

PENSION FUND ACCOUNTS 2007/08

1. Introduction

Buckinghamshire County Council administers a Pension Fund covering staff employed by the County Council, Milton Keynes Council, the district and parish councils of Buckinghamshire, Thames Valley Police Authority, Buckinghamshire Fire and Rescue Service, and other scheduled and admitted bodies. These are listed in note 18 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.

2. Membership of Fund

The following summarises the membership of the Fund:

31 March 2007		31 March 2008
18,603	Contributors	19,332
10,112	Pensioners	10,758
12,050	Deferred pensioners	13,218

The 31 March 2007 membership numbers have been restated to show the up to date membership position as at that date.

3. Statement of Investment Principles

In order to ensure the proper management of the Fund, the Council has adopted a Statement of Investment Principles (SIP) in relation to the investment of the Pension Fund's assets. The SIP can be viewed on the Council's pension website www.buckscc.gov.uk/pension_fund.

4. Further Information

The County Council publishes a separate Annual Report on the Pension Fund, which gives more detailed information, <mailto:pensions@buckscc.gov.uk>.

Pension Fund Account for the year ended 31 March 2008

2006/07 £000	Note	2007/08 £000
	Contributions and Benefits	
65,510	Contributions receivable 3	68,968
20,267	- from employers	22,093
17,409	- from employees or members	14,106
103,186	Transfers in	105,167
(40,219)	Benefits payable 5	(43,516)
(9,487)	- pensions	(11,421)
	- lump sums	
(19)	Payments to and on account of leavers 6	(36)
(8,018)	- refunds of contributions	(9,888)
(1,134)	- transfers out	(1,315)
(58,877)	Administrative expenses 7	(66,176)
44,309	Net additions from dealings with members	38,991
	Returns on investments	
23,694	Investment income 8	23,733
53,335	Change in market value of investments 9	(54,707)
(2,877)	Investment management expenses 10	(2,909)
74,152	Net returns on investments	(33,883)
118,461	Net increase (decrease) in Fund during the year	5,108
1,086,757	Net assets of the Fund as at 1 April	1,205,218
1,205,218	Net assets of the Fund as at 31 March	1,210,326

Net Assets Statement

31.03.07 £000	Note	31.03.08 £000
	Investments 11	
83,934	Fixed interest securities	79,268
60,438	- public sector	68,888
518,912	- other	400,260
27,994	Equities	33,685
387,236	Index-linked securities	478,390
100,393	Managed funds – other	99,487
17,472	Unit trusts – property	41,267
1,196,379	Cash deposits	1,201,245
8,839	Net current assets 13	9,081
1,205,218	Net assets at 31 March	1,210,326

Pension Fund Accounting Policies and Notes

1. Accounting Policies

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting and the Statement of Recommended Practice on Financial Reports of Pension Schemes (SORP 1).

The accounts summarise the transactions and net assets of the Fund and do not take account of liabilities to pay pensions and other benefits in the future. These are addressed by a triennial valuation (see Note 15).

The Pension Fund does not form part of the Accounts of Buckinghamshire County Council.

2. Basis of Preparation

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.

Foreign currency transactions are translated into sterling at the exchange rate ruling at the date of transaction.

3. Contributions

Contributions relating to wages and salaries paid up to 31 March 2008 have been included in these accounts.

2006/07 £000		2007/08 £000
	Employers	
23,293	Administering Authority	24,839
35,950	Scheduled Bodies	39,835
6,267	Admitted Bodies	4,294
	Members	
6,794	Administering Authority	7,517
12,136	Scheduled Bodies	13,212
1,337	Admitted Bodies	1,364
85,777		91,061

4. Transfer Values

The individual transfer values relate to transfers, which have been received and paid during the financial year ie included on a cash basis.

As at 31 March 2008 there were 6 transfer values out greater than £50,000, for which £0.437m had not been paid; there were 9 transfer values in greater than £50,000, for which £0.776m had not been received.

5. Benefits Payable

Benefits payable includes all valid benefit claims notified during the financial year.

2006/07 £000		2007/08 £000
	Pensions	
17,488	Administering Authority	18,743
19,135	Scheduled Bodies	20,795
3,596	Admitted Bodies	3,978
8,308	Commutations and lump sum retirement benefits	10,324
1,179	Lump sum death benefits	1,097
49,706		54,937

6. Payments to and on Account of Leavers

2006/07 £000		2007/08 £000
29	Refunds to members leaving service	28
(10)	Payments for members joining the state scheme	8
0	Group transfers to other schemes	25
8,018	Individual transfers to other schemes	9,863
8,037		9,924

7. Administrative Expenses

2006/07 £000		2007/08 £000
1,062	Administration of benefits	1,135
25	Actuarial fees	79
47	Legal and performance measurement fees	101
1,134		1,315

8. Investment Income

2006/07 £000		2007/08 £000
7,261	Income from fixed interest securities	6,915
12,759	Dividends from equities	11,077
460	Income from index-linked securities	792
759	Interest on cash deposits	1,878
2,350	Income from property unit trust	2,914
105	Other	157
23,694	Total investment income	23,733

9. Investments

All investments are valued at their market value at 31 March 2008 and are determined as follows:

- (i) Listed securities are valued at market value issued by the Stock Exchange on which the portfolio is based.
- (ii) Unit trust and managed fund investments are stated at the mid-point of the latest prices quoted by the managers at 31 March 2008.
- (iii) Unlisted securities are valued by the investment managers, having due regard to latest dealings, professional valuation, asset values and other appropriate financial information.
- (iv) Investments held in foreign currencies have been valued on the relevant basis and translated into sterling at the exchange rate ruling at the balance sheet date.
- (v) Any interest included in the purchase or sale of an investment is accounted for as part of the market value of that investment.

	Value at 31.03.07	Purchases at Cost	Sales Proceeds	Change in Market Value	Value at 31.03.08
	£000	£000	£000	£000	£000
Fixed interest securities	144,372	188,053	(183,151)	(1,118)	148,156
Equities	518,912	303,639	(289,179)	(133,112)	400,260
Index-linked securities	27,994	10,599	(8,259)	3,351	33,685
Managed funds	387,236	46,166	(45,251)	90,239	478,390
Unitised property funds	100,393	23,346	(10,601)	(13,651)	99,487
Cash deposits	17,472	0	24,211	(416)	41,267
	1,196,379	571,803	(512,230)	(54,707)	1,201,245
Outstanding dividends, accrued interest and recoverable taxes	5,490				5,330
	1,201,869	571,803	(512,230)	(54,707)	1,206,575

Managed funds are pooled funds, which means that the Pension Fund is not the named owner of specific investments. The funds include the following types of investments:

- equities
- fixed interest securities
- index linked securities
- hedge fund of funds
- private equity fund of funds

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

The purchase costs of investments include transaction costs, brokerage commission and other fees incurred in the acquisition of investments.

10. Investment Management Expenses

The value of the fund with the fund managers as at 31 March 2008 was £1,186.360m.

Fund manager fees have been calculated according to the specific mandate and the associated contract agreement as follows:

Fund Manager	Mandate	Negotiated Fee Basis	Proportion of Fund
Alliance Bernstein Institutional Investments	Less constrained global equities	Percentage of fund	8%
BlackRock	Cash / inflation plus	Percentage of fund	2%
Blackstone Alternative Asset Management	Hedge fund of funds	Percentage of fund	3%
Capital International	Active global equities	Performance related fee	10%
Legal & General Investment Management	Passive index-tracker	Percentage of fund	34%
Legal & General Investment Management	Bonds	Percentage of fund	16%
Mirabaud Investment Management Limited	UK equities	Percentage of fund	11%
Morley Fund Management	Property	Percentage of fund	9%
Pantheon Private Equity	Private Equity	Percentage of Funds Committed & Incentive Fee	0%
Standard Life Investments	Less constrained UK equities	Performance related fee	7%

11. Analysis of the value of investments

31.03.07 £000		31.03.08 £000
	Fixed Interest Securities	
83,934	UK public sector	73,180
0	Overseas public sector	6,088
60,438	UK other	68,888
144,372		148,156
	Equities	
265,550	UK listed	224,151
253,362	Overseas listed	176,109
518,912		400,260
27,994	Index-linked Securities - UK	33,685
387,236	Managed Funds	478,390
100,393	Unit Trusts – property funds	99,487
	Cash deposits	
17,472	Sterling and foreign cash	41,267
1,196,379	Total	1,201,245

12. Related Parties

The Pension Fund's net assets include loans to Buckinghamshire County Council. As at 31 March 2008 loans outstanding were £1.531m (£4.515m as at 31 March 2007).

13. Current Assets and Liabilities

31.03.07 £000		31.03.08 £000
	Current debtors (assets)	
3,743	Contributions due 31 March	4,415
5,490	Dividend income receivable	5,330
1,685	Sundry debtors and prepayments	2,096
10,918		11,841
	Less current creditors (liabilities)	
(990)	Management charges	(727)
(541)	HM Revenue & Customs	(587)
(237)	Unpaid benefits	(360)
(311)	Sundry accruals	(1,086)
(2,079)		(2,760)
8,839	Net current debtors or (creditors)	9,081

14. Taxation

The Fund is unable to reclaim Advance Corporation Tax (ACT). However, the fund retains the following taxation status:

- (i) VAT input tax is recoverable on all fund activities by virtue of Buckinghamshire County Council being the administering authority.
- (ii) The fund is an exempt approved fund under the Income Taxes Act 1988 and is therefore not liable to UK income tax or capital gains tax.
- (iii) Income earned from investments overseas in the United States and certain other countries is exempt from national taxation and therefore not subject to withholding tax.

15. Actuarial Position of the Fund

In accordance with the Local Government Pension Scheme Regulations 1997 as amended, actuarial valuations are currently made at three-yearly intervals.

The main purposes of actuarial valuations are:

- (a) to assess the contributions required to provide for benefits currently accruing to active members;
- (b) to assess whether the funds in hand are sufficient to meet the existing commitments.

If funds are not sufficient, additional employers' contributions are payable, whereas if the funds are more than sufficient these may be reduced.

The Fund's Actuary, Barnett Waddingham LLP, undertook a valuation of the Fund as at 31 March 2007 in compliance with Regulation 77(1) of the Local Government Pension Scheme Regulations 1997 (SI 1997 No 1612) as amended. On that date the market value of the assets held were £1,205,218m, sufficient to cover 81.5% of the accrued liabilities assessed on an ongoing basis. The revised employers' contribution arrangements were effective from 1 April 2008 and these are set to recover the deficiency over a twenty-year period.

The main assumptions used in the valuation were:

- | | | | |
|-------|--|------|-----------|
| (i) | Investment return - equities | 7.6% | per annum |
| (ii) | Investment return - gilts | 4.7% | per annum |
| (iii) | Investment return - bonds and property | 5.4% | per annum |
| (iv) | Investment return - discount rate | 6.8% | per annum |
| (v) | Pay increases | 4.8% | per annum |
| (vi) | Price inflation / pension increases | 3.3% | per annum |

16. Contractual Commitments

Contractual commitments that the Fund has entered in to by 31 March 2008 are:

	Amount Paid as at 31 March \$000	Total Contractual Commitment \$000
Pantheon USA Fund VII Limited	3,528	21,250
Pantheon Asia Fund V LP	0	25,000
Pantheon USA Fund VIII Feeder LP	1,500	75,000
	€000	€000
Pantheon Europe Fund V "A" LP	3,806	18,125
Pantheon Europe Fund VI LP	0	65,000

17. 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 Clerical Medical and Prudential M&G. Clerical Medical invest in with profits and unit-linked funds, the financial year for this fund is 1 November to 31 October and the financial information included is for this period. M&G invests in a with profits accumulation fund, a deposit fund and a discretionary fund. These amounts are not included in the Pension Fund Accounts in accordance with regulation 5(2)c of the Pension Scheme (Management and Investment of Funds) Regulations 1998 (SI 1998 No 1831.)

1 Nov 2005 to 31 Oct 2006 £000	Clerical Medical	1 Nov 2006 to 31 Oct 2007 £000
2,699	Value of AVC fund at beginning of year	3,378
577	Employees contributions	628
282	Investment income	523
(180)	Benefits paid and transfers out	(401)
3,378	Value of AVC fund at end of year	4,128

2006/07 £000	Prudential M&G	2007/08 £000
4,857	Value of AVC fund at beginning of year	4,814
356	Employees contributions	373
289	Investment income	283
(688)	Benefits paid and transfers out	(855)
4,814	Value of AVC fund at end of year	4,615

18. List of Scheduled and Admitted Bodies

Scheduled Bodies

Buckinghamshire County Council
Buckinghamshire & Milton Keynes Fire Authority
Thames Valley Police Authority
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
Bletchley & Fenny Stratford Town Council
Buckingham Town Council
Bucks Valuation Tribunal Service
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
Denham Parish Council
Farnham Royal Parish Council
Gerrards Cross Parish Council
Great Missenden Parish Council
Hazlemere Parish Council
Iver Parish Council
Lane End Parish Council
Little Marlow Parish Council
Marlow Town Council
Newport Pagnell Town Council
Olney Town Council
Princes Risborough Town Council
Shenley Brook End and Tattenhoe Parish Council
Shenley Church End Parish Council
Stantonbury Parish Council
Stony Stratford Town Council
Wendover Parish Council
West Bletchley Town Council
Winslow Town Council
Woburn Sands Town Council
Wolverton & Greenleys Town Council
Wooburn Parish Council

Amersham & Wycombe College
Aylesbury College
Bucks Chilterns University College
Beaconsfield High School
Beechview Middle School
Brookmead School
Brushwood Middle School
Castlefield School
Chalfonts Community College
Cottesloe School
Cressex School
Danesfield School
Denbigh School
Germander Park School
Gerrards Cross C E School
Glastonbury Thorn First School
Great Marlow School
Hamilton Primary School
Lord Grey School
Loudwater Combined School
Loughton Middle School
Milton Keynes College
New Bradwell Combined School
Ousedale School
Overstone Combined School
Portfields Combined School
Radcliffe School
Royal Grammar School, Wycombe
St Paul's RC School
Shenley Brook End School
Sir Frank Markham School
Southwood Middle School
Stanton Middle School
Stantonbury Campus
Two Mile Ash School
Waddesdon C E School

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

Admitted Bodies

ASM Metal Recycling Limited
Aylesbury Vale Dial-a-Ride
Beacon Housing Association
Bucks Association for the Blind
Bucks Association of Local Councils
Bucks Community Action
Busy Bee Cleaning Service
Catermasters
Connaught Housing
Excelcare
Fremantle Trust
HBS
Heritage Care
Hightown Praetorian and Churches Housing Association
National Foundation for Educational Research (NFER)
NFER Publishing
Paradigm Housing Association
Penn School
Race Equality Council
Serco
Superclean
Vale of Aylesbury Housing Trust
Walton High School
Wycombe Dial-A-Ride