the Fund in the future, the new admission body may be required to put in place a bond in accordance with Schedule 2 Part 3 of the Regulations, if required by the letting authority and administering authority.

If, for any reason, it is not desirable for a new admission body to enter into a bond, the new admission body may provide an alternative form of security which is satisfactory to the administering authority.

### **Risk-sharing**

Although a full risk transfer (as set out above) is most common, subject to agreement with the administering authority where required, new admission bodies and the relevant letting authority may make a commercial agreement to deal with the pensions risk differently. For example, it may be agreed that all or part of the pensions risk remains with the letting authority.

Although pensions risk may be shared, it is common for the new admission body to remain responsible for pensions costs that arise from:

- above average pay increases, including the effect on service accrued prior to contract commencement; and
- redundancy and early retirement decisions.

The administering authority may consider risk-sharing arrangements as long as the approach is clearly documented in the admission agreement, the transfer agreement or any other side agreement. The arrangement also should not lead to any undue risk to the other employers in the Fund.

Legal and actuarial advice in relation to risk-sharing arrangements should be sought where required.

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## **New academies**

When a school converts to academy status, the new academy (or the sponsoring multi-academy trust) becomes a Scheme employer in its own right.

### **Funding at start**

On conversion to academy status, the new academy will become part of the Academies funding pool and will be allocated assets based on the funding level of the pool at the conversion date.

### **Contribution rate**

The contribution rate payable when a new academy joins the Fund will be in line with the contribution rate certified for the relevant section of the Academies funding pool at the 2019 valuation.

### **Contribution reviews between actuarial valuations**

It is anticipated for most Scheme employers that the contribution rates certified at the formal actuarial valuation will remain payable for the period of the rates and adjustments certificate. However, there may be circumstances where a review of the contribution rates payable by an employer (or a group of employers) under Regulation 64A is deemed appropriate by the administering authority.

A contribution review may be requested by an employer or be required by the administering authority. The review may only take place if one of the following conditions are met:

- (i) it appears likely to the administering authority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation;
- (ii) it appears likely to the administering authority that there has been a significant change in the ability of the Scheme employer or employers to meet the obligations of employers in the Scheme; or
- (iii) a Scheme employer or employers have requested a review of Scheme employer contributions and have undertaken to meet the costs of that review. A request under this condition can only be made if there has been a significant change in the liabilities arising or likely to arise and/or there has been a significant change in the ability of the Scheme employer to meet its obligations to the Fund.

Guidance on the administering authority's approach considering the appropriateness of a review and the process in which a review will be conducted is set out in the Fund's separate Contribution review policy which can be accessed on the [Funding Strategy Statement webpage](#). This includes details of the process that should be followed where an employer would like to request a review.

Once a review of contribution rates has been agreed, unless the impact of amending the contribution rates is deemed immaterial by the Fund Actuary, then the results of the review will be applied with effect from the agreed review date, regardless of the direction of change in the contribution rates.

Note that where a Scheme employer seems likely to exit the Fund before the next actuarial valuation then the administering authority can exercise its powers under Regulation 64(4) to carry out a review of contributions with a view to providing that assets attributable to the Scheme employer are equivalent to the exit payment that will be due from the Scheme employer. These cases do not fall under the separate contribution review policy.

With the exception of any cases falling under Regulation 64(4), the administering authority will not accept a request for a review of contributions where the effective date is within 12 months of the next rates and adjustments certificate.

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## Cessation valuations

When a Scheme employer exits the Fund and becomes an exiting employer, as required under the Regulations the Fund Actuary will be asked to carry out an actuarial valuation in order to determine the liabilities in respect of the benefits held by the exiting employer's current and former employees. The Fund Actuary is also required to determine the exit payment due from the exiting employer to the Fund or the exit credit payable from the Fund to the exiting employer.

Any deficit in the Fund in respect of the exiting employer will be due to the Fund as a single lump sum payment, unless it is agreed by the administering authority and the other parties involved that an alternative approach is permissible. For example:

- It may be agreed with the administering authority that the exit payment can be spread over some agreed period;
- the assets and liabilities relating to the employer may transfer within the Fund to another participating employer; or
- the employer's exit may be deferred subject to agreement with the administering authority, for example if it intends to offer Scheme membership to a new employee within the following three years.

Similarly, any surplus in the Fund in respect of the exiting employer may be paid from the Fund to the employer as an exit credit, subject to the agreement between the relevant parties and any legal documentation. Further detail on the Fund's exit credit policy is outlined below.

In assessing the value of the liabilities attributable to the exiting employer, the Fund Actuary may adopt differing approaches depending on the employer and the specific details surrounding the employer's cessation scenario.

## Exit credit policy

Under advice from MHCLG, administering authorities should set out their exit credit policy in their Funding Strategy Statement. Having regard to any relevant considerations, the administering authority will take the following approach to the payment of exit credits:

- Any employer who cannot demonstrate that they have been exposed to underfunding risk during their participation in the Fund will not be entitled to an exit credit payment. This will include the majority of "pass-through" arrangements. This is on the basis that these employers would not have been asked to pay an exit payment had a deficit existed at the time of exit.
- The administering authority does not need to enquire into the precise risk sharing arrangement adopted by an employer, but it must be satisfied that the risk sharing arrangement has been in place before it will pay out an exit credit. The level of risk that an employer has borne will be taken into account when determining the amount of any exit credit. It is the responsibility of the exiting employer to set out why the arrangements make payment of an exit credit appropriate.
- Any exit credit payable will be subject to a maximum of the actual employer contributions paid into the Fund.
- As detailed above, the Fund Actuary may adopt differing approaches depending on the specific details surrounding the employer's cessation scenario. The default approach to calculating the cessation position will be on a minimum-risk basis unless it can be shown that there is another employer in the Fund willing to guarantee the liabilities. If the administering authority is satisfied that there is another
- employer willing to act as a guarantor then the cessation position may be calculated on the ongoing funding basis.
- The administering authority will pay out any exit credits within six months of the cessation date where possible. A longer time may be agreed between the administering authority and the exiting employer where necessary. For example if the employer does not provide all the relevant

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information to the administering authority within one month of the cessation date the administering authority will not be able to guarantee payment within six months of the cessation date.

- Under the Regulations, the administering authority has the discretion to take into account any other relevant factors in the calculation of any exit credit payable and they will seek legal advice where appropriate.

## **Managing exit payments**

Where a cessation valuation reveals a deficit and an exit payment is due, the expectation is that the employer settles this debt immediately through a single cash payment. However, should it not be possible for the employer to settle this amount, providing the employer puts forward sufficient supporting evidence to the administering authority, the administering authority may agree a deferred debt agreement (DDA) with the employer under Regulation 64(7A) or a debt spreading agreement (DSA) under Regulation 64B.

Under a DDA, the exiting employer becomes a deferred employer in the Fund (i.e. they remain as a Scheme employer but with no active members) and remains responsible for paying the secondary rate of contributions to fund their deficit. The secondary rate of contributions will be reviewed at each actuarial valuation until the termination of the agreement.

Under a DSA, the cessation debt is crystallised and spread over a period deemed reasonable by the administering authority having regard to the views of the Fund Actuary.

Whilst a DSA involves crystallising the cessation debt and the employer's only obligation is to settle this set amount, in a DDA the employer remains in the Fund as a Scheme employer and is exposed to the same risks (unless agreed otherwise with the administering authority) as active employers in the Fund (e.g. investment, interest rate, inflation, longevity and regulatory risks) meaning that the deficit will change over time.

Guidance on the administering authority's policy for entering into, monitoring and terminating a DDA or DSA is set out in the Fund's separate DSA and DDA policies document available on the [Funding Strategy Statement webpage](#). This includes details of when a DDA or a DSA may be permitted and the information required from the employer when putting forward a request for a DDA or DSA.

## **Regulatory factors**

At the date of drafting this FSS, the Government is currently consulting on potential changes to the Regulations, some which may affect the regulations surrounding an employer's exit from the Fund. This is set out in the *Local government pension scheme: changes to the local valuation cycle and the management of employer risk* consultation document.

Further details of this can be found in the Regulatory risks section below.

## **Bulk transfers**

Bulk transfers of staff into or out of the Fund can take place from other LGPS Funds or non-LGPS Funds. In either case, the Fund Actuary for both Funds will be required to negotiate the terms for the bulk transfer – specifically the terms by which the value of assets to be paid from one Fund to the other is calculated.

The agreement will be specific to the situation surrounding each bulk transfer but in general the Fund will look to receive the bulk transfer on no less than a fully funded transfer (i.e. the assets paid from the ceding Fund are sufficient to cover the value of the liabilities on the agreed basis).

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A bulk transfer may be required by an issued Direction Order. This is generally in relation to an employer merger, where all the assets and liabilities attributable to the transferring employer in its original Fund are transferred to the receiving Fund.

### **Consolidation of Multi Academy Trusts (MATs)**

Where an academy is transferring into or out of the Fund as part of a MAT consolidation exercise, the Fund generally expects that this will proceed through a Direction Order from the Secretary of State. In these situations and subject to the terms agreed between the Fund Actuary to both LGPS Funds, typically all the assets attributable to the academy in the ceding Fund are transferred to the receiving Fund.

Where the academy is transferring out of the Fund, the Fund requires a Direction Order to be sought such that all associated deferred and pensioner liabilities are also transferred out of the Fund.

Where the academy is transferring into the Fund, where appropriate, the academy will become part of the Fund's Academy pool. If the funding level of the transfer in to the Fund is substantially lower than the funding level of the academy pool then the Fund may require additional contributions to be paid by the academy to protect the other academies in the pool from an increased funding cost as a result of the transfer terms. There may be some instances where it is not deemed appropriate for the academy to join the Academy pool, or at least not immediately. For example if a large number of academies from a MAT transfer into the Fund at one time, then it may be more appropriate to initiate a separate funding pool for these academies until their funding position is in line with the main Academy pool, at which point it can then be merged into the Academy pool.

### **Links with the Investment Strategy Statement (ISS)**

The main link between the Funding Strategy Statement (FSS) and the ISS relates to the discount rate that underlies the funding strategy as set out in the FSS, and the expected rate of investment return which is expected to be achieved by the long-term investment strategy as set out in the ISS.

As explained above, the ongoing discount rate that is adopted in the actuarial valuation is derived by considering the expected return from the long-term investment strategy. This ensures consistency between the funding strategy and investment strategy.

### **Risks and counter measures**

Whilst the funding strategy attempts to satisfy the funding objectives of ensuring sufficient assets to meet pension liabilities and stable levels of employer contributions, it is recognised that there are risks that may impact on the funding strategy and hence the ability of the strategy to meet the funding objectives.

The major risks to the funding strategy are financial, although there are other external factors including demographic risks, regulatory risks and governance risks.

#### **Financial risks**

The main financial risk is that the actual investment strategy fails to produce the expected rate of investment return (in real terms) that underlies the funding strategy. This could be due to a number of factors, including market returns being less than expected and/or the fund managers who are employed to implement the chosen investment strategy failing to achieve their performance targets.

The valuation results are most sensitive to the real discount rate (i.e. the difference between the discount rate assumption and the price inflation assumption). Broadly speaking an increase/decrease of 0.5% p.a. in the real discount rate will decrease/increase the valuation of the liabilities by 10%, and decrease/increase the required employer contribution by around 2.5% of payroll p.a.



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However, the Pension Fund Committee regularly monitors the investment returns achieved by the fund managers and receives advice from the independent advisers and officers on investment strategy.

The Committee may also seek advice from the Fund Actuary on valuation related matters. In addition, the Fund Actuary provides funding updates between valuations to check whether the funding strategy continues to meet the funding objectives.

### **Demographic risks**

Allowance is made in the funding strategy via the actuarial assumptions for a continuing improvement in life expectancy. However, the main demographic risk to the funding strategy is that it might underestimate the continuing improvement in longevity. For example, an increase of one year to life expectancy of all members in the Fund will reduce the funding level by approximately 1%.

The actual mortality of pensioners in the Fund is monitored by the Fund Actuary at each actuarial valuation and assumptions are kept under review. For the past two funding valuations, the Fund has commissioned a bespoke longevity analysis by Barnett Waddingham's specialist longevity team in order to assess the mortality experience of the Fund and help set an appropriate mortality assumption for funding purposes.

The liabilities of the Fund can also increase by more than has been planned as a result of the additional financial costs of early retirements and ill-health retirements. However, the administering authority monitors the incidence of early retirements; and procedures are in place that require individual employers to pay additional amounts into the Fund to meet any additional costs arising from early retirements.

### **Maturity risk**

The maturity of a Fund (or of an employer in the Fund) is an assessment of how close on average the members are to retirement (or already retired). The more mature the Fund or employer, the greater proportion of its membership that is near or in retirement. For a mature Fund or employer, the time available to generate.

investment returns is shorter and therefore the level of maturity needs to be considered as part of setting funding and investment strategies.

The cashflow profile of the Fund needs to be considered alongside the level of maturity: as a Fund matures, the ratio of active to pensioner members falls, meaning the ratio of contributions being paid into the Fund to the benefits being paid out of the Fund also falls. This therefore increases the risk of the Fund having to sell assets in order to meet its benefit payments.

The Government has published a consultation (*Local government pension scheme: changes to the local valuation cycle and management of employer risk*) which may affect the Fund's exposure to maturity risk. More information on this can be found in the Regulatory risks section below.

### **Regulatory risks**

The benefits provided by the Scheme and employee contribution levels are set out in Regulations determined by central government. The tax status of the invested assets is also determined by the Government.

The funding strategy is therefore exposed to the risks of changes in the Regulations governing the Scheme and changes to the tax regime which may affect the cost to individual employers participating in the Scheme.

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However, the administering authority participates in any consultation process of any proposed changes in Regulations and seeks advice from the Fund Actuary on the financial implications of any proposed changes.

There are a number of general risks to the Fund and the LGPS, including:

- If the LGPS was to be discontinued in its current form it is not known what would happen to members' benefits.
- The potential effects of GMP equalisation between males and females, if implemented, are not yet known.
- More generally, as a statutory scheme the benefits provided by the LGPS or the structure of the scheme could be changed by the Government.
- The State Pension Age is due to be reviewed by the Government in the next few years.

At the time of preparing this FSS, specific regulatory risks of particular interest to the LGPS are in relation to the McCloud/Sargeant judgements, the cost cap mechanism and the timing of future funding valuations consultation. These are discussed in the sections below.

### **McCloud/Sargeant judgements and cost cap**

The 2016 national Scheme valuation was used to determine the results of HM Treasury's (HMT) employer cost cap mechanism for the first time. The HMT cost cap mechanism was brought in after Lord Hutton's review of public service pensions with the aim of providing protection to taxpayers and employees against unexpected changes (expected to be increases) in pension costs. The cost control mechanism only considers "member costs". These are the costs relating to changes in assumptions made to carry out valuations relating to the profile of the Scheme members; e.g. costs relating to how long members are expected to live for and draw their pension. Therefore, assumptions such as future expected levels of investment returns and levels of inflation are not included in the calculation, so have no impact on the cost management outcome.

The 2016 HMT cost cap valuation revealed a fall in these costs and therefore a requirement to enhance Scheme benefits from 1 April 2019. However, as a funded Scheme, the LGPS also had a cost cap mechanism controlled by the Scheme Advisory Board (SAB) in place and HMT allowed SAB to put together a package of proposed benefit changes in order for the LGPS to no longer breach the HMT cost cap. These benefit changes were due to be consulted on with all stakeholders and implemented from 1 April 2019.

However, on 20 December 2018 there was a judgement made by the Court of Appeal which resulted in the Government announcing their decision to pause the cost cap process across all public service schemes. This was in relation to two employment tribunal cases which were brought against the Government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. Transitional protection enabled some members to remain in their pre-2015 schemes after 1 April 2015 until retirement or the end of a pre-determined tapered protection period. The claimants challenged the transitional protection arrangements on the grounds of direct age discrimination, equal pay and indirect gender and race discrimination.

The first case (McCloud) relating to the Judicial Pension Scheme was ruled in favour of the claimants, while the second case (Sargeant) in relation to the Fire scheme was ruled against the claimants. Both rulings were appealed and as the two cases were closely linked, the Court of Appeal decided to combine the two cases. In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounts to unlawful discrimination. On 27 June 2019 the Supreme Court denied the Government's request for an appeal in the case. A remedy is still to be either imposed by the

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Employment Tribunal or negotiated and applied to all public service schemes, so it is not yet clear how this judgement may affect LGPS members' past or future service benefits. It has, however, been noted by Government in its 15 July 2019 statement that it expects to have to amend all public service schemes, including the LGPS.

On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits and at the same time announced the unpausing of the 2016 cost cap process which will take into account the remedy for the McCloud and Sargeant judgement. The consultation closed on 8 October 2020 and the final remedy will only be known after the consultation responses have been reviewed and a final set of remedial Regulations are published. At the time of drafting this FSS, it is not yet known what the effect on the current and future LGPS benefits will be.

### **Consultation: Local government pension scheme: changes to the local valuation cycle and management of employer risk**

On 8 May 2019, the Government published a consultation seeking views on policy proposals to amend the rules of the LGPS in England and Wales. The consultation covered:

- Amendments to the local fund valuations from the current three year (triennial) to a four year (quadrennial) cycle;
- A number of measures aimed at mitigating the risks of moving from a triennial to a quadrennial cycle;
- Proposals for flexibility on exit payments;
- Proposals for further policy changes to exit credits; and
- Proposals for changes to the employers required to offer LGPS membership.

The consultation is currently ongoing: the consultation was closed to responses on 31 July 2019 and an outcome is now awaited.

So far, two partial responses to the consultation have been issued:

- On 27 February 2020, a partial response was issued relating to policy changes to exit credits
- On 26 August 2020, a partial response was issued relating to review of employer contributions and flexibility on exit payments

This FSS has been updated in light of these responses and will be revisited again once the outcomes are known for the remaining items.

Detail of the outstanding policy proposals are outlined below:

#### **Timing of future actuarial valuations**

LGPS valuations currently take place on a triennial basis which results in employer contributions being reviewed every three years. In September 2018 it was announced by the Chief Secretary to HMT, Elizabeth Truss, that the national Scheme valuation would take place on a quadrennial basis (i.e. every four years) along with the other public sector pension schemes. This results of the national Scheme valuation are used to test the cost control cap mechanism and HMT believed that all public sector scheme should have the cost cap test happen at the same time with the next quadrennial valuation in 2020 and then 2024.

#### **Changes to employers required to offer LGPS membership**

At the time of drafting this FSS, under the current Regulations further education corporations, sixth form college corporations and higher education corporations in England and Wales are required to offer membership of the LGPS to their non-teaching staff.

With consideration of the nature of the LGPS and the changes in nature of the further education and higher education sectors, the Government has proposed to remove the requirement for further education

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corporations, sixth form college corporations and higher education corporations in England to offer new employees access to the LGPS. Given the significance of these types of employers in the Fund (5% of total liabilities) this could impact on the level of maturity of the Fund and the cashflow profile. For example, increased risk of contribution income being insufficient to meet benefit outgo, if not in the short term then in the long term as the payroll in respect of these types of employers decreases with fewer and fewer active members participating in the Fund.

This also brings an increased risk to the Fund in relation to these employers becoming exiting employers in the Fund. Should they decide not to admit new members to the Fund, the active membership attributable to the employers will gradually reduce to zero, triggering an exit under the Regulations and a potential significant exit payment. This has the associated risk of the employer not being able to meet the exit payment and thus the exit payment falling to the other employers in the Fund.

### **Employer risks**

Many different employers participate in the Fund. Accordingly, it is recognised that a number of employer-specific events could impact on the funding strategy including:

- Structural changes in an individual employer's membership;
- An individual employer deciding to close the Scheme to new employees; and
- An employer ceasing to exist without having fully funded their pension liabilities.

However, the administering authority monitors the position of employers participating in the Fund, particularly those which may be susceptible to the events outlined and takes advice from the Fund Actuary when required.

In the case of admitted bodies, the Fund has a policy of requiring some form of security from the employer, in the form of a guarantee or a bond, in case of employer default where the risk falls to the Fund. Where the risk of default falls on the liabilities of an original letting authority, the Fund provides advice to the letting authority to enable them to make a decision on whether a guarantee, some other form of security or a bond should be required.

In addition, the administering authority keeps in close touch with all individual employers participating in the Fund to ensure that, as administering authority, it has the most up to date information available on individual employer situations. It also keeps individual employers briefed on funding and related issues.

### **Governance risks**

Accurate data is necessary to ensure that members ultimately receive their correct benefits. The administering authority is responsible for keeping data up to date and results of the actuarial valuation depend on accurate data. If incorrect data is valued then there is a risk that the contributions paid are not adequate to cover the cost of the benefits accrued.

### **Monitoring and review**

This FSS is reviewed formally, in consultation with the key parties, at least every three years to tie in with the triennial actuarial valuation process.

The most recent valuation was carried out as at 31 March 2019, certifying the contribution rates payable by each employer in the Fund for the period from 1 April 2020 to 31 March 2023.

The timing of the next funding valuation is due to be confirmed as part of the Government's *Local government pension scheme: changes to the local valuation cycle and management of employer risk* consultation which closed on 31 July 2019. At the time of drafting this FSS, it is anticipated that the next

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funding valuation will be due as at 31 March 2022 but the period for which contributions will be certified remains unconfirmed.

The administering authority also monitors the financial position of the Fund between actuarial valuations and may review the FSS more frequently if necessary.

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# Investment Strategy Statement

## Introduction

The Buckinghamshire Pension Fund (the Fund) is administered by Buckinghamshire Council (the Administering Authority) which is legally responsible for the Fund. In that role the Administering Authority has responsibility to ensure the proper management of the Fund.

The Administering Authority delegates its responsibility for administering the Fund to the Pension Fund Committee (the Committee), which is its formal decision making body. The Committee is responsible for setting strategic asset allocation and monitoring investment performance, having taken advice from professional advisers. Operational implementation of the investment strategy is delegated to Officers.

In addition, the Buckinghamshire Pension Board has an oversight and scrutiny role to ensure good governance through monitoring of the Fund's performance, activity of the Committee and adherence to statutory duties.

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the Regulations) require administering authorities to formulate and to publish a statement of its investment strategy, in accordance with guidance issued from time to time by the Secretary of State.

This statement sets out the principles that will guide the Committee when making decisions about the investment of the Fund's assets. It also sets out the framework for investing the Fund's assets which is consistent with the funding strategy, as set out in the Funding Strategy Statement.

The Investment Strategy Statement is an important governance tool for the Fund, as well as providing transparency in relation to how the Fund's investments are managed. This statement will be reviewed by the Committee at least triennially or more frequently should any significant change occur.

## Investment Objectives

The primary objective of the Fund is to be efficient, reduce costs and minimise contributions for employers, in order to meet the cost of pension benefits as required by statute. A related objective is to minimise the volatility of employer contribution rates as investment returns vary from employee contributions are invested in accordance with the agreement between the Administering Authority and the Committee.

## Investment strategy and the process for ensuring suitability of investments.

The rate of return assumed within the actuarial valuation together with the long term nature of the liabilities means the Fund allocates a significant weighting to asset classes with higher expected returns. Such asset classes may introduce volatility in the short term but are ultimately expected to generate higher returns in the long term. The investment strategy considers the expected risk-return profile of each asset class.

A management agreement is in place for each fund manager, setting out the relevant benchmark, performance target, asset allocation ranges and any statutory restrictions or other restrictions determined by the Committee (where possible).

The Fund's investment strategy, along with an overview of the role each asset class plays is set out in the table below:  
year to year.

The investment objective of the Fund is to achieve a return that is sufficient to meet the primary funding objective, subject to an appropriate level of risk (implicit in the target) and liquidity. The investment strategy will be reviewed at least every three years to ensure it remains appropriate in light of market conditions and the above objectives.

It is the Administering Authority's current policy that external fund managers are employed to administer the Fund's assets. Cash balances arising from the receipt of employer and

Asset class	Allocation (%)	Role(s) within the strategy
<b>Equities</b>	<b>49.0</b>	Generate returns through capital gains and income through exposure to the shares of domestic and overseas companies; indirect links to inflation.  The Fund invests in a range of actively and passively managed strategies with different investment styles to gain diversified exposure to global equity markets, using active managers where appropriate and in the expectation that these will add value.
Passive Developed Global	25.0	
Active Developed Global	14.0	
Low Volatility	5.0	
Emerging Markets	5.0	
<b>Alternatives</b>	<b>26.0</b>	
Diversified Growth	5.0	To deliver returns in excess of cash, with a reasonably low correlation to traditional equity markets and providing a degree of downside protection in periods of equity market stress. Can include allocations to equities, bonds, cash and other assets which are dynamically managed.
Fund of Hedge Funds	5.0	Operates in a range of niche markets, looking to generate returns from unconstrained active management and reduce the volatility of the total portfolio via increased diversification.
Property	8.0	Generate returns through income and capital appreciation via investment in UK property markets, whilst providing some diversification away from equities and bonds.
Private Equity	8.0	Generate returns through privately held assets that are not quoted on a stock market and capture the illiquidity premium available to long-term investors. Diversification of risk and return sources away from more traditional assets.
Private Debt		Generate returns through privately negotiated debt used to finance privately owned companies that are not quoted on a stock market. Captures the illiquidity premium available to long-term investors and provides strong capital protection

		and a high recovery ratio. Diversification of risk and return sources away from more traditional assets.
Infrastructure		Generate returns through capital growth and income and provide additional diversification and low correlation to traditional asset classes.
<b>Bonds</b>	<b>25.0</b>	
Index-Linked Gilts	10.0	Provide direct protection relative to inflation linked liabilities.
UK Corporate Bonds	15.0	Expected to generate returns above those available on domestic sovereign bonds (gilts) with only marginal increase in risk, whilst providing diversification relative to other asset classes.
<b>Total</b>	<b>100.0</b>	

External investment managers are appointed on the Fund's behalf to deliver the investment strategy. This includes selecting active managers for asset classes where manager skill is expected to enhance the market return and manage risk, to a greater or lesser extent, or where passive options are not available. Passive approaches aim to deliver the market return by replicating the index in a cost and implementation efficient manner.

Asset allocation varies over time through the impact of market movements and cash flows. The overall balance between "growth" assets (equities and alternatives) and "defensive" assets (bonds) is monitored regularly, and if the allocations move away from the 75% growth / 25% defensive target, assets will be switched between asset classes in order to maintain the asset distribution as close as possible to the central benchmark.

The Committee is responsible for the Fund's asset allocation which is determined via strategy reviews undertaken as part of the actuarial valuation process. The last review of the investment strategy was in Q1 2020 and was both qualitative and quantitative in nature and was undertaken by the Committee in conjunction with Officers and independent advisers. The review considered:

- The required level of return that will mean the Fund can meet its future benefit obligations as they fall due
- An analysis of the order of magnitude of the various risks facing the Fund
- The desire for diversification across asset class, region, sector, and type of security.

Following the latest investment strategy review, the Committee are considering a number of revisions to the long term investment strategy. These proposals include further increasing diversification within the equity and bond holdings and increasing the allocation to "alternative" assets, in particular private equity, private debt and infrastructure, in order to at least maintain total expected returns whilst reducing risk.

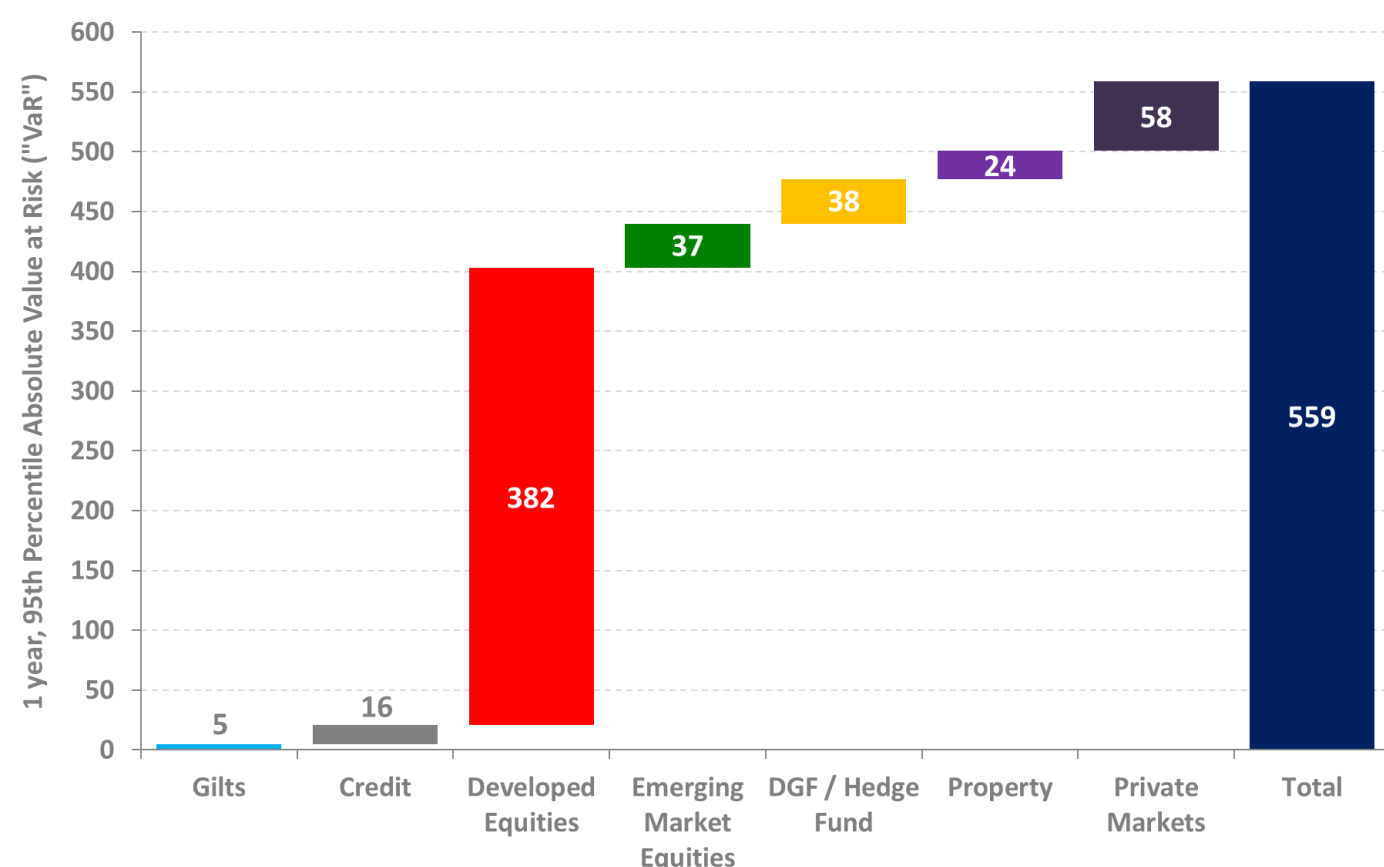
### **Risk measurement and management**

The risk and return profile of the assets will be measured against the strategic objective and be considered in the Fund's capacity as a long term investor. The main risk to the Fund is the risk that the Fund's assets do not produce the returns needed to meet the liabilities, as determined by the Funding Strategy Statement. The main risk to the employers is the volatility of the contribution rates, and their affordability.



The Committee recognises that, whilst investing in higher risk assets increases potential returns over the long-term, it also increases the risk of a shortfall in returns relative to that required to cover the Fund's liabilities, as well as producing more short-term volatility in the funding position. The Fund's diverse range of asset classes and approaches is designed to help achieve returns in a variety of market environments. By holding a range of assets across the portfolio that are not perfectly correlated, the Fund expects to reduce the level of risk it is exposed to, whilst increasing the potential to generate attractive risk-adjusted returns.

The graph below provides an indication of the main sources of investment risk (estimated by the Fund's investment consultant) that contribute to the volatility of the Fund's funding position, as measured by a one year "value at risk" measure at the 5% level. In other words, if we consider a downside scenario which has a 1 in 20 chance of occurring, this would be the minimum impact on the Fund's assets relative to our "best estimate" of what the asset value would be in a years' time.



The following risks are also considered by the Committee:

(i) Inflation Risk

The Fund's liabilities are impacted by inflation both explicitly and implicitly. The Fund will seek to invest in a range of assets that provide returns in excess of inflation and in some cases provide an inflation-linked income, subject to a tolerable level of volatility. The Committee acknowledge that inflation risk relating to the Fund's liabilities is managed by the underlying investment managers through a combination of strategies, such as diversification, and investing in assets that move in line with inflation, such as index-linked gilts and infrastructure.

(ii) Environmental, Social and Corporate Governance (ESG) Risk

The Committee believes that ESG (including climate change) risks should be taken into account on an ongoing basis. ESG considerations are an integral part of the Fund's strategy and objective of being a long

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term investor. Further details on the Committee's social, environmental and corporate governance policy can be found further on in this statement.

(iii) Governance Risk

This is the risk that Committee members do not have sufficient expertise to evaluate and challenge the advice they receive, particularly given the potential for turnover within the Committee. The Fund recognises the importance of maintaining an appropriate level of knowledge across the Committee. It has taken steps to ensure that Committee members possess an appropriate level of knowledge, skill and understanding to discharge their fiduciary duties by providing appropriate training as and when required. Officers ensure the Committee receives expert advice to support strategic and implementation decisions. In addition, the Committee maintains a Risk Register that is regularly updated and monitored by the Committee.

(iv) Exchange Rate Risk

The Fund is subject to exchange rate risk due to the Fund's investment in sterling priced portfolios which hold underlying investments denominated in foreign currency. There is no currency hedging in place at the strategic level.

(v) Liquidity Risk

The Committee recognises the inherent risk of holding illiquid assets that cannot be easily converted into cash. However, given the long-term investment horizon of the Fund it is appropriate to accept liquidity risk where such assets are considered to deliver attractive risk-adjusted returns within the context of the overall strategy. The majority of the Fund's assets are held in liquid instruments and realisable at short-notice.

(vi) Cashflow Risk

The Fund is becoming more mature and is expected to become cashflow negative over time, meaning that income and disinvestments will be required from the Fund's investments to meet benefit payments. Monitoring cash flow is critical to the internal monitoring and rebalancing process and has been considered when setting investment strategy.

(vii) Valuation Risk

The actuarial valuation assumes that the Fund generates an expected return equal to or in excess of the Fund's discount rate. An important risk to which the Fund is exposed is that the return is not achieved if the assets do not deliver as expected. This risk is reduced by the diversified investment strategy the Fund employs, through the alignment of the investment strategy with funding requirements through regular reviews, and through regular monitoring.

(viii) Longevity Risk

This is the risk that the members of the Fund live longer than assumed in the actuarial valuation model. This risk is captured within the funding strategy which is monitored by the Committee. Any increase in longevity will only be realised over the long term.

(ix) Employer Covenant Risk

There is a risk that employers within the Fund withdraw or lack the financial capacity to make good their outstanding liabilities. The financial capacity and willingness of the sponsoring employers to support the Fund is a key consideration of the Committee and is reviewed on a regular basis.

(x) Regulatory and Political Risk

Across all of the Fund's investments, there is the potential for adverse regulatory or political change. Regulatory risk arises from investing in a market environment where the regulatory regime may change.

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This may be compounded by political risk in those environments subject to political uncertainty. These risks are managed by diversifying across markets and are monitored by reviewing the investment strategy and specific investment mandates.

### **Approach to asset pooling**

The Fund is working with nine other administering authorities to pool investment assets through the Brunel Pension Partnership Ltd. (Brunel). The Fund, through the Committee, retains the responsibility for setting the detailed Strategic Asset Allocation for the Fund and allocating investment assets to the portfolios provided by Brunel.

The Brunel Pension Partnership Ltd is a company wholly owned by the Administering Authorities. The company received authorisation from the Financial Conduct Authority (FCA) to act as the operator of an unregulated Collective Investment Scheme in March 2018. It is responsible for implementing the detailed Strategic Asset Allocations of the participating Funds by investing Funds' assets within defined outcome focused investment portfolios. In particular it researches and selects the Manager Operated Funds needed to meet the requirements of the detailed Strategic Asset Allocations. These Manager Operated Funds are managed by professional external investment managers. The Fund is a client of Brunel and as a client has the right to expect certain standards and quality of service. A detailed service agreement is in place which sets out the duties and responsibilities of Brunel, and the rights of the Fund as a client. It includes a duty of care of Brunel to act in its clients' interests.

An Oversight Board has been established. This is comprised of representatives from each of the Administering Authorities. It was set up by them according to an agreed constitution and terms of reference. Acting for the Administering Authorities, it has ultimate responsibility for ensuring that Brunel delivers the services required to achieve investment pooling. It therefore has a monitoring and oversight function. As per the terms of reference, it is able to consider relevant matters on behalf of the Administering Authorities but does not have delegated powers to take decisions requiring shareholder approval. These are remitted back to each Administering Authority individually.

The Oversight Board is supported by the Client Group, comprised primarily of pension investment officers drawn from each of the Administering Authorities but also draws on Administering Authorities finance and legal officers from time to time. It has a primary role in reviewing the implementation of pooling by Brunel and provides a forum for discussing technical and practical matters, confirming priorities, and resolving differences. It is responsible for providing practical support to enable the Oversight Board to fulfil its monitoring and oversight function.

The arrangements for asset pooling for the Brunel pool were formulated to meet the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and Government guidance. Regular reports are made to Government on progress towards the pooling of investment assets.

Investment assets have been, and will continue to be, transitioned across from the Buckinghamshire Pension Fund's existing investment managers to the portfolios managed by Brunel over time. Until such time as transitions take place, the Fund will continue to maintain the relationship with its current investment managers and oversee their investment performance, working in partnership with Brunel where appropriate.

Over time, it is envisaged that all of the Fund's assets will be invested through Brunel however, the Fund has certain commitments to long term illiquid investment funds which will take longer to transition across to the new portfolios set up by Brunel. These assets will be managed in partnership with Brunel until such time as they are liquidated, and capital is returned.

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## **Social, environmental and corporate governance policy**

The Committee has a fiduciary duty to act in the best interest of the Fund's members and seek to obtain the best financial return that it can for members. This is a fundamental principle; however, the Fund is also mindful of its responsibilities as a long term shareholder.

The Committee believes that environmental, social, and corporate governance (ESG) factors, including climate change, may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Committee recognises that long term sustainability issues present risks and opportunities that increasingly require explicit consideration.

The Committee has committed part of the Fund's assets to an infrastructure portfolio that has a skew towards renewable technologies and infrastructure. Assets have already been invested in a renewable energy company.

The Committee does not consider a top-down approach to divestment to be an appropriate strategy for reducing climate and carbon risk and contributing towards reducing carbon emissions. Instead, the Committee believes that decarbonising the Fund's portfolio over time by reducing its exposure to carbon intensive companies and assets and seeking to influence the behaviour of companies through engagement, will have a more beneficial impact.

The Fund's assets are in the process of being transitioned to Brunel. Brunel's Investment Principles clearly articulate its commitment to be responsible investors, and as such recognises that ESG considerations and climate change are part of the processes in the selection, non-selection, retention and realisation of assets. Brunel is committed to industry and corporate engagement, decarbonising its listed investment portfolios, and being transparent about their carbon intensity.

The Committee will continue to develop its beliefs and approach to ESG integration and climate change, and its strategy for decarbonising the Fund's investment portfolio. The Committee will work with Brunel to ensure that these are implemented, noting that Brunel published a comprehensive Climate Change Policy in January 2020.

Each portfolio, in every asset class, under Brunel, explicitly includes responsible investment which includes an assessment of how social, environmental and corporate governance considerations may present financial risks to the delivery of the portfolio objectives. These considerations will therefore be taken into account in the selection, non-selection, retention and realisation of assets. The approach undertaken will vary in order to be the most effective in mitigating risks and enhancing investor value in relation to each portfolio and its objectives.

## **Policy of the exercise of rights (including voting rights) attaching to investments**

The policy of the Committee is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the fund managers although the Committee has retained rights to scrutinise any voting intention.

In respect of voting rights, fund managers are asked to take into account the extent to which the company concerned complies with best practice in corporate governance.

## **Forward guidance on stewardship under pooling**

Brunel will deliver best practice standards in responsible investment and stewardship as outlined in the Brunel Investment Principles.

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## **Advice Taken**

In preparing this statement, the Committee has taken advice from Fund Officers, the Fund's appointed investment consultant, Mercer, and the Client Group at the Brunel Pension Partnership Ltd.

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## Contact us

If you would like further information on the contents of this annual report, please contact:

**Mark Preston**

Head of Projects & Pensions

[Mark.Preston@buckinghamshire.gov.uk](mailto:Mark.Preston@buckinghamshire.gov.uk)

**Julie Edwards**

Head of Pensions

[Julie.Edwards@buckinghamshire.gov.uk](mailto:Julie.Edwards@buckinghamshire.gov.uk)

**Rachael Martinig**

Pensions and Investments Accountant

[Rachael.martinig@buckinghamshire.gov.uk](mailto:Rachael.martinig@buckinghamshire.gov.uk)

**Claire Lewis-Smith**

Pensions Administration Manager

[Claire.Lewis-Smith@buckinghamshire.gov.uk](mailto:Claire.Lewis-Smith@buckinghamshire.gov.uk)

**Samantha Price**

Assistant Pensions Administration Manager

[Sam.Price@buckinghamshire.gov.uk](mailto:Sam.Price@buckinghamshire.gov.uk)

**Client Relationship Manager**

Brunel Pension Partnership Ltd, 101 Victoria Street, Bristol, BS1  
6PU

Email: [Catherine.dix@brunelpp.org](mailto:Catherine.dix@brunelpp.org)

Web: [www.brunelpensionpartnership.org](http://www.brunelpensionpartnership.org)

**Pensions and Investments Team**

Buckinghamshire Council, Walton Street Offices, Walton Street, Aylesbury, HP20 1UD

Email: [pensions@buckinghamshire.gov.uk](mailto:pensions@buckinghamshire.gov.uk)

Web: [www.buckinghamshire.gov.uk/pensions](http://www.buckinghamshire.gov.uk/pensions)

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## Glossary of Terms and Acronyms Used

<b>Active Management</b>	A style of investment management where the Fund manager aims to out-perform a benchmark by superior asset allocation, market timing or stock selection (or a combination of these). Compare with passive management.
<b>Actuary</b>	A person or firm that analyses the assets and future liabilities of a pension fund and calculates the level of employers' contributions needed to keep the Fund solvent.
<b>Additional Voluntary Contributions (AVCs)</b>	AVCs are paid by a contributor who decides to supplement their pension by paying extra contributions to the Fund's AVC providers.
<b>Admitted Bodies</b>	These are employers who have been allowed into the Fund at the Council's discretion.
<b>Alternative Investments</b>	These are less traditional investments where risks can be greater but potential returns higher over the long term, e.g. investments in private equity partnerships, hedge funds, commodities, foreign currency and futures.
<b>Asset Allocation</b>	The appointment of a fund's assets between asset classes and/or world markets. The long-term strategic asset allocation of a fund will reflect the Fund's investment objectives. In the short term, the Fund manager can aim to add value through tactical asset allocation decisions.
<b>Benchmark</b>	A yardstick against which the investment policy or performance of a fund manager can be compared. Asset allocation benchmarks vary from the average fund distribution (as measured by one of the performance surveys) to customised benchmarks tailored to a particular fund's requirements.
<b>Commutation</b>	The conversion of an annual pension entitlement into lump sum on retirement.
<b>Contingent Liability</b>	A possible loss, subject to confirmation by an event after the balance sheet date, where the outcome is uncertain in terms of cost.
<b>Corporate Bonds</b>	Corporate Bonds are debt obligations issued by private corporations to finance a variety of purposes, e.g. business expansion. When a bond is issued, the corporation promises to return the money on a specified date, paying a stated rate of interest. Bonds do not provide ownership interest in the corporation.
<b>Corporate Governance</b>	Issues relating to the way in which a company ensures that it is attaching maximum importance to the interest of its shareholders and how shareholders can influence management. Issues such as executive pay levels and how institutional investors use their votes have been the subject of much debate.

<b>Custody, Custodian</b>	Safekeeping of securities by a financial institution. The custodian keeps a record of client investments and may also collect income, process tax reclaims and provide various other services according to client instructions.
<b>Dividend</b>	The part of a company's after-tax earnings, which is distributed to the shareholders in the form of cash or shares. The directors of the company decide how much dividend is to be paid and when. The dividend is neither automatic nor guaranteed for ordinary shareholders.
<b>Emerging Markets</b>	The financial markets of developing countries.
<b>Equities</b>	Shares in UK and overseas companies.
<b>Fixed Interest</b>	Income that remains constant during the life of the asset, such as income derived from bonds, annuities and preference shares.
<b>FTSE All-Share Index</b>	An arithmetically weighted index of leading UK shares (by market capitalisation) listed on the London Stock Exchange. Updated daily, the FTSE 100 Index ("Footsie") covers only the largest 100 companies.
<b>Gilts, Gilt-edged Securities</b>	The familiar name given to sterling, marketable, fixed interest securities (or bonds) issued by the British Government.
<b>Growth Investing</b>	Investing in companies that are expected to increase at any above average rate compared to their industry sector or the overall market.
<b>Hedge Fund</b>	A specialist fund that seeks to generate consistent returns in all market conditions by exploiting opportunities resulting from inefficient markets.
<b>Index-linked Gilts</b>	Both the interest payments (coupons) and the value of the eventual capital repayment for index-linked gilts are adjusted in line with the change in inflation, as measured by the retail prices index (RPI). Investors are thus protected against the value of their investments being eroded by inflation.
<b>Mature Scheme</b>	A pension scheme with a high proportion of pensioners and a low proportion of current members. In a mature scheme, contributions are normally less than benefits paid out.
<b>Ministry of Housing, Communities and Local Government (MHCLG)</b>	Formerly the Department for Communities and Local Government (DCLG), MHCLG is the government department responsible for the Local Government Pension Scheme.
<b>Passive Management</b>	A style of investment management that seeks to attain performance equal to market or index returns.
<b>Risk</b>	In its simplest sense, risk is the variability of returns. Investments with greater inherent risk must promise higher expected returns if investors are to invest in them.
<b>Scheduled Bodies</b>	These are organisations that have a right to be in the Fund.



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<b>Stock Selection</b>	The process of deciding which stocks to buy within an asset class.
<b>Style</b>	The philosophy behind the way in which a manager manages the Fund.
<b>Tracker Fund</b>	A fund which matches investment performance to a particular stock market index.
<b>Transfer Value</b>	A cash sum representing the value of a member's pension rights.
<b>Unit Trust</b>	A pooled fund in which investors can buy and sell units on an ongoing basis. Known as mutual funds in the US and some other countries.
<b>Unquoted Securities</b>	Shares which are dealt in the market, but which are not subject to any listing requirements and are given no official status.
<b>Value Investing</b>	An investment strategy that involves selecting stocks that appear to be trading for less than their intrinsic value.