

Agenda

PENSION FUND COMMITTEE

Date: Monday 23 May 2016
Time: 2.00 pm
Venue: Mezzanine Room 3, County Hall, Aylesbury

Agenda Item	Page No
1 APOLOGIES FOR ABSENCE / CHANGES IN MEMBERSHIP	
2 DECLARATIONS OF INTEREST To disclose any Personal or Disclosable Pecuniary Interests	
3 MINUTES of the meeting held on 4 February 2016 to be agreed as an accurate record.	3 - 6
4 BUCKINGHAMSHIRE PENSION BOARD MINUTES Buckinghamshire Pension Fund Board minutes of the meeting held 16 March 2016 attached.	7 - 12
5 PENSION FUND EXTERNAL AUDIT PLAN 2015/16 To be presented by Thomas Slaughter, Grant Thornton.	13 - 28
6 ANNUAL ACCOUNTS To be presented by Julie Edwards, Pensions & Investments Manager	29 - 60
7 FORWARD PLAN Forward Plan attached.	61 - 64
8 EXCLUSION OF THE PRESS AND PUBLIC To resolve to exclude the press and public as the following item is exempt by virtue of Paragraph 3 of Part 1 of Schedule 12a of the Local Government Act 1972 because it contains information relating to the financial or business affairs of any particular person (including the authority holding that information)	



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9	CONFIDENTIAL MINUTES Confidential minutes of the meeting held 4 February 2016 to be agreed as an accurate record.	65 - 66
10	CONFIDENTIAL BUCKINGHAMSHIRE PENSION BOARD MINUTES Confidential Buckinghamshire Pension Fund Board minutes of the meeting held 16 March 2016 attached.	67 - 68
11	FUND MANAGER PERFORMANCE To be presented by Julie Edwards, Pensions & Investments Manager	69 - 86
12	LGPS REFORM UPDATE To be presented by Julie Edwards, Pensions & Investments Manager.	87 - 122
13	FUND MANAGER PRESENTATION Presentation to be delivered from Investec.	123 - 160
14	TRAINING SESSION: FIXED INCOME GROWTH OPPORTUNITIES Training session to be delivered by Mercer.	161 - 180
15	DATE OF NEXT MEETING The next meeting will take place on 29 June 2016 at 1 p.m. in Mezzanine room 2.	

If you would like to attend a meeting, but need extra help to do so, for example because of a disability, please contact us as early as possible, so that we can try to put the right support in place.

For further information please contact: Leslie Ashton on 01296 382290, email: lashton@buckscc.gov.uk

Members

Mr J Chilver (C)

Mr T Egleton

Mr P Hardy

Mr S Lambert

Mr D Martin

Mr R Scott (VC)

Mr J Gladwin, District Council representative

Mr D Carroll, Thames Valley Police

Mr P McDonald, Milton Keynes Council

Minutes

PENSION FUND COMMITTEE

**MINUTES OF THE MEETING OF THE PENSION FUND COMMITTEE HELD ON THURSDAY
4 FEBRUARY 2016, IN MEZZANINE ROOM 3, COUNTY HALL, AYLESBURY,
COMMENCING AT 2.04 PM AND CONCLUDING AT 4.01 PM.**

MEMBERS PRESENT

Mr J Chilver (Chairman), Mr P Hardy, Mr S Lambert, Mr D Martin, Mr R Scott (Vice-Chairman),
Mr J Gladwin, Mr D Carroll, Mr P McDonald and Mr C Adams

OFFICERS PRESENT

Carolán Dobson, Independent Adviser
Julie Edwards, Pensions and Investments Manager
Mark Preston, Finance Director, Business Services Plus
James Batt, Committee Assistant
Nick Sykes, Investment Consultant, Mercer
Nick Buckland, Dorset County Council

AGENDA ITEM

1. APOLOGIES FOR ABSENCE / CHANGES IN MEMBERSHIP

No apologies had been received.

2. DECLARATIONS OF INTEREST

Carolán Dobson advised that she also represents the Environment Agency and
Hampshire County Council.

Nicky Sykes declared that he represents the Environment Agency.

3. MINUTES

The following amendment to the previous minutes was requested:

Page 9: 'Committee capital' was changed to read 'Committed capital'.



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The minutes were then agreed as an accurate record.

Matters Arising:

Page 4 – The Pensions & Investments Manager advised that the ‘expanded commentary regarding risk in relation to inflation’ would be included in the Risk Register item the next time that the Committee reviews the Risk Register.

Page 5 – Nick Sykes explained that convertible bonds could be a suitable topic for a training session.

Page 6 – The Pensions & Investments Manager spoke of the need to respond to the pooling consultation by 19/02/2016.

Page 7 – The Funds performance would be discussed at the following meeting.

4. TREASURY SLA

The Pensions & Investments Manager advised that this is an annual agenda item which reviews the provision of treasury management services by the County Council to the Pension Fund. The following points were raised:

- There had been £65,000 of investment income in 2015/16.
- The spike in the cash balance at the end of April had been due to Buckinghamshire County Council paying its 2015/16 past service deficit to the Pension Fund as a lump sum rather than monthly instalments.
- In response to a question, the Pensions & Investments Manager explained that 2009 regulations advised that the Pension Fund could borrow to meet cash flow requirements, but that they had struggled to find willing lenders.
- The Pension Fund can borrow from the County Council if required; however, this facility had not been used for 2-3 years.
- Interest was currently at the 7-day LIBID rate.

The proposed SLA for 2016/17 was agreed by Members of the Pension Fund Committee.

5. FORWARD PLAN

The Pensions & Investments Manager explained that GTP would be present at the next meeting.

LGPS Reform Update had been added as a standing item for the Pension Fund Committee meetings.

It was noted that the Committee required the attendance of Oliver Kratz at the following meeting and that he should be afforded every opportunity to attend.

6. EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED

That the press and public be excluded for the following item which is exempt by virtue of Paragraph 3 of Part 1 of Schedule 12a of the Local Government Act 1972 because it contains information relating to the financial or business affairs of any particular person (including the authority holding that information)

7. LGPS REFORM

The Local Government Pension Scheme reformation was discussed.

8. MERCER REPORT

A report was provided by Mercer.

9. CONSULTATION ON INVESTMENT REGULATIONS

A discussion was held around the consultation on investment regulations.

10. DATE OF NEXT MEETING

The next meeting would take place on 23/05/2016 at 14:00 in Mezzanine Room 3, New County Offices, Walton Street, Aylesbury.

CHAIRMAN

Minutes

PENSION FUND BOARD

MINUTES OF THE PENSION FUND BOARD HELD ON WEDNESDAY 16 MARCH 2016, IN COMT BOARD ROOM, IRELAND ROOM, COUNTY HALL, COMMENCING AT 10.00 AM AND CONCLUDING AT 1.00 PM.

MEMBERS PRESENT

Ms B Black, Mr R Bowman, Mr P Dearden, Ms R Ellis (Vice-Chairman), Mr D Martin, Mr S Mason (Chairman), Mr J McGovern and Mr I Thompson

OFFICERS PRESENT

Mr J Batt, Ms J Edwards, Mr E Holt, Mr R Nicholson, Ms C Platts, Mr M Preston, Ms S Price and Mr C Thompson

1 APOLOGIES/DECLARATIONS OF INTEREST

There were no apologies or declarations of interest.

2 PENSION FUND COMMITTEE MINUTES

Page 4 – The Pensions & Investments Manager explained that the Board Members still required training on the regulatory requirements.

Action: Pensions & Investments Manager

The Pensions & Investments Manager advised that their team were still in the process of completing the estimated cost for reconciliation.

The Pensions & Investment Manager confirmed that they would not be receiving a fine due to the late return of the Annual Benefits Statement.

3 BCC PENSION FUND MEMBER AND EMPLOYER COMMUNICATIONS

It was explained that the 2013 regulations state that the Council requires a policy around Fund Member and Employer Communications; the Communications Officer advised that the Council's policy had been updated to reflect the fact that the Pension Fund Board was now in existence, and confirmed that this requires approval by the Pension Fund Board every 3 years.



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The Communications Officer advised that a soft launch was currently being conducted, with email addresses being acquired from different employers.

The Communications Officer explained that disclosure recommendations need to be satisfied before the paperless initiative could be implemented; and that letters are required to be sent to advise of the intent to move to digital correspondence. The Pensioner Newsletter had requested that email addresses were provided in order to enable digital communication and reduce paper usage.

The Communications Officer advised that full payslip runs are conducted in September/October and April/May to help to prevent fraud.

It was noted that the Members Access Portal had not yet been built into the system as automation was required before this could be completed.

The Board the APPROVED the 2016 revision of the Buckinghamshire County Council Pension Fund Communications Policy Statement for publication online.

4 BCC PENSION FUND EMPLOYER NEWSLETTER - DECEMBER 2015

The Board noted the December 2015 issue of the BCC Pension Fund Employer Newsletter.

An error had been noted on page 23 of the agenda pack, whereby it was stated that the return of 3.1% represented a 0.7% underperformance in relation to the 2.4% benchmark. This should have stated a 0.7% **overperformance**.

The Communications Officer explained that the temporary manager in the ISA team had recently left, along with two other team members. The department was said to be short on ELO's, but plan were in place to address this matter.

It was noted that the period of contracting out had come to an end; and that individuals who commenced their scheme membership between 1978 and 1998 had accrued a guaranteed minimum pension. Any increase above 3% would be paid by the state, with BCC paying increases below 3%.

Communications to high earners to inform them of changes to pensions would shortly be conducted – this is for fixed protection applications for the 2016/17 period.

The Communications Officer explained that the guidance notes would be reviewed to establish why percentages of lifetime allowances had not been included on the 2014/15 Annual Benefits Statement; as perhaps this was being dealt with under a different mechanism.

Fact sheets would be distributed in order to detail the changes to lifetime allowances and the process for the carrying forward of unused allowances.

The Communications Officer noted issues with information provided by employers last year in relation to periods of authorised leave and calculation of final pay. The Pensions team had reiterated to employers as to how to calculate this.

The Pensions Team had reminded employers their deadlines for completion of the Auto-Enrolment (15th of each month) and the Monthly Contributions Spreadsheet (19th of each month). These incoming spreadsheets were to be monitored and explanations sought for the late receipt of information.

5 ANNUAL BENEFITS STATEMENTS - ADMINISTRATION YEAR END UPDATE

The Pensions & Investments Manager explained that the statutory deadline for the Annual Benefits Statement had not been met and so BCC were currently proposing with the employers that this deadline be changed. Further information on this would be uploaded once received; with statements issued where there is no query relating to significantly different salary information being received.

The Communications Officer commented that they could only check full time equivalent pay and that the annual return was within the tolerance from the previous year.

It was explained that all necessary data should be received in time for the July meeting of the Pension Fund Board; and that 2014/15 held lots of changes that were to be absorbed by employers.

The Principal Pensions Officer advised that data would be uploaded directly through the interface; with employer self-service capabilities being rolled in the future. Self-service for Members was currently underway and it was stated that this should reduce the demand on the administration team; however redundancy quotes would still be required to be completed by employers themselves.

6 INTERNAL DISPUTE RESOLUTION PROCEDURE

The Board noted the internal dispute resolution procedure detailed in the agenda pack and raised the following points in discussion:

- Responses to appeals should be received within 3 months – although employers were chased for their responses on a monthly basis.
- In the majority of ill-health cases, benefits had been paid whilst waiting for the appeals to be processed.
- It was noted that the difficulties surrounding instances of ill-health were that delays were often due to medical professionals and not the employers themselves. The difficulties in obtaining definitive statements and the signing of a declaration from an independent medical practitioner were noted.

7 ADMINISTRATION PERFORMANCE STATISTICS

A new post had been created in October 2015 in order to assist with the administration backlog; a verbal update would be provided on this at the following meeting once the training period had been completed. The priority workgroups were now up to date.

The Principal Pensions Officer noted their aim of issuing the Annual Benefit Statement within the August 2016 deadline.

It was questioned if the CIPFA benchmark was now in line with its neighbours regarding staffing. The Finance Director commented that they should be broadly in line and that the length of time taken to train pension administrators does impact this – although they now had a post solely dedicated to training.

The CIPFA report would be provided at the meeting in October 2016.

The Chairman requested an update on the year-end returns at the next meeting and that this information was also provided to the actuary.

Action: Principal Pensioners Officer

The Finance Director explained that conversations had been held between Berkshire and Oxfordshire regarding the outsourcing of administration, but that the right opportunity and environment were required and there had been no plans at present to progress this any further.

Reece Bowman advised that a Human Resources business case had been agreed for the sharing of information with Harrow Council.

8 RISK REGISTER

The Pensions & Investment Manager explained that the Risk Register had been updated to reflect the changes agreed at last year's Pension Fund Committee.

It was commented that the chain of Fund Management within the Council (e.g. the monitoring relationship) had not covered the chain of the Council itself and that a separation of duties would be added.

Action: Pensions & Investments Manager

The Pensions & Investments Manager advised that BCC did not currently have the resources to provide further information on tax legislation for high earners; as detailed on page 28 of the agenda pack.

Action: Pension & Investments Manager

9 FORWARD PLAN

The Pensions & Investments Manager would endeavour to formulate the training plan prior to the July 2016 meeting taking place.

Action: Pensions & Investments Manager

The Chairman requested that a fund manager be invited to the October 2016 meeting with a view to establishing the training needs analysis.

Action: Pensions & Investments Manager

An update on the pooling proposal would be provided at the July 2016 meeting.

Action: Pensions & Investments Manager

10 EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED

That the press and public be excluded for the following items which are exempt by virtue of Paragraph 3 of Part 1 of Schedule 12a of the Local Government Act 1972 because they contain information relating to the financial or business affairs of any particular person (including the authority holding that information)

11 CONFIDENTIAL MINUTES OF PENSION FUND COMMITTEE

The Board noted the minutes from the previous Pension Fund Committee.

12 MINUTES OF THE PENSION FUND BOARD

The Board noted the minutes from the previous Pension Fund Board.

13 FUND MANAGER'S PRESENTATION

The Board noted and discussed the report provided by Royal Asset Management (RAM).

14 POOLING PROPOSAL

The Board held a discussion on the pooling proposal.

15 DATE OF NEXT MEETING/AOB

The next meeting would take place on 21/07/2016 in the CoMT Boardroom, New County Offices, Walton Street, Aylesbury.

CHAIRMAN

The Audit Plan

Buckinghamshire County Council Pension Fund

Year ended 31 March 2016

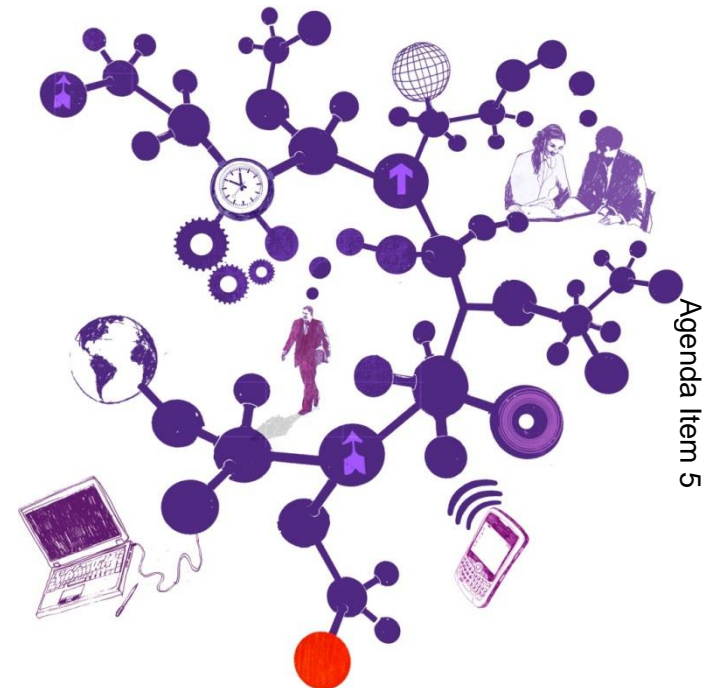
April 2016

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Emily Hill
Engagement Lead
T 020 7728 3259
E emily.hill@uk.gt.com

Nick Taylor
Senior Manager
T 01223 225514
E nick.taylor@uk.gt.com

Thomas Slaughter
Assistant Manager
T 020 7728 2972
E thomas.m.slaughter@uk.gt.com



Agenda Item 5

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Buckinghamshire County Council Pension Fund
County Hall
Walton Street
Aylesbury
Buckinghamshire
HP20 1XF

February 2016

Dear Members of the Regulatory and Audit Committee

Audit Plan for Buckinghamshire County Council Pension Fund for the year ending 31 March 2016

This Audit Plan sets out for the benefit of those charged with governance (in the case of Buckinghamshire County Council Pension Fund, the Regulatory and Audit Committee), an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Pension Fund and your environment. The contents of the Audit Plan have been discussed with management.

We are required to perform our audit in line with the Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015.

Our responsibilities under the Code are to:

- give an opinion on the Fund's financial statements
- give an opinion on the Pension Fund Annual Report.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Yours sincerely

Emily Hill

Engagement Lead

Grant Thornton UK LLP
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

T +44 (0)20 7383 5100
www.grant-thornton.co.uk

Chartered Accountants

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Understanding your business

In planning our audit we need to understand the challenges and opportunities the Buckinghamshire County Pension Fund (the Fund) is facing. We set out a summary of our understanding below.

Challenges/opportunities

1. Pooling of Investments

- As part of the summer budget 2015 the government has invited LGPS administering authorities to submit proposals for investing their assets through pools of at least £25 billion, with the intention of reducing investment management costs and potentially improving returns.
- The government anticipates that this will improve both capacity and capability to invest in large scale infrastructure projects.
- Initial proposals have been submitted to DCLG by mid February, with final plans agreed by 15 July 2016.

2. Changes to the investment regulations

- In November 2015 DCLG published draft proposals in relation to the investment regulations governing LGPS funds.
- The proposals seek to remove some of the existing prescribed means of securing a diversified investment strategy and instead give funds greater responsibility to determine the balance of their investments and take account of risk.

3. Governance arrangements

- Local pension boards have been in place since April 2015, and were introduced to assist with compliance and effective governance and administration of the scheme.
- There remains a continued focus on the affordability, cost and management of the scheme, and as such it remains critical that appropriate governance arrangements are in place for the Fund.

4. Funding deficit pressure

- In December 2015, a report from the Centre for Policy Studies concluded that the Local Government is unsustainable in its current form.
- The LGPS collectively had a £47bn deficit as at the 31 March 2013 triennial valuation and is expected to increase following the new revaluation for 2016.
- Your Fund had an actuarial deficit of £1.6bn as at the most recent actuarial valuation.

5. Earlier closedown of accounts

- The Accounts and Audit Regulations 2015 require fund's to bring forward the approval of draft accounts and the audit of financial statements to the 31 May and 31 July respectively by the 2017/18 financial year.
- For 2015/16 you have moved the date for approval of the final version of the accounts by the Regulatory and Audit Committee forward from September to 28 July.



Our response

- We will continue to discuss with officers their plans for asset pooling and the implications that this will have on both the investment policy and governance arrangements of the Fund.
- We are able to provide support and challenge to your plans based on our knowledge of LGPS pooling plans in other regions.

- We will discuss with officers their plans to respond to these changes and consider the impact on the Fund's investment strategy and its risk management approach to investments.

- We will continue our on-going dialogue with officers around their governance arrangements, particularly in light of their proposals for pooling investments.
- We will continue to share emerging good practice with officers.

- We will discuss with you the implication of initiatives by DCLG to manage the increasing deficit position.

- We will work with you to identify areas of your accounts production where you can learn from good practice in others.
- We aim to complete all substantive work in our audit of your financial statements by 31 July 2016.
- We will present our Audit Findings Report to the 28 July meeting of the Regulatory and Audit Committee.

Developments and other requirements relevant to your audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice and associated guidance.

Developments and other requirements

1. Financial Pressures

- Pension funds are increasingly disinvesting from investment assets to fund cash flow demands on benefit and leaver payments that are not covered by contributions and investment income.
- Pension fund investment strategies need to be able to respond to these demands as well as the changing nature of the investment markets.

2. Financial Reporting

- There are no significant changes to the Pension Fund financial reporting framework as set out in the CIPFA Code of Practice for Local Authority Accounting (the Code) for the year ending 31 March 2016, however the Pension Fund needs to ensure on going compliance with the Code.

3. LGPS 2014

- Funds have implemented the requirements of LGPS 2014 and moved to a career average scheme.
- This will continue to increase the complexity of the benefit calculations and the arrangements needed to ensure the correct payment of contributions.
- In addition, this places greater emphasis on the employer providing detailed information to the scheme administrator, while also requiring the scheme to have enhanced information systems in place to maintain and report on this data.

4. Accounting for Fund management costs

- There continues to be a spotlight on the costs of managing the LGPS, and in particular investment management costs.
- Last year CIPFA produced guidance aimed at improving the transparency of management cost data and suggested that funds should include in the notes to the accounts a breakdown of management costs across the areas of investment management expenses, administration expenses and oversight and governance costs.
- This guidance is currently being updated.

Our response

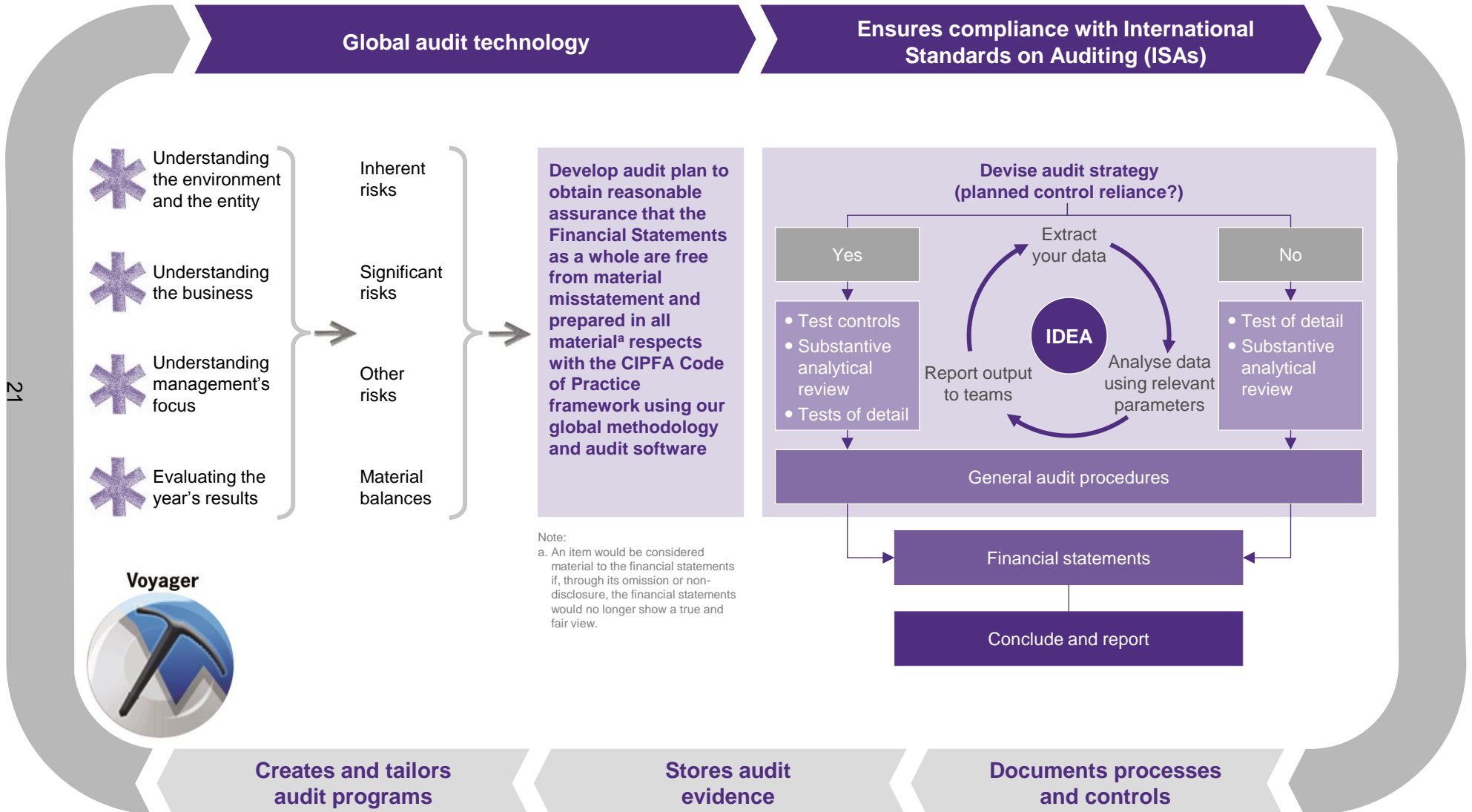
- We will monitor any changes to the Fund investment strategy through our regular meetings with management.
- We will consider the impact of changes on the nature of investments held by the Fund and adjust our testing strategy as appropriate.

- We will ensure that the Pension Fund financial statements comply with the requirements of the Code through our substantive testing.

- We will continue to review the arrangements that the Fund has in place for the quality of its' membership data.

- We will continue to discuss with officers their plans for increasing the level of transparency associated with the costs of managing the fund.

Our audit approach



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Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit.

The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As is usual in public sector entities, we have determined materiality for the statements as a whole as a proportion of the gross revenue expenditure of the Council. For purposes of planning the audit we have determined overall materiality to be £22,058k (being 1% of net assets as per the 2014/15 net assets statement). We will consider whether this level is appropriate during the course of the audit and will advise you if we revise this.

Under ISA 450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £1,102k.

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'. We have identified no such items that warrant a lower materiality level to be set.

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Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. The first two risks are presumed significant risks which are applicable to all audits under International Standards on Auditing (UK & Ireland) (ISA(UK&I)). Further details are set out below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	<p>Under ISA(UK&I)240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA(UK&I)240 and the nature of the revenue streams at Buckinghamshire County Pension Fund, we have determined that the risk of fraud arising from revenue recognition relating to contribution and investment income can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Buckinghamshire County Council Pension Fund who act as the administrators of the Fund, mean that all forms of fraud are seen as unacceptable.
Management over-ride of controls	<p>Under ISA(UK&I)240 the presumption that the risk of management over-ride of controls is present in all entities.</p>	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Risk assessment of accounting estimates, judgments and decisions made by management <p>Work planned:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Testing of journal entries • Review of unusual significant transactions.
Level 3 Investments – Valuation is incorrect	<p>Under ISA(UK&I)315 significant risks often relate to significant non-routine transactions and judgemental matters.</p> <p>Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p>	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Walkthrough of expected controls on investments <p>Work planned:</p> <ul style="list-style-type: none"> • For a sample of private equity investments, test valuations by obtaining and reviewing audited accounts at latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciliation of those values to the values at 31st March with reference to known movements in the intervening period. • To review the nature and basis of estimated values.

Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA(UK&I)315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other risks	Description	Audit Approach
Investment purchases and sales	Investment activity not valid (Valuation gross)	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Walkthrough of expected controls on investments <p>Work planned:</p> <ul style="list-style-type: none"> • Test a sample of purchases and sales
Investment values Level 2 investments	<p>Fair value measurements priced using inputs that are observable either directly or indirectly not correct (Valuation gross)</p> <p>Fair value measurements priced using inputs not based on observable market data not correct (Valuation gross)</p>	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Walkthrough of expected controls on investments <p>Work planned:</p> <ul style="list-style-type: none"> • Test a sample of level 2 investments to independent information from custodian/manager on units and on unit prices.
Contributions	Recorded contributions not correct (Occurrence)	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Walkthrough of expected controls on contributions <p>Work planned:</p> <ul style="list-style-type: none"> • Controls testing over occurrence, completeness and accuracy of contributions • Trend analysis of scheme contributions across the year • Rationalise contributions received with reference to changes in member body payrolls and numbers of contributing pensioners to ensure that any unexpected trends are satisfactorily explained.

Other risks identified (continued)

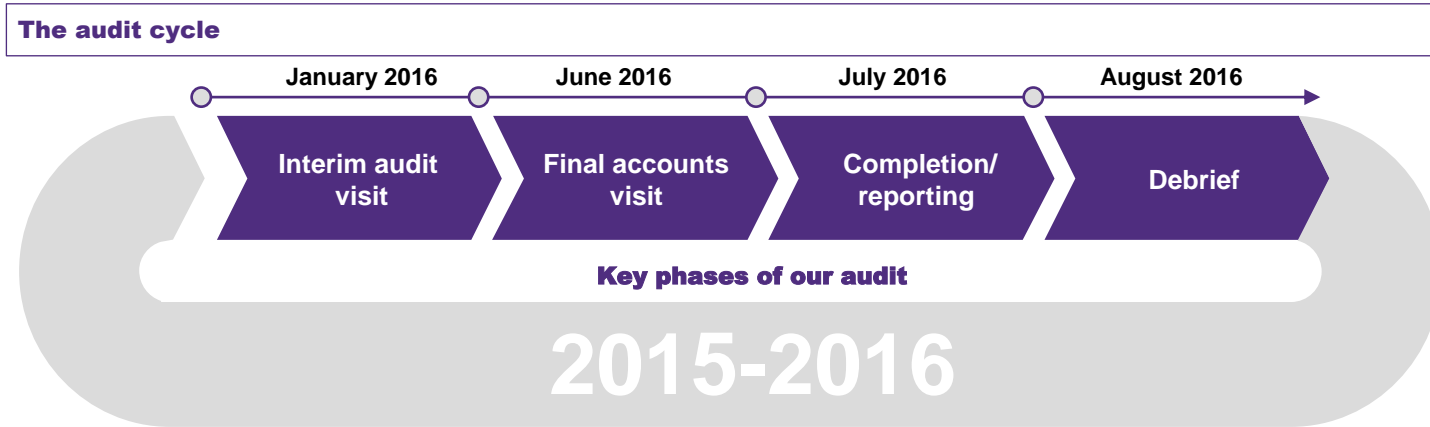
Other risks	Description	Audit Approach
25 Benefits payable	Benefits improperly computed/claims liability understated (Completeness and Accuracy)	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Walkthrough of expected controls on benefits payable <p>Work planned:</p> <ul style="list-style-type: none"> • Controls testing over accuracy and occurrence of benefit payments • Test a sample of individual pensions in payment by reference to member files • Trend analysis of benefit payments across the year to assess the completeness of benefit payments • We will rationalise pensions paid with reference to changes in pensioner numbers and increases applied in the year to ensure that any unusual trends are satisfactorily explained.
Member Data	Member data not correct (Rights and Obligations)	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Walkthrough of expected controls on member data <p>Work planned:</p> <ul style="list-style-type: none"> • Controls testing over annual/monthly reconciliations and verifications with individual members • Sample testing of changes to member data made during the year to source documentation

Results of interim audit work

	Work performed and findings	Conclusion
Internal audit	<p>We have completed a high level review of internal audit's overall arrangements. Our work to date has not identified any issues which we wish to bring to your attention.</p> <p>We also reviewed the work completed to date by internal audit work on the Fund's key financial systems. This review has not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Our review of internal audit work to date has not identified any weaknesses which impact on our audit approach.</p>
Walkthrough testing	<p>We have completed walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our walkthrough of controls on investments identified one control failure on level 3 investments. We note there is an absence of control for agreeing level 3 Fund Manager valuations against the audited statements of the private equity fund. As these types of investments are not quoted, we would expect level 3 valuation provided by the Fund Manger valuations are independently validated.</p> <p>As at 31 March 2015, these types of investments represented approximately 52% of the Fund's value of investments.</p> <p>No other issues have been identified from our walk through testing that we would like to bring to your attention at this time.</p>	<p>As level 3 investments by their very nature require a significant degree of judgement in reaching an appropriate valuation at year end, we recommend officers (or the custodian) test these valuations by obtaining and reviewing audited accounts at latest date for individual investments and agreeing these to the fund manager reports at that date.</p> <p>We will undertake additional substantive testing at year on level 3 investments.</p>
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • communication and enforcement of integrity and ethical values • commitment to competence • participation by those charged with governance • management's philosophy and operating style • organisational structure • assignment of authority and responsibility • a selection of human resource policies and practices 	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Fund's financial statements</p>

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Key dates



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Date	Activity
January 2016	Planning
27 th April 2016	Presentation of Audit Plan to Regulatory and Audit Committee
23 rd May 2016	Presentation of Audit Plan to Pension Fund Committee
20 th June 2016	Audit of Pension Fund statements commences
Mid-July 2016	Audit findings clearance meeting with Pensions and Investments Manager and Service Director
28 th July 2016	Report audit findings to those charged with governance (Regulatory and Audit Committee)
31 st July 2016	Issue opinion on the Pension Fund statements

Fees and independence

Fees

	£
Total fees (excluding VAT)	25,033

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, the Fund, and its activities, have not changed significantly
- The Fund will make available management and accounting staff to help us locate information and to provide explanations

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Fees for other services

	£
None	Nil

Fees for other services

Fees for other services reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter.

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings Report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (UK & Ireland) (ISA(UK&I)) 260, as well as other ISA(UK&I)s, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings Report will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Fund.

Respective responsibilities

This Audit Plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Fund's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice issued by the NAO and includes nationally prescribed and locally determined work (<https://www.nao.org.uk/code-audit-practice/about-code/>).

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓



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Pension Fund Committee

Title:	DRAFT Statement of Accounts for the year ended 31 March 2016
Date:	23 May 2016
Author:	Finance Director - Business Services Plus
Contact officer:	Julie Edwards, Pensions & Investments Manager 01296 383910
Electoral divisions affected:	N/A

Summary

To present the Pension Fund Accounts for 2015/16.

Recommendation

The Committee is asked to NOTE the Statement of Accounts for the financial year ended 31 March 2016.

Resource implications

- 1 There are none arising directly from this report.

Other implications/issues

- 2 The draft unaudited Statement of Accounts for the Buckinghamshire County Council Pension Fund for the year ended 31 March 2016 is attached as Appendix 1. The draft accounts will be presented to Regulatory and Audit Committee for information on 25 May 2016, following that meeting the Director of Assurance as the Council's appointed Section 151 Officer will sign the unaudited Statement of accounts for Buckinghamshire County Council and the Pension Fund. The audit of the Pension Fund Accounts is due to commence on 20 June 2016. The Pension Fund Audit Plan is an agenda item at today's meeting. A further report, incorporating the findings of Grant Thornton will be brought to this Committee at its meeting on 27 July 2016, representatives from Grant Thornton will attend the July meeting.



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- 3 The finalised Statement of Accounts is to be approved by the Chairman of the Regulatory and Audit Committee and the Section 151 Officer following the audit and consideration of the Auditors report by 31 July 2016.
- 4 The Pension Fund's Account and Net Asset Statement, shows that in the year to 31 March 2016 the value of the Pension Fund increased by £15m to £2.221 billion. This is the net result of the contributions made (£121m) including transfers in from other pension schemes, employers and employee contributions; payments out (£104m) including pensions, commutations, lump sum retirement benefits and death benefits, management expenses £16m plus net returns on investments (£15m increase).

Feedback from consultation, Local Area Forums and Local Member views (if relevant)

- 5 Not applicable

Background Papers

None.

Buckinghamshire County Council Pension Fund

Draft Statement of Accounts

For the year ended 31 March 2016

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Description of the Fund

Buckinghamshire County Council Pension Fund (the Fund) is part of the Local Government Pension Scheme 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. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Employee contribution bands range from 5.5% to 12.5% of pensionable pay for the year ending 31 March 2016. 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.

<http://www.bucksc.gov.uk/about-your-council/local-government-pension-fund/scheme-members/>

As part of the budget statement in July 2015, the Chancellor announced the Government's intention to work with LGPS administering authorities to develop proposals for the pooling of investments to significantly reduce costs, while maintaining overall investment performance. As a result of the announcement, the Buckinghamshire Fund submitted an initial proposal as part of the Brunel Pension Partnership with the South West Pension Funds and Oxfordshire Pension Fund in February 2016. Further work is ongoing to develop the submission. A Shadow Operations Group (SOG) has been established, the primary purpose of the SOG is to develop the final proposal for the Brunel Pension Partnership. Its role includes defining and arranging delivery of any further work required to enable the implementation of the Brunel Collective Asset Pool (the "Brunel CAP"). A Shadow Oversight Board (SOB) has been established, the primary purpose of the SOB is to support fund officers to develop the final proposal for the Brunel Pension Partnership. Its role includes in particular monitoring, scrutinising and overseeing the SOG as it seeks to develop the final proposal.

Membership of the Fund

The following summarises the membership of the Fund:

31 March 2015	Membership of the Fund	31 March 2016
25,112	Contributors	24,552
15,900	Pensioners	16,728
21,791	Deferred pensioners	24,362
62,803	Total Membership of the Fund	65,642

Statement of Investment Principles (SIP)

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.

[Statement of investment principles - Buckinghamshire County Council](#)

Pension Fund Accounts

Further Information

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

<http://www.bucksc.gov.uk/bcc/pensions/investments/accounts.page>

Pension Fund Account for the Year Ended 31 March 2016

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 2015 £000	Pension Fund Account	Note	31 March 2016 £000
	Dealings with Members, Employers and Others directly Involved in the Fund		
	Income		
107,376	Contributions	3	114,867
4,238	Transfers in from other pension funds	4	5,822
107	Other income		118
111,721			120,807
	Benefits	5	
(75,543)	Pensions		(78,605)
(20,542)	Commutation of pensions and lump sums		(22,302)
	Payments to and on Account of Leavers	6	
172	Refunds of contributions		(345)
(5,708)	Transfers out to other pension funds		(3,033)
(101,621)			(104,285)
10,100	Net Additions from Dealings with Members		16,522
(15,619)	Management expenses	7	(15,807)
	Returns on Investments		
34,769	Investment income	8	43,057
236,012	Profits and losses on disposal of investments and changes in value of investments	9	(27,018)
(1,310)	Taxes on income	16	(1,259)
269,471	Net Returns on Investments		14,780
263,952	Net Increase/(Decrease) in the Net Assets Available for Benefits During the Year		15,495
1,941,806	Net Assets of the Fund Available to Fund Benefits at 1 April		2,205,758
2,205,758	Net Assets of the Fund Available to Fund Benefits at 31 March		2,221,253

Net Assets Statement

31 March 2015 £000	Net Assets Statement	Note	31 March 2016 £000
	Investments		
	Fixed interest securities		
23,432	▪ Public sector		32,425
194,261	▪ Other		187,358
683,237	Equities - quoted		647,352
87,050	Index-linked securities		88,460
983,239	Pooled investment vehicles		995,693
160,074	Unit trusts - property		186,330
50,197	Cash deposits		69,072
606	Derivative contracts		(298)
6,453	Dividend income receivable		7,157
2,188,549	Net Investments	11	2,213,549
-	Borrowings - sterling		-
22,355	Current assets	15	12,468
(5,146)	Current liabilities	15	(4,764)
2,205,758	Net Assets of the Fund Available to Fund Benefits at 31 March		2,221,253

1. Basis of Preparation

The accounts summarise the fund's transactions for the 2015/16 financial year and its position at year end as at 31 March 2016. 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. 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.

Pension Fund Accounts

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. 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. 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.

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 and Liabilities

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.

Critical Judgements in Applying Accounting Policies

Unquoted private equity investments

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward looking estimates and judgements involving many factors. Private equities are valued by the investment managers using guidelines set out by the British Venture Capital Association.

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 2013. The next valuation will take place as at 31 March 2016. The methodology used is in line with accepted guidelines and in accordance with IAS19.

Events After The Reporting Date

Since 31 March 2016, 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 2016, and up to the date when these accounts were authorised, which require any adjustments to these accounts.

Pension Fund Accounts

3. Contributions

Contributions relating to wages and salaries paid up to 31 March 2016 have been included in these accounts.

2014/15 £000	Contributions	2015/16 £000
	Employers	
24,669	Administering authority	25,997
48,931	Scheduled bodies	49,236
6,390	Admitted bodies	11,026
	Employers' Augmentation Costs	
	- Administering authority	-
	- Scheduled bodies	400
	- Admitted bodies	-
	Members	
7,004	Administering authority	7,199
18,153	Scheduled bodies	18,098
2,229	Admitted bodies	2,911
107,376	Total Contributions	114,867

4. Transfer Values

2014/15 £000	Transfers in from other pension funds	2015/16 £000
	- Group transfers	-
4,238	Individual transfers	5,822
4,238	Total Transfers in from other pension funds	5,822

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 2016 there were no outstanding transfer values receivable greater than £50k (no outstanding transfer values receivable on 31 March 2015).

On 31 March 2016 there were 3 group transfers to the Fund being negotiated with other Funds (5 on the 31 March 2015), the value of the transfers to the Fund is being negotiated between the Funds' actuaries. The income due to the Fund for the 3 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.

2014/15 £000	Benefits	2015/16 £000
	Pensions	
29,791	Administering authority	30,610
40,212	Scheduled bodies	42,010
5,540	Admitted bodies	5,985
18,625	Commutations of pensions and lump sum retirement benefits	20,411
1,917	Lump sum death benefits	1,891
96,085	Total Benefits	100,907

6. Payments to and on Account of Leavers

2014/15 £000	Payments to and on Account of Leavers	2015/16 £000
87	Refunds to members leaving service	236
(259)	Payments for members joining the state scheme	109
1,900	Group transfers to other pension funds	267
3,808	Individual transfers to other pension funds	2,766
5,536	Total Payments to and on Account of Leavers	3,378

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 2016 there were 5 outstanding individual transfer values payable greater than £50k, for which £513k had not been paid. On 31 March 2015 there were 6 outstanding individual transfer values payable greater than £50k, for which £637k had not been paid.

On 31 March 2016 there were 2 group transfers from the Fund being negotiated with other Funds (2 on the 31 March 2015); the value of the transfers from the Fund is being negotiated between the Funds' actuaries. The expenditure in respect of 2 of the transfers has not been accrued since negotiations are at too early a stage for an estimate of the value to be available. There was an adjustment of £31k following final valuation for the Group Transfer of the Probation Service to the Greater Manchester Pension Fund.

7. Management Expenses

2014/15 £000	Management Expenses	2015/16 £000
1,105	Administrative costs	1,382
13,955	Investment management expenses	13,900
559	Oversight and governance costs	525
15,619	Total Management Expenses	15,807

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

Pension Fund Accounts

included in the investment management expenses. The administrative costs include £25k fees for the Audit Plan for the year ended 31 March 2016 (£25k for the year ended 31 March 2015).

The investment management expenses include £2.038m (£1.281m in the 2014/15 financial year) in respect of performance related fees payable to the fund's investment managers. It also includes £1.601m in respect of transaction costs (£1.554m in the 2014/15 financial year).

8. Investment Income

2014/15 £000	Investment Income	2015/16 £000
9,392	Interest from fixed interest securities	10,349
19,505	Dividends from equities	20,305
808	Income from index-linked securities	692
69	Interest on cash deposits	32
6,443	Income from property unit trusts	6,564
(1,418)	Other	5,115
34,769	Total Investment Income	43,057

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, the Fund's custodian bank.

Investments (All values are shown £000)	Value at 31 March 2015 £000	Reclassification of Assets £000	Purchases at Cost £000	Sales Proceeds £000	Realised Profit / (Loss) £000	Unrealised Profit / (Loss) £000	Value at 31 March 2016 £000
Fixed interest securities	217,693	-	86,476	(76,217)	2,744	(10,913)	219,783
Equities - quoted	683,237	-	527,655	(518,742)	17,421	(62,218)	647,353
Index-linked securities	87,050	-	449,030	(448,114)	1,914	(1,420)	88,460
Pooled investment vehicles	983,239	-	73,015	(72,750)	6,835	5,353	995,692
Unit Trusts - property funds	160,074	-	53,492	(40,326)	(872)	13,962	186,330
Derivative contracts	606	-	2,868	(3,287)	419	(904)	(298)
Cash deposits	50,197	-	-	18,214	-	661	69,072
	2,182,096	-	1,192,536	(1,141,222)	28,461	(55,479)	2,206,392
Investment income due	6,453						7,157
	2,188,549						2,213,549

Investments (All values are shown £000)	Value at 31 March 2014 £000	Reclassification of Assets £000	Purchases at Cost £000	Sales Proceeds £000	Realised Profit / (Loss) £000	Unrealised Profit / (Loss) £000	Value at 31 March 2015 £000
Fixed interest securities	124,547	-	147,449	(72,217)	1,164	16,750	217,693
Equities - quoted	715,872	-	438,124	(536,273)	72,446	(6,932)	683,237
Index-linked securities	48,560	-	471,987	(443,186)	7,508	2,181	87,050
Pooled investment vehicles	846,696	-	233,820	(221,620)	62,409	61,934	983,239
Unit Trusts - property funds	146,290	-	16,483	(18,871)	(3,002)	19,174	160,074
Derivative contracts	145	-	2,206	(3,659)	1,453	461	606
Cash deposits	31,956	-	-	17,775	-	466	50,197
	1,914,066	-	1,310,069	(1,278,051)	141,978	94,034	2,182,096
Investment income due	5,003						6,453
	1,919,069						2,188,549

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 2016 assets which exceed 5% of the total value of the net assets of the Fund are a £138.7m investment in Legal & General's All Stocks Index-Linked Gilt Fund (£136.3m as at 31 March 2015) and a £134.9m investment in Legal & General's Europe (ex UK) Equity Index Fund (£140.9m as at 31 March 2015).

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 2016 was £2,168m (£2,169m at 31 March 2015). 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 2015	Proportion of Fund 31 March 2016
Aviva Investors	Property	Percentage of fund	8%	9%
BlackRock	Cash / inflation plus	Percentage of fund	4%	4%
Blackstone Alternative Asset Management	Hedge fund of funds	Percentage of fund	4%	4%
Global Thematic Partners	Less constrained global equities	Performance related fee	7%	6%
Investec Asset Management	Less constrained global equities	Performance related fee	8%	8%
Legal & General Investment Management	Passive index-tracker	Percentage of fund	28%	27%
Mirabaud Investment Management Limited	UK equities	Performance related fee	6%	5%
Pantheon Private Equity	Private equity	Percentage of Funds Committed & Incentive Fee	6%	6%
Partners Group	Private equity	Percentage of fund	2%	2%
Royal London Asset Management	Core plus bonds	Performance related fee	15%	15%
Schroders	Less constrained UK equities	Performance related fee	7%	7%
Standard Life Investments	Less constrained UK equities	Performance related fee	5%	5%

11. Analysis of the Value of Investments

31 March 2015 £000	Analysis of the Value of Investments	31 March 2016 £000
	Fixed Interest Securities	
21,060	UK public sector	30,092
2,372	Overseas public sector	2,333
194,261	UK other	187,358
-	Overseas other	-
217,693	Total Fixed Interest Securities	219,783
	Equities	
230,586	UK quoted	201,877
452,651	Overseas quoted	445,475
683,237	Total Equities	647,352
	Other	
87,050	Index-linked securities public sector	88,460
-	Index-linked securities other	-
983,239	Pooled Investment vehicles	995,693
160,074	Unit Trusts - property funds	186,330
6,453	Investment income due	7,157
606	Derivatives	(298)
50,197	Cash deposits - sterling and foreign cash	69,072
1,287,619	Total Other	1,346,414
2,188,549	Total Value of Investments	2,213,549

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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 2015			31 March 2016		
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					
217,693	-	-	219,783	-	-
683,237	-	-	647,352	-	-
87,050	-	-	88,460	-	-
983,239	-	-	995,693	-	-
160,074	-	-	186,330	-	-
606	-	-	-	-	-
6,453	-	-	7,157	-	-
-	50,197	-	-	69,072	-
-	14,271	-	-	4,158	-
2,138,352	64,468	-	2,144,775	73,230	-
Financial Liabilities					
-	-	-	(298)	-	-
-	-	-	-	-	-
-	-	(4,333)	-	-	(3,952)
-	-	(4,333)	-	-	(3,952)
2,138,352	64,468	(4,333)	2,144,477	73,230	(3,952)

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

31 March 2015		31 March 2016	
£000		£000	
Financial Assets			
266,037	Fair value through profit and loss		13,525
1,881	Loans and receivables		1,255
-	Financial liabilities measured at amortised cost		-
Financial Liabilities			
-	Fair value through profit and loss		-
(682)	Loans and receivables		381
-	Financial liabilities measured at amortised cost		-
267,236	Total		15,161

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, e.g. fixed interest securities.

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 2016	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Outputs	Total £000
	Level 1 £000	Level 2 £000	Level 3 £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	-	-	995,693	995,693
Property – unit trusts	-	-	186,330	186,330
Derivatives	-	(298)	-	(298)
Dividend income receivable	7,157	-	-	7,157
Cash deposits	69,072	-	-	69,072
Borrowings	-	-	-	-
Current assets	12,468	-	-	12,468
Current liabilities	(4,764)	-	-	(4,764)
Total	731,285	307,945	1,182,023	2,221,253

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Value at 31 March 2015	Quoted	Using	With	Total
	Market	Observable	Significant	
	Price	Inputs	Unobservable	
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Fixed interest securities	-	217,693	-	217,693
UK equities - quoted	230,586	-	-	230,586
Overseas equities - quoted	452,651	-	-	452,651
Index-linked securities	-	87,050	-	87,050
Pooled investment vehicles	-	-	983,239	983,239
Property – unit trusts	-	-	160,074	160,074
Derivatives	-	606	-	606
Dividend income receivable	6,453	-	-	6,453
Cash deposits	50,197	-	-	50,197
Borrowings	-	-	-	-
Current assets	14,271	-	-	14,271
Current liabilities	(4,333)	-	-	(4,333)
Total	749,825	305,349	1,143,313	2,198,487

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.

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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 in May 2014, showed that the overall risk factor (standard deviation) for the Fund could be reduced from 15.2% to 13.5% by decreasing the Fund's allocation to equities and increasing the allocation to bonds. In June 2014, the allocation to equities was decreased from 58% to 49% of the Fund and the allocation to bonds was increased from 15% to 25%. The next review is due in early 2017 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, State Street GS Performance Services have determined that the following movements in market price risk are reasonably possible for the 2015/16 reporting period and 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 2016 £000	Percentage Change %	Value on increase £000	Value on decrease £000
Fixed interest securities	219,783	6.01	232,992	206,574
UK equities – quoted	201,877	10.69	223,458	180,296
Overseas equities – quoted	445,475	10.51	492,294	398,656
Index-linked securities	88,460	7.45	95,050	81,870
Pooled investment vehicles	620,506	11.46	691,616	549,396
Property - unit trusts	186,330	2.67	191,305	181,355
Alternatives	375,187	2.61	384,979	365,395
Derivative contracts	(298)	2.61	(290)	(306)
Cash deposits	69,072	0.01	69,079	69,065
Investment income due	7,157	11.46	7,977	6,337
Total	2,213,549		2,388,460	2,038,638

Following analysis of historical data and expected investment return movement during the financial year, State Street GS Performance Services has determined that the following movements in market price risk are reasonably possible for the 2014/15 reporting period and if the market price of the Fund's investments had increased/decreased in line with the table below, the change in the market price of net assets available to pay benefits would have been as follows.

Asset Type	31 March 2015 £000	Percentage Change %	Value on increase £000	Value on decrease £000
Fixed interest securities	217,693	5.79	230,297	205,089
UK equities – quoted	230,586	10.12	253,921	207,251
Overseas equities – quoted	452,651	9.80	497,011	408,291
Index-linked securities	87,050	8.45	94,406	79,694
Pooled investment vehicles	627,859	11.11	697,614	558,104
Property - unit trusts	160,074	3.02	164,908	155,240
Alternatives	355,380	2.64	364,762	345,998
Derivative contracts	606	2.64	622	590
Cash deposits	50,197	0.01	50,202	50,192
Investment income due	6,453	11.11	7,170	5,736
Total	2,188,549		2,360,913	2,016,185

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 interest rates. 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%
	£000	£000	£000
As at 31 March 2016			
Cash deposits	69,072	-	-
Cash balances (not forming part of the investment assets)	2,732	-	-
Fixed interest securities	219,783	2,198	(2,198)
Total	291,587	2,198	(2,198)

Asset Type	Value	Change for the year in net assets available to pay benefits	
		1%	-1%
	£000	£000	£000
As at 31 March 2015			
Cash deposits	50,197	-	-
Cash balances (not forming part of the investment assets)	13,466	-	-
Fixed interest securities	217,693	2,177	(2,177)
Total	281,356	2,177	(2,177)

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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 2016	£000	£000	£000
Cash deposits / cash and cash equivalents	32	3	(3)
Fixed interest securities	10,349	-	-
Total	10,381	3	(3)

Income Source	Value	Change for the year on income values	
		1%	-1%
As at 31 March 2015	£000	£000	£000
Cash deposits / cash and cash equivalents	69	7	(7)
Fixed interest securities	9,392	-	-
Total	9,461	7	(7)

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 6.39% movement in exchange rates in either direction for 31 March 2016. This analysis assumes that all variables, in particular interest rates, remain constant. State Street GS Performance Services provided data on currency risk for various currencies, based on the composition of the Fund's currency exposure a 6.39% fluctuation in the currency is considered reasonable. A 6.39% strengthening or weakening of Sterling against the various currencies at 31 March 2016 would have increased or decreased the net assets by the amount shown below.

Currency Exposure by Asset Type	31 March 2016	Value on increase	Value on decrease
	£000	£000	£000
		+6.39%	-6.39%
Fixed interest securities	-	-	-
Equities – quoted	416,302	442,904	389,700
Index-linked securities	-	-	-
Pooled investment vehicles	191,321	203,546	179,096
Property - unit trusts	7,927	8,434	7,420
Cash deposits	14,599	15,532	13,666
Total	630,149	670,416	589,882

The sensitivity of the Fund's investments to changes in foreign currency rates have been analysed using a 6.11% movement in exchange rates in either direction for 31 March 2015. This analysis assumes that all variables, in particular interest rates, remain constant. State Street GS Performance Services provided data on currency risk for various currencies, based on the composition of the Fund's currency exposure a 6.11% fluctuation is considered reasonable. A 6.11% strengthening or weakening of Sterling against the various currencies at 31 March 2015 would have increased or decreased the net assets by the amount shown in the following table.

Currency Exposure by Asset Type	31 March 2015	Value on increase	Value on decrease
	£000	£000 +6.11%	£000 -6.11%
Fixed interest securities	-	-	-
Equities – quoted	435,060	461,642	408,478
Index-linked securities	5,749	6,100	5,398
Pooled investment vehicles	183,348	194,551	172,145
Property - unit trusts	7,802	8,279	7,325
Cash deposits	8,692	9,223	8,161
Total	640,651	679,795	601,507

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, data on currency risk of 7.78% for the US Dollar and 6.77% for the EURO was provided by State Street GS Performance Services. Strengthening or weakening of Sterling against US Dollars and EUROS at 31 March 2016 would have increased or decreased the net assets by the amounts shown in the following table.

Asset Type	31 March 2016	Percentage Change	Value on increase	Value on decrease
	£000	%	£000	£000
US Dollars	391,472	7.78	421,929	361,015
EUROS	138,385	6.77	147,754	129,016
Total	529,857		569,683	490,031

Data on currency risk of 7.78% for the US Dollar and 6.15% for the EURO was provided by State Street GS Performance Services. Strengthening or weakening of Sterling against US Dollars and EUROS at 31 March 2015 would have increased or decreased the net assets by the amounts shown in the following table.

Asset Type	31 March 2015	Percentage Change	Value on increase	Value on decrease
	£000	%	£000	£000
US Dollars	385,577	7.78	415,575	355,579
EUROS	134,565	6.15	142,841	126,289
Total	520,142		558,416	481,868

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

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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 TSB, 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 2016 was £2.709m in an instant access Lloyds TSB account. (On 31 March 2015 £9.067m was invested in an instant access Lloyds TSB account and £4.507m in an instant access Federated Short-Term Sterling Prime Fund, a AAA rated money market fund.) Cash held by investment managers is invested with the global custodian, BNY Mellon, 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 2015		31 March 2016
£000		£000
169,885	Aviva	188,298
79,693	Blackstone	88,852
140,206	Pantheon Private Equity	145,916
46,203	Partners Group	44,650
487	Hg Capital	522
436,474		468,238

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 £1.5m (£1.3m in the 2014/15 year) for 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 £33.2m to the Fund in 2015/16 (£31.7m in the 2014/15 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 2016, the Fund had an average investment balance of £7.4m (£11.4m in the 2014/15 year), earning interest of £43k (£75k in the 2014/15 year).

There are no members (31 March 2015 two members) of the Pension Fund Committee who are active members of the Fund, one is a pensioner member (31 March 2015 no pensioner members) and there are no deferred members (31 March 2015 one deferred member). There are three employees who hold key positions in the financial management of the Fund who are active members. A proportion of their role is in respect of the Fund, the cost of that proportion of their work is lower than £50,000, the value required for further detailed disclosure. No exit package has been agreed during the year in respect of these officers.

Paragraph 3.9.4.3 of the Code exempts local authorities from the key management personnel disclosure requirements of IAS 24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in section 3.4 of the Code (which are derived from the requirements of Regulation 7(2) – (4) of the Accounts and Audit (England) Regulations 2011) satisfy the key management personnel disclosure requirements of paragraph 16 of IAS 24. This applies in equal measure to the Buckinghamshire County Council Pension Fund.

15. Current Assets and Liabilities

31 March 2015 £000	Current Assets and Liabilities	31 March 2016 £000
	Current Assets	
8,084	Contributions due from employers 31 March	8,310
13,466	Cash balances (not forming part of the investment assets)	2,732
805	Other current assets	1,426
22,355	Total Current Assets	12,468
	Current Liabilities	
(640)	Management charges	(1,009)
(813)	HM Revenue and Customs	(812)
(485)	Unpaid benefits	(1,261)
(3,208)	Other current liabilities	(1,682)
(5,146)	Total Current Liabilities	(4,764)
17,209	Net Current Assets	7,704

31 March 2015 £000	Current Assets and Liabilities	31 March 2016 £000
	Current Assets	
2,365	Central government bodies	2,444
4,910	Other local authorities	4,954
6	NHS bodies	5
13,527	Public corporations and trading funds	2,842
1,547	All other bodies	2,223
22,355	Total Current Assets	12,468
	Current Liabilities	
(813)	Central government bodies	(814)
(1,907)	Other local authorities	(14)
-	NHS bodies	-
(1,774)	Public corporations and trading funds	(2,459)
(652)	All other bodies	(1,477)
(5,146)	Total Current Liabilities	(4,764)
17,209	Net Current Assets	7,704

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16. Taxes on Income

2014/15 £000	Taxes on Income	2015/16 £000
-	Withholding tax - fixed interest securities	-
1,310	Withholding tax - equities	1,259
1,310	Total Taxes on Income	1,259

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 the United States and certain other countries is exempt from national taxation and therefore not subject to withholding tax.

17. Actuarial Position of the Fund

In accordance with the Local Government Pension Scheme (Administration) Regulations 2008 as amended, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2013. The next valuation will take place as at 31 March 2016.

The key elements of the funding policy are:

- Set employer contribution rates 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 low and stable as possible.

The Fund's Actuary, Barnett Waddingham LLP, undertook a valuation of the Fund as at 31 March 2013 in accordance with Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 as amended. On that date the market value of the assets held were £1,784m, sufficient to cover 82% of the accrued liabilities assessed on an ongoing basis. The funding policy is set to recover the deficit over seventeen years and the common rate of contribution for the period 1 April 2014 to 31 March 2017 is 19.5% of pensionable pay.

The results of the valuation are that the past service funding level of the Fund as a whole has increased from 79% to 82% between 31 March 2010 and 31 March 2013. The improvement of the funding position since the previous valuation is mainly due to good investment returns over the period but has been offset by a poorer outlook for the future based on market conditions compared to the valuation in 2010. At the same time, the contribution rate for the average employer, including payments to target full funding, has increased from 19% to 19.5% of pensionable salaries mainly due to an increase in the required deficit contributions as total pensionable payroll has reduced.

The main assumptions used in the valuation were:

Future assumed returns

- Investment return - equities 6.9% per annum
- Investment return - gilts 3.3% per annum
- Investment return - bonds 3.9% per annum
- Investment return - property 6.0% per annum
- Investment return – expense allowance 0.1% per annum

Financial assumptions

- Discount rate 6.1% per annum
- Retail price index (RPI) 3.5% per annum
- Consumer price index (CPI) 2.7% per annum
- Pension and deferred pension increases 2.7% per annum
- Short term pay increases in line with CPI assumption for the two years to 31 March 2015
- Long term pay increases 4.5% per annum (RPI plus 1% per annum)

The most recent interim valuation took place as at 31 March 2016 which showed that the funding level had increased to 85% (31 March 2015 82%) and the average required employer contribution would be 20.4% of payroll (31 March 2015 25.2%) assuming the deficit is to be paid by 2030. The estimated funding position is based on market movements since 31 March 2013 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 2013. On an IAS 19 basis the Actuary estimates that the net liability as at 31 March 2016 is £1,440m (31 March 2015 £1,581m), 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 2015		31 March 2016
£000		£000
3,750,269	Present value of funded obligation	3,653,503
(2,169,097)	Fair value of scheme assets	(2,213,549)
1,581,172	Net Liability	1,439,954

The Present Value of Funded Obligation consists of £3,508m (£3,581m at 31 March 2015) in respect of Vested Obligation and £145m (£169m at 31 March 2015) 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:

Pension Fund Accounts

31 March 2015	31 March 2016
3.2% RPI increases	3.3%
2.4% CPI increases	2.4%
4.2% Salary increases	4.2%
2.4% Pension increases	2.4%
3.3% Discount rate	3.7%

These assumptions are set with reference to market conditions at 31 March. The Actuary's estimate of the duration of the Fund's liabilities is 19 years. The discount rate is the annualised yield at the 19 year point on the Merrill Lynch AA rated corporate bond yield curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the Fund's liabilities. This is consistent with the approach used at the last accounting date.

The RPI increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England, specifically the 19 year point on the Bank of England market implied inflation curve. The RPI assumption is therefore 3.3% per annum. This is consistent with the approach used at the last accounting date.

As future pension increases are expected to be based on CPI rather than RPI, the Actuary has made a further assumption about CPI which is that it will be 0.9% below RPI i.e. 2.4%.

Salaries are then assumed to increase at 1.8% above CPI in addition to a promotional scale.

19. Contingent Liabilities and Contractual Commitments

Contractual commitments that the Fund has entered into by 31 March 2016 are:

Contractual Commitments	Amount Paid as at 31 March 2015	Amount Paid as at 31 March 2016	Total Contractual Commitment
	\$000	\$000	\$000
Pantheon Asia Fund V LP	21,425	22,688	25,000
Pantheon Asia Fund VI LP	19,035	25,521	47,000
Pantheon USA Fund VII Limited	18,318	19,274	21,250
Pantheon USA Fund VIII Feeder LP	55,575	61,200	75,000
Pantheon Global Secondary Fund IV Feeder LP	9,975	9,975	15,000
Partners Group Global Resources 2009, LP	27,237	27,527	35,000
	151,565	166,185	218,250
	€000	€000	€000
Pantheon Europe Fund V "A" LP	15,497	16,548	18,125
Pantheon Europe Fund VI LP	49,010	53,560	65,000
Partners Group Global Real Estate 2008 SICAR	22,996	22,989	25,000
Partners Group Global Infrastructure 2009 SICAR	20,087	21,520	25,000
	107,590	114,617	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 2016 is the same as the total contractual commitment at 31 March 2015.

On 31 March 2016 there were 3 group transfers to the Fund being negotiated with other Funds (5 on the 31 March 2015), the value of the transfers to the Fund is being negotiated between the Funds' actuaries. The income due to the Fund for the 3 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 2016 there were 2 group transfers from the Fund being negotiated with other Funds (2 on the 31 March 2015), the value of the transfers from the Fund is being negotiated between the Funds' actuaries. The expenditure in respect of 2 of the transfers has not been accrued since negotiations are at too early a stage for an estimate of the value to be available. There is an adjustment of £31k following final valuation for the Group Transfer of the Probation Service to the Greater Manchester Pension Fund.

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 Clerical Medical. Prudential invests in several funds including with profits accumulation, deposit and discretionary funds. Clerical Medical invests 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. 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).

2014/15	Prudential	2015/16
£000		£000
5,207	Value of AVC fund at beginning of year	5,441
-	Correction opening value	(1,299)
755	Employees' contributions and transfers in	634
308	Investment income	151
(829)	Benefits paid and transfers out	(842)
5,441	Value of AVC fund at year end	4,085

1.11.2013 - 31.10.2014	Clerical Medical	1.11.2014 - 31.10.2015
£000		£000
3,913	Value of AVC fund at beginning of year	3,788
198	Employees' contributions	149
197	Investment income	235
(520)	Benefits paid and transfers out	(591)
3,788	Value of AVC fund at year end	3,581

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
Bletchley & Fenny Stratford Town Council
Broughton & Milton Keynes Parish Council
Buckingham Town Council
Buckinghamshire Care
Buckinghamshire Support
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
Gerrards Cross Parish Council
Great Missenden Parish Council
Hambleden Parish Council
Hazlemere Parish Council
Iver Parish Council
Lane End Parish Council
Little Marlow Parish Council
Longwick-cum-Ilmer Parish Council
Loughton Parish Council
Marlow Town Council
Newport Pagnell Town Council
Newton Longville Parish Council
Olney Town Council
Piddington & Wheeler End Parish Council
Princes Risborough Town Council
Shenley Brook End and Tattenhoe Parish Council
Shenley Church End Parish Council
Stantonbury Parish Council
Stony Stratford Town Council
Waddesdon Parish Council

Wendover Parish Council
West Bletchley Town 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 Middle School
Bedgrove Infant School
Bedgrove Junior School
Bourne End Academy
Brill CofE School
Bourton Meadow Academy
Bridge Academy
Brookmead School
Brookward School
Brushwood Middle School
Buckinghamshire New University
Buckinghamshire University Technical College
Burnham Grammar School
Bushfield School
Burnham Park E-Act Academy
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
Chiltern Hills Academy
Cottesloe School
Danesfield School
Denbigh School
Denham Green E-Act Academy
Dr Challoner's Grammar School
Dr Challoner's High School
George Grenville Academy
Germander Park School

Gerrards Cross C E School	Royal Grammar School
Glastonbury Thorn First School	Royal Latin School
Great Marlow School	St Nicolas' CE Combined School Taplow
Great Missenden CoE Combined School	St Paul's RC School
Green Park School	Seer Green CofE School
Hamilton Academy	Shenley Brook End School
Hazeley Academy	Shepherdswell School
Heronsgate School	Sir Henry Floyd Grammar School
Highcrest Academy	Sir Herbert Leon Academy
Holmer Green Senior School	Sir Thomas Fremantle Academy
Ivingswood Academy	Sir William Borlase's Grammar School
John Colet School	Sir William Ramsay School
John Hampden Grammar School	Southwood Middle School
Kents Hill School	Stanton School
Khalsa Secondary Academy	Stantonbury Campus
Lace Hill Academy	Stephenson Academy
Lent Rise Academy	The Beaconsfield School
Lord Grey School	The Premier Academy
Loudwater Combined School	The Radcliffe School
Loughton School	Tickford Park School
Middleton Primary	Two Mile Ash School
Milton Keynes Academy	Waddesdon C E School
Milton Keynes College	Walton High
Milton Keynes Development Partnership	Wycombe High School
Milton Keynes Service Partnership	Wyvern School
NET Academies Trust	
New Bradwell Combined School	Election Fees:
New Chapter Primary School	Aylesbury Vale Local
Oakgrove School	Aylesbury Vale Parliamentary
Olney Infant School	Chiltern Local
Orchard Academy	Chiltern Parliamentary
Ousedale School	Milton Keynes Local
Overstone Combined School	Milton Keynes Parliamentary
Oxley Park Academy	Wycombe Local
PCC for Thames Valley	Wycombe Parliamentary
Portfields Combined School	South Bucks Local
Princes Risborough School	South Bucks Parliamentary
Rickley Park Primary School	

Admitted Bodies

Acorn Childcare	Hertsmere Leisure Trust
Action for Children	Hightown Praetorian & Churches Housing Association
Action for Children (Children's Centres)	Innovate Ltd
Adventure Learning Foundation (BCC)	Kids Play Ltd
Adventure Learning Foundation (WDC)	MK Dons
Alliance in Partnership	Mouchel Business Services Ltd
Ambassadors Theatre Group	NSL Services Group
AMEY plc	Oxfordshire Health NHS Foundation Trust
Archgate Cleaning	Oxon PCT (SALT)
Ashridge Security Management	Paradigm Housing Association
Aylesbury Vale Dial-a-Ride	Places for People Leisure
Beacon Housing Association	Police Superintendents Association
Birkin Cleaning (John Colet)	Red Kite Community Housing Ltd
Birkin Cleaning (Oakgrove School)	Ringway Infrastructure Services Limited
Braybourne Cleaning Services	Ringway Jacobs
Bucks Association of Local Councils	Risk Management Security Services
Bucks County Museum Trust	SCS Wothorpe Ltd
Bucks Learning Trust	Serco (MKC)
Capita (WDC)	Serco (MKSP)
Chiltern Rangers CIC	Servest Group Limited
Cleantec Services Limited	Sports Leisure Management
Connection FS (BCC)	Spurgeons
Connexions Buckinghamshire	Stantonbury Arts & Leisure
Enterprise Support Services UK	The Fremantle Trust
Excelcare	Vale of Aylesbury Housing Trust
Frosts (MKC)	Wolverton & Watling Way Pools Trust
Heritage Care	Wycombe Dial-A-Ride

PENSION FUND COMMITTEE FORWARD PLAN

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Updated	11-May-16
Printed	11-May-16

23 May 2016

Agenda Item	Aylesbury, County Hall Author	Cyclical Item?
Apologies / Declarations of interest / Minutes	--	
Buckinghamshire Pension Board Minutes	Steve Mason	4-monthly
External Audit Plan	Grant Thornton	Annual
Annual Accounts	Julie Edwards	Annual
Forward Plan	Julie Edwards	Every meeting
Exclusion of Press and Public		
Confidential Minutes		
Confidential Buckinghamshire Pension Board Minutes	Steve Mason	4 monthly
Fund Manager Performance	Julie Edwards	Quarterly
LGPS Reform Update	Julie Edwards	No
Fund Manager Presentation	Investec	No
Traing Session: Fixed Income Growth Opportunities	Mercer	No
Date of next meeting / AOB	--	

2 June 2016

Agenda Item	Aylesbury, County Hall Author	Cyclical Item?
Apologies / Declarations of interest / Minutes	--	
Declarations of interest / Minutes	Chairman	
Forward Plan	Julie Edwards	Every meeting
Exclusion of Press and Public		
Confidential Minutes		
LGPS Reform Update	Julie Edwards	No
Date of next meeting / AOB	--	

July 2016

Agenda Item	Aylesbury, County Hall Author	Cyclical Item?
Apologies / Declarations of interest / Minutes	--	
Declarations of interest / Minutes	Chairman	
Annual Accounts Audit	Julie Edwards /Grant Thornton	Annually
Annual Report 2015/16	Cheryl Platts	Annually
Risk Register	Julie Edwards	
Forward Plan	Julie Edwards	Every meeting
Exclusion of Press and Public		
Confidential Minutes		

PENSION FUND COMMITTEE FORWARD PLAN

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Updated	11-May-16
Printed	11-May-16

Global Thematic Partners Review	Mercer	No
Fund Manager Presentation	Global Thematic Partners	No
Training Session:Infrastructure	Mercer	No
Date of next meeting / AOB	--	

September 2016

Agenda Item	Aylesbury, County Hall Author	Cyclical Item? Every meeting
Apologies / Declarations of interest / Minutes	--	4 monthly
Buckinghamshire Pension Board Minutes	Steve Mason	Annually
Governance Update		Every meeting
Forward Plan	Julie Edwards	
Exclusion of Press and Public		
Confidential Minutes		
Buckinghamshire Pension Board Confidential Minutes	Steve Mason	4 monthly
LGPS Reform Update	Julie Edwards	No
Fund Manager Performance	Julie Edwards	Quarterly
Fund Managers Presentation	TBA	No
Training Session: Strategy Review Training	Mercer	No
Date of next meeting / AOB	--	

November 2016

Agenda Item	Aylesbury, County Hall Author	Cyclical Item?
Apologies / Declarations of interest / Minutes	--	
Buckinghamshire Pension Board Minutes	Steve Mason	4 monthly
Pension Fund Risk Register	Julie Edwards	6 monthly
Verbal Feedback from Local Authority Pension Forum		Annual
Forward Plan	Julie Edwards	No
Exclusion of Press and Public		
Confidential Minutes		
Buckinghamshire Pension Board Confidential Minutes	Steve Mason	4 monthly
Fund Managers' Performance	Julie Edwards	Quarterly
Actuarial Valuation	Barnett-Waddingham	Triennial
Mirabaud Review	Mercer	No
Fund Managers Presentation	Mirabaud	No
Date of next meeting / AOB	--	

PENSION FUND COMMITTEE FORWARD PLAN

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Updated	11-May-16
Printed	11-May-16

February 2017		Aylesbury, County Hall	
Agenda Item	Author		Cyclical Item?
Apologies / Declarations of interest / Minutes	--		
Risk Register	Julie Edwards		6 monthly
Treasury Management Service Level Agreement	Julie Edwards		Annual
Forward Plan	Julie Edwards		Every meeting
Exclusion of Press and Public			
Confidential Minutes			
Fund Manager Performance	Julie Edwards		Quarterly
Investment Strategy Review	Mercer		Triennial
Fund Manager Presentation	TBA		No
Date of next meeting / AOB	--		

March 2017		Aylesbury, County Hall	
Agenda Item	Author		Cyclical Item?
Apologies / Declarations of interest / Minutes	--		
Forward Plan	Julie Edwards		Every meeting
Exclusion of Press and Public			
Confidential Minutes			
LGPS Reform Update	Julie Edwards		No
Fund Manager Performance	Julie Edwards		Quarterly
Global Thematic Partners Review	Mercer		No
Fund Manager Presentation	Global Thematic Partners		No
Date of next meeting / AOB	--		

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