

Pension Fund Annual Report
for the year ended 31 March 2018

Pension Scheme Reg. No: 10123049

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Scheme Management and Advisers

Administering Authority:	Buckinghamshire County Council (BCC)
Pension Fund Committee: (BCC unless stated)	Cllr John Chilver (Chairman) Cllr Timothy Butcher Cllr Anita Cranmer Cllr Clive Harriss Cllr Niknam Hussain Cllr David Martin Cllr John Gladwin (representing the District Councils in Buckinghamshire) Cllr Norman Miles (Milton Keynes Council) Cllr Matthew Barber (Thames Valley Police)
Advisers:	Mercer Investment Consulting Carolann Dobson
Fund Managers:	Aviva Investors BlackRock Blackstone Alternative Asset Management Global Thematic Partners (GTP) Investec Asset Management Legal & General Investment Management Mirabaud Investment Management Pantheon Private Equity Partners Group Royal London Asset Management Schroders Standard Life Investments
Custodian:	State Street
AVC Providers:	Prudential Scottish Widows
Actuary:	Barnett Waddingham LLP
Fund Legal Advisors:	HB Public Law
Bankers to the Fund:	Lloyds TSB Bank plc
Fund Accountant:	Julie Edwards (BCC)
Finance Director, Resources & ACES:	Mark Preston (BCC)
Auditor:	Grant Thornton UK LLP
Scheme Administrators:	Pensions and Investments Team (BCC)

Contained within this publication are the report and accounts of the Buckinghamshire County Council Pension Fund. The Fund is a part of the statutory Local Government Pension Scheme (LGPS) and is administered by Buckinghamshire County Council (BCC).

General Data Protection Regulations

The General Data Protection Regulation (GDPR) is a new set of European Union (EU) regulations which came into force on 25 May 2018. GDPR changes how organisations process and handle data, with the key aim of giving greater protection and rights to individuals. In order to administer the pension scheme, LGPS funds require various pieces of personal data provided by both the individual member and their employer. To ensure GDPR compliance, every LGPS fund is required to update their privacy notice in line with the new requirements setting out, among other things, why certain data is held, the reason for processing the data, who they share the data with and the period for which the data will be retained. Within the notice, members will also be provided with additional information about their rights under the legislation. The Buckinghamshire County Council Pension Fund's privacy notices are available to view online at www.buckscc.gov.uk/lgps-gdpr.

The Buckinghamshire Pension Board

The Buckinghamshire Pension Board meets three times a year to assist in the good governance of the Scheme. In 2017/18 the Pension Board reviewed our quarterly employer newsletters, year-end administration, the minutes of the Pension Fund Committee, the Fund's 2016/17 annual report and accounts, pensions administration strategy, enhancements to scheme member and employer communications, complaints under IDRPs and the Fund's risk register. They have also been updated on the progress of the Brunel Pension Partnership. The 2017/18 annual review of the Board is included in the content of this annual report.

Brunel Pension Partnership

In January the Brunel Pension Partnership held its first ever AGM at the Brunel office in Bristol. Seven of the eight executive and non-executive board members took top table with Denise Le Gal, Chair of the board and AGM, and Dawn Turner, CEO taking centre stage. Denise talked the room through all the major Brunel landmarks since the company went live on 18 July 2017, including appointing administrators State Street, as well as the submission of crucial reports to DCLG, to FCA, and to shareholders. "We have just gone out to tender on our first portfolio, and we have momentum in spades," she said. "The company is on track to deliver what you've asked us to as shareholders and as clients."

In March, the Brunel Pension Partnership received its authorisation from the Financial Conduct Authority to operate as a financial services firm, no. 790168. Brunel is a full scope MiFID investment firm, which means Brunel is able to provide advisory and discretionary investment management services to its ten clients. Brunel met the government deadline to open for business in time for the start of the new 2018/19 tax year and in May; Brunel's CEO Dawn Turner received the prestigious Industry Champion award at the 19th annual Pension & Investment Provider Awards. As always, more information and news can be found on the Brunel Pension Partnership website at www.brunelpensionpartnership.org.

Triennial Valuation

The last full triennial valuation of the Buckinghamshire County Council Pension Fund was carried out as at 31 March 2016 by Barnett Waddingham LLP. Since 31 March 2016, investment returns have been higher than assumed at the 2016 triennial valuation.

Barnett Waddingham undertook an interim valuation as at 31 March 2018 which showed that the funding level had increased to 95% and the average required employer contribution would be 21.3% of payroll assuming the deficit is to be paid by 2032. The estimated funding position is based on market movements since 31 March 2016 rather than being a full valuation with updated member data.

The next formal valuation will be carried out as at 31 March 2019 with new contribution rates set from 1 April 2020.

Pension Fund Management Update

The market value of the Pension Fund was £2.812bn at 31 March 2018. The Fund, excluding private equity, achieved a return of 3.6%, representing outperformance of 0.6%, compared to the 3.0% benchmark, for the year to 31 March 2018. In the three years to 31 March 2018, the Fund achieved a return of 7.4%, representing outperformance of 0.3% compared to the benchmark of 7.1% 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 were made in accordance with the principles in our Investment Strategy Statement.

As always, we welcome any comments you have on this publication, or any matter relating to pensions administration, using the contact details available on our website, www.buckscc.gov.uk/pensions, or within our newsletters.



Mark Preston
Finance Director
Resources & Assistant Chief Executive's Service (ACES)
Buckinghamshire County Council
12 June 2018

The Pensions and Investments Team

There are four teams within the Pensions and Investments Team; three teams which administer the Local Government Pension Scheme ("the scheme") - the Benefits Administration Team, the Governance and Employer Liaison Team and the Systems Team. The remaining team is the Treasury Team.

Benefits Administration Team

We deal with over 24,000 active employees, 27,300 ex-employees and 18,500 pensioners on behalf of the Buckinghamshire County Council Pension Fund. The Benefits Administration Team deals with all aspects of benefits work, from new entrants to the scheme, through to retirement and death. The team's work also includes the processing and issuing of refunds and pension estimates, responding to member and pensioner queries, issues relating to pension sharing on divorce and transfers of previous pension rights in and out of the scheme.

Governance and Employer Liaison Team

The Governance and Employer Liaison Team deal with enquiries from Employing Authorities. The team deals with the Fund's year-end procedures and supports the Benefits Administration team where possible. Our Employers include scheduled bodies (major and smaller), admitted bodies, LEA schools and academies in Buckinghamshire and Milton Keynes. The team also produce all Fund communications.

Systems Team

The Systems Team is responsible for the specialist computer systems within the Pensions and Investments Team, including the management of *ALTAIR* (our pensions administration system), document imaging, pensioner payroll, and workflow management. The team are also responsible for the roll-out and maintenance of our online member and employer self-serve system modules.

Treasury Team

The Treasury Team is responsible for implementing the Fund's investment strategy, and reviewing and monitoring the Pension Fund's investments. The team also provides the Council's treasury function.

Knowledge and Skills Policy Statement

This organisation recognises the importance of ensuring that it has the necessary resources to discharge its pensions administration responsibilities and that all staff and members charged with financial administration, governance 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 and/or arrange training for staff and members of the pensions decision-making and governance bodies to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

Local Government Pension Scheme Benefits

The Local Government Pension Scheme (LGPS) is a statutory funded pension scheme. Its benefits are defined, guaranteed in law and provide significant benefits to its members. The scheme changed from a final salary scheme to a career average revalued earnings scheme on 1 April 2014 and the LGPS 2014 benefits are summarised below.

Feature	LGPS 2014
Basis of Pension	Career Average Revalued Earnings (CARE)
Accrual Rate	1/49 th (or 1/98 th in the 50/50 scheme)
Revaluation Rate	Consumer Prices Index (CPI)
Pensionable Pay	Pay including non-contractual overtime and additional hours
Contribution Flexibility	Yes, members can pay 50% contributions for 50% of the pension benefit
Normal Pension Age	Equal to the individual member's State Pension Age (minimum age 65)
Lump Sum Trade Off	Trade £1 of pension for £12 lump sum
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	<ul style="list-style-type: none">▪ Tier 1 - Immediate payment with service enhanced to Normal Pension Age▪ 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	CPI
Vesting Period	2 years

Contributions

Employee contributions are based on their actual pensionable pay. From 1 April 2014 this pensionable pay also includes all overtime, both contractual and non-contractual.

Band	Pay Bands*: actual pensionable pay	Contribution Rate Main Scheme	Contribution Rate 50/50 Scheme
1	Up to £13,700	5.5%	2.75%
2	£13,701 to £21,400	5.8%	2.95%
3	£21,401 to £34,700	6.5%	3.25%
4	£34,701 to £43,900	6.8%	3.4%
5	£43,901 to £61,300	8.5%	4.25%
6	£61,301 to £86,800	9.9%	4.95%
7	£86,801 to £102,200	10.5%	5.25%
8	£102,201 to £153,300	11.4%	5.7%
9	£153,301 or more	12.5%	6.25%

* The pay bands shown applied for the Scheme year ended 31 March 2018. Pay bands are adjusted on 1 April each year in line with any increase in the Consumer Price Index.

Local Government Pension Scheme Benefits

The Employer also contributes to the Fund, covering the full cost of providing the benefits. Membership of the scheme entitles the employee to receive tax relief on contributions.

Retirement

The scheme is funded on the basis that the benefits will become available at the member's State Pension Age (minimum age 65), although members can remain in the scheme up to age 75. Employees can voluntarily retire from age 55.

Pension built up before 1 April 2014 has a protected Normal Pension Age, which for almost all members is age 65. If a member retires and draws their entire pension at their protected Normal Pension Age, the pension built up in the scheme before 1 April 2014 will be paid in full.

If a member chooses to take their pension before their protected Normal Pension Age, the pension built up in the scheme before 1 April 2014 will normally be reduced, as it is being paid earlier. If taken later than their protected Normal Pension Age it will be increased because it is being paid later.

The amount of any reduction or increase will be based on how many years earlier or later than the protected Normal Pension Age the member draws the pension they have built up in the scheme to 31 March 2014.

The benefits built up in the career average scheme from April 2014 have a Normal Pension Age linked to a member's State Pension Age (with a minimum age of 65). The amount of any reduction or increase will be based on how many years earlier or later than their State Pension Age they draw their LGPS 2014 pension.

Members cannot take benefits built up to April 2014 separately from the benefits built up from April 2014. All of the pension would have to be drawn at the same time (except in the case of Flexible Retirement).

Calculation of benefits for Scheme Members

Benefits on any membership up to 31 March 2008, in the Final Salary scheme, will be calculated as follows:

$$\text{Pension} = \frac{\text{Years Membership}}{80} \times \text{Final Salary}$$

$$\text{Lump Sum} = 3 \times \text{Pension}$$

Benefits on membership between 1 April 2008 and 31 March 2014, in the Final Salary scheme, will be calculated as follows:

$$\text{Pension} = \frac{\text{Years Membership}}{60} \times \text{Final Salary}$$

Benefits on membership after 1 April 2014, in the Career Average Revalued Earnings (CARE) scheme, will be calculated as follows:

$$\begin{array}{rcl} \text{Pension for year 1 x revaluation \%} & + & \\ \text{Pension for year 2 x revaluation \%} & + & \\ \text{Pension for year 3 x revaluation \%} & + & \\ \text{And so on... until final year's pension} & + & \\ \hline & & \text{Total CARE pension} \end{array}$$

On all membership after 1 April 2008, members have the flexible option to take a lump sum by giving up some of their pension. For each £1 of pension given up, a lump sum of £12 will be paid, up to the point where the total lump sum is equal to 25% of the capital value of all their pension benefits.

III Health Retirement

If a member's employment is terminated because of permanent ill health and the member has at least 2 years membership, the pension payable is based on the member's accrued membership, plus:

First Tier

- 100% of prospective membership between leaving and Normal Pension Age, where the member has no reasonable prospect of being capable of obtaining gainful employment before age 65, or

Second Tier

- 25% of prospective membership between leaving and Normal Pension Age, where the member is unlikely to be capable of obtaining gainful employment within a reasonable period of time, but is likely to be able to be capable of obtaining gainful employment before Normal Pension Age.

Third Tier

- With no enhancement where the member is likely to be able to obtain gainful employment within three years of leaving and are payable for so long as he is not in gainful employment.

Death in Service

A lump sum death grant, which is equal to three times the member's actual pay, is issued regardless of length of membership. In addition to the lump sum death grant, pensions are payable to surviving spouses/civil partners/cohabiting partners and children up to the age of 18, or while still in full time education up to age 23, which is based on the deceased member's pension. The member may nominate who they wish to receive their death grant.

Death in Retirement

Surviving spouse's/civil partner's/cohabiting partner's and children's pensions will be paid in the same way as above, but it will be based on the former employee's pension. If the death occurs before ten years of the pension has been paid and before the member reached age 75, the balance will be paid as a lump sum.

Risk Management

The Fund's statutory documentation and the Fund's 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 looks to mitigate each of these. In particular:

- The Governance Policy and 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;
- 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; and
- 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:

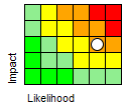

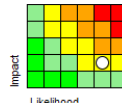
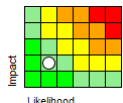

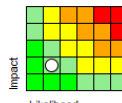
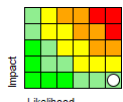

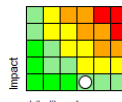
Key to the risk / impact

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 5 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.


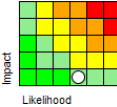
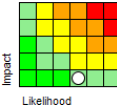
Matrix & Heat Map - scoring detail & colour scale							Scoring colour code	
5	5	10	15	20	25	30		1-3
	4	8	12	16	20	24		4-6
	3	6	9	12	15	18		7-12
	2	4	6	8	10	12		13-20
	1	2	3	4	5	6		21-30
	1	2	3	4	5	6		
							Scale	Impact Areas
							0-5	Service/Performance
							0-5	Reputation/Political
							0-5	Financial
							0-5	Data Protection/ Technological
							0-5	Legislation/ Regulatory
							0-5	Health & Safety
							Scale	Likelihood
							1-6	Scores from

Management and Financial Performance Report

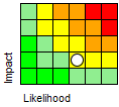

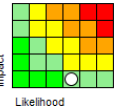
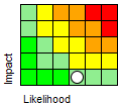

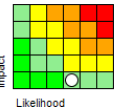
Pensions & Investments Team – Administration risk register

Risk Name	Risk Description	Current Score	Direction of Travel	Target Score	Risk Owner	Latest Note	Date 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				Julie Edwards	<p>Due to Scheme complexities and also changing staff this is an issue which will be encountered regularly. The team are also working closely with employers to improve knowledge by holding annual training events, face to face training and quarterly meetings with the larger employers. Quarterly newsletters are also provided, a dedicated employer area on the BCC LGPS website and each employer has a dedicated Liaison Officer within the team.</p> <p>Progress has been made over the past year; one large employer has cleared all outstanding backlog tasks and now regularly provides information on time. We are working closely with two main "issue" employers / payroll providers with the aim to help clear their backlogs and also improve the information they provide in future.</p>	15 May 2018
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.				Julie Edwards	The team has expanded in terms of staff capacity as a result of workloads & to ensure that there is sufficient capacity within the team in the event of sickness absence. Where this isn't possible, temporary staff are used.	3 May 2018
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.				Julie Edwards	This continues to be an issue however the cause of this has been more due to BCC ICT issues/internet issues rather than directly caused by Heywoods. In terms of likelihood, this seems to be a more regular occurrence lately (in particular internet down & N/H Drive issues) so the risk likelihood has increased. This is being raised with ICT.	3 May 2018

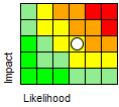

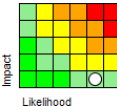
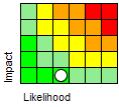

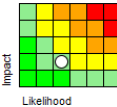
Management and Financial Performance Report

Risk Name	Risk Description	Current Score	Direction of Travel	Target Score	Risk Owner	Latest Note	Date 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.				Julie Edwards	There continues to be minor errors within Altair calculations, we are aware of these and taken action accordingly including raising with Heywoods to ensure they are resolved quickly.	3 May 2018
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.				Julie Edwards	Work has been put into this area recently including the re-evaluation of some JD's to ensure staff are being paid in line with responsibilities. An increase of team training, new efficient work procedures & ensuring that all staff continue to be informed at all times has resulted in an increase in morale and motivation which will reduce the risk of losing trained staff.	3 May 2018
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.				Julie Edwards	This continues to be an issue for some employers but there has been some progress with one larger employer in particular. Those poorly performing employers are being regularly reviewed, including review meetings & training in order to improve the quality and timeliness of the information provided. Unfortunately this is a continuing area but is a priority area for P & I in terms of making improvements.	3 May 2018

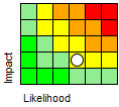

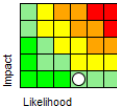
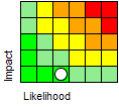

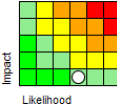
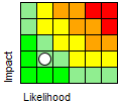

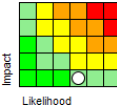
Management and Financial Performance Report

Risk Name	Risk Description	Current Score	Direction of Travel	Target Score	Risk Owner	Latest Note	Date Reviewed
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				Julie Edwards	Payroll changes do continue to be an issue where employers do not advise the team of these changes which results in delays in receiving information or pension records being updating incorrectly. A new monthly notification spreadsheet has been issued recently to all employers and this includes a tab to notify of payroll provider changes so the likelihood of this risk should reduce in the future.	3 May 2018
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 and the fund actuaries. The range of employees involved differ between employers, but range from one employee to hundreds.				Julie Edwards	<p>TUPEs are dealt with by the TUPE officer and Academy conversions with specific Employer Liaison Officers which should reduce any impact on the team in terms of additional work & delays. The Principal & TUPE Officer have reviewed all BCC & MKC schools to ascertain that 1/3rd have converted to Academy status which suggests further workloads to come. With this information the team can plan ahead.</p> <p>The likelihood has not reduced due to the fact that high workloads could be created due to Academy conversions.</p>	3 May 2018

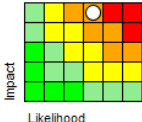

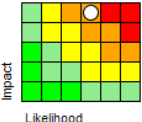

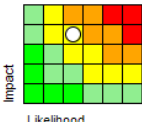

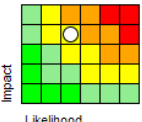

Management and Financial Performance Report

Risk Name	Risk Description	Current Score	Direction of Travel	Target Score	Risk Owner	Latest Note	Date Reviewed
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/ underpayments. 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.				Julie Edwards	ITM are now well under way working on this as a project and are now at a stage of liaising with the payroll team.	3 May 2018
RS-PA-10 Mid / High Earner Optouts due to Tax Legislation	Tax legislation in respect of high earners pensions contributions could result in a departure of high earners from the Fund. High earners leaving the Scheme could be perceived as senior management not advocating the benefits of the LGPS				Julie Edwards	<p>Although the tax regime continues to be an area of concern for high earners, we have not seen a high opt out rate so the likelihood of this risk had decreased.</p> <p>We have ensured that we are providing high earners with all necessary information to keep them up to date including 1-1 meetings, newsletters, dedicated information on the website and actuary presentations. The option to go 50/50 in the scheme has also been utilised rather than opting out.</p>	3 May 2018

Management and Financial Performance Report

Risk Name	Risk Description	Current Score	Direction of Travel	Target Score	Risk Owner	Latest Note	Date Reviewed
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.				Julie Edwards	An employer covenant exercise is currently taking place which will allow these to be renegotiated with a bond requirement however it is not mandatory. The Actuary has been instructed to complete a full employer risk review on certain categories of employer	3 May 2018
RS-PA-12 Mid / high earner optouts due to high employee contribution rates	The 3% on average increase employee pension contributions implemented, with effect from 1 April 2014, by increasing the tiers of contributions paid by mid/high earners could result in a departure of mid/high earners from the Fund. Mid/High earners leaving the Scheme could be perceived as senior management not advocating the benefits of the LGPS. During current period of low pay increases members may opt out due to pressures on household budgets.				Julie Edwards	The likelihood of this has reduced due to the fact that to date we have not seen a high increase in opt outs due to the increase in contributions rates.	3 May 2018
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.				Julie Edwards	Over 95% of ABS's were issued to scheme members by the end of March 2018 for the year 2016/17. The number of outstanding backlog queries has reduced meaning that going forward the number of queries at year end should also reduce due to this as well as increased accuracy from employers due to training.	3 May 2018

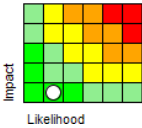
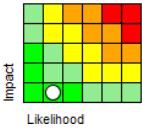

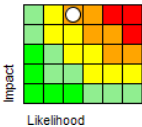
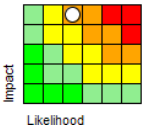

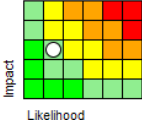
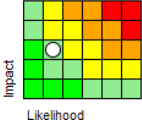

Pensions & Investments Team – BCC Pension Fund risk register

Risk Name	Risk Description	Current Score	Direction of Travel	Target Score	Action Name	Description	Action Progress	Risk Owner	Date Reviewed
BSP-P&I-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				BSP-P&I-01 Investment Strategy Actions	Strategy reviewed formally every 3 years Review strategy more frequently - annual refresh Action Plan where issues arise Mini-valuation undertaken annually Appointment of Investment Consultant and Committee Advisor, Investment advice analysed. A long term view is taken with regards to the Fund's investment strategy.		Julie Edwards	1 May 2018
BSP-P&I-02 Significant Downturn in a Particular Sector	If there is a significant downturn in a particular sector / geographical location due to man-made or natural disasters, then funds perform worse than expected, the deficit increases, employers contributions would need to be increased.				BSP-P&I-02 Significant Downturn in a Particular Sector Actions	Strategy reviewed every 3 years Review strategy more frequently - annual refresh Action Plan where issues arise. Managers closely monitored. Economic issues are being monitored. Closer monitoring of managers' views on Eurozone and BREXIT implications. Revised strategy implemented May 2014, investment strategy reviewed in March 2017. The Fund investments are diversified across several asset classes. Annual mini-actuarial valuation reported. Governance structures require meeting every Fund Manager on average 3 times per annum. Holistic reporting to Members - not just performance based.		Julie Edwards	1 May 2018

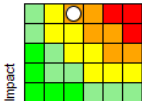

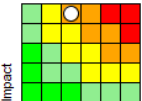

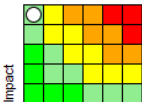

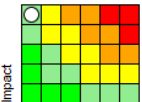

Management and Financial Performance Report

Risk Name	Risk Description	Current Score	Direction of Travel	Target Score	Action Name	Description	Action Progress	Risk Owner	Date Reviewed
BSP-P&I-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 exercised, poor controls / limited challenge and errors.		↓		BSP-P&I-03 New Investment Vehicle Not Understood Actions	Ensure adequate training. Periodic training needs analysis undertaken to support annual training plan. Committee Advisor supports the Committee members understanding of asset classes and investment issues.		Julie Edwards	1 May 2018
BSP-P&I-06 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.		↓		BSP-P&I-06 Public Sector Cuts Actions	Review in light of austerity measures and other large employer strategies. Periodic meetings held with larger employers. Factor maturity of the Fund into investment strategy decisions; review Funding Strategy Statement every three years following the actuarial valuation.		Julie Edwards	1 May 2018

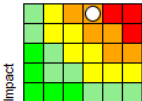

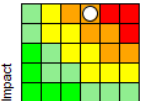

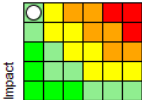

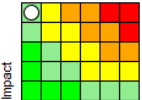

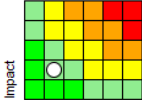

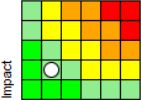

Management and Financial Performance Report

Risk Name	Risk Description	Current Score	Direction of Travel	Target Score	Action Name	Description	Action Progress	Risk Owner	Date Reviewed
BSP-P&I-07 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-value adding activities.		↓		BSP-P&I-07 Significant Changes in Government Regulations Actions	The Investment Regulations 2016 removed some of the existing prescriptive means of securing a diversified investment strategy and placed the onus on authorities to determine the balance of their investments and take account of risk. The Secretary of State has the power to intervene to ensure the more flexible legislation is used and the guidance on pooling is adhered to.		Julie Edwards	1 May 2018
BSP-P&I-09 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.		→		BSP-P&I-09 Poor Fund Management Actions	Fund managers' performance actively reviewed quarterly. Investment strategy reviewed March 2017. Benchmarking undertaken and research undertaken.		Julie Edwards	1 May 2018
BSP-P&I-10 Under-estimation of Pensioner Longevity	If there is an underestimation of pensioner longevity then there will be a failure to have high enough pension contributions and increased pressure on future contributions.		↓		BSP-P&I-10 Underestimation of Pensioner Longevity Actions	Not within the Pension Fund's control Actuaries review projection of longevity regularly. The 2013 Actuarial Valuation mortality assumptions allowed for a long term rate of improvement in mortality rates. The 2016 mortality assumptions did not allow for a long term rate of improvement in mortality rates.		Julie Edwards	1 May 2018

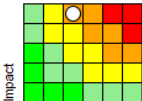

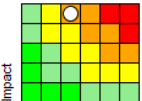

Management and Financial Performance Report

Risk Name	Risk Description	Current Score	Direction of Travel	Target Score	Action Name	Description	Action Progress	Risk Owner	Date Reviewed
BSP-P&I-11 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).	 Impact Likelihood		 Impact Likelihood	BSP-P&I-11 Inflation Actions	The strategic allocation to inflation linked bonds within the investment strategy will increase in value if inflation expectations increase (all else equal), helping to offset some of the impact on the liabilities. The Pension Fund Committee will consider the Fund's exposure to inflation linked assets when reviewing the Fund's investment strategy. Part of the inflation linked bond allocation is managed actively, and the manager has discretion to increase or decrease the allocation in anticipation of increases or decreases in inflation expectations respectively		Julie Edwards	1 May 2018
BSP-P&I-12 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.	 Impact Likelihood		 Impact Likelihood	BSP-P&I-12 Loss of Confidence by Employees and Employers. Actions	Pensions Communications Officer role involves designing and delivering communications strategy. The Buckinghamshire Pension Board was established in 2015.		Julie Edwards	1 May 2018

Management and Financial Performance Report

Risk Name	Risk Description	Current Score	Direction of Travel	Target Score	Action Name	Description	Action Progress	Risk Owner	Date Reviewed
BSP-P&I-13 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.				BSP-P&I-13 Market Volatility Actions	Ongoing review more intense when markets are volatile. Key decision to be made in terms of timing of changes. Actuary using 'smoothing' effect which actively seeks to mitigate risks.		Julie Edwards	1 May 2018
BSP-P&I-14 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.				BSP-P&I-14 Failure of a Fund Management House or Nominee Company Actions	Ongoing review using governance structures described previously.		Julie Edwards	1 May 2018
BSP-P&I-15 Policy Compliance	If officers undertake fraudulent activity or do not follow policy decision or recommend inappropriate / radical policy decision then too great an exposure in certain areas will exist leading to greater volatility, break down of trust, policy decisions slowed, loss of opportunity and reputation damage.				BSP-P&I-15 Policy Compliance Actions	Effective scrutiny of officer activity by line management, Pension Fund Committee and audit		Julie Edwards	1 May 2018

Management and Financial Performance Report

Risk Name	Risk Description	Current Score	Direction of Travel	Target Score	Action Name	Description	Action Progress	Risk Owner	Date Reviewed
BSP-P&I-17 Brunel Pension Partnership	Proposals to pool the Fund's assets in the Brunel Pension Partnership are currently being implemented. If the project is not managed and the transition is ineffective or excessive in cost, then the cost benefit ratio may not be achieved. If the guidance on pooling is not adhered to, then the Secretary of State may deem it necessary to intervene in the investment function of an administering authority.				BSP-P&I-17-01 Brunel Pension Partnership Actions	Project team, Shadow Oversight Board with representatives from the Pensions Committees, Client Operations Group with officer representatives and Finance and Legal Assurance Group established. Project plan regularly reviewed to help support workstreams and keep deliverables on track.		Julie Edwards	1 May 2018

Financial Performance

Forecast vs Outturn report on the Fund Cash Flows

Fund Account	2016 /2017		2017 /2018	
	Forecast	Actual	Forecast	Actual
	£000	£000	£000	£000
Income				
Contributions receivable	(115,000)	(120,799)	(125,000)	(134,066)
Transfers in	(10,000)	(14,985)	(15,000)	(16,504)
Other income	(100)	(78)	(100)	(110)
Investment income	(45,000)	(46,777)	(45,000)	(45,448)
Total income to the Fund	(170,100)	(182,639)	(185,100)	(196,128)
Expenditure				
Benefits payable	102,000	106,328	107,000	108,204
Transfers out	10,000	12,658	13,000	14,113
Other payments	500	1,172	500	556
Taxes on income	350	333	350	554
External Audit Fee	25	24	25	25
Administrative costs	1,750	1,779	1,850	1,834
Oversight and governance costs	600	583	650	757
Investment Management expenses	15,000	14,808	16,000	16,623
Total expenditure of the Fund	130,225	137,685	139,375	142,666
Change in market value	(115,000)	(429,377)	(100,000)	(73,103)
Net increase in the Fund	(154,875)	(474,331)	(145,725)	(126,565)

Budget vs Outturn report on the management expenses to the Fund

	2016/17 Forecast	2016/17 Actual	2017/18 Forecast	2017/18 Actual
Administrative Costs	£000	£000	£000	£000
Staffing costs	995	1,150	1260	1,240
Supplies and Services	425	492	450	460
Support Services	145	149	150	146
Income	-15	-12	-10	-6
Subtotal	1,550	1,779	1,850	1,840
Investment Management Expenses	£000	£000	£000	£000
Supplies and Services	15,000	14,808	16,000	16,623
Subtotal	15,000	14,808	16,000	16,623
Oversight and governance costs	£000	£000	£000	£000
Staffing costs	150	152	175	176
Transport	2	2	2	2
Supplies and Services	425	412	453	554
Support Services	20	17	20	19
Subtotal	597	583	650	751
External Audit Fee	£000	£000	£000	£000
Supplies and Services	25	24	25	25
Subtotal	25	24	25	25
Total	17,172	17,194	18,525	19,239

Forecast vs Outturn report on the Fund Asset Values

Net Asset Statement	2016 /2017		2017 /2018	
	Forecast	Actual	Forecast	Actual
	£000	£000	£000	£000
Equities	735,884	852,632	900,000	883,946
Gilts	24,026	29,269	0	319
Bonds	280,781	309,736	350,000	352,407
Property	164,504	183,581	200,000	204,534
Pooled investment vehicles	1,050,323	1,204,325	1,250,000	1,239,939
Cash and Other	60,000	95,969	100,000	131,014
Net investment assets	2,315,518	2,675,512	2,800,000	2,812,999

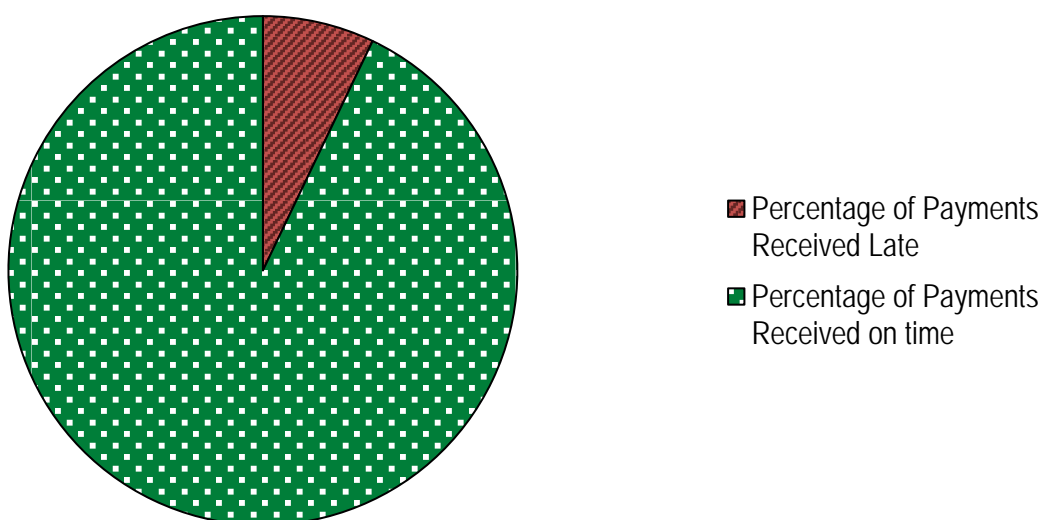
Future assumed returns	2016
Equities	7.4% pa
Gilts	2.4% pa
Bonds	3.3% pa
Absolute Return Fund	5.8% pa
Cash	1.8% pa
Property	5.9% pa
Total assets	6.0% pa

An analysis of amounts due to the Fund from Employers

Value of Employer and Employee contributions received 1 April 2017 to 31 March 2018

Total Employer contributions £000	Total Employee contributions £000
102,978	29,002

Analysis of the timeliness of receipt of contributions	Units
Number of payments received	2704
Number of payments late	192
	Percentage of the number of payments received
Percentage of payments received late	7.1%
Percentage of payments received on time	92.9%



Age of overdue contributions

Analysis of late payments	
Payments 1-2 days late	43
Payments 3-10 days late	44
Payments 11-30 days late	34
Payments 1-2 months late	20
Payments 3-6 months late	29
Payments 6+ months late	22
Total	192

In 2017/18 the Fund did not exercise the option to levy interest on overdue contributions.

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

Year	Payments received in respect of overpayments made	Total money recovered from monthly pension payments	Total Overpayments recovered	Total Overpayments written off	Total Overpayments
	£000	£000	£000	£000	£000
2013/14	14	7	21	-	21
2014/15	28	8	36	25	61
2015/16	75	10	85	4	89
2016/17	59	142	201	9	210
2017/18	36	165	201	7	208

The above figures include overpayments in respect of Teachers Enhanced and Teachers Proportion pensions and also Compensatory Added Years (CAY) awarded under Local Government Pension Scheme Regulations, but which are recharged to the relevant employer.

The Fund does not recover overpayments of less than £100.

Administrative Management Performance

Key Administration Performance Indicators

Number and trend of top 10 case types

Case Type	Timeframe	Procedures Completed 2017/18	% completed within target timeframe
1. New Starters set up	Within 20 working days	6415	93.92
2. Reply to general pension enquiry	Within 10 working days	6416	89.07
3. Preserved Benefit calculation*	Within 20 working days	4434	35.00
4. Change of Address (pensioner and non-pensioner)	Within 10 working days	1711	98.66
5. Payroll record created	Within 1 working day	1358	98.01
6. Retirement packs sent to member*	Within 10 working days	1835	95.00
7. Processing actual retirement calculation*	Within 10 working days	1254	100.00
8. Quotations of individual member benefits (both employee and employer requested)	Within 10 working days	1329	82.77
9. Refund of Pension Contributions	Within 10 working days	681	91.48
10. Transfers (both LG and non LG)	Within 20 working days	623	53.13
11. Process request to opt out of the LGPS	Within 10 working days	597	90.32

* We are in the process of developing a new reporting procedure for retirements processed and preserved benefit calculations. For 2017/18, "% completed within target timeframe" is based on a random sample of 40 completed cases.

Satisfaction levels of Employers

General Employer training: group events

We hosted three general Employer training events in 2017/18, to which all our Employers were invited. The feedback we received from these group events is provided below.

Question	Very good	Good	Neutral	Poor	Very poor	Not answered	Total replies received
The relevance of the training and areas covered	24	29	6	-	-	1	60
The pace of the training	25	28	6	1	-	-	60
The presenters' knowledge of the subject material	50	10	-	-	-	-	60
Training material provided	18	12	6	4	-	20	60

Additional comments and suggestions made by Employers were followed up by members of the Employer Liaison Team.

Face-to-face Employer training

Our Employer Liaison Officers offer face-to-face training, on request by an Employer or as deemed necessary by either party, on any aspect of LGPS administration. All Employers are asked to complete an "Employer visit feedback form". The feedback received for 2017/18 Employer face-to-face training visits is shown below.

Question	Very good	Good	Neutral	Poor	Very poor	Not answered	Total replies received
The person's knowledge of the subject matter	7	3	-	-	-	-	10
The person's ability to identify with you meaningfully about the subject	7	3	-	-	-	-	10
The person's ability to answer questions and provide meaningful answers	7	3	-	-	-	-	10
How able do you now feel to provide the required information to employees and resolve their queries?	2	4	2	-	-	2	10

Additional comments and suggestions made by the relevant Employer is followed up by their nominated Employer Liaison Officer, or escalated as appropriate.

We have not included the results of our annual scheme member satisfaction survey due to the low response rate. Only 5 scheme member surveys were completed in 2017/18. As a result, we are redesigning our customer survey process in 2018/19.

Complaints

Measure	2017/18
Number of complaints received	19
Outcome of complaints at IDRP stage 1 & 2	<ul style="list-style-type: none"> ▪ 15 appeals declined ▪ 1 appeal upheld ▪ 2 decisions outstanding at IDRP 1 ▪ 1 decision outstanding at IDRP 2
Complaints as a percentage of workload	0.05%

Scheme Administration Data

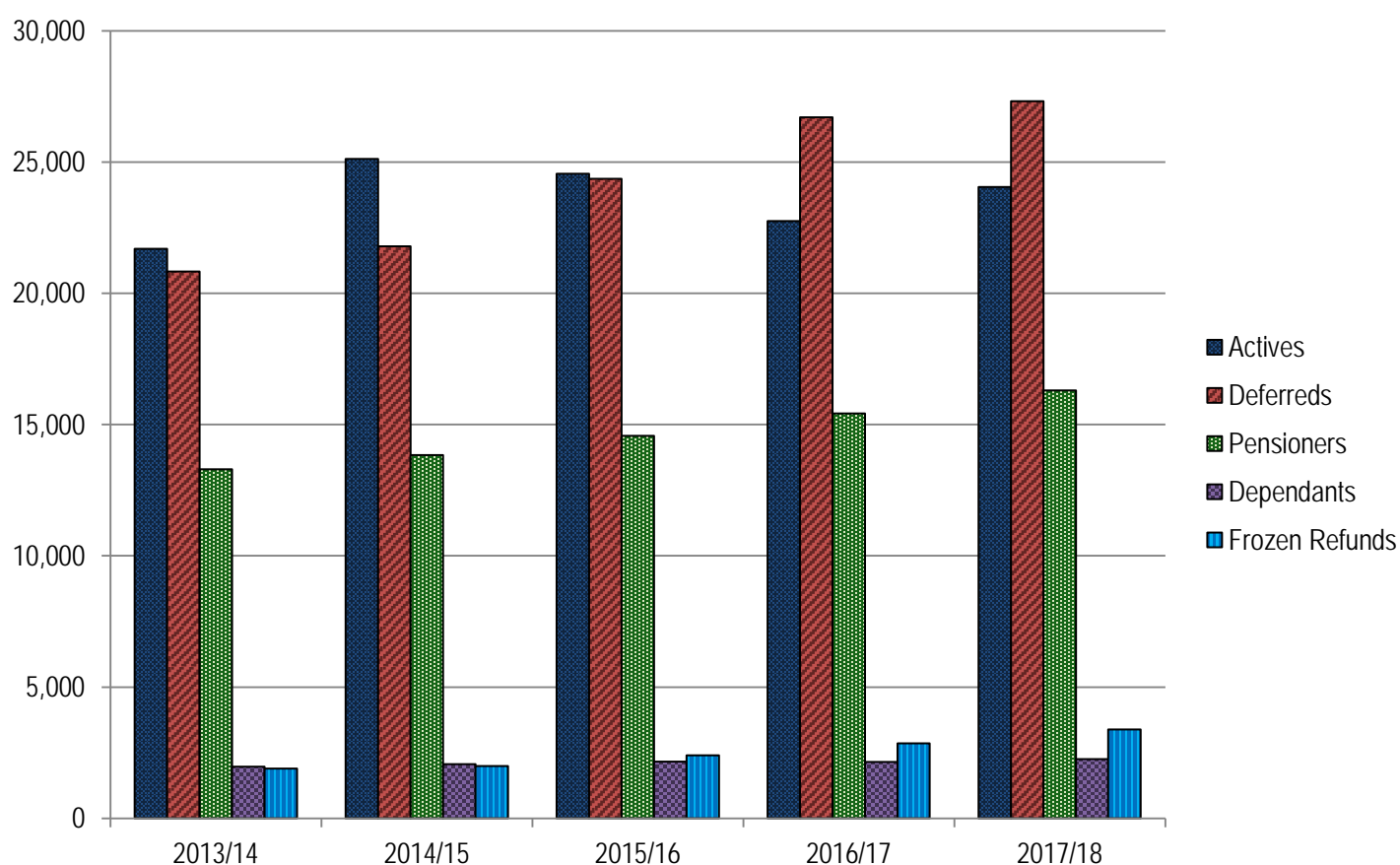
Buckinghamshire County Council LGPS Pensions Administration participates in the CIPFA Benchmarking Club. Data is submitted annually and the Council is measured against the other 31 administering authorities that participate.

Annually data is supplied on cost measures, workload measures, staff related measures and Industry Standard Performance Indicators. Data supplied includes the number of entrants to the scheme, early leavers, retirements and deaths; details of how calculations are processed and staffing experience such as salary and pensions experience.

Key findings from the 2016/17 report, which is the most recent data available for inclusion in this annual report, are as follows:

Measure	Buckinghamshire County Council	Club Average
Total cost per member	£26.37	£20.14
Total direct cost per member	£15.91	£12.77
Benefit Administration team members	22.8 FTE staff	N/A
Scheme members per Benefit Administration team member	3,119	3,914
Total number of LGPS Employers	283	311

Five-year analysis of the Fund's membership data



Composition of Membership	2013/14	2014/15	2015/16	2016/17	2017/18
Actives	21,693	25,112	24,552	22,754	24,042
Deferreds	20,832	21,791	24,362	26,699	27,313
Pensioners	13,296	13,840	14,573	15,420	16,297
Dependants	1,970	2,060	2,155	2,146	2,251
Frozen Refunds	1,892	1,992	2,404	2,852	3,381
Undecided Leavers	243	241	236	1,317	1,593

Management and Financial Performance Report

List of contributing Employers and the value of contributions received from each during the year

Employer Name	Employer Contributions £000	Employees Contributions £000
Acorn Childcare	6	2
Acorn Childcare (Jubilee Wood)	1	0
Action for Children	81	34
Action for Children (Children Centres)	86	27
Adventure Learning Foundation	8	2
Adventure Learning Foundation (WDC)	3	2
Alfriston School	125	34
Alliance in Partnership	7	2
Ambassador Theatre Group	5	2
Amersham & Wycombe College	473	121
Amersham School	127	33
Amersham TC	54	18
Ashridge Security Management	11	1
Aspens Services Ltd (Shenley Brook End)	8	2
Aston Clinton PC	10	2
Aylesbury College	571	193
Aylesbury Grammar School	199	55
Aylesbury High School	188	51
Aylesbury TC	110	34
Aylesbury Vale Academy	281	76
Aylesbury Vale District Council	3,470	893
Beaconsfield High School	216	60
Beaconsfield TC	11	4
Bedgrove Infant School	115	30
Beechview Academy	52	13
Birkin Cleaning Services (John Colet)	8	2

Employer Name	Employer Contributions £000	Employees Contributions £000
Birkin Cleaning Services (Oakgrove School)	1	0
Bletchley & Fenny Stratford TC	35	12
Bourne End Academy	167	40
Bradwell PC	7	2
Brill CofE School	32	8
Brookmead Combined School	33	8
Brookward School	47	12
Broughton & Milton Keynes PC	5	2
Buckingham TC	58	16
Buckinghamshire Care * accruals from 2016/17	- 80	- 9
Buckinghamshire County Council	30,526	7,708
Buckinghamshire County Museum Trust	49	19
Buckinghamshire New University	1,781	557
Buckinghamshire Support * accruals from 2016/17	- 1	- 0
Bucks CC Schools - Strictly Education	1,450	314
Bucks Learning Trust	478	235
Bucks University Technical College	22	9
Burnham Grammar School	148	42
Burnham Park E-ACT Academy	93	23
Burnham PC	13	3
Busy Bee Cleaning Services Ltd	6	1
Campbell Park PC	36	12
Capita	49	18
Castlefield School	183	52

Management and Financial Performance Report

Employer Name	Employer Contributions £000	Employees Contributions £000
Caterlink (Buckingham Primary)	10	2
Caterlink (Chiltern Hills Academy)	3	1
Chalfont St Giles PC	10	3
Chalfont St Peter CofE School	63	16
Chalfont St Peter PC	6	2
Chalfont Valley E-Act Academy	24	6
Charles Warren Academy	47	12
Chartwells (Oakgrove School)	22	6
Chepping View Primary School	103	28
Chepping Wycombe PC	15	4
Chesham Bois CofE Comb Academy	14	4
Chesham Bois PC	3	1
Chesham PC	108	30
Chestnuts Academy	111	35
Chiltern District Council	6,362	447
Chiltern Hills Academy	193	50
Chiltern Rangers CIC	12	5
Chiltern Way Federation	199	58
Chilterns Conservation Board	59	30
Cleantec	2	0
Coldharbour PC	15	9
Combined Bucks & MK Fire Authorities	1,301	227
Connection FS (Red Kite)	6	2
Connection Support MKC	20	6
Connexions	99	48
C-Salt	45	15

Employer Name	Employer Contributions £000	Employees Contributions £000
Cucina Restaurants (Walton High)	15	3
Cucina Restaurants Ltd	3	1
Danesfield School	29	11
Denbigh School	233	70
Denham Green E-ACT Primary Academy	34	8
Derwent Facilities Management Ltd	7	2
Dorney School	18	7
Dr Challoner's Grammar School	214	59
Dr Challoner's High School	150	41
Eaton Mill Day Nursery	66	24
EMLC Academy Trust	85	40
Enterprise Support Services UK Ltd	2	0
Excelcare	14	3
Fairfields Academy	23	7
Fremantle Trust (The)	1,032	52
Frosts	33	7
George Grenville Academy	37	9
Gerrards Cross PC	6	2
Great Horwood CofE Combined School	7	2
Great Kimble CofE	1	3
Great Kingshill CofE Combined School	12	4
Great Marlow School	254	69
Great Missenden CofE Combined School	105	24
Great Missenden PC	7	3
Green Park School	42	13
Green Ridge	14	5
Greenleys Junior School (Academy)	51	15

Management and Financial Performance Report

Employer Name	Employer Contributions £000	Employees Contributions £000
Hambleden PC	1	0
Hamilton Academy	119	34
Hazelmere PC	14	4
Heritage Care Ltd	76	18
Heronsgate School	69	20
Hertsmere Leisure Trust	8	2
Hightown Praetorian	8	2
Holmer Green Senior School	135	37
Ickford Learning Trust	19	5
Innovate	7	3
Inspiring Futures Through Learning	39	15
Iver PC	33	8
Ivinghoe PC	1	1
John Colet School	154	43
John Hampden Grammar School	184	49
Jubilee Wood	91	27
Kents Hill & Monkston PC	2	1
Kents Hill School	49	14
Khalsa Secondary Academy	22	8
Kids Play Ltd	5	3
Knowles Primary School	88	26
L&Q Housing (formerly Beacon Housing)	161	2
Lace Hill Academy	42	11
Lacey Green PC	1	0
Lane End PC	5	1
Lent Rise Academy	77	20
Little Marlow PC	3	1
Longwick-cum-Ilmer PC	1	0
Lord Grey School	308	95
Loudwater Combined School	56	13
Loughton PC	1	0
Loughton School	83	23
Marlow TC	32	10
Mears Group Plc	64	22

Employer Name	Employer Contributions £000	Employees Contributions £000
Mentmore PC	1	0
Middleton Primary School	114	34
Milton Keynes Academy	298	107
Milton Keynes College	1,560	634
Milton Keynes Council	10,693	4,065
Milton Keynes Council - MKSP	3,571	1,166
Milton Keynes Council - Strictly Education	1,673	484
Milton Keynes Development Partnership	60	40
MK Dons	7	2
Monkston Primary School	33	10
National Federation for Educational Research	422	-
NET Academies Trust	41	12
New Bradwell	56	19
New Bradwell PC	4	1
New Chapter School Academy	59	17
Newport Pagnell TC	22	6
Newton Longville PC	3	1
NSL Ltd (Wycombe)	31	12
Nurture Landscapes Ltd	18	5
Oakgrove School	270	84
OFM Support Services	12	3
Olney Infants School	64	18
Olney Middle School	64	18
Olney PC	21	6
Orchard Academy	84	29
Ousedale School	296	88
Overstone Combined School	61	15

Management and Financial Performance Report

Employer Name	Employer Contributions £000	Employees Contributions £000
Oxley Park School	119	36
Oxon & Bucks Mental Health Authority	22	9
Padbury Academy	4	1
Paradigm Housing	37	20
Park School * accruals from 2016/17	- 11	- 3
PCC for Thames Valley	137	64
Penn PC	3	1
Penn School	556	-
Piddington & Wheeler End PC	1	0
Places for People Leisure	3	1
Places for People Leisure (WDC)	4	1
Police Superintendents Association	11	5
Portfields Combined School	80	20
Princes Risborough TC	18	5
Princes Risborough Upper School	255	67
Princess Risborough Primary School	97	20
Radcliffe School (The)	306	98
Red Kite Community Housing	186	57
Rickley Park Primary Academy	90	26
Ridge Crest Cleaning (Shenley Brook End)	8	2
Ridge Crest Cleaning (Walton High)	14	3
Ringway Jacobs	247	88
Ringway Jacobs MKC	86	27
Royal Grammar School (The)	216	60

Employer Name	Employer Contributions £000	Employees Contributions £000
Seer Green CE School (Academy)	25	6
Serco (MKC Recreation & Maintenance)	27	9
Serco Ltd Milton Keynes Council	89	33
Servest Group Ltd	4	1
Shenley Brook End & Tattenhoe PC	36	10
Shenley Brook End School	274	81
Shenley Church End PC	16	5
Shepherdswell Academy	54	15
Sir Henry Floyd Grammar School	172	48
Sir Herbert Leon Academy	215	69
Sir Thomas Fremantle Secondary School	41	10
Sir William Borlase's Grammar School	201	57
Sir William Ramsay School	225	60
South Bucks District Council	2,143	270
Southwood Middle School	53	16
Sports Leisure Management	6	1
Spurgeons	5	1
St John's CofE School	5	1
St Nicholas CofE School	45	12
St Paul's R.C. School	431	139
Stanton School	67	21
Stantonbury Arts & Leisure	23	12
Stantonbury Campus	278	85
Stantonbury Campus	10	-

Management and Financial Performance Report

Employer Name	Employer Contributions £000	Employees Contributions £000
Stantonbury PC	13	4
Stephenson Academy	248	85
Stony Stratford TC	12	3
Taplow PC	1	0
Thames Valley Police	13,080	5,849
The Beaconsfield School	132	36
The Bourton Meadow Academy	201	53
The Bridge Academy	172	54
The Chalfonts Community College	311	96
The Gerrards Cross CE School	39	10
The Hazeley School	220	66
The Highcrest Academy	174	47
The Meadows School	9	3
The Misbourne School	31	9
The Premier Academy	160	49
The Royal Latin School	210	57
Thomas Harding School	20	5
Two Mile Ash	133	38
Vale of Aylesbury Housing Trust	523	189
Waddesdon Church of England School	187	53
Waddesdon PC	3	1
Walton High School	372	119
Water Hall Combined School	77	23
Wendover PC	6	1
West Bletchley Council	49	18
West Wycombe PC	1	0
Weston Turville PC	3	1
White Hill Schools Trust	247	68

Employer Name	Employer Contributions £000	Employees Contributions £000
Whitehouse Primary School	27	8
Winslow TC	8	2
Woburn Sands PC	5	2
Wolverton & Greenleys TC	30	8
Wolverton & Watling Way Pools Trust	6	4
Wooburn PC	31	7
Woughton Community Council	48	18
Wycombe District Council	4,828	675
Wycombe Heritage & Arts Trust	13	6
Wycombe High School	213	64

Investment Policy and Performance Report

The planned asset allocation and actual asset allocation at the beginning and end of the 2017/18 financial year are shown in the table below.

A strategic review of asset allocation, in March 2017, showed that the overall risk factor (standard deviation) for the Fund is 13.4%. The next strategic review of asset allocation is due in 2020 following the outcome of the triennial valuation. Interim strategy reviews can be taken if required.

Table 1: Asset Allocation 2017/18

	Planned % 31 March 2017	Actual % 31 March 2017	Planned % 31 March 2018	Actual % 31 March 2018
UK Equities	13	13	13	11
Overseas Equities	36	38	36	40
Bonds	25	24	25	23
Alternatives	18	16	18	16
Property	8	6	8	7
Cash	0	3	0	3
Total	100	100	100	100

Investment Administration

The Fund's assets are managed by external fund managers. The Fund's equities and bonds within segregated mandates are held by our global custodian. The Fund transitioned from Bank of New York Mellon to State Street in December 2017. The Fund's investments to 30 November 2018 are accounted for by Bank of New York Mellon and by State Street from 1 December 2017. The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS).

Investment Policy and Performance Report

In the year to 31 March 2018 the annual return was 3.6% compared to its benchmark return of 3.0%, an outperformance of 0.6%. Blackrock, Blackstone, GTP, Investec, Mirabaud and Royal London outperformed for the year to 31 March. Aviva, Schroders and Standard Life underperformed. Legal & General's performance in accordance with its passive mandate matched the benchmark.

All of the Fund's investment managers have been employed for a full three year period. Three years is a pension industry standard timescale for performance comparisons. In the three years to 31 March, the Fund achieved a return of 7.4%, an annual outperformance of 0.3% compared to its 7.1% benchmark for that period. Over the three years Blackrock, Blackstone, GTP, Mirabaud and RLAM have outperformed their benchmarks.

Legal & General, in accordance with their passive tracker mandate matched the benchmark. Aviva, Investec, Schroders and Standard Life underperformed their benchmarks for the three year period.

Table 2: Fund Managers' Annual & Three Year Performance

Fund Manager & Mandate	Annual Performance			Three Year Performance		
	Net Performance %	Benchmark	Net Relative Return %	Net Performance %	Benchmark	Net Relative Return %
Aviva Investors – Property Multi-Manager	9.2	10.0	-0.8	7.4	8.1	-0.7
Blackrock – Dynamic Diversified Growth Fund	4.0	0.4	3.6	1.1	0.5	0.6
Blackstone – Offshore Sterling Hedge Fund	4.4	0.4	4.0	3.4	0.5	2.9
GTP – Global Equity Thematic	4.3	2.4	1.9	10.5	10.2	0.3
Investec – Global Equity Dynamic	3.7	2.4	1.3	8.8	10.2	-1.4
Schroders - Global Equity Active Value	0.2	2.4	-2.2	9.6	10.2	-0.6
Mirabaud – UK Equities	3.1	1.2	1.8	7.5	5.9	1.6
Standard Life – UK Equities	0.7	1.2	-0.5	5.1	5.9	-0.8
Legal & General – Passive Equities and Bonds	4.4	4.4	0.0	8.7	8.7	0.0
Royal London – Core Plus Bonds	2.2	1.2	1.0	5.2	4.5	0.7
Total ex Private Equity	3.6	3.0	0.6	7.4	7.1	0.3

Investment Policy and Performance Report

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, 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 2018 compared to the Fund's investment benchmark.

Table 3: Investment Performance

	1 year %	3 years %	5 years %
BCC Fund	3.6	7.4	8.6
Strategic Benchmark	3.0	7.1	8.1
Relative	0.6	0.3	0.5

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.

Scheme Member and Pensioner Administration

Buckinghamshire County Council's Pensions and Investments Team administer the Local Government Pension Scheme on behalf of the Buckinghamshire County Council Pension Fund. This includes pensioner administration and the Fund runs its own in-house pensioner payroll.

Arrangements for gathering assurance of effective and efficient administration operations

The Pensions and Investments Team report to the Buckinghamshire Pension Board on year end administration performance and complaints under IDRP. The team are internally audited annually. The internal audit reports include an action tracker which details outstanding issues. Updates to outstanding BCC Pension Fund internal audit actions are reviewed at the County Council's Regulatory and Audit Committee meetings. The Regulatory and Audit Committee consists of eight elected members who meet to consider matters relating to the Council's constitution, accounts, risk management and governance arrangements.

As previously mentioned, the Fund's LGPS administration participates in the CIPFA Benchmarking Club. Data is submitted annually and the Pensions and Investments team is measured against the other 31 administering authorities that participate.

Key areas of Technology

The Fund's records and administration system (i.e. *Altair by Aquila Heywood*) are computerised. Altair enables us to store our members' paperwork electronically by scanning all correspondence to the individual's record. All work is recorded and monitored on our workflow system. Our "my pension online" member self-service facility enables the Fund's members to access their pension records via a secure portal at <https://ms.buckscc.gov.uk>.

The Fund maintains its own website which is available to scheme members, scheme employers, prospective members and all other stakeholders. The Fund's website content is comprehensive and includes links to the national LGPS websites. The Communications Officer provides LGPS presentations to Employers on request. The LGPS Induction presentation gives prospective members an overview of the LGPS. The Fund's active membership has been impacted upon by auto-enrolment legislation, the introduction of the LGPS 50/50 scheme and the accessibility of our online suite of LGPS documentation.

Internal Dispute Resolution Procedure (IDRP)

The Local Government Pension Scheme (LGPS) operates a two stage dispute procedure under Regulation 72 to 79 of the Local Government Pension Scheme Regulations 2013.

Within the first stage of this procedure, the complaint will be considered by a person nominated by the body that took the decision that the member wishes to complain against. Each employer is asked to nominate a 'specified person' and any complaints against the employing authority will be directed to them. Where the complaint is against the administering authority, these complaints will be addressed by the specified person within the administering authority.

If the member is not satisfied with the decision from stage 1, they have not received a decision, an interim letter more than 3 months after the date the initial complaint is lodged, or it is more than 1 month from the date they were informed a decision would be made, then a member can progress their complaint to stage 2. At this stage, the administering authority can take a fresh look at the complaint, which would be undertaken by a person not involved in the first stage decision. Where the stage 1 complaint was against the employing authority, the specified person within the administering authority or HB Public Law will undertake the stage 2 review. Where the stage 1 complaint was against the administering authority, HB Public Law are responsible for this review.

If members are still dissatisfied following stage 1 & Stage 2, they can take the case to the Pensions Ombudsman within 3 years of the original decision being made.

Summary of IDRP cases in 2017/18:

Stage 1 appeals

1. May 2017 – Member appealed against his benefits being calculated in accordance with the GAD late retirement factors in force at his time of retirement. Appeal declined.
2. May 2017 - Member appealed against the employing authority's ill health decision. Appeal declined.
3. July 2017 – Member appealed against the administering authority as she did not receive a pay slip despite written confirmation not to issue one. Appeal declined.
4. August 2017 – Member appealed against the employing authority's ill health decision. Appeal declined.
5. September 2017 - Member appealed against the employing authority's ill health decision. Appeal declined.
6. September 2017 – Member submitted stage 1 appeal against administering authority citing poor advice provided. Appeal declined.
7. September 2017 – Member submitted stage 1 appeal against the administering authority for not performing all checks regarding a transfer which has led to a possible loss. Appeal upheld.
8. September 2017 – Member appealed administering authority's decision to reclaim refund of contributions which had been claimed fraudulently. Appeal declined.
9. September 2017 – Member appealed against his benefits being calculated in accordance with the GAD late retirement factors in force at his time of retirement. Appeal declined.
10. November 2017 - Member appealed against the employing authority's ill health decision. Appeal in progress.
11. December 2017 – Solicitor appealed on behalf of deceased member's next of kin against decision by administering authority to not award a co-habiting partners pension. As member had left the scheme before 2008 they therefore had no basis for entitlement. Appeal declined.
12. March 2018 - Member appealed against the employing authority's ill health decision. Appeal in progress.

Stage 2 appeals

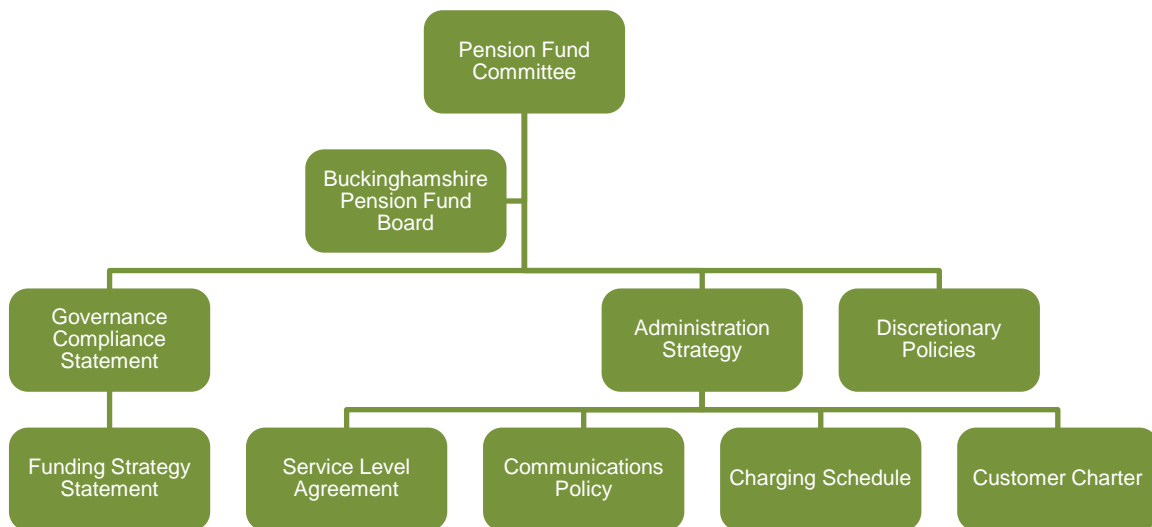
13. May 2017 – Member proceeded to Stage 2 to appeal against the action taken by the administering authority to correct an error that occurred when processing the member's aggregation from a previous LG authority. Appeal declined, but member was awarded compensation for inconvenience.
14. June 2017 – Member proceeded to Stage 2 to appeal against the final pay used in the calculation of her retirement benefits. Appeal declined.
15. August 2017 (follow up to 1. Stage 1 appeal). Appeal declined.
16. August 2017 (follow up to 3. Stage 1 appeal). Appeal declined.
17. March 2018 (follow up to 7. Stage 1 appeal). Member proceeded to stage 2 despite the stage 1 appeal being upheld due to disagreeing with deadlines given. Appeal in progress.
18. January 2018 (follow up to 2. Stage 1 appeal). Appeal declined.
19. February 2018 (follow up to 8. Stage 1 appeal). Appeal declined.

Governance 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 participating employers, detailing actions to be taken if targets are not met.

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



The BCC Pension Fund Governance 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 Policy Statement

Background

1. With effect from April 2006, pension fund administering authorities were required to prepare and publish a governance policy statement under the LGPS (Amendment) (No.2) Regulations 2005 (Statutory Instrument 2005 No. 3199). Regulation 55 of the Local Government Pension Scheme Regulations 2013 states that an administering authority must prepare a written statement setting out:
 - whether the authority delegates its functions, or part of its functions to a committee, a sub-committee or an officer of the authority; 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 established under regulation 106 (local pension boards: establishment).
2. This policy statement sets out the County Council's arrangements for discharging its responsibilities for pension fund matters.

Governance of Buckinghamshire Pension Fund

3. The current arrangements for the discharge of the County Council's responsibilities for pension fund matters are set out below.
4. Under the County Council's constitution, the County 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 the Finance Director (Resources and ACES) before making decisions within the scope of their delegated powers. The Committee receives professional advice from an investment consultant and an independent adviser on investment strategy and other investment matters.
5. The terms of reference for the Pension Fund Committee are to agree:
 - 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 for the Fund;
 - any other matters relating to the management and investment of the Pension Fund, as requested.

Reporting

6. 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.

Membership

7. The membership of the Pension Fund Committee is:
 - Six elected members from Buckinghamshire County Council;
 - Three Co-Opted members:
 - One elected member from Milton Keynes Council;
 - One elected Police and Crime Commissioner (PCC) or deputy PCC member from Thames Valley Police;
 - One elected member chosen by the four District Councils in Buckinghamshire;

Members have Quasi-Trustee status and consequently no substitutions are permitted.

8. The Fund's investment consultants and independent adviser advise on investment strategy and other investment matters.

Operational Procedures

9. The Pension Fund Committee has five regular meetings scheduled each year. At four of the meetings the Committee receives a report on the investment performance of the fund in the quarter and the Fund's longer term performance. The Committee meets to review the Fund's investment performance in relation to targets.
10. Procedures for communicating with employers contributing to the Pension Fund are set out in the Communication Policy Statement.

Governance Statements

Knowledge and Skills Policy Statement

11. This organisation 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.
12. 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.

Governance Compliance Statement

1. Introduction

- 1.1 This is the Governance Compliance Statement of the Buckinghamshire Pension Fund which operates as part of the Local Government Pension Scheme and is administered by Buckinghamshire County Council (the Council).
- 1.2 This statement has been prepared as required by Regulation 55 of the Local Government Pension Scheme Regulations 2013.

2. Governance Arrangements

- 2.1 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 is supported by officers of the Council, investment consultants and an independent adviser. Governance arrangements are outlined in the Governance Policy Statement.
- 2.2 The Pension Fund Committee meets five times a year and its members act in a quasi-trustee capacity. Under the Constitution, it is responsible for administering, investing and managing the Fund. Further meetings can be arranged if required. Terms of reference are available on the Council's website at:
<http://www.buckscc.gov.uk/media/1248/council-constitution.pdf>
- 2.3 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 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. Meetings are held three times a year. The Terms of Reference are available on the Council's website at:
<https://democracy.buckscc.gov.uk/documents/s71216/Pension%20Fund%20Board%20TOR.pdf>

3. Functions and Responsibilities

- 3.1 The Pension Fund Committee approves the Pension Fund's Funding Strategy, the Investment Strategy Statement, the Governance Policy Statement and the Communications Policy. Other key responsibilities of the Committee include:
 - Policy approval
 - Appointing Advisers
 - Monitoring Fund performance
 - Monitoring Scheme Governance

3.2 The Funding Strategy sets out the aims and purpose of the Fund and the responsibilities of the administering authority as regards funding the scheme. Regulation 7 of The Local Government Pension Scheme (Management and Investments of Funds) Regulations 2016, require an administering authority to formulate, publish and maintain an Investment Strategy Statement.

The Investment Strategy Statement required by Regulation 7 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 taken into account 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.

3.3 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 investments.

3.4 The Communications Policy details the overall strategy for involving stakeholders in the Pension Fund. The Pension Fund also has a Governance Policy Statement which outlines many of the frameworks identified within this document. Additionally, an administering authority discretions document has been developed stating those discretions found within the scheme that it has adopted. All documentation is published at www.buckscc.gov.uk/pensions

3.5 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 County Council as the administering authority and participating Scheme employers/third party payroll providers in the Fund in a single document within one framework. A formal review is undertaken every three years.

4. Representation

4.1 The Pension Fund Committee has 9 members as follows:

- Six Elected Members from Buckinghamshire County Council
- Co-Opted members:
 - One Elected member from Milton Keynes Council
 - One Elected Police and Crime Commissioner (PCC) or Deputy PCC from Thames Valley Police
 - One Elected member chosen by the four District Councils in Buckinghamshire

Members have Quasi-Trustee status and consequently substitutions are not permitted.

4.2 The Local Pension Board has 8 members comprising of 4 employer representatives and 4 scheme member representatives.

5. Stakeholder Engagement

5.1 A triennial meeting of the Pension Fund, called the 'Pensions General Meeting', is held in November/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.

5.2 Mechanisms used to involve stakeholders include:

- Communication with Scheme Employers
- Dedicated Employer Liaison Officers and Communications Officer
- Training Events
- Meetings with the Actuary and the Auditors
- Meetings with Advisors
- Meetings with Brunel Pensions Partnership
- Buckinghamshire Finance Officers meetings
- The annual report for the Pension Fund
- Scheme member newsletters/updates

6. Review and Compliance with Best Practice

6.1 This statement will be kept under review and will be revised and published annually or following any material change in the Governance Policy Statement of the Pension Fund.

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

6.3 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 of our Governance Policy would be outlined in this document and reported to the Chairman of the Pension Fund Committee. A summary of our compliance with recommended good practice is outlined below.

Responsible Officer:

Claire Lewis-Smith, Principal Pensions Officer (Governance & Employer Liaison)

Good Practice Requirement	Met/Not Met	Evidence
Structure		
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	The BPB meets three times a year after two meetings of PFC. Board minutes go to PFC and vice-versa

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Good Practice Requirement	Met/Not Met	Evidence
Representation		
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 the BPB as from Terms of Reference i) PFC and BPB ii) BPB iii) 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, meetings and 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.
Voting		
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	Voting rights are not specifically noted in the PFC Terms of Reference. However under section 4 (Membership) there are 9 members and under section 4.5 it is noted that members have Quasi-Trustee status and therefore no substitutions are permitted. Section 4.6 confirms the Quorum is 4 members. The BPB has 4 employer representatives and 4 scheme member representatives. The draft Terms of Reference confirms the Quorum is 4 Board members, comprising of at least 2 employer and 2 scheme member representatives. Substitutions are permitted.

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Good Practice Requirement	Met/Not Met	Evidence
Training/facility time/expenses		
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 <i>Code of Practice on Public Sector Pensions Finance Knowledge and Skills</i> . Reimbursement of Expenses is defined in BCC 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 BCC Constitution.
Meetings (frequency/quorum)		
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 twice a year and is synchronised with the dates when the main committee sits.	Met	BPB draft Terms of Reference.
Access		
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 Member Services.
Scope		
That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Met	PFC forward plan requires senior Pension officers to attend meetings to discuss and raise issues outside usual scope of Pension Fund Investment.

Governance Statements

Good Practice Requirement	Met/Not Met	Evidence
Publicity		
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 BCC external website. This includes Terms of Reference, Customer Charter and Governance Compliance Statement.

The membership of the Pension Fund Committee throughout 2017/18 is detailed below:

Membership	Representing	Number of Pension Fund Committee meetings attended
Cllr John Chilver	Chairman	5 of 5
Cllr David Martin	Vice-Chairman from 30 November 2017	5 of 5
Cllr Angela Macpherson	Vice-Chairman to 29 November 2017	1 of 3
Cllr Matthew Barber	Thames Valley Police	3 of 5
Cllr Timothy Butcher		3 of 5
Cllr John Gladwin	District Councils	3 of 5
Cllr Clive Harriss		2 of 5
Cllr Steven Lambert		0 of 2
Cllr Norman Miles	Milton Keynes Council	1 of 5

All members of the Committee have voting rights.

The training to Pension Fund Committee members included:

- Pension Fund Committee Induction
- Private Equity
- Investment Strategy
- Brunel Engagement Day
- Currency Hedging

Members are required to disclose any declarations of interest at the beginning of each Pension Fund Committee meeting.

The Public Service Pensions Act 2013 introduced the requirement to have a Local Pensions Board to assist in the good governance of the scheme. The Buckinghamshire Pension Fund established the Board by the deadline of 1 April 2015 and the Buckinghamshire Pension Board's first meeting took place on 21 July 2015.

The Board currently meets three times per annum and consists of 4 Employer and 4 Member representatives, although there has been an unfilled vacancy for both a scheme employer representative and a scheme employee representative at some point during 2017/18. Attendance at meetings has been high, with an attendance rate of 90%.

All members of the Board have equal voting rights.

On 31 March 2018, the Board members were:

Scheme member representatives

- Peter Dearden
- Steve Mason (Chairman)
- Joe McGovern
- Tina Pearce

Scheme employer representatives

- Bev Black
- Roona Ellis (Vice Chairman)
- Ian Thompson
- Lisa Wheaton

Scheme member representatives include active and pensioner members of the Scheme. Scheme employer representatives are drawn from Buckinghamshire County Council, Milton Keynes Council and Thames Valley Police. Trade Unions are represented by both member and employer representatives.

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

In accordance with Section 248a of the Pensions Act 2004, every member of the Buckinghamshire County Council Local Pension Board 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.

Pension Board 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 and via any other courses which Board members believe will enhance their pension knowledge. 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, and is regularly updated by the Regulator during the year.

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

- LGA Trustee Fundamentals training and Cross Pool Open Forum
- Barnett Waddingham Board Member Seminars
- Employer training, and
- In-house training as a result of a training needs analysis exercise

Annual Review of the Buckinghamshire Pension Board

At the end of its third 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 Annual Report and Accounts 2016/17 and
- the CIPFA Pensions Administration Benchmarking performance.

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

- Pension Fund Administration Performance Statistics,
- Pension Fund Administration Year-end Updates,
- Ad hoc reports, such as Internal Dispute Resolution Procedure and Pensions 'Online'
- Pension Fund Committee agenda and minutes,
- Updates from Officers regarding the progress in implementing the Brunel Pension Partnership as part of the Government LGPS Investments reform agenda,
- The BCCPF Employer's Newsletter for each quarter.

In addition, the Board Chairman attended meetings of the Pensions Committee in an 'observer' capacity, including additional meetings regarding developments in the Brunel Pension Partnership process, and had regular meetings with senior Officers to review ongoing Administration issues.

The Board Chairman reported that,

"In its third year of operation, the Pension Board has continued to work closely with Members of the Pensions Committee and senior Officers to help ensure the smooth operation of the Buckinghamshire Scheme.

It is recognised that the core functions of the Board are to assist the Administering Authority in securing compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, any requirements imposed by the Pensions Regulator in relation to the Scheme, and to ensure the effective and efficient governance and administration of the Scheme. All Board activities are targeted toward fulfilling this role.

The new year will see a significant change in the manner in which the Fund investments are to be managed, with the formation of the Brunel company. The Board will assiduously monitor the effectiveness of this new arrangement during the forthcoming transition period, and into the future."

The aim of the Pensions Administration Strategy is to detail the procedures for liaison and communication and to establish levels of performance for both the administering authority and participating 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 and the charges which apply if targets are not met.

Services to Employing Authorities

The main services that we provide to employers are:

- We provide each Employer with contact details for a named Employer Liaison Officer whose role it is to ensure efficient processing of the Employer's queries and maintain good communication with them.
- When deemed necessary we schedule face to face meetings to discuss issues related to pensions administration and regulatory changes. We also meet with our Employers, on request or when mutually agreed, to discuss all aspects of LGPS administration.
- Our Service Level Agreement (SLA) serves as an Employers' guide to the administration of the Fund. Links to the SLA are sent to our Employers by email. The full SLA is available from our website and is regularly updated in line with regulatory changes.
- We publish an Employer newsletter in March, June, September and December of each year to advise Employers of Fund and Scheme developments. Where necessary, we supplement these with interim newsletters and emails for urgent matters.
- We have requested that all Employers send us a copy of their LGPS Discretionary Policy. We issue reminders via our quarterly newsletter. If we do not hold a LGPS Discretionary Policy for an Employer, we will not process any quotes on their behalf, until such time as their policy is sent to us. This has been communicated to all Fund Employers.
- The following table reports on the volume of work undertaken and the percentage of work that was completed within prescribed time limits.

Workload statistics

Measure of other workload for the year to March 2018

In addition to the number and trend of top 10 cases as reported on page 24, we have included other workload for 2017/18 below.

Case Type	Procedures completed in 2017/18
Amalgamations	1203
Bank detail changes	361
Change in personal details	2774
Divorce quotes	160
Deaths	1303
Normal retirement quotes	103
Voluntary early retirement quotes	586
Efficiency/redundancy quotes	293
Late retirement quotes	48
Ill health retirement quotes	42
Flexible/employer consent retirement quotes	78
Frozen refund calculations	1205
Change in hours	163
Reverse pay figures	140
Preserved benefit estimates	145
Change from short to long term pension	102
Manual tax code updates	158

Total number of cases completed in 2017/18: 35,145

Timeliness of data submissions by the Employer

The Fund's officers monitor the timeliness of data submissions by Employers. Where delays occur, we investigate the reason for the delay and contact the Employer concerned to offer guidance and support. We aim to work with and educate our Employers, rather than issue penalties. The Pension Administration Strategy does however contain a detailed charging schedule, which all Employers have been made aware of.

The Pension Administration Strategy, the associated Service Level Agreement (SLA) between participating employers and third party payroll providers and the administering authority, and Charging Schedule are available at: <http://www.bucksc.gov.uk/services/council-and-democracy/local-government-pension-scheme/policies/>.

Communications Policy Statement

With over 70,000 Scheme members, the Buckinghamshire County Council Pension Fund has a responsibility to provide timely and accurate information to all stakeholders.

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.

The Communications Policy Statement is available online at <http://www.buckscc.gov.uk/services/council-and-democracy/local-government-pension-scheme/policies/> and 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 employing authorities.

The format, frequency and methods of distributing Fund information and publicity are detailed below.

Communication Material	Formats Available	Available To	When Published	When Reviewed
Scheme guides	Online, paper	All members, prospective members, members' representatives, Scheme employers	Web link to guides included with employment offer. Available on request	As required
Fact sheets	Online, paper	All members, prospective members, members' representatives, Scheme employers	Always available	As required
Member Self Service and Employer Services	Online	All registered members and employers, allowing them to access their/their staff online pension records	Always available	As required
Scheme update newsletter	Online, paper	All Active members. (Deferred and Pensioner members where necessary)	Annually or more often as required	Annually or more often as required
Pensioner newsletter	Online, paper	Pensioner members	Annually	Annually
Technical Employer newsletter	Sent via email, also available online	Scheme employers	Quarterly	Quarterly
Payslips	Paper, online	Pensioner members	Monthly if £5 variance in net pay/if requested by pensioner member	As required
P60s	Paper, online	Pensioner members	Annually	Annually
Annual Benefit Statements	Paper, online	All Active, Deferred and Pension Credit members	Annually	Annually
Retirement guide	Online, paper	Pensioner members	At retirement	Annually or more often as required

Communications Policy Statement

Communication Material	Formats Available	Available To	When Published	When Reviewed
Annual Report and Accounts	Online	Scheme employers	Annually	Annually
Fund Valuation Report	Online	Scheme employers	Every three years	Every three years
Training / Presentations	PowerPoint Presentation	Members, Scheme employers	On request	As required
Press Releases	Electronic	Scheme employers	When Scheme changes	As required
FRS17 / IAS19 Reports	Electronic	Relevant Scheme employers	Annually	Annually

Access to Communications

The Fund can provide large print and Braille versions of all its printed literature on request. The Fund's website is designed to work on mobile devices and with assistive technologies e.g. screen readers for visually impaired users.

Funding Strategy Statement

This is the Funding Strategy Statement (FSS) for the Buckinghamshire County Council Pension Fund. It has been prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (the Regulations) and describes Buckinghamshire County Council's strategy, in its capacity as administering authority, for the funding of the Buckinghamshire County Council Pension Fund (the Fund). This statement should be read in conjunction with the Fund's Investment Strategy Statement (ISS) and has been prepared with regard to the 2016 guidance issued by CIPFA.

Purpose of the Funding Strategy Statement

The purpose of the FSS is to explain the Fund's approach to meeting employers' pension liabilities and in particular to:

- Establish a clear and transparent fund-specific strategy which 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(5) 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.

These objectives are desirable individually but may be mutually conflicting. This FSS seeks to set out how the administering authority has balanced the conflicting aims of affordability of contributions, transparency of processes, stability of employers' contributions and prudence in the funding basis.

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. This 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 under the Regulations;
- Meet the costs associated in administering the Fund;
- Receive contributions, transfer values and investment income; and
- Accumulate and invest money received, and facilitate the management of this.

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:

- Set levels of employer contribution that will build up a fund of assets that will be sufficient to meet all future benefit payments from the Fund.
- 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.
- Ensure that pension benefits can be met as and when they fall due over the lifetime of the Fund; and
- Ensure the solvency of the Fund; and
- Ensure effective and efficient management of each employer's liabilities.

Key parties

The key parties involved in the funding process and their responsibilities are as follows:

The administering authority

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

- Operate the Fund;
- Collect and account for employee and employer contributions, investment income and other amounts due to the Fund as stipulated in the Regulations;
- Invest the Fund's assets ensuring sufficient cash is available to meet liabilities as and when they become due;
- Pay the benefits due to Scheme members as stipulated in the Regulations;
- 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;
- Prepare the Fund accounts;
- Effectively manage any potential conflict 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.

Individual employers

In addition to the administering authority, a number of other employers, including admission bodies, 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, particularly in respect of early retirement strains, in accordance with agreed policies and procedures; and
- 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 Department of Communities and Local Government.

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;
- Advise interested parties on funding strategy and completion of actuarial valuations in accordance with the FSS and the Regulations;
- Prepare advice and calculations in connection with bulk transfers and individual benefit-related matters;
- Prepare advice and valuations on the exiting of employers from the Fund;
- Provide advice to the administering authority on bonds or other forms of security against the financial effect on the Fund 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 his or her 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 funding strategy seeks to achieve (via employee and employer contributions and investment income) two key objectives:

- A funding level of 100%, as assessed by the Fund's appointed actuary, triennially, in accordance with the Regulations; and
- As stable an employer contribution rate as is practical, with consideration of the long-term cost efficiency objective.

The funding strategy recognises that the funding level will fluctuate with changing levels of employment, retirements and investment income, and the employer contribution has to be adjusted to a level sufficient to maintain the pension scheme's solvency and to achieve a funding level of 100% over the longer term

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.

The most recent actuarial valuation was carried out as at 31 March 2016 with the assets of the Fund found to represent 87% of the accrued liabilities for the Fund, corresponding to a deficit of £335m. The primary rate required to cover the employer cost of future benefit accrual was 15.1% of payroll p.a. 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 to meet that target over an agreed period.

The funding target is to have sufficient assets in the Fund to meet the accrued liabilities for each employer in the Fund. The funding target may, however, depend on certain employer circumstances and in particular, whether an employer is an "open" employer – one which allows new staff access to the Fund, or a "closed" employer 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 chosen funding target.

For open employers, the actuarial funding method that is adopted is known as the Projected Unit Funding Method which considers separately the benefits in respect of service completed before the valuation date ("past service") and benefits in respect of service assumed to be completed after the valuation date ("future service"). This approach focuses on:

- 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 in payment. 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) which is the level of contributions required from the individual employers which, in combination with employee contributions is assumed to support the cost of benefits accruing in future.

The key feature of this method is that, in assessing the future service cost, the primary contribution rate represents the cost of one year's benefit accrual.

For closed employers, the 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 amounts that the employer then pays are a combination of the future service cost described above and any adjustments for the past service surplus or deficit. If there is a deficit, this adjustment will be specified as an additional contribution expressed as either a percentage of pay or as a cash amount to be paid in future.

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 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 statistical assumptions which are essentially estimates of the likelihood 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.

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. This is derived by considering the average difference in yields over the appropriate period from conventional and index linked gilts during the six months straddling the valuation date to provide an estimate of future price inflation as measured by the Retail Price Index (RPI). The RPI assumption adopted as at 31 March 2016 was 3.3% p.a.

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. A deduction of 0.9% p.a. is therefore made to the RPI assumption to derive the CPI assumption. The CPI assumption adopted as at 31 March 2016 was 2.4% p.a.

Future pay inflation

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 inflation. Historically, there has been a close link between price and pay inflation with pay increases exceeding price inflation in the longer term. The long-term pay increase assumption adopted as at 31 March 2016 was CPI plus 1.5%, with a short-term assumption in line with CPI for the period to 31 March 2020. An allowance has also been made for promotional increases.

Future investment returns/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 adopted will depend on the funding target adopted for each Scheme employer.

The discount rate that is applied to the projected liabilities reflects a prudent estimate of the rate of investment return that is assumed to be earned from the underlying 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. The discount rate adopted for the 31 March 2016 valuation was 5.4% p.a.

For some employers, an adjustment may be made to the discount rate in relation to the remaining liabilities, once all active members are assumed to have retired if at that time (the projected “termination date”), the employer becomes an exiting employer under Regulation 64.

The Fund Actuary will incorporate such an adjustment after consultation with the administering authority.

The adjustment to the discount rate for employers may be set to a higher funding target at the projected termination date, so that there are sufficient assets to fund the remaining liabilities on a “minimum risk” rather than on an ongoing basis if the Fund do not believe that there is another Scheme employer to take on the responsibility of the liabilities after the employer has exited the Fund. The aim is to minimise the risk of deficits arising after the termination date.

Asset valuation

For the purposes 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.

Statistical assumptions

The statistical assumptions incorporated into the valuation, such as future mortality rates, are based on national statistics. These are adjusted as appropriate to reflect the individual circumstances of the Fund and/or individual employers.

Further details of all of the assumptions adopted are included in the latest actuarial valuation report.

Deficit recovery 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. Accordingly the Fund will normally either be in surplus or in deficit.

Where the actuarial valuation discloses a significant deficit then the levels of required employers’ contributions will include an adjustment to fund the deficit over a period of years. The deficit recovery period for each employer will depend upon the significance of the deficit relative to that employer’s liabilities, the covenant of the individual employer and any limited period of participation in the Fund, and the implications in terms of stability of future levels of employers’ contribution.

At the 2016 valuation, a maximum deficit recovery period of 16 years is used for all employers. Shorter recovery periods have been used where affordable. This will provide a buffer for future adverse experience and reduce the interest cost paid by employers. For Transferee Admission Bodies the deficit recovery period is set equal to the remaining contract period if this is known. 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.

Deficit contributions required from an employer are expressed as a minimum requirement, with employers able to pay regular contributions at a higher rate, or one-off contributions, to reduce their deficit. Employers should discuss with the administering authority before making one-off capital payments.

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.

Currently there are the following pools within the Fund:

- Buckinghamshire County Council;
- Milton Keynes Council;
- Bucks Academies;
- Milton Keynes Academies;
- Town and Parish Councils;
- Admission Bodies.

There are also a number of connected employers within the Fund. Connected employers are those where we understand that the organisation controls all of the employers or has responsibility for all the pension obligations. Examples include parent/subsidiaries or former Transferee Admission Bodies who have ceased to participate where the legacy liabilities have been passed back to the Letting Authority. In these instances, the contribution rate has been determined as a pooled rate.

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

Cessation valuations

When an employer leaves the Scheme and becomes an exiting employer, the Fund Actuary will be asked to make a termination assessment. Any deficit in the Fund in respect of the employer will be due to the Fund as an immediate exit payment, unless it is agreed by the administering authority and the other parties involved that the assets and liabilities relating to the employer will transfer within the Fund to another participating employer.

In certain circumstances, if it is not possible for all or part of the exit payment to be obtained from the ceasing employer, it may be possible for the exit payment to be paid over a period which the administering authority considers reasonable.

In assessing the deficit on cessation, the Fund Actuary may adopt a “minimum risk” discount rate based on gilt yields and adopt different assumptions to those used at the previous valuation. For example, this is likely to apply in instances where there is no employer in the Fund taking responsibility for any residual liabilities of the ceasing employer. This is in order to protect the other employers in the Fund from having to fund any future deficits which may arise from the liabilities that will remain in the Fund.

Early retirement costs

The funding basis makes no allowance for premature retirement except on grounds of ill health. Employers are required to pay additional contributions wherever an employee retires before attaining the age at which the valuation assumes that benefits are payable. The calculation of these costs is carried out with reference to a calculation method approved by the Fund Actuary.

Links with the Investment Strategy Statement (ISS)

The main link between the FSS and the ISS relates to the discount rate that underlies the funding strategy as set out in the FSS, and the assumed rate of investment return which is assumed to be achieved by the underlying 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 assumed return from the underlying 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 employer risks.

Financial risks

The main financial risk is that the actual investment strategy fails to produce the assumed 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 assumed 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. Broadly speaking an increase/decrease of 0.5% p.a. in the real discount rate will decrease/increase the liabilities by 10%, and decrease/increase the required employer contribution by around 2.5% of payroll.

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. The liabilities of the Fund can also increase by more than has been planned as a result of early 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.

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. 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.

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;
- An employer ceasing to exist without having fully funded their pension liabilities; and
- New employers being created out of existing employers.

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 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.

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 administering authority also monitors the financial position of the Fund between actuarial valuations and may review the FSS more frequently if necessary

1. Introduction

The Buckinghamshire County Council Pension Fund (the Fund) is administered by Buckinghamshire County 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 Fund 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.

2. 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 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 employee contributions are invested in accordance with the agreement between the Administering Authority and the Committee.

3. 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).

Investment Strategy Statement

The Fund's investment strategy, along with an overview of the role each asset class plays is set out in the table below:

Asset class	Allocation (%)	Role(s) within the strategy
Equities	49.0	
Active UK	10.0	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 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 (incl UK)	14.2	
Active Developed Global	18.9	
Emerging Markets	5.9	
Alternatives	26.0	
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 and European 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.
Bonds	25.0	
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.
Total	100.0	

The Fund employs a number of external investment managers 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 by one of the Fund's investment managers, and if the allocations move more than 2.5% away from the 75% growth / 25% defensive target, the manager will switch assets between equities and bonds in order to maintain the asset distribution as close as possible to the central benchmark.

Investment Strategy Statement

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 2017 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.

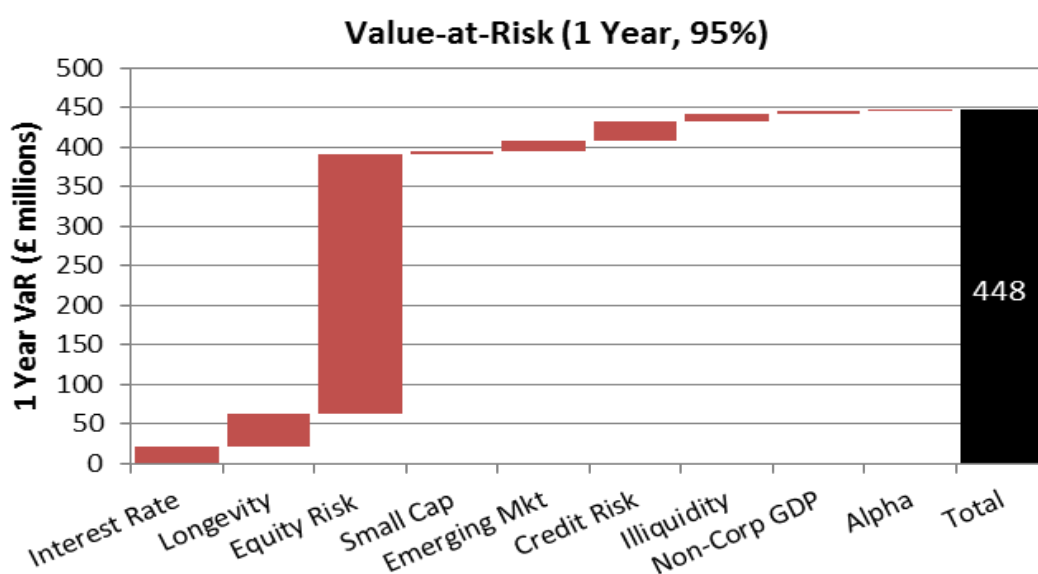
Following the latest investment strategy review, the Committee are considering a number of revisions to the long term investment strategy. These proposals include increasing diversification within the equity and bond holdings and increasing the allocation to "alternative" assets, in order to maintain total expected returns whilst reducing risk.

4. 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 overleaf 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 impact on the deficit relative to our "best estimate" of what the deficit would be in a years' time.



Note: approximate analysis as at 31 December 2016, based on the Fund's strategic asset allocation.

Each investment style/manager is assessed quantitatively and qualitatively within a monitoring framework designed to address any underperformance, highlight any inappropriate risk taking behaviour from individual managers and address factors that may impact the manager's ability to achieve long term outperformance goals. The respective managers' investment performance is generally monitored against three year performance targets (or longer for certain asset classes / managers) consistent with a longer term investment approach. Such monitoring of performance relative to a performance target is intended to constrain fund managers from deviating significantly from the intended approach, whilst permitting flexibility to manage the Fund in such a way as to enhance returns. The appointment of more than one fund manager introduces a level of diversification of manager risk.

Fund managers are instructed to diversify between investment types and within each investment type so that the prospects of potential losses are reduced. Fund managers are also instructed to observe the Administering Authority's constraints in such areas as property, derivatives, stock lending, overseas investment, non-income producing investments and unquoted securities.

The following risks are also considered by the Committee:

(i) 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.

(ii) 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.

(iii) 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.

(iv) 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.

(v) 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.

(vi) 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.

(vii) 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.

(viii) 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. 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.

5. Approach to asset pooling

The Fund is working with nine other administering authorities to pool investment assets through the Brunel Pension Partnership Ltd. (BPP Ltd). This is currently work in progress with the intention of meeting the Government's requirement for the pool to become operational and for the first assets to transition to the pool from April 2018.

Once the Brunel Pension Partnership Ltd. is established the Fund, through the Committee, will retain the responsibility for setting the detailed Strategic Asset Allocation for the Fund and allocating investment assets to the portfolios provided by BPP Ltd.

The Brunel Pension Partnership Ltd will be a new company which will be wholly owned by the Administering Authorities. The company will seek authorisation from the Financial Conduct Authority (FCA) to act as the operator of an unregulated Collective Investment Scheme. It will be 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 will research and select the Manager Operated Funds needed to meet the requirements of the detailed Strategic Asset Allocations. These Manager Operated Funds will be operated by professional external investment managers. The Fund will be a client of BPP Ltd and as a client will have the right to expect certain standards and quality of service. A detailed service agreement is being drafted which will set out the duties and responsibilities of BPP Ltd, and the rights of the Fund as a client. It includes a duty of care of BPP Ltd to act in its clients' interests.

An Oversight Board will be established. This will be comprised of representatives from each of the Administering Authorities. It will be set up by them according to an agreed constitution and terms of reference. Acting for the Administering Authorities, it will have ultimate responsibility for ensuring that BPP Ltd delivers the services required to achieve investment pooling. It will therefore have a monitoring and oversight function. Subject to its terms of reference it will be able to consider relevant matters on behalf of the Administering Authorities, but will not have delegated powers to take decisions requiring shareholder approval. These will be remitted back to each Administering Authority individually.

The Oversight Board will be supported by the Client Group, comprised primarily of pension investment officers drawn from each of the Administering Authorities but will also draw on Administering Authorities finance and legal officers from time to time. It will have a primary role in reviewing the implementation of pooling by BPP Ltd, and provide a forum for discussing technical and practical matters, confirming priorities, and resolving differences. It will be responsible for providing practical support to enable the Oversight Board to fulfil its monitoring and oversight function.

The proposed arrangements for asset pooling for the Brunel pool have been formulated to meet the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and Government guidance. Regular reports have been made to Government on progress towards the pooling of investment assets, and the Minister for Local Government has confirmed that the pool should proceed as set out in the proposals made.

Buckinghamshire County Council has approved the full business case for the Brunel Pension Partnership. It is anticipated that investment assets will be transitioned across from the Buckinghamshire Pension Fund's existing investment managers to the portfolios managed by BPP Ltd between April 2018 and March 2020 in accordance with a timetable that will be agreed with BPP Ltd. 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 BPP Ltd. where appropriate.

Following the completion of the transition plan outlined above, it is envisaged that all of the Fund's assets will be invested through BPP Ltd. However, the Fund has certain commitments to long term illiquid investment funds which will take longer to transition across to the new portfolios to be set up by BPP Ltd. These assets will be managed in partnership with BPP Ltd. until such time as they are liquidated, and capital is returned.

6. 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, and all other considerations are secondary. However, the Fund is also mindful of its responsibilities as a long term shareholder.

The extent to which social, environmental and ethical considerations are taken into account in these decisions is left to the discretion of the fund managers. However, the Committee expects that the extent to which social, environmental and ethical issues may have a financial impact on the portfolio will be taken into account by the fund managers in the exercise of their delegated duties and reviewed by the Committee from time to time.

Forward guidance on ESG under pooling

BPP Ltd's Investment Principles clearly articulate its commitment and that of each underlying Fund, to be responsible investors and as such recognises that social, environment and corporate governance considerations are part of the processes in the selection, non-selection, retention and realisation of assets. One of the principal benefits, outlined in the BPP Ltd business case, expected to be achieved through scale and resources arising from pooling, is the improved implementation of responsible investment and stewardship.

Each portfolio, in every asset class, under BPP Ltd, 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.

7. 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

Once established and fully operational the BPP Ltd will deliver best practice standards in responsible investment and stewardship as outlined in the BPP Ltd Investment Principles.

Advice Taken

In preparing this statement, the Committee has taken advice from Fund Officers, the Fund's appointed investment consultant and the Client Group at the Brunel Pension Partnership Ltd.

Additional Information for the Scheme Annual Report

To assist in the production of the scheme annual report compiled by the LGPS Scheme Advisory Board, the Fund has provided the following supplementary information.

Summary of the number of Employers in the Fund as at 31 March 2018

	Active	Ceased	Total
Scheduled Body	191	35	226
Admitted Body	61	37	98
Total	252	72	324

Analysis of Fund Assets as at 31 March 2018

	UK £m	Non-UK £m	Global £m	Total £m
Long term investments	0.8	-	-	0.8
Equities	312.7	1,018.4	-	1,331.1
Bonds	701.5	9.4	-	710.9
Property (direct holdings)	-	-	-	-
Alternatives	-	267.4	167.3	434.7
Cash and cash equivalents	68.9	62.0	-	130.9
Other	177.7	26.8	-	204.5
Total	1,260.8	1,384.0	167.3	2,812.9

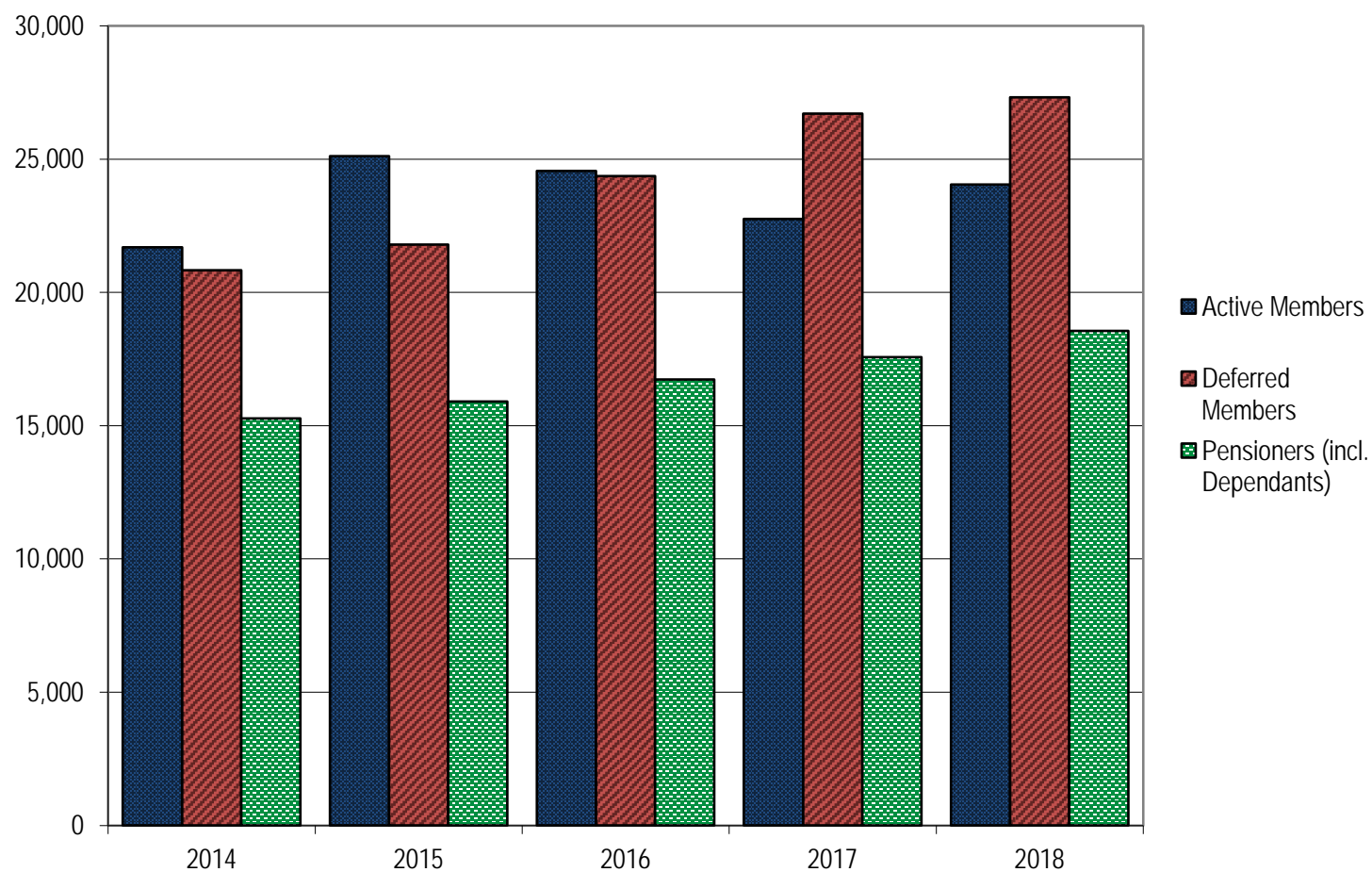
Analysis of Investment Income accrued for the year ended 31 March 2018

	UK £000	Non-UK £000	Global £000	Total £000
Equities	9,907.9	13,872.7	-	23,780.6
Bonds	13,510.3	-	-	13,510.3
Property (direct holdings)	-	-	-	-
Alternatives	-	-	-	-
Cash and cash equivalents	201.0	-	-	201.0
Other	6,680.0	1,276.5 *	-	7,956.5
Total	30,299.2	15,149.2	-	45,448.4

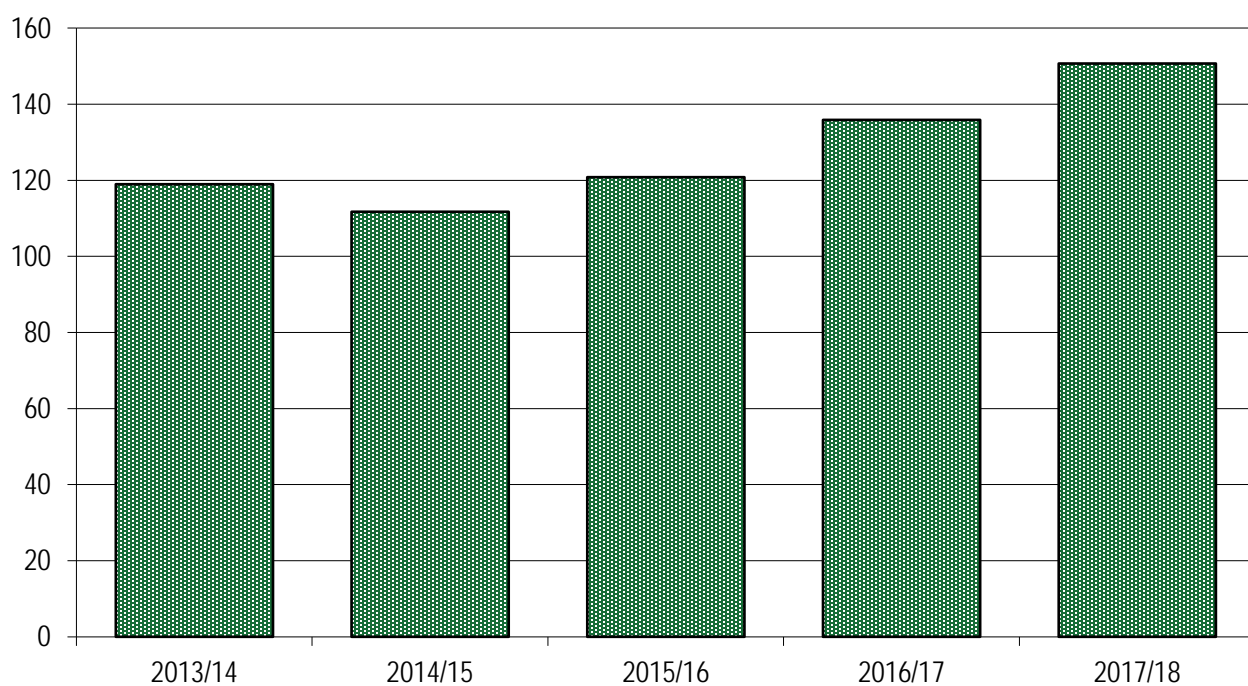
*Non UK figure includes 385.2 FX income.

History of the Fund

Membership Profile

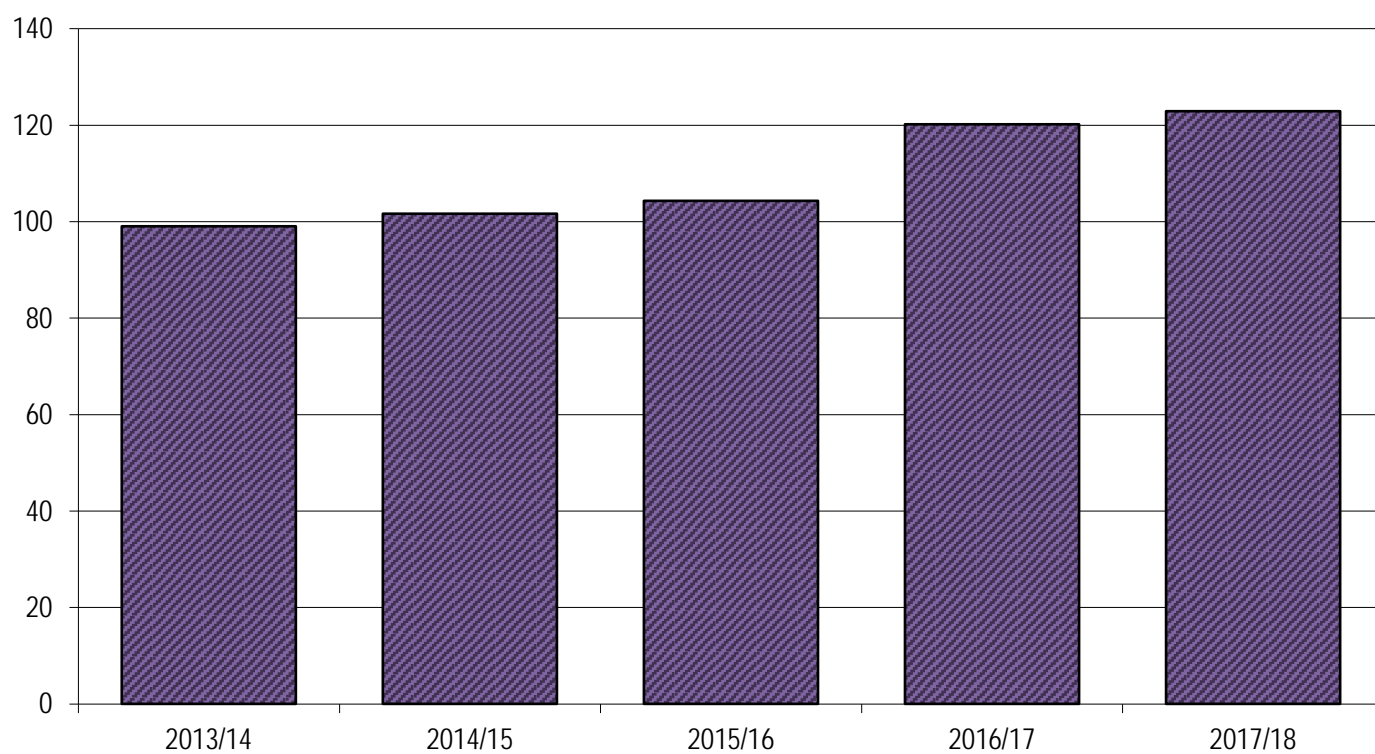


Contributions Received £m

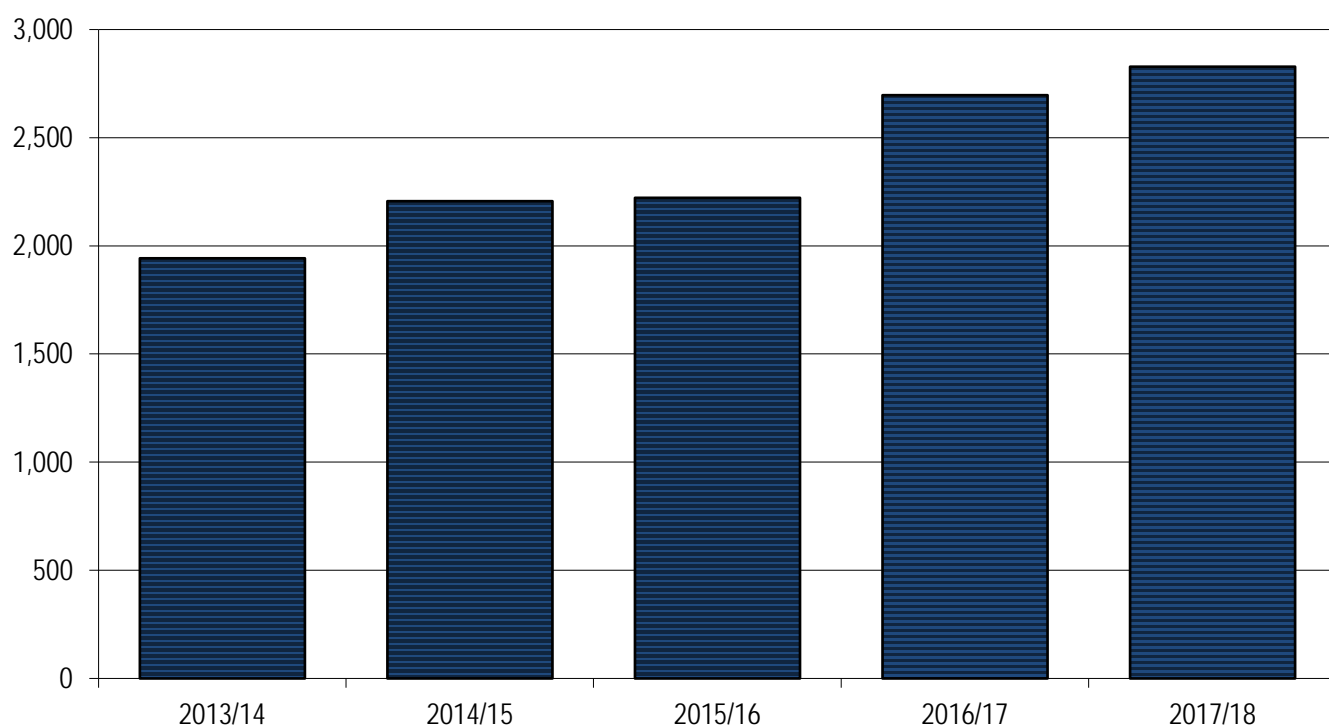


History of the Fund

Benefits Paid £m



Value of the Fund as at 31 March £m



Introduction

The last full triennial valuation of the Buckinghamshire County Council Pension Fund was carried out as at 31 March 2016 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 2017.

Asset value and funding level

The results for the Fund at 31 March 2016 were as follows:

- The smoothed market value of the Fund's assets as at 31 March 2016 for valuation purposes was £2,203m.
- The Fund had a funding level of 87% i.e. the assets were 87% 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 £335m.

Contribution rates

The employer contributions 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 15.1% 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 2017.

In addition each employer pays a secondary contribution as required under Regulation 62(7) that when combined with the primary rate results in the minimum total contributions. This secondary rate is based on their particular circumstances and so individual adjustments are made for each employer.

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

Assumptions

The assumptions used to value the liabilities at 31 March 2016 are summarised below:

Assumption	31 March 2016
Discount rate	5.4% p.a.
Pension increases	2.4% p.a.
Salary increases	In line with CPI until 31 March 2020 and 3.9% p.a. thereafter.
Mortality	85% of S2PA tables with future improvements in line with the CMI 2015 Model with a long-term rate of improvement of 1.5% p.a.
Retirement	Each member retires at a single age, weighted based on when each part of their pension is payable unreduced
Commutation	Members will convert 50% of the maximum possible amount of pension into cash

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 relevant actuarial valuation report.

Updated position since the 2016 valuation

Since 31 March 2016, investment returns have been higher than assumed at the 2016 triennial valuation. The value placed on the liabilities will, however, have also increased due to the accrual of new benefits as well as a decrease in the real discount rate underlying the valuation funding model. Overall, we estimate that the funding position as at 31 March 2018 has improved compared with the position as at 31 March 2016 although the primary rate has also increased due to changes in market conditions.

The next formal valuation will be carried out as at 31 March 2019 with new contribution rates set from 1 April 2020.



Graeme Muir FFA
Partner and Head of Public Sector
Barnett Waddingham LLP
21 May 2018

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 Director of Finance & Procurement;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts, delegated to the Regulatory and Audit Committee.

The Director of Finance & Procurement Responsibilities

The Director of Finance & Procurement 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 2017-18 (the Code).

In preparing this Statement of Accounts, the Director of Finance & Procurement 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 Director of Finance & Procurement

I certify that this draft Statement of Accounts for the year ended 31 March 2018 gives a true and fair view of the financial position of the Council as at 31 March 2018 and its income and expenditure for the year ended 31 March 2018.



Richard Ambrose
Director of Finance & Procurement
Buckinghamshire County Council
31 May 2018

Independent auditor's report to the members of Buckinghamshire County Council on the consistency of the pension fund financial statements included in the pension fund annual report

Opinion

The pension fund financial statements of Buckinghamshire County Council (the "Authority") for the year ended 31 March 2018 which comprise the Pension Fund Account, the Net Assets Statement and the notes to the financial statements, including a summary of significant accounting policies, of Buckinghamshire Pension Fund are derived from the audited pension fund financial statements for the year ended 31 March 2018 included in the Authority's Statement of Accounts (the "Statement of Accounts").

In our opinion, the accompanying pension fund financial statements are consistent, in all material respects, with the audited financial statements in accordance with proper practices as defined in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18 and applicable law.

Pension Fund Annual Report - Pension fund financial statements

The Pension Fund Annual Report and the pension fund financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the Statement of Accounts. Reading the pension fund financial statements and the auditor's report thereon is not a substitute for reading the audited Statement of Accounts and the auditor's report thereon.

Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 paragraph 20(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 work has been undertaken so that we might state to the members of the Authority 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.

The audited financial statements and our Report thereon

We expressed an unmodified audit opinion on the pension fund financial statements in the Statement of Accounts in our report dated 27 July 2018.

Director of Finance and Procurement's responsibilities for the pension fund financial statements in the Pension Fund Annual Report

Under the Local Government Pension Scheme Regulations 2013 the Director of Finance and Procurement of the Authority is responsible for the preparation of the pension fund financial statements, which must include the Fund Account, the Net Asset Statement and supporting notes and disclosures prepared in accordance with proper practices. Proper practices for the pension fund financial statements in both the Statement of Accounts and the Pension Fund Annual Report are set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

Auditor's responsibility

Our responsibility is to express an opinion on whether the pension fund financial statements in the Pension Fund Annual Report are consistent, in all material respects, with the audited pension fund financial statements in the Statement of Accounts based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), Engagements to Report on Summary Financial Statements.

Ciaran McLaughlin

Ciaran McLaughlin

for and on behalf of Grant Thornton UK LLP, Appointed Auditor
30 Finsbury Square
London
EC2A 1AG

27 July 2018

Description of the Fund

Buckinghamshire County Council Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) and is administered by Buckinghamshire County Council. Organisations participating in the Fund include the County Council, Milton Keynes Council, the district and parish Councils of Buckinghamshire, Thames Valley Police, Buckinghamshire Fire and Rescue Service, 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 Pension Fund.

The purpose of the Pension 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 1/49th. 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 at <http://www.bucksgcc.gov.uk/pensions>

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 Pensions Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- 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 December 2017 the collective assets of the pool were £27 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 is expected to begin June 2018 through to 2020 for the majority of the assets, 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

Membership of the Fund

The following summarises the membership of the Fund:

31 March 2017	Membership of the Fund	31 March 2018
22,754	Contributors	24,042
17,566	Pensioners	18,548
26,699	Deferred pensioners	27,313
67,019	Total Membership of the Fund	69,903

Pension Fund Accounts

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 Investment Strategy Statement can be viewed on the Council's website at www.buckscc.gov.uk/pensions.

Pension Fund Account for the Year Ended 31 March 2018

The 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.

31 March 2017 £000	Pension Fund Account	Note	31 March 2018 £000
	Dealings with Members, Employers and Others directly Involved in the Fund		
	Income		
(120,799)	Contributions	3	(134,066)
(14,985)	Transfers in from other pension funds	4	(16,504)
(78)	Other income		(110)
(135,862)			(150,680)
	Benefits	5	
81,960	Pensions		85,504
24,368	Commutation of pensions and lump sums		22,700
	Payments to and on Account of Leavers	6	
1,172	Refunds of contributions		556
12,658	Transfers out to other pension funds		14,113
120,158			122,873
(15,704)	Net Additions from Dealings with Members		(27,807)
17,194	Management expenses	7	19,239
1,490	Net (Additions)/Withdrawals including Fund Management Expenses		(8,568)
	Returns on Investments		
(46,777)	Investment income	8	(45,448)
(429,377)	Profits and losses on disposal of investments and changes in the market value of investments	9	(73,103)
333	Taxes on income	16	554
(475,821)	Net Returns on Investments		(117,997)
(474,331)	Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year		(126,565)

Pension Fund Accounts

Net Assets Statement

31 March 2017 £000	Net Assets Statement	Note	31 March 2018 £000
	Investments		
-	Long term investments		840
852,632	Equities - quoted		883,946
339,005	Bonds		352,726
1,204,325	Pooled investment vehicles		1,239,939
183,581	Unit trusts - property		204,534
87,736	Cash deposits		121,408
385	Derivative contracts		102
7,848	Dividend income receivable		9,504
2,675,512	Net Investments	11	2,812,999
24,372	Current assets	15	14,293
(4,300)	Current liabilities	15	(5,143)
2,695,584	Net Assets of the Fund Available to Fund Benefits at 31 March		2,822,149

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.

1. Basis of Preparation

The accounts summarise the Fund's transactions for the 2017/18 financial year and its position at year end as at 31 March 2018. 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 Pension Fund is administered by Buckinghamshire County Council, but the Fund balances are not included in Buckinghamshire County Council's Consolidated Balance Sheet.

2. Accounting Policies and Critical Judgements 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 County Council then recharged to the Pension 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.

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

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. Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as dividend income receivable. 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.

In addition, the Fund has negotiated with the following managers that an element of their fee be performance related:

- Global Thematic Partners – global equities
- Investec Asset Management – global equities
- Mirabaud – UK equities
- Royal London Asset Management – bonds
- Schroders – global equities
- Standard Life – UK equities

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.

Derivatives

The Fund uses derivative financial instruments to manage its exposure to certain risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes. Currently the Fund only holds forward currency contracts. The future value of the forward currency contracts is based on market forward exchange rates at the year end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year end with an equal and opposite contract.

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 Pension 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.

Critical Judgements in Applying Accounting Policies

Pension Fund Liability

The Fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The last such valuation took place as at 31 March 2016, the funding level of the Fund as a whole increased from 82% to 87% between 31 March 2013 and 31 March 2016. The next valuation will take place as at 31 March 2019. The Fund's actuary undertook an interim valuation as at 31 March 2018 which showed that the funding level had increased to 95% and the average required employer contribution would be 21.3% of payroll assuming the deficit is to be paid by 2032. The estimated funding position is based on market movements since 31 March 2016 rather than being a full valuation with updated member data.

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 2018 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 a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The 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 £90m a 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £84m a one-year increase in assumed life expectancy would increase the liability by approximately £171m.
Private equity fund of funds (Note 12)	Private equity investments are valued at fair value in accordance with <i>International Private Equity and Venture Capital Valuation Guidelines</i> (2012). These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Private equity investments are valued at £166m in the financial statements. There is a risk that this investment may be under or overstated in the accounts by £24m.

Events After The Reporting Date

Since 31 March 2018, there has been some volatility in the financial markets, there would be an impact on the market value of the fund's investments were they to be valued as at the date these accounts were authorised. These changes are deemed to be non-adjusting post balance sheet events. There have been no events since 31 March 2018, and up to the date when these accounts were authorised, which require any adjustments to these accounts.

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. The Accounting changes introduced in the 2018/19 Code relate to the reporting of IFRS9 Financial Instruments and IFRS15 Revenue from contracts. IFRS9 Financial Instruments introduces extensive changes to the classification and measurement of financial assets, and a new "expected credit loss" model for impairing financial assets. The impact will be to reclassify assets currently classified as loans and receivables to any changes in the measurement of financial assets and the Fund does not at this stage anticipate any adjustments for impairments. IFRS15 Revenue from contracts with customers set out the requirements for recognising revenue that apply to contracts with customers. The Fund does not have any revenue streams within the scope of the new standard.

Pension Fund Accounts

3. Contributions

Contributions relating to wages and salaries paid up to 31 March 2018 have been included in these accounts, there were no augmented employers' contributions received during 2016/17 or 2017/18.

2016/17 £000	Contributions by Category	2017/18 £000
	Employers' Contributions	
(80,066)	Normal Contributions	(91,568)
(12,288)	Deficit Recovery Contributions	(13,049)
<u>(92,354)</u>	Total Employers' Contributions	<u>(104,617)</u>
<u>(28,445)</u>	Members' Contributions	<u>(29,449)</u>
<u>(120,799)</u>	Total Contributions	<u>(134,066)</u>

2016/17 £000	Contributions by Authority	2017/18 £000
(33,999)	Administering authority	(40,298)
(78,204)	Scheduled bodies	(88,050)
(8,596)	Admitted bodies	(5,718)
<u>(120,799)</u>	Total Contributions	<u>(134,066)</u>

4. Transfer Values

2016/17 £000	Transfers in from other pension funds	2017/18 £000
(6,061)	Group transfers	(4,427)
(8,924)	Individual transfers	(12,077)
<u>(14,985)</u>	Total Transfers in from other pension funds	<u>(16,504)</u>

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 2018 there were no outstanding transfer values receivable greater than £50k. (On 31 March 2017 there were 5 outstanding transfer values receivable greater than £50k, for which £785k had not been received).

On 31 March 2018 there were 3 group transfers to the Fund being negotiated with other Funds (7 on the 31 March 2017); the value of the transfers to the Fund is being negotiated between the Funds' actuaries. The income due to the Fund for the transfers has not been accrued since negotiations are at too early a stage for an estimate of the value to be available.

5. Benefits

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

2016/17 £000	Benefits Payable by Category	2017/18 £000
81,960	Pensions	85,504
21,515	Commutations of pensions and lump sum retirement benefits	19,951
2,853	Lump sum death benefits	2,749
<u>106,328</u>	Total Benefits	<u>108,204</u>

Pension Fund Accounts

2016/17 £000	Benefits Payable by Authority	2017/18 £000
37,168	Administering authority	37,825
60,107	Scheduled bodies	62,049
9,053	Admitted bodies	8,330
106,328	Total Benefits	108,204

6. Payments to and on Account of Leavers

2016/17 £000	Payments to and on Account of Leavers	2017/18 £000
671	Refunds to members leaving service	439
501	Payments for members joining the state scheme	117
1,615	Group transfers to other pension funds	942
11,043	Individual transfers to other pension funds	13,171
13,830	Total Payments to and on Account of Leavers	14,669

The individual transfer values relate to transfers, which have been paid during the financial year i.e. included on a cash basis. On 31 March 2018 there were 4 outstanding individual transfer values payable greater than £50k, for which £439k had not been paid. On 31 March 2017 there were no outstanding individual transfer values payable greater than £50k.

On 31 March 2018 there was one group transfer from the Fund being negotiated with other Funds (3 on the 31 March 2017); the value of the transfers from the Fund is being negotiated between the Funds' actuaries. The expenditure in respect of the transfer has not been accrued since negotiations are at too early a stage for an estimate of the value to be available.

7. Management Expenses

2016/17 £000	Management Expenses	2017/18 £000
1,779	Administrative costs	1,840
14,808	Investment management expenses	16,623
583	Oversight and governance costs	751
24	External Audit Fee	25
17,194	Total Management Expenses	19,239

The analysis of the cost of managing the Pension 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. Management fees for pooled funds and transaction costs have been included in the investment management expenses.

The investment management expenses include £0.775m (£1.562m in the 2016/17 financial year) in respect of performance related fees payable to the fund's investment managers. It also includes £1.697m in respect of transaction costs (£1.566m in the 2016/17 financial year).

Pension Fund Accounts

8. Investment Income

2016/17 £000	Investment Income	2017/18 £000
(22,970)	Dividends from equities	(23,781)
(11,395)	Income from bonds	(13,510)
(1,169)	Income from pooled investments	(804)
(7,858)	Income from property unit trusts	(6,767)
18	Interest on cash deposits	(201)
(3,403)	Other	(385)
(46,777)	Total Investment Income	(45,448)

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 BNY Mellon and State Street, BNY Mellon was the Fund's custodian bank to 12 December 2017. State Street became the Fund's custodian bank on 13 December 2017. Realised profit of £169.689m and unrealised loss of £96.586m are combined to report an increase in the market value of investments of £73.103m.

Investments (All values are shown £000)	Value at 31 March 2017 £000	Reclass- ification of Assets £000	Purchases at Cost £000	Sales Proceeds £000	Realised Profit / (Loss) £000	Unrealised Profit / (Loss) £000	Value at 31 March 2018 £000
Long Term Investments	0	0	840	0	0	0	840
Equities - quoted	852,632	(214)	672,947	(643,674)	89,550	(87,295)	883,946
Bonds	339,005	0	163,024	(141,800)	3,808	(11,311)	352,726
Pooled investment vehicles	1,204,325	214	180,998	(212,055)	75,522	(9,065)	1,239,939
Unit Trusts - property funds	183,581	-	12,682	(2,826)	201	10,896	204,534
Derivative contracts	385	-	866	(1,473)	608	(284)	102
Cash deposits	87,736	-	-	33,199	-	473	121,408
	2,667,664	-	1,031,357	(968,629)	169,689	(96,586)	2,803,495
Investment income due	7,848						9,504
	2,675,512						2,812,999

Realised profit of £96.190m and unrealised profit of £333.187m are combined to report an increase in the market value of investments of £429.377m.

Investments (All values are shown £000)	Value at 31 March 2016 £000	Reclass- ification of Assets £000	Purchases at Cost £000	Sales Proceeds £000	Realised Profit / (Loss) £000	Unrealised Profit / (Loss) £000	Value at 31 March 2017 £000
Equities - quoted	647,353	-	576,778	(561,042)	82,313	107,230	852,632
Bonds	308,243	-	502,494	(498,115)	14,187	12,196	339,005
Pooled investment vehicles	995,692	-	45,266	(50,431)	8,044	205,754	1,204,325
Unit Trusts - property funds	186,330	-	25,654	(27,096)	(6,378)	5,071	183,581
Derivative contracts	(298)	-	3,525	(1,549)	(1,976)	683	385
Cash deposits	69,072	-	-	16,411	-	2,253	87,736
	2,206,392	-	1,153,717	(1,121,822)	96,190	333,187	2,667,664
Investment income due	7,157						7,848
	2,213,549						2,675,512

Pooled investment vehicles are funds where the Pension 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 securities
- Hedge fund of funds
- Diversified growth funds
- 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.

On 31 March 2018 assets which exceed 5% of the total value of the net assets of the Fund are a £214.5m, 7.6%, investment in Legal & General's All Stocks Index-Linked Gilt Fund (£166.2m as at 31 March 2017) and a £178.4m, 6.3%, investment in Legal & General's Europe (ex UK) Equity Index Fund (£172.6m as at 31 March 2017).

IFRS accounting requires that the Fund discloses information on fair value hedges, cash flow hedges and hedges of net investments in foreign operations. The Fund has exposure to hedges through its investments in a hedge fund of funds pooled investment vehicle, and so the hedge disclosure is not applicable to this type of investment.

10. Investment Management Arrangements

The value of the Fund with the fund managers as at 31 March 2018 was £2,723m (£2,670m at 31 March 2017). Fund manager fees have been calculated according to the specific mandate and the associated contract agreement as shown in the following table:

Fund Manager	Mandate	Negotiated Fee Basis	Proportion of Fund 31 March 2017	Proportion of Fund 31 March 2018
Aviva Investors	Property	Percentage of fund	7%	8%
BlackRock	Cash / inflation plus	Percentage of fund	5%	5%
Blackstone Alternative Asset Management	Hedge fund of funds	Percentage of fund	5%	5%
Global Thematic Partners	Less constrained global equities	Performance related fee	7%	7%
Investec Asset Management	Less constrained global equities	Performance related fee	8%	8%
Legal & General Investment Management	Passive index-tracker	Percentage of fund	28%	28%
Mirabaud Investment Management Limited	UK equities	Performance related fee	5%	5%
Pantheon Private Equity	Private equity	Percentage of Funds Committed & Incentive Fee	6%	5%
Partners Group	Private equity	Percentage of fund	2%	1%
Royal London Asset Management	Core plus bonds	Performance related fee	14%	14%
Schroders	Less constrained UK equities	Performance related fee	8%	7%
Aberdeen Standard Investments	Less constrained UK equities	Performance related fee	5%	4%

Pension Fund Accounts

11. Analysis of the Value of Investments

31 March 2017 £000	Analysis of the Value of Investments	31 March 2018 £000
-	Long Term Investments	840
	Bonds	
	Fixed Interest Securities	
27,906	UK public sector	-
1,363	Overseas public sector	319
234,902	UK other	213,922
-	Overseas other	78,448
264,171	Total Fixed Interest Securities	292,689
	Index-Linked Securities	
74,834	UK Index-linked securities public sector	50,934
-	UK Index-linked securities other	9,103
74,834	Total Index-Linked Securities	60,037
339,005	Total Bonds	352,726
	Equities	
251,374	UK quoted	301,919
601,258	Overseas quoted	582,027
852,632	Total Equities	883,946
	Pooled Investment Vehicles	
11,134	UK Equities	10,735
280,215	UK Bonds	358,218
480,995	Overseas Equities	436,412
96,293	Overseas Diversified Growth Fund	134,940
128,372	Overseas Hedge Fund of Funds	134,050
207,316	Overseas Private Equity	165,584
1,204,325	Total Pooled Investment vehicles	1,239,939
	Other	
183,581	Unit Trusts - property funds	204,534
385	Derivatives	102
87,736	Cash deposits – sterling and foreign cash	121,408
7,848	Dividend income receivable	9,504
279,550	Total Other	335,548
2,675,512	Total Value of Investments	2,812,999

Pension Fund Accounts

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 2017			31 March 2018		
Fair value through profit and loss £000	Loans And Receivables £000	Financial Liabilities At amortised cost £000	Fair value through profit and loss £000	Loans And Receivables £000	Financial Liabilities At amortised cost £000
Financial Assets					
-	-	-	840	-	-
852,632	-	-	883,946	-	-
339,005	-	-	352,726	-	-
1,204,325	-	-	1,239,939	-	-
183,581	-	-	204,534	-	-
385	-	-	102	-	-
7,848	-	-	9,504	-	-
-	87,736	-	-	127,559	-
-	14,925	-	-	6,371	-
2,587,776	102,661	-	2,691,591	133,930	-
Financial Liabilities					
-	-	-	-	-	-
-	-	(3,471)	-	-	(4,190)
-	-	(3,471)	-	-	(4,190)
2,587,776	102,661	(3,471)	2,691,591	133,930	(4,190)

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

31 March 2017 £000		31 March 2018 £000
Financial Assets		
475,729	Fair value through profit and loss	121,320
91	Loans and receivables	1,770
-	Financial liabilities measured at amortised cost	-
Financial Liabilities		
-	Fair value through profit and loss	-
481	Loans and receivables	(238)
-	Financial liabilities measured at amortised cost	-
476,301	Total	122,852

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.

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 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.

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 2018	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Outputs	
	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Long term investments	-	-	840	840
Equities - quoted	883,946	-	-	883,946
Bonds	-	352,726	-	352,726
Pooled investment vehicles	-	1,074,355	165,584	1,239,939
Property – unit trusts	-	204,534	-	204,534
Derivatives	-	102	-	102
Total	883,946	1,631,717	166,424	2,682,087

State Street, the Fund's new custodian, classifies the fair value hierarchy differently from BNY Mellon, the Fund's previous custodian. The fair value hierarchy table for 2016/17 and 2015/16 comparator figures have been restated. Cash has been removed from the analysis of assets held at fair value since it is held at amortised cost, not fair value.

Restated Value at 31 March 2017	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Outputs	Total
	Level 1 £000	Level 2 £000	Level 3 £000	
Equities - quoted	852,632	-	-	852,632
Bonds	-	339,005	-	339,005
Pooled investment vehicles	19,298	977,711	207,316	1,204,325
Property – unit trusts	-	183,581	-	183,581
Derivatives	-	385	-	385
Total	871,930	1,500,682	207,316	2,579,928

Original Value at 31 March 2017	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Outputs	Total
	Level 1 £000	Level 2 £000	Level 3 £000	
Fixed interest securities	-	264,171	-	264,171
UK equities - quoted	251,374	-	-	251,374
Overseas equities - quoted	601,258	-	-	601,258
Index-linked securities	-	74,834	-	74,834
Pooled investment vehicles	772,344	-	431,981	1,204,325
Property – unit trusts	-	183,581	-	183,581
Derivatives	-	385	-	385
Cash deposits	-	87,736	-	87,736
Total	1,624,976	610,707	431,981	2,667,664

Restated Value at 1 April 2016	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Outputs	Total
	Level 1 £000	Level 2 £000	Level 3 £000	
Equities - quoted	647,352	-	-	647,352
Bonds	-	308,243	-	308,243
Pooled investment vehicles	-	804,605	191,088	995,693
Property – unit trusts	-	186,330	-	186,330
Derivatives	-	(298)	-	(298)
Total	647,352	1,298,880	191,088	2,137,320

Original Value at 31 March 2016	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Outputs	
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Fixed interest securities	-	219,783	-	219,783
UK equities - quoted	201,877	-	-	201,877
Overseas equities - quoted	445,475	-	-	445,475
Index-linked securities	-	88,460	-	88,460
Pooled investment vehicles	612,221	-	383,472	995,693
Property – unit trusts	-	186,330	-	186,330
Derivatives	-	(298)	-	(298)
Cash deposits	-	69,072	-	69,072
Total	1,259,573	563,347	383,472	2,206,392

Sensitivity Analysis of Assets Valued at Level 3

Having analysed historical data 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 2018 and 31 March 2017.

	Assessed valuation range (+/-)	Value at 31 March 2018 £000	Value on increase £000	Value on decrease £000
Pooled investment vehicles – private equity	15%	165,584	190,422	140,746
Total		165,584	190,422	140,746

	Assessed valuation range (+/-)	Value at 31 March 2017 £000	Value on increase £000	Value on decrease £000
Pooled investment vehicles – private equity	15%	207,316	238,413	176,219
Total		207,316	238,413	176,219

Reconciliation of Fair Value Measurements Within Level 3

	Value at 31 March 2017 £000	Purchases £000	Sales £000	Realised profit / (loss) £000	Unrealised profit / loss £000	Value at 31 March 2018 £000
Pooled investment vehicles – private equity	207,316	11,987	(66,599)	(5,785)	18,665	165,584
Total	207,316	11,987	(66,599)	(5,785)	18,665	165,584

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	Value at 31 March 2016 £000	Purchases £000	Sales £000	Realised profit / (loss) £000	Unrealised profit / loss £000	Value at 31 March 2017 £000
Pooled investment vehicles – private equity	190,571	11,345	(34,033)	39,088	345	207,316
Total	190,571	11,345	(34,033)	39,088	345	207,316

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

Blackstone – Fund of Hedge Funds

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.

Partners Group – Private Equity

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.

LGIM – Passive Tracker Fund

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 "Mid Value").

Aviva – Property Fund

Aviva rely on the NAV provided by each fund manager, computed in accordance with appropriate local standards, incorporating independent valuations conducted from suitably qualified external providers. These external NAVs are subject to review by Aviva Investors Real Estate Multi Manager (REMM) team. They also employ an independent external accountant, Langham Hall, to undertake analysis of each fund's NAV when reported, in addition to that undertaken by the REMM team.

Wherever possible, and through the use of side letters if necessary, we seek to ensure consistency of reporting to an IFRS INREV NAV standard basis. Where this is not possible, managers are asked to provide the building blocks to create this analysis. They then work with Langham Hall, to reconcile back to the NAV provided in the fund's normal accounting standards.

Pantheon – Private Equity

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.

BlackRock Institutional Jersey Dynamic Diversified Growth Fund

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.

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 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 Pension Fund Committee. The Pension Fund Risk Assessment analyses the risks faced by the Council's pensions operations, it is reviewed regularly by the 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. The Fund's investment consultant undertakes triennial strategy reviews following the triennial actuarial valuation to ensure that the asset allocation of the Fund remains appropriate to expectations for its liabilities both in the short term and in the long term. The latest review, carried out by Mercer in March 2017, showed that the overall risk factor (standard deviation) for the Fund is 13.4%. The next review is due in early 2020 following the triennial valuation, interim strategy reviews can be undertaken if required. Following analysis of historical data and expected investment return movement during the financial year, applying a 13.4% movement in market price risk which is reasonably possible for the 2017/18 reporting period, 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 2018 £000	Percentage Change %	Value on increase £000	Value on decrease £000
Long term investments	840	13.4	953	727
Equities – quoted	883,946	13.4	1,002,395	765,497
Bonds	352,726	13.4	399,991	305,461
Pooled investment vehicles	1,239,939	13.4	1,406,091	1,073,787
Property - unit trusts	204,534	13.4	231,942	177,126
Derivative contracts	102	13.4	116	88
Cash deposits	121,408	13.4	137,677	105,139
Investment income due	9,504	13.4	10,778	8,230
Total	2,812,999		3,189,943	2,436,055

Following analysis of historical data and expected investment return movement during the financial year, applying a 13.4% movement in market price risk which is reasonably possible for the 2016/17 reporting period, 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, which has been restated to show totals for equities and bonds.

Restated Table by Asset Type	31 March 2017 £000	Percentage Change %	Value on increase £000	Value on decrease £000
Equities – quoted	852,632	13.4	966,885	738,379
Bonds	339,005	13.4	384,432	293,578
Pooled investment vehicles	1,204,325	13.4	1,365,705	1,042,945
Property - unit trusts	183,581	13.4	208,181	158,981
Derivative contracts	385	13.4	437	333
Cash deposits	87,736	13.4	99,493	75,979
Investment income due	7,848	13.4	8,900	6,796
Total	2,675,512		3,034,033	2,316,991

Original Table by Asset Type	31 March 2017 £000	Percentage Change %	Value on increase £000	Value on decrease £000
Fixed interest securities	264,171	13.4	299,570	228,772
UK equities – quoted	251,374	13.4	285,058	217,690
Overseas equities – quoted	601,258	13.4	681,827	520,689
Index-linked securities	74,834	13.4	84,862	64,806
Pooled investment vehicles	738,264	13.4	837,192	639,337
Property - unit trusts	183,581	13.4	208,181	158,981
Alternatives	466,061	13.4	528,513	403,609
Derivative contracts	385	13.4	437	333
Cash deposits	87,736	13.4	99,493	75,979
Investment income due	7,848	13.4	8,900	6,796
Total	2,675,512		3,034,033	2,316,992

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 Pension Fund recognises that interest rates vary and can impact income to the fund and the fair value of the assets. The sensitivity of the Fund's investments to changes in interest rates has been analysed by showing the impact of a 1% change in value. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Asset Type	Value	Change for the year in net assets available to pay benefits	
		1%	-1%
As at 31 March 2018	£000	£000	£000
Cash deposits	121,408	-	-
Cash balances (not forming part of the investment assets)	3,473	-	-
Bonds	292,689	2,927	(2,927)
Total	417,570	2,927	(2,927)

Asset Type	Value	Change for the year in net assets available to pay benefits	
		1%	-1%
As at 31 March 2017	£000	£000	£000
Cash deposits	87,736	-	-
Cash balances (not forming part of the investment assets)	4,176	-	-
Bonds	264,171	2,642	(2,642)
Total	356,083	2,642	(2,642)

A 1% increase in interest rates will reduce the fair value of the relevant net assets and vice versa.

Income Source	Value	Change for the year on income values	
		1%	-1%
As at 31 March 2018	£000	£000	£000
Cash deposits / cash and cash equivalents	201	20	(20)
Bonds	8,230	-	-
Total	8,431	20	(20)

Income Source	Value	Change for the year on income values	
		1%	-1%
As at 31 March 2017	£000	£000	£000
Cash deposits / cash and cash equivalents	148	15	(15)
Bonds	10,897	-	-
Total	11,045	15	(15)

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, with the exception of the European element of the Aviva property mandate.

Currency Risk – Sensitivity Analysis

The sensitivity of the Fund's investments to changes in foreign currency rates have been analysed using a 9.79% movement in exchange rates in either direction for 31 March 2018. This analysis assumes that all variables, in particular interest rates, remain constant. Based on the composition of the Fund's currency exposure a 9.79% fluctuation in the currency is considered reasonable. A 9.79% weakening or strengthening of Sterling against the various currencies at 31 March 2018 would have increased or decreased the net assets by the amount shown below.

Currency Exposure by Asset Type	31 March 2018	Value on increase	Value on decrease
	£000	£000 +9.79%	£000 -9.79%
Equities – quoted	540,358	593,259	487,457
Bonds	7,020	7,707	6,333
Pooled investment vehicles	167,712	184,131	151,293
Property - unit trusts	580	637	523
Cash deposits	98,247	107,865	88,629
Total	813,917	893,599	734,235

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The sensitivity of the Fund's investments to changes in foreign currency rates have been analysed using a 9.67% movement in exchange rates in either direction for 31 March 2017. This analysis assumes that all variables, in particular interest rates, remain constant. Based on the composition of the Fund's currency exposure a 9.67% fluctuation in the currency is considered reasonable. A 9.67% weakening or strengthening of Sterling against the various currencies at 31 March 2017 would have increased or decreased the net assets by the amount shown below.

Currency Exposure by Asset Type	31 March 2017 £000	Value on increase £000 +9.67%	Value on decrease £000 -9.67%
Equities – quoted	563,439	617,924	508,954
Bonds	7,669	8,411	6,927
Pooled investment vehicles	207,311	227,358	187,264
Property - unit trusts	4,142	4,543	3,741
Cash deposits	1,746	1,915	1,577
Total	784,307	860,151	708,463

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 9.71% for the US Dollar and 9.23% for the EURO. Weakening or strengthening of Sterling against US Dollars and EUROS at 31 March 2018 would have increased or decreased the net assets by the amounts shown in the following table.

Asset Type	31 March 2018 £000	Percentage Change %	Value on increase £000	Value on decrease £000
US Dollars	483,474	9.71	530,419	436,529
EUROS	179,210	9.23	195,751	162,669
Total	662,684		726,170	599,198

Weakening or strengthening of Sterling against US Dollars and EUROS at 31 March 2017 would have increased or decreased the net assets by the amounts shown in the following table.

Asset Type	31 March 2017 £000	Percentage Change %	Value on increase £000	Value on decrease £000
US Dollars	466,964	9.41	510,905	423,023
EUROS	157,924	9.18	172,421	143,427
Total	624,888		683,326	566,450

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 Pension 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 2018 was £1.186m in an instant access Lloyds account. (On 31 March 2017 £4.535m was invested in an instant access Lloyds account.) 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 in to cash. The following table summarises the Fund's illiquid assets by fund manager.

31 March 2017		31 March 2018
£000		£000
193,323	Aviva	211,284
128,372	Blackstone	134,050
165,106	Pantheon Private Equity	135,818
42,206	Partners Group	29,761
581	Hg Capital	567
529,588		511,480

14. Related Parties

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

The County Council was reimbursed £2.1m (£1.9m in the 2016/17 year) for oversight & governance costs and administration costs incurred by the County Council on behalf of the Pension Fund. The County Council is also the single largest employer of members of the Pension Fund and contributed £40.3m to the Fund in 2017/18 (£34.0m in the 2016/17 year).

The Pension Fund's surplus cash held for day to day cash flow purposes is invested on the money markets by the treasury management function of Buckinghamshire County Council, through a service level agreement. During the year to 31 March 2018, the Fund had an average investment balance of £7.2m (£4.7m in the 2016/17 year), earning interest of £30k (£27k in the 2016/17 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 Pension Fund Committee who are pensioner or deferred members of the Fund on 31 March 2018

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(on 31 March 2017 no pensioner or deferred members). The Director of Finance and Procurement (s151 Officer), holds a key position in the financial management of the Fund and is an active member.

He is an employee of Buckinghamshire County 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 County Council accounts.

The Pension Fund has transactions with Brunel Pension Partnership Ltd (BPP Ltd) (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 County Council own 10% of BPP Ltd. During the year to 31 March 2018 the Fund paid BPP Ltd £840k (£0k in the year to 31 March 2017).

15. Current Assets and Liabilities

31 March 2017 £000	Current Assets and Liabilities	31 March 2018 £000
	Current Assets	
9,447	Contributions due from employers 31 March	7,922
4,176	Cash balances (not forming part of the investment assets)	3,473
10,749	Other current assets	2,898
24,372	Total Current Assets	14,293
	Current Liabilities	
(937)	Management charges	(2,091)
(829)	HM Revenue and Customs	(953)
(519)	Unpaid benefits	(511)
(2,015)	Other current liabilities	(1,588)
(4,300)	Total Current Liabilities	(5,143)
20,072	Net Current Assets	9,150

31 March 2017 £000	Current Assets and Liabilities	31 March 2018 £000
	Current Assets	
2,720	Central government bodies	1,642
12,296	Other local authorities	5,652
3	NHS bodies	2
4,300	Public corporations and trading funds	3,801
5,053	All other bodies	3,196
24,372	Total Current Assets	14,293
	Current Liabilities	
(828)	Central government bodies	(953)
(1,615)	Other local authorities	-
-	NHS bodies	-
(944)	Public corporations and trading funds	(4,028)
(913)	All other bodies	(162)
(4,300)	Total Current Liabilities	(5,143)
20,072	Net Current Assets	9,150

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16. Taxes on Income

2016/17 £000	Taxes on Income	2017/18 £000
-	Withholding tax - fixed interest securities	-
333	Withholding tax - equities	554
333	Total Taxes on Income	554

The Fund retains the following taxation status:

- VAT input tax is recoverable on all fund activities by virtue of Buckinghamshire County 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.

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 2016. The next valuation will take place as at 31 March 2019.

On 31 March 2016, the market value of the assets held were £2,221.253m, sufficient to cover 87% of the accrued liabilities assessed on an ongoing basis. All employers are projected to be fully funded after an average recovery period of 16 years. The primary rate of contribution is the employers' share of the cost of benefits accruing in each of the three years beginning 1 April 2017 and is 15.1% 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 6.2% in 2017/18, 6.3% in 2018/19 and 6.4% in 2019/20.

The results of the valuation are that the past service funding level of the Fund as a whole has increased from 82% to 87% between 31 March 2013 and 31 March 2016. The improvement of the funding position since the previous valuation is mainly due to good investment returns and employer contributions.

The main assumptions used in the valuation were:

Future assumed returns

- | | | |
|---|-------|-----------|
| ▪ Investment return - gilts | 2.4% | per annum |
| ▪ Investment return - other bonds | 3.3% | per annum |
| ▪ Investment return - cash / temporary investments | 1.8% | per annum |
| ▪ Investment return - equities | 7.4% | per annum |
| ▪ Investment return - property | 5.9% | per annum |
| ▪ Investment return - absolute return fund (LIBOR+) | 5.8% | per annum |
| ▪ Investment return - expense allowance | -0.2% | per annum |

Financial assumptions

- | | | |
|----------------------------|--|-----------|
| ▪ Discount rate | 5.4% | per annum |
| ▪ Pension increases | 2.4% | per annum |
| ▪ Short term pay increases | in line with CPI from 31 March 2016 to 31 March 2020 | |
| ▪ Long term pay increases | 3.9% | per annum |

The demographic assumptions are the same as those used by the Government Actuary's Department when LGPS reforms were designed and are based on analysis of incidence of death, retirement and withdrawal for Local Authority Funds.

The Fund's actuary undertook an interim valuation as at 31 March 2018 which showed that the funding level had increased to 95% and the average required employer contribution would be 21.3% of payroll assuming the deficit is to be paid by 2032. The estimated funding position is based on market movements since 31 March 2016 rather than being a full valuation with updated member data.

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 2016. On an IAS 19 basis the Actuary estimates that the net liability as at 31 March 2018 is £1,794m (31 March 2017 £1,858m), 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 2017		31 March 2018
£000		£000
4,503,310	Present value of funded obligation	4,605,799
(2,645,301)	Fair value of scheme assets	(2,812,158)
1,858,009	Net Liability	1,793,641

The Present Value of Funded Obligation consists of £4,470m (£4,351m at 31 March 2017) in respect of Vested Obligation and £136m (£152m at 31 March 2017) 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 2017		31 March 2018
3.6%	RPI increases	3.3%
2.7%	CPI increases	2.3%
4.2%	Salary increases	3.8%
2.7%	Pension increases	2.3%
2.8%	Discount rate	2.6%

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 20 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 approach has changed from the "spot approach" adopted at the previous accounting date to reflect national auditor preferences.

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. The approach has changed from the "spot rate" approach adopted at the previous accounting date to reflect national auditor preferences. 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 1.0% below RPI i.e. 2.3%.

Salaries are assumed to increase at 1.5% above CPI in addition to a promotional scale. However, the Actuary has allowed for a short term overlay from 31 March 2016 to 31 March 2020 for salaries to rise in line with CPI.

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 2016. The post retirement mortality tables adopted are the S2PA tables with a multiplier of 85%. These base tables are then projected using the CMI 2015 Model, allowing for a long-term rate of improvement of 1.5% p.a. The assumed life expectations from age 65 are:

Life expectancy from age 65 (years)	31 March 2018	31 March 2017
Retiring today		
Males	24.0	23.9
Females	26.1	26.0
Retiring in 20 years		
Males	26.2	26.1
Females	28.4	28.3

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.

19. Contingent Liabilities and Contractual Commitments

Contractual commitments that the Fund has entered into by 31 March 2018 are:

Contractual Commitments	Amount Paid as at 31 March 2017 \$000	Amount Paid as at 31 March 2018 \$000	Total Contractual Commitment \$000
Pantheon Asia Fund V LP	22,938	22,938	25,000
Pantheon Asia Fund VI LP	29,704	35,250	47,000
Pantheon USA Fund VII Limited	19,635	19,635	21,250
Pantheon USA Fund VIII Feeder LP	65,325	66,525	75,000
Pantheon Global Secondary Fund IV Feeder LP	9,975	9,975	15,000
Partners Group Global Resources 2009, LP	27,751	30,751	35,000
	175,328	185,074	218,250

	€000	€000	€000
Pantheon Europe Fund V "A" LP	16,548	16,983	18,125
Pantheon Europe Fund VI LP	57,980	59,605	65,000
Partners Group Global Real Estate 2008 SICAR	22,996	22,996	25,000
Partners Group Global Infrastructure 2009 SICAR	21,842	21,842	25,000
	119,366	121,426	133,125

These contractual commitments 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 total contractual commitment at 31 March 2018 is the same as the total contractual commitment at 31 March 2017.

The undrawn amount, the outstanding commitment, for each of these contracts is shown in the table below:

Funds Undrawn	31 March 2017		31 March 2018	
	\$000	£000	\$000	£000
Pantheon Asia Fund V LP	2,062	1,603	2,062	1,466
Pantheon Asia Fund VI LP	17,296	13,444	11,750	8,352
Pantheon USA Fund VII Limited	1,615	1,255	1,615	1,148
Pantheon USA Fund VIII Feeder LP	9,675	7,520	8,475	6,024
Pantheon Global Secondary Fund IV Feeder LP	5,025	3,906	5,025	3,572
Partners Group Global Resources 2009, LP	7,249	5,635	4,249	3,020
	42,922	33,363	33,176	23,582

	€000	£000	€000	£000
Pantheon Europe Fund V "A" LP	1,577	1,333	1,142	999
Pantheon Europe Fund VI LP	7,020	5,935	5,395	4,721
Partners Group Global Real Estate 2008 SICAR	2,004	1,694	2,004	1,754
Partners Group Global Infrastructure 2009 SICAR	3,158	2,670	3,158	2,764
	13,759	11,632	11,699	10,238

Pension Fund Accounts

On 31 March 2018 there were 3 group transfers to the Fund being negotiated with other Funds (7 on the 31 March 2017); the value of the transfers to the Fund is being negotiated between the Funds' actuaries. The income due to the Fund for the transfers has not been accrued since negotiations are at too early a stage for an estimate of the value to be available. On 31 March 2018 there was 1 group transfer from the Fund being negotiated with other Funds (3 on the 31 March 2017); the value of the transfers from the Fund is being negotiated between the Funds' actuaries. The expenditure in respect of the transfers has not been accrued since negotiations are at too early a stage for an estimate of the value to be available.

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, Scottish Widows replaced Clerical Medical on 7 May 2017. 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 Net Assets Statement in accordance with regulation 5(2)c of the Pension Scheme (Management and Investment of Funds) Regulations 1998 (SI 1998 No 1831).

2016/17 £000	Prudential	2017/18 £000
4,085	Value of AVC fund at beginning of year	4,035
0	Correction opening value	91
650	Employees' contributions and transfers in	570
150	Investment income	242
(850)	Benefits paid and transfers out	(1,069)
4,035	Value of AVC fund at year end	3,869

Scottish Widows	07.05.2017 - 31.03.2018 £000
Value of AVC fund at beginning of year	3,378
Employees' contributions	141
Investment income	400
Benefits paid and transfers out	(598)
Value of AVC fund	3,321

Clerical Medical	01.11.2016 - 07.05.2017 £000
Value of AVC fund at beginning of year	3,233
Employees' contributions	77
Investment income	394
Benefits paid and transfers out	(326)
Value of AVC fund	3,378

21. List of Scheduled and Admitted Bodies

Scheduled Bodies

Buckinghamshire County Council
Buckinghamshire Fire and Rescue Service
Thames Valley Police
Aylesbury Vale District Council
Chiltern District Council
Milton Keynes Council
South Bucks District Council
Wycombe District Council

Amersham Town Council
Aston Clinton Parish Council
Aylesbury Town Council
Beaconsfield Town Council
Bletchley & Fenny Stratford Town Council
Bradwell Parish Council
Broughton & Milton Keynes Parish Council
Buckingham Town Council
Burnham Parish Council
Campbell Park Parish Council
Chalfont St Giles Parish Council
Chalfont St Peter Parish Council
Chepping Wycombe Parish Council
Chesham Bois Parish Council
Chesham Town Council
Chiltern Crematorium
Chilterns Conservation Board
Coldharbour Parish Council
Coleshill Parish Council
Gerrards Cross Parish Council
Great Missenden Parish Council
Hambleden Parish Council
Hazlemere Parish Council
Iver Parish Council
Ivinghoe Parish Council
Kents Hill & Monkston Parish Council
Lacey Green Parish Council
Lane End Parish Council
Little Marlow Parish Council
Longwick-cum-Ilmer Parish Council
Loughton & Great Holm Parish Council
Marlow Town Council
Mentmore Parish Council
New Bradwell Parish Council
Newport Pagnell Town Council
Newton Longville Parish Council
Olney Town Council
PCC for Thames Valley

Penn Parish Council
Piddington & Wheeler End Parish Council
Princes Risborough Town Council
Shenley Brook End & Tattenhoe Parish Council
Shenley Church End Parish Council
Stantonbury Parish Council
Stony Stratford Town Council
Taplow Parish Council
Waddesdon Parish Council
Wendover Parish Council
West Bletchley Town Council
Weston Turville Parish Council
West Wycombe Parish Council
Winslow Town Council
Woburn Sands Town Council
Wolverton & Greenleys Town Council
Wooburn & Bourne End Parish Council
Woughton Community Council

Alfriston School
Amersham School
Amersham & Wycombe College
Aylesbury College
Aylesbury Grammar School
Aylesbury High School
Aylesbury Vale Academy
Beaconsfield High School
Beechview Academy
Bedgrove Infant School
Bedgrove Junior School
Bourne End Academy
Bourton Meadow Academy
Bridge Academy
Brill CofE Combined School
Brookmead School
Brooksward School
Brushwood Junior School
Buckinghamshire New University
Buckinghamshire University Technical College
Burnham Grammar School
Bushfield School
Castlefield School
Chalfonts Community College
Chalfont St Peter CE Academy
Chalfont Valley E-Act Academy
Charles Warren Academy
Chepping View Primary Academy
Chesham Grammar School
Chestnuts Academy

Chiltern Hills Academy	Oakgrove School
Chiltern Way Academy	Olney Infant School
Cottesloe School	Olney Middle Academy
Danesfield School	Orchard Academy
Denbigh School	Ousedale School
Denham Green E-Act Academy	Overstone Combined School
Dorney School	Oxley Park Academy
Dr Challoner's Grammar School	Padbury CoE School
Dr Challoner's High School	Portfields Combined School
E-Act Burnham Park Academy	Princes Risborough Primary School
EMLC Academy Trust	Princes Risborough School
Fairfields Primary School	Rickley Park Primary School
George Grenville Academy	Royal Grammar School
Germander Park School	Royal Latin School
Gerrards Cross CoE School	St Nicolas' CE Combined School Taplow
Glastonbury Thorn First School	St Paul's RC School
Great Kimble CoE School	Seer Green CofE School
Great Kingshill CoE Combined School	Shenley Brook End School
Great Marlow School	Shepherdswell School
Great Missenden CoE Combined School	Sir Henry Floyd Grammar School
Greenleys Junior School	Sir Herbert Leon Academy
Green Park School	Sir Thomas Fremantle Academy
Green Ridge Academy	Sir William Borlase's Grammar School
Hamilton Academy	Sir William Ramsay School
Hazeley Academy	Southwood Middle School
Heronsgate School	Stanton School
Highcrest Academy	Stantonbury Campus
Holmer Green Senior School	Stephenson Academy
Ickford School	The Beaconsfield School
Inspiring Futures Through Learning	The Meadows School
Ivingswood Academy	The Misbourne School
John Colet School	The Premier Academy
John Hampden Grammar School	The Radcliffe School
Jubilee Wood Primary School	Thomas Harding Junior School
Kents Hill School	Two Mile Ash School
Khalsa Secondary Academy	Waddesdon CoE School
Knowles Primary School	Walton High
Lace Hill Academy	Water Hall Primary School
Lent Rise Combined School	Wycombe High School
Lord Grey School	Wyvern School
Loudwater Combined School	
Loughton School	
Middleton Primary School	
Milton Keynes Academy	
Milton Keynes College	
Milton Keynes Development Partnership	
Milton Keynes Education Trust	
NET Academies Trust	
New Bradwell Combined School	
New Chapter Primary School	

Admitted Bodies

Acorn Childcare
 Acorn Childcare (Jubilee Wood School)
 Action for Children
 Action for Children (Children's Centres)
 Adventure Learning Foundation (BCC)
 Adventure Learning Foundation (WDC)
 Alliance in Partnership
 Ambassador Theatre Group
 Archgate Cleaning
 Ashridge Security Management
 Aspens Services Ltd
 Beacon Housing Association
 Birkin Cleaning (John Colet)
 Birkin Cleaning (Oakgrove School)
 Bucks Association of Local Councils
 Bucks County Museum Trust
 Bucks Learning Trust
 Busy Bee Cleaning Services Ltd (WDC)
 C-SALT (Woughton Leisure Centre)
 Capita (WDC)
 Caterlink Ltd (Buckingham Primary)
 Caterlink Ltd (Chiltern Hills Academy)
 Caterlink Ltd (Orchard Academy)
 Chartwells Ltd (Oakgrove School)
 Chiltern Rangers CIC
 Cleantec Services Limited
 Connection FS (BCC)
 Connection Support (MKC Brokerage)
 Connexions Buckinghamshire
 Cucina Restaurants Ltd (Denbigh School)
 Cucina Restaurants Ltd (Walton High)
 Derwent Facilities Management Ltd
 Enterprise Support Services UK
 Excelcare
 Frosts (MKC)
 Hayward Services Ltd
 Heritage Care
 Hertsmere Leisure Trust
 Hightown Housing Association Ltd
 Innovate Ltd
 Kids Play Ltd
 Manpower Direct Ltd
 Mears Group plc
 MK Dons
 NSL Services Group
 Nurture Landscapes (MKC)
 OFM Support Ltd

Oxfordshire Health NHS Foundation Trust
 Oxon PCT (SALT)
 Paradigm Housing Association
 Places for People Leisure (Newport Pag. TC)
 Places for People Leisure (WDC)
 Police Superintendents Association
 Red Kite Community Housing Ltd
 Ridge Crest Cleaning Ltd (Walton High)
 Ringway Infrastructure Services
 Ringway Jacobs
 Serco MKC Recreation & Maintenance
 Servest Group Limited
 Sports Leisure Management
 Spurgeons
 Stantonbury Arts & Leisure
 The Fremantle Trust
 Vale of Aylesbury Housing Trust
 Wolverton & Watling Way Pools Trust
 Wycombe Heritage and Arts Trust

Election Fees:

Aylesbury Vale Local
 Aylesbury Vale Parliamentary
 Chiltern Local
 Chiltern Parliamentary
 Milton Keynes Local
 Milton Keynes Parliamentary
 Wycombe Local
 Wycombe Parliamentary
 South Bucks Local
 South Bucks Parliamentary

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Active Management

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.

Actuary

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.

Additional Voluntary Contributions (AVCs)

AVCs are paid by a contributor who decides to supplement their pension by paying extra contributions to the Fund's AVC providers.

Admitted Bodies

These are employers who have been allowed into the Fund at the County Council's discretion.

Alternative Investments

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.

Asset Allocation

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.

Benchmark

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.

Commutation

The conversion of an annual pension entitlement into lump sum on retirement.

Contingent Liability

A possible loss, subject to confirmation by an event after the balance sheet date, where the outcome is uncertain in terms of cost.

Corporate Bonds

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.

Corporate Governance

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.

Custody, Custodian

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.

Dividend

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.

Emerging Markets

The financial markets of developing countries.

Equities

Shares in UK and overseas companies.

Fixed Interest

Income that remains constant during the life of the asset, such as income derived from bonds, annuities and preference shares.

FTSE All-Share Index

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.

Gilts, Gilt-edged Securities

The familiar name given to sterling, marketable, fixed interest securities (or bonds) issued by the British Government.

Hedge Fund

A specialist fund that seeks to generate consistent returns in all market conditions by exploiting opportunities resulting from inefficient markets.

Index-linked Gilts

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.

Mature Scheme

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.

Ministry of Housing, Communities and Local Government (MHCLG)

Formerly the Department for Communities and Local Government (DCLG), MHCLG is the government department responsible for the Local Government Pension Scheme.

Myners Report

In 2001, Paul Myners issued a report that had been commissioned by HM Treasury on the subject of Institutional Investment.

Passive Management

A style of investment management that seeks to attain performance equal to market or index returns.

Risk

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.

Scheduled Bodies

These are organisations that have a right to be in the Fund.

Specialist Management

A fund management arrangement whereby a number of managers each concentrate on a different asset class. A specialist fund manager is concerned primarily with stock selection within the specialist asset class. Asset allocation decisions are taken by the trustees, their consultant or a specialist tactical asset allocation manager.

Stock Selection

The process of deciding which stocks to buy within an asset class.

Style

The philosophy behind the way in which a manager manages the fund.

Tracker Fund

A fund which matches investment performance to a particular stock market index.

Transfer Value

A cash sum representing the value of a member's pension rights.

Unit Trust

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.

Unquoted Securities

Shares which are dealt in the market but which are not subject to any listing requirements and are given no official status.

Value Manager

A fund manager who aims to select stocks that he believes to have potential not reflected in the current share price.