

Agenda

PENSION FUND COMMITTEE

Date: Wednesday 31 May 2017
Time: 10.00 am
Venue: Mezzanine Room 1, County Hall, Aylesbury

Agenda Item	Page No
1 ELECTION OF CHAIRMAN For the Committee to elect the Chairman of the Pension Fund Committee.	
2 APPOINTMENT OF VICE CHAIRMAN For the Committee to appoint the Vice Chairman of the Pension Fund Committee.	
3 APOLOGIES FOR ABSENCE / CHANGES IN MEMBERSHIP	
4 DECLARATIONS OF INTEREST To disclose any Personal or Disclosable Pecuniary Interests.	
5 MINUTES To agree the minutes of the meeting held on 22 March 2016 as an accurate record and to be signed by the Chairman.	5 - 8
6 MINUTES OF THE BUCKINGHAMSHIRE PENSION BOARD To note the minutes of the Buckinghamshire Pension Fund Board meeting on 16 March 2017.	9 - 16
7 EXTERNAL AUDIT PLAN To be presented by Grant Thornton.	17 - 30
8 DRAFT STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017 To be presented by Julie Edwards, Pensions and Investments Manager.	31 - 64
9 PENSIONS ADMINISTRATION STRATEGY To be presented by Claire Lewis-Smith, Principal Pensions Officer.	65 - 82

10	FORWARD PLAN To be presented by Julie Edwards, Pensions and Investments Manager.	83 - 86
11	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).	
12	CONFIDENTIAL MINUTES To agree the confidential minutes of the meeting held on 22 March 2016 as an accurate record and to be signed by the Chairman.	87 - 88
13	CONFIDENTIAL MINUTES OF THE BUCKINGHAMSHIRE PENSION BOARD To note the confidential minutes of the Buckinghamshire Pension Fund Board meeting on 16 March 2017.	89 - 90
14	FUND MANAGER PERFORMANCE To be presented by Julie Edwards, Pensions and Investments Manager.	91 - 110
15	BRUNEL PENSION PARTNERSHIP UPDATE To be presented by Mark Preston, Finance Director.	To Follow
16	PRIVATE EQUITY UPDATE To be presented by Mercers.	To Follow
17	DATE OF NEXT MEETING The next meeting will be on Thursday 27 July 2017 at 10:00am.	

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: Kristi Bhanja on 01296 531024, email: kbhanja@buckscc.gov.uk

Members

Mr T Butcher

Mr J Chilver

Mr C Harris

Mr S Lambert

Ms A Macpherson

Mr D Martin

Mr J Gladwin, District Council representative

Mr N Miles, Milton Keynes Council

Barber, Thames Valley Police

Minutes

PENSION FUND COMMITTEE

MINUTES OF THE MEETING OF THE PENSION FUND COMMITTEE HELD ON WEDNESDAY 22 MARCH 2017, IN LARGE DINING ROOM, JUDGES LODGINGS, AYLESBURY, COMMENCING AT 10.02 AM AND CONCLUDING AT 11.19 AM.

MEMBERS PRESENT

Mr J Chilver (Chairman), Mr R Scott (Vice-Chairman), Mr D Martin, Mr J Gladwin, Mr N Miles and Barber

OTHERS PRESENT

Carolyn Dobson, Independent Adviser
Julie Edwards, Pensions and Investments Manager
Mark Preston, Finance Director, Business Services Plus
Nick Sykes, Investment Consultant, Mercer
Kristi Bhanja, Committee Assistant

AGENDA ITEM

1. APOLOGIES FOR ABSENCE / CHANGES IN MEMBERSHIP

Apologies had been received from Mr T Butcher, Mr S Lambert and Mr S Mason.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES

The minutes of the meeting held on 6 March 2017 were agreed as an accurate record and signed by the Chairman.

4. PENSION FUND RISK REGISTER

The Committee noted the report presented by Ms Julie Edwards and the following points were highlighted:



- The Risk Register was last reviewed at the Pension Fund Committee in September 2016.
- There had been an additional column added to the Risk Register which indicated whether there had been an increase or decrease in the risk and general direction of travel.
- Risk A1, relating to employers training, currently showed as red. Adequate training should bring the risk down to amber although it was noted that training was ongoing and employer training sessions would continue.
- Risk A9, relating to GMP reconciliation, had decreased slightly due to the mitigating action that had been taken.
- The Risk Register would be in a different format in future as the Council was moving to a different system.
- There were risks on the Register which related to both Brexit and the implementation of pooling by the Brunel Pension Partnership.
- Risk A8, relating to the increase of TUPE transfers / schools opting for academy status had gone from a probability score of 3 to 4. Following the introduction of a dedicated post which dealt specifically with TUPE transfers, the score should be amended to show 4 to 3.

Action: Ms J Edwards

RESOLVED

The Board NOTED the report.

5. INVESTMENT STRATEGY STATEMENT

Mr Nick Sykes from Mercer presented his report and the following was highlighted:

- The deadline for the Investment Strategy Statement would be 31 March 2017.
- The statement would be a living document and once implemented it would be reviewed and changed when necessary.
- The Investment Strategy Statement would supersede the Statement of Investment Principles.
- The investment objective wording currently stated: '*The primary objective of the Fund is to minimise the level of employer contributions in order to meet the cost of pension benefits as required by statute*' this should be amended to state that '*The primary objective of the Fund is to be efficient, reduce costs and minimise contributions for employers, in order to meet the cost of pension benefits are required by statute*'.

Action: Mr N Sykes

RESOLVED

The Committee AGREED the Investment Strategy Statement subject to the amended wording under item 2. Investment Objectives.

6. FORWARD PLAN

Ms J Edwards presented the report and the following points were highlighted:

- Today's meeting was the last before the County Council elections, which would be held on 4 May 2017. The next Pension Fund Committee would be on 31 May 2017 where the Chairman and Vice Chairman would be elected.
- The items for the 31 May meeting included the draft accounts, Brunel Pension Partnership update and fund manager performance. There had also been an additional paper requested on private equity.
- There would be a Pension Fund Committee training session on 25 May 2017 for new County Councillors but all members of the Committee would be invited.
- The agenda on 31 May 2017 was considered to be very full and therefore the Fund Manager Presentation item would be removed.

Action: Ms J Edwards

RESOLVED

The Committee NOTED the report and AGREED to remove the Fund Manager Presentation from the 31 May 2017 agenda.

7. 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).

8. CONFIDENTIAL MINUTES

The confidential minutes of the meeting held on 6 March 2017 were agreed as an accurate record and signed by the Chairman.

9. INTRODUCTION TO CURRENCY HEDGING

The Committee received a detailed report from Mercer in relation to Currency Hedging.

10. DATE OF NEXT MEETING

The Chairman thanked all members of the Committee for their hard work during the year and especially to Mr Richard Scott who would be standing down as a County Councillor at the forthcoming election.

The next meeting was confirmed as 31 May 2017 at 10.00am.

Future meeting dates:

27 July 2017
20 September 2017
30 November 2017

CHAIRMAN

Minutes

PENSION FUND BOARD

MINUTES OF THE PENSION FUND BOARD HELD ON THURSDAY 16 MARCH 2017, IN LARGE DINING ROOM, JUDGES LODGINGS, AYLESBURY, COMMENCING AT 10.00 AM AND CONCLUDING AT 12.12 PM.

MEMBERS PRESENT

Mr P Dearden, Ms R Ellis (Vice-Chairman), Mr S Mason (Chairman), Mr J McGovern and Mr I Thompson

OFFICERS PRESENT

Ms J Edwards, Mrs C Lewis-Smith, Mrs C Platts, Mr M Preston and Ms S Price

1 APOLOGIES / DECLARATIONS OF INTEREST / MINUTES

Apologies had been received from Ms B Black, Mr R Bowman and Mr C Thompson.

There were no declarations of interest.

The minutes of the meeting held 26 October 2016 were agreed as an accurate record but Ms R Ellis requested that it be noted that in relation to Item 6 (Training Needs Analysis), the Chairman and Vice Chair had attended day one of a 3-day course.

2 MINUTES OF PENSION FUND COMMITTEE

The Board Members noted the minutes of the previous Pension Fund Committees (27 September, 9 November and 12 December 2016).

3 BCC PENSION FUND EMPLOYER NEWSLETTER - DECEMBER 2016

The Board noted the report and Mrs Cheryl Platts highlighted the following:

- The newsletter was issued quarterly and was the main form of communication with all Employing Authorities in the Fund. It covered relevant legislative information and changes as well as investment, administration and general updates.
- Since the publication of the newsletter in December 2016 the County Council had moved over to a corporate webpage template.



- Member Self-Service was launched in 2016 which allowed members of the scheme to view their pension information online. 30% of active membership was now registered.
- i-Connect was an online data exchange hub which would allow employers to submit pension data to the County Council. This would create greater operating efficiencies through automation of administration. The Chairman considered that a report on the progress of i-Connect would be useful at the next Board meeting.

Action: Mrs C Platts

- The Enterprise Act came into effect on 1 February 2017 which would allow the Government to implement an exit cap. Her Majesty's Treasury (HMT) will be consulting on this before introducing legislation.

RESOLVED

The Board NOTED the December 2016 issue of the BCC Pension Fund Employer newsletter.

4 SCHEME MEMBER AND EMPLOYER COMMUNICATIONS

The Board noted the report in the agenda pack and Mrs Cheryl Platts highlighted the following:

- The Buckinghamshire County Council Pension Fund communicated with members and employing authorities using various types of media.
- The Buckinghamshire County Council Pension Fund Communications Plan 2017/18 details the planned communications for the forthcoming year.
- Every opportunity had been given to members to register with the online system.
- Annual Benefits Statements would only be available online from 2018, however if members would rather continue to receive paper statements they would have to opt out of Member Self-Service.

RESOLVED

The Board NOTED the 2017/18 Communications Plan for the Buckinghamshire County Council Pension Fund.

5 PENSIONS ADMINISTRATION STRATEGY

The Board noted the report and Mrs Claire Lewis-Smith highlighted the following:

- The current Pensions Administration Strategy had been in place for 3 years. The Local Government Pension Scheme (LGPS) had 5.1 million members, 260 employers and 65,000 scheme members.
- Buckinghamshire County Council carried out training with scheme employers. Uptake on training had varied; some employers prefer annual training whilst others do not request regular training. There would not be a fee for training going forwards and a plan is in place to help employers with future training requirements.

- The charging for estimate requests that exceed two in a rolling year increased from £10 to £11.50.
- For employers that do not use i-Connect a new spreadsheet has been introduced which amalgamates required information. The spreadsheet used tick boxes that ensured mandatory data had been included. The information did not have to be submitted until the 19 of the month.
- Within 6 weeks of i-Connect action or receiving the spreadsheet, the statutory notification would be produced confirming the employee's pensionable status.
- There had been a change in one of the Additional Voluntary Contribution providers to Scottish Widows.
- The retirement section had been updated to clarify when pension strain actually applies.
- The leavers section had been updated to state when a leaver form would need to be completed.
- The Administration Strategy and Service Level Agreement documentation had been sent out for consultation. There had not been any additional information requested but there had been one employer that had stated it was satisfied with the documents. There had been concern from a couple of Parish Councils concerning the timing for response due to them requiring the information to be presented at their Full Council meetings.
- Contributions would be covered for the full term that a member would be on jury service.
- There had been issues with the secure email system which had resulted in some employers having to resubmit information. The issue had now been resolved and more staff members within the pensions department had access.
- There had been work planned to educate employers to avoid levy charges for poor performance.
- Milton Keynes payroll services would become part of the shared services with Northants. Mrs Lewis-Smith and Ms Price had already attended a meeting and would continue to meet with them on a quarterly basis.

RESOLVED

The Board NOTED the report.

6 INTERNAL DISPUTE RESOLUTION PROCEDURE

The Board noted the report and Ms Sam Price highlighted the following:

- The Internal Dispute Resolution Procedure (IDRP) had two stages. Members could appeal against the decision and have the opportunity to go to the Ombudsman.
- There had been 8 new complaints. Two had progressed to stage two and one was ongoing.
- The majority of appeals were based on ill health.
- There had been two cases in 2015/16 that had been referred to the Ombudsman in relation to appeals. Both were declined.
- The team had started to monitor non-formal complaints and the results from this would be included in the next IDRP update to Board.

- The IDRPs report was presented to the Pension Board annually. The Chairman requested that any cases which were referred to the Ombudsman in the intervening period between meetings was to be reported to the following Pension Board meetings.

Action: Ms S Price

RESOLVED

The Board NOTED the IDRPs appeals for the 2016/2017 year.

7 ADMINISTRATION PERFORMANCE STATISTICS

The Board noted the report and Ms Julie Edwards highlighted the following:

- Previous reports to the Pension Fund Board had highlighted the progress in tackling the backlog of tasks with the Pension Benefits Administration Team.
- The Career Average Scheme, auto-enrolment, reduction in the annual allowance, staff turnover and staff absences had been contributing factors to the backlog.
- There had been a dedicated Pensions Service Desk created to deal with telephone calls and chasing employees and members for information. This had enabled Pensions Officers to focus on more complicated cases.
- The Benefit Administration Team had continued to successfully maintain priority areas of work as well as dealing with the backlog.
- The backlog of 1,300 Inter-fund transfers had been cleared but there remained 350 Inter-fund transfers that would require checking by the end of March.
- There remained a high number of daily tasks which averaged at around 500-600, but the team was working within the 10 day turnaround.
- Leaver checks had been reduced to approximately 2,100 and the team was using overtime to continue to reduce this number without impacting on current workloads.
- It has been estimated that workloads would be up to date by the end of September 2017.
- Barnett Waddington LLP undertook a valuation of the Fund as at 31 March 2016. The market value of assets held was £2,203m.

RESOLVED

The Board NOTED the report.

8 CIPFA PENSIONS ADMINISTRATION BENCHMARKING

The Board noted the report and Ms Sam Price highlighted the following:

- The Council had participated in the CIPFA Pensions Benchmarking Club for the last 14 years. Data was submitted annually and the administration of the Fund was measured against other participating authorities.
- Total costs per member of the scheme in Buckinghamshire were £20.31, which was slightly higher than the average.

- The report stated that one third of costs was on staffing; however; another authority may have recorded their resource in a different way.
- The report showed that communications had been expensive; but this included investigations and benefit statements.
- There had been an increase of 22% in starters set up on the system, whilst deferred members increased to 70%.
- There had been a high percentage of new staff in the pensions team, 40% had been in post for less than a year.
- 6% of members retired at normal retirement age, the majority of members leave earlier.
- The 2016/17 report should be available for the Pension Board meeting in October 2017.
- Mr S Mason requested that the pie-chart standard reports needed to have the legend information alongside the percentage information on the charts to that the information was clearer. Ms S Price would feed this request back to CIPFA. Additionally, Mr Mason thought the previous year's comparison figures would add value to the report.

Action: Ms S Price

RESOLVED

The Board NOTED the report.

9 RISK REGISTER

The Board noted the report and Ms Julie Edwards highlighted the following:

- The Risk Register would look different going forwards due to migration to a new system.
- The risk numbered P11 which related to the impact of inflation or deflation had been updated following a review by the Pension Fund Committee in September 2016.
- The risk score for P7 (which related to significant changes in Government regulations) was considered too low and the 'impact' score should be increased to at least a score of two due to the potential impact.

Action: Ms J Edwards

- Risk P2 related to the possibility of a significant downturn in a particular sector or geographical location. Ms Edwards explained that the Investment Strategy was discussed at the Pension Fund Committee on 6 March 2017 and the Investment Strategy Statement would be reviewed at the Pension Fund Committee on 22 March 2017.

RESOLVED

The Board NOTED the report.

10 FORWARD PLAN

The Board noted the report and Mrs Claire Lewis-Smith highlighted the following:

- The July meeting would include a review of Buckinghamshire Pension Board Policies.
- There would also be the Annual Review of Buckinghamshire Pension Board as well as Annual Benefits statements.
- The Chairman asked that the July meeting include an item on the Investment Strategy as it will have been to the Pension Fund Committee in March.

Action: Mrs C Lewis-Smith/Ms J Edwards

RESOLVED

The Board NOTED the report.

11 CONFIDENTIAL MINUTES PENSION FUND BOARD

The confidential minutes of the meeting held 26 October 2016 were agreed as an accurate record.

12 CONFIDENTIAL MINUTES OF PENSION FUND COMMITTEE

The Board Members noted the confidential minutes of the previous Pension Fund Committees (27 September, 9 November and 12 December 2016).

13 BRUNEL PENSION PARTNERSHIP UPDATE

The Board was provided with an update on the Brunel Partnership proposal.

RESOLVED

The Board NOTED the report.

14 DATE OF NEXT MEETING / AOB

The next meeting would be held on 19 July 2017 at 10.00am.

Future meeting date:

18 October 2017

The following items were highlighted under AOB:

- Mr S Mason thanked Ms J Edwards for collating information concerning attendance at the Pension Fund Board meetings. The Terms of Reference for the Board stated that Board members were expected to attend two out of three meetings every year. The information showed that there had been good attendance by Board members. There was a vacancy for an employee representative on the Pension Board and this would be advertised in the March newsletter.
- The LGPC conference would be held between lunchtime on 29 to 30 June 2017 in Bournemouth. The event was not open for bookings yet but once information has been

released Mrs C Lewis-Smith would inform Board members and they would be able to register their interest in attending.

- Members had already been made aware of the Barnett Waddington event 'Pension Board - 2 Years on' event on 28 June 2017 and an autumn seminar on 6 November 2017. Mrs C Lewis-Smith asked that members of the Board wishing to attend let her know.

CHAIRMAN

The Audit Plan for Buckinghamshire Pension Fund

Year ended 31 March 2017

24th May 2017

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Buckinghamshire Pension Fund
County Hall
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Buckinghamshire
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24th May 2017

Dear Members of the Regulatory and Audit Committee

Audit Plan for Buckinghamshire Pension Fund for the year ending 31 March 2017

This Audit Plan sets out for the benefit of those charged with governance (in the case of Buckinghamshire 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 Fund and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with 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.

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 which give a true and fair view.

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 planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change. In particular we cannot be held responsible to you for reporting all of the risks which may affect the Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit. 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.

We look forward to working with you during the course of the audit.

Yours sincerely

Ciaran McLaughlin

Engagement Lead

Chartered Accountants

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Understanding your business and key developments

Developments

Investment Regulations

The new investment regulations came into force on 1 November 2016 and require administering authorities to publish new Investment Strategy Statements by 1st April 2017. The statement must be in accordance with guidance issued by the Secretary of State and include a variety of information. This will include the authority's assessment of the suitability of particular investments and types of investments, the authority's approach to risk, including the ways in which risks are to be measured and managed and the authority's approach to pooling investments, including the use of collective investment vehicles and shared services. These regulations also provide the Secretary of State with the power to intervene in the investment function of a fund if he/she is satisfied that the authority is failing to act in accordance with the regulations.

Triennial actuarial valuation of the fund

The results of the triennial review as at 31 March 2016 have now been reported. The review indicates that as at 31 March 2016 the Fund had assets sufficient to cover 87% of its accrued liabilities. This is an increase from the funding level of 82% as at the previous triennial review performed as at 31 March 2013. Members will need to consider the outcome of this review and the impact this will have on the fund in future investment decisions.

Key challenges

Pooling Governance

Arrangements for pooling of investments continue to develop, with DCLG expecting administering authorities to be transferring liquid assets from April 2018. The structure and governance of these arrangements will need to be implemented before this date. These arrangements are likely to have a significant impact on how the investments are managed, who makes decisions and how investment activities are actioned and monitored. Although much of this operational responsibility will move to the investment pool operator, it is key that administering authorities (through Pension Committees and Pension Boards) continue to operate strong governance arrangements, particularly during the transition phase where funds are likely to have a mix of investment management arrangements.

Buckinghamshire Pension Fund has partnered with Funds include The Environment Agency Pension Fund, and the Local Government Funds of Avon, Cornwall, Devon, Dorset, Gloucestershire, Oxfordshire, Somerset and Wiltshire to form the Brunel Pension Partnership. The collective assets of the pool are approximately £23 billion.

Managing the transition to the new pooling arrangements effectively is a key operational priority for management. In the longer term, the new arrangements will require changes in how Buckinghamshire County Council and its officers discharge their duties to provide governance over management of the Fund's assets.

Financial reporting changes

CIPFA Code of Practice 2016/17 (the Code)

The main change to the Code for Pension Funds is the extension of the fair value disclosures required under the Code from 2016/17.

The greatest impact is expected to be for those Funds holding directly owned property and/or shares and Level 3 investments. These are reflected in CIPFA's pension fund example accounts alongside further changes including an analysis of Investment Management expenses in line with CIPFA's Local Government Pension Scheme Management Costs guidance, a realignment of investment classifications, and an additional disclosure note covering remuneration of key management personnel which has been included in related party transactions.

Earlier closedown

The Accounts and Audit Regulations 2015 require councils to bring forward the approval and audit of financial statements to 31 July by the 2017/2018 financial year. You met this deadline in 2015/16, and you plan to do the same in 2017.

Our response

- We will discuss with you your progress in implementing the requirements of the new investment regulations, highlighting any areas of good practice or concern which we have identified.
- We will discuss your progress in implementing revised governance structures, and share our experiences gained nationally.
- We aim to complete all our substantive audit work of your financial statements by the end of July 2016.
- As part of our opinion on your financial statements, we will consider whether your financial statements accurately reflect the changes in the 2016/17 Code

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 concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. An item does not necessarily have to be large to be considered to have a material effect on the financial statements. An item may be considered to be material by nature, for example, when greater precision is required (e.g. senior manager salaries and allowances).

We determine planning materiality (materiality for the financial statements as a whole determined at the planning stage of the audit) in order to estimate the tolerable level of misstatement in the financial statements, assist in establishing the scope of our audit engagement and audit tests, calculate sample sizes and assist in evaluating the effect of known and likely misstatements in the financial statements.

We have determined planning materiality based upon professional judgement in the context of our knowledge of the Fund. In line with previous years, we have calculated financial statements materiality based on a proportion of net assets for the Fund. For purposes of planning the audit we have determined overall materiality to be £22,213k (being 1% of net assets as at 31 March 2016).

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 £1,111k.

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 areas where separate materiality levels are required.

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; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK and Ireland) 320)

Significant risks identified

An audit is focused on risks. Significant risks are defined by ISAs (UK and Ireland) as risks that, in the judgment of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Significant risk	Description	Audit procedures
The revenue cycle includes fraudulent transactions	Under ISA (UK and Ireland) 240 there is a presumed risk that revenue streams may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Buckinghamshire Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: <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, mean that all forms of fraud are seen as unacceptable Therefore we do not consider this to be a significant risk for Buckinghamshire Pension Fund.
Management override of controls	Under ISA (UK and Ireland) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.	<ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Review of journal entry process and selection of unusual journal entries for testing back to supporting documentation • Review of unusual significant transactions
Level 3 Investments Valuation is incorrect	Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.	<ul style="list-style-type: none"> • We have updated our understanding of your process for valuing level 3 investment through discussions with relevant personnel from the Pension Fund during the interim audit. • For a sample of private equity investments, test valuations by obtaining and reviewing the 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 and consider what assurance management has over the year end valuations provided for these types of investments.

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either 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 (UK and Ireland) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK and Ireland) 550)

Other risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR or other risk is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Reasonably possible risks	Description of risk	Audit procedures
Investment purchases and sales	Investment activity not valid. Investment valuation not correct (Valuation gross and valuation net).	<ul style="list-style-type: none"> We will review the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and seek explanations for variances Complete a predictive analytical review for different types of investments
Investment values – Level 2 investments	Valuation is incorrect. (Valuation gross and valuation net)	<ul style="list-style-type: none"> We will review the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and seek explanations for variances
Contributions	Recorded contributions not correct (Occurrence)	<ul style="list-style-type: none"> Controls testing over occurrence, completeness and accuracy of contributions to the scheme from employees of Buckinghamshire County Council Test a sample of contributions from Scheduled and Admitted bodies to source evidence to gain assurance over their accuracy and occurrence Trend analysis of scheme contributions across the year to assess the completeness of scheme contributions 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
Benefits payable	Benefits improperly computed/claims liability understated (Completeness, accuracy and occurrence)	<ul style="list-style-type: none"> Controls testing over, completeness, accuracy and occurrence of benefit payments 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)	<ul style="list-style-type: none"> Controls testing over reconciliations and verifications with individual members Sample testing of changes to member data made during the year to source documentation

Other risks identified (continued)

Going concern

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK and Ireland) 570). We will review the management's assessment of the going concern assumption and the disclosures in the financial statements.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in the previous sections but will include:

- Administrative expenses
- Cash deposits
- Current assets
- Current liabilities
- Investment income
- Actuarial Valuation and Actuarial Present Value of Promised Retirement Benefits
- Financial Instruments disclosures
- Related Party Transactions disclosures

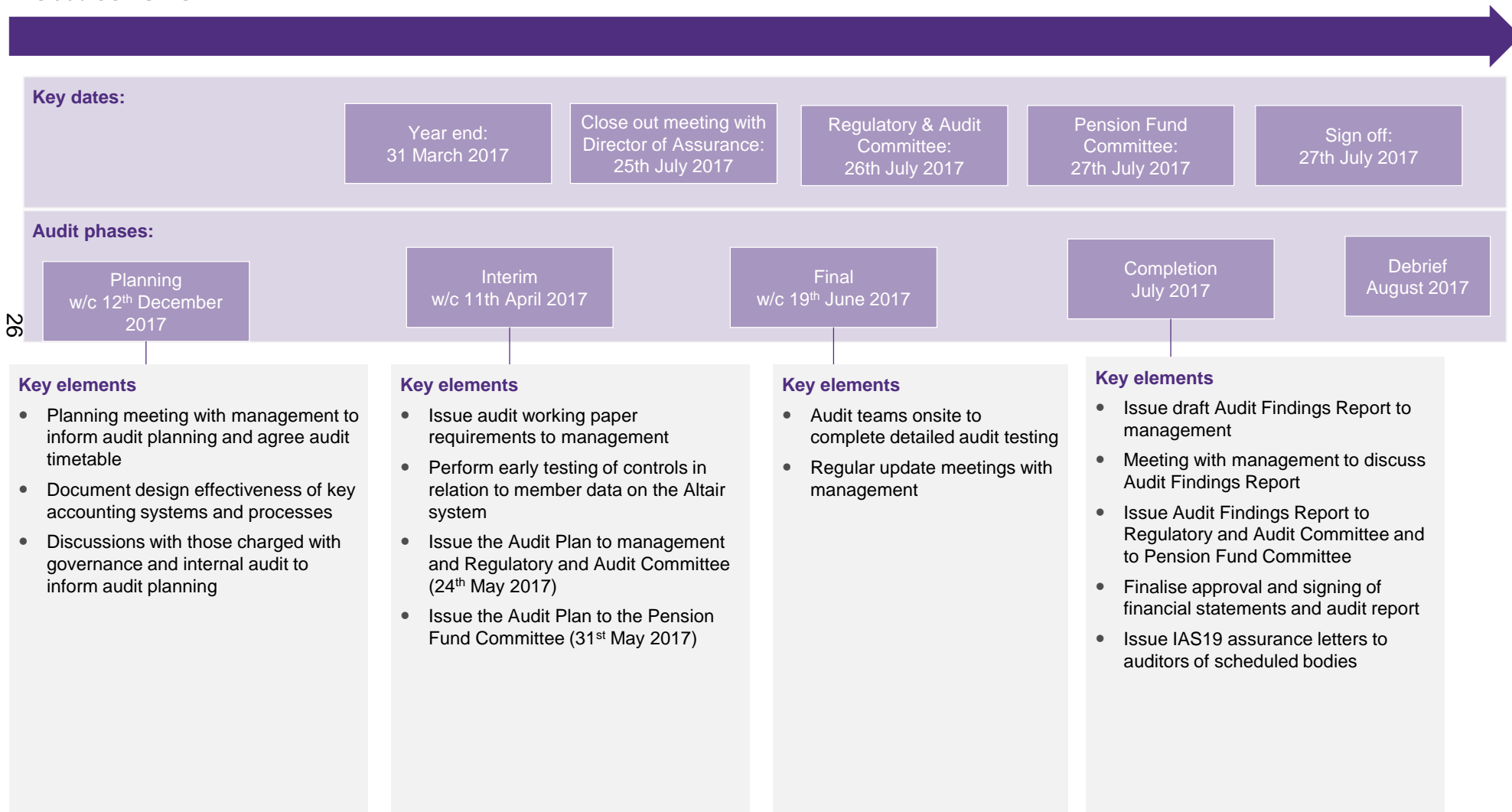
Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed	Conclusion
Internal audit	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We have also reviewed internal audit's work on the Fund's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the Fund and that internal audit work contributes to an effective internal control environment.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</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 • 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>
Review of information technology controls	<p>We performed a high level review of the general IT control environment, as part of the overall review of the internal controls system.</p> <p>IT (information technology) controls were observed to have been implemented in accordance with our documented understanding.</p>	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Fund's financial statements.</p>
Walkthrough testing	<p>We have completed walkthrough tests of the Fund's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Fund in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p>

The audit cycle

The audit timeline



Audit Fees

Fees

	£
Pension fund audit	25,033
Total audit 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, and 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
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

Fees for other service

We provide no other services to Buckinghamshire Pension Fund.

Independence

Ethical Standards and ISA (UK and Ireland) 260 require us to give you timely disclosure of matters relating to our independence. 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 we confirm that we are independent and are able to express an objective opinion on the financial statements.

What is included within our fees

- A reliable and risk-focused audit appropriate for your business
- Invitations to events hosted by Grant Thornton in your sector, as well as the wider finance community
- Ad-hoc telephone calls and queries
- Technical briefings and updates
- A review of accounting policies for appropriateness and consistency

Communication of audit matters with those charged with governance

International Standard on Auditing (UK and Ireland) (ISA) 260, as well as other ISAs (UK and Ireland) 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 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

As auditor we are responsible for performing the audit in accordance with ISAs (UK and 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.

This 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 ('the Code') issued by the NAO and includes nationally prescribed and locally determined work (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Fund's key risks when reaching our conclusions under the Code.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

It is the responsibility of the Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Fund is fulfilling these responsibilities.

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 2017
Date:	31 May 2017
Author:	Finance Director - Business Services Plus
Contact officer:	Julie Edwards, Pensions & Investments Manager Telephone (01296) 383910
Electoral divisions affected:	N/A

Summary

To present the Pension Fund Accounts for 2016/17.

Recommendation

The Committee is asked to review the Draft Statement of Accounts for Buckinghamshire County Council Pension Fund for the year ended 31 March 2017 and to note the timing and requirements for completion and authorisation of the final Statement of Accounts.

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 2017 is attached as Appendix 1. The draft accounts were presented to Regulatory and Audit Committee for information on 24 May 2017, following that meeting the Director of Finance and Assets 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 19 June 2017. 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 2017, representatives from Grant Thornton will attend the July meeting.
- 3 The finalised Statement of Accounts is due 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 at Regulatory and Audit Committee on 26 July 2017.

- 4 The Pension Fund Account and Net Asset Statement, shows that in the year to 31 March 2017 the value of the Pension Fund increased by £474m to £2.696 billion. This is the net result of the contributions made (£136m) including transfers in from other pension schemes, employers and employees contributions; payments out (£120m) including pensions, commutations, lump sum retirement benefits and death benefits, management expenses £17m plus net returns on investments (£475m increase).

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

- 5 Not applicable

Background Papers

None.

Buckinghamshire County Council Pension Fund

Statement of Accounts

For the year ended 31 March 2017

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Description of the Fund

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

The purpose of the Pension Fund is to provide defined benefits for employees and their widows, widowers and children, based on pay and past service. The scheme is a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Employee contribution bands range from 5.5% to 12.5% of pensionable pay for the year ending 31 March 2017. 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/>

In 2015 the government announced that they wanted the 91 Local Government Pension Scheme funds to pool their investments into larger pools in order to achieve savings in investment management costs. In response to the government agenda, Project Brunel was set up to explore the options for pooling investment assets across ten Funds. The founding Funds include The Environment Agency Pension Fund, and the Local Government Funds of Avon, Buckinghamshire, Cornwall, Devon, Dorset, Gloucestershire, Oxfordshire, Somerset and Wiltshire. The collective assets of the pool are approximately £23 billion.

The objective of pooling the assets is to achieve savings over the longer term from both lower investment management costs and more effective management of the investment assets. The pool will look to deliver the savings based upon the collective buying power the collaboration initiative will produce. Local accountability will be maintained as each individual fund will remain responsible for strategic decisions including asset allocation. The pooling of assets will only affect the implementation of the investment strategy in terms of manager appointments. The transition of assets is expected to begin April 2018 through to 2020 for the majority of the assets, although illiquid alternative assets such as private equity may need a longer transition timetable. More information and updates about the project can be found on the Project Brunel website at: www.brunelpensionpartnership.org

Membership of the Fund

The following summarises the membership of the Fund:

31 March 2016	Membership of the Fund	31 March 2017
24,552	Contributors	22,754
16,728	Pensioners	17,566
24,362	Deferred pensioners	26,699
65,642	Total Membership of the Fund	67,019

Investment Strategy Statement

Pension Fund Accounts

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

<https://democracy.buckscc.gov.uk/documents/b27818/Supplement%20Item%205%20-%20Investment%20Strategy%20Statement%20and%20Item%209%20Currency%20Hedging%2022nd-Mar-2017%2010.00%20.pdf?T=9>

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.buckscc.gov.uk/services/council-and-democracy/local-government-pension-scheme/investment/pension-fund-annual-reports/>

Pension Fund Account for the Year Ended 31 March 2017

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 2016 £000	Pension Fund Account	Note	31 March 2017 £000
	Dealings with Members, Employers and Others directly Involved in the Fund		
	Income		
(114,867)	Contributions	3	(120,799)
(5,822)	Transfers in from other pension funds	4	(14,985)
(118)	Other income		(78)
(120,807)			(135,862)
	Benefits	5	
78,605	Pensions		81,960
22,302	Commutation of pensions and lump sums		24,368
	Payments to and on Account of Leavers	6	
345	Refunds of contributions		1,172
3,033	Transfers out to other pension funds		12,658
104,285			120,158
(16,522)	Net Additions from Dealings with Members		(15,704)
15,807	Management expenses	7	17,194
	Returns on Investments		
(43,057)	Investment income	8	(46,777)
27,018	Profits and losses on disposal of investments and changes in the market value of investments	9	(429,377)
1,259	Taxes on income	16	333
(14,780)	Net Returns on Investments		(475,821)
(15,495)	Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year		(474,331)

Net Assets Statement

31 March 2016 £000	Net Assets Statement	Note	31 March 2017 £000
	Investments		
	Fixed interest securities		
32,425	▪ Public sector		29,269
187,358	▪ Other		234,902
647,352	Equities - quoted		852,632
88,460	Index-linked securities		74,834
995,693	Pooled investment vehicles		1,204,325
186,330	Unit trusts - property		183,581
69,072	Cash deposits		87,736
(298)	Derivative contracts		385
7,157	Dividend income receivable		7,848
2,213,549	Net Investments	11	2,675,512
-	- Borrowings - sterling		-
12,468	Current assets	15	24,372
(4,764)	Current liabilities	15	(4,300)
2,221,253	Net Assets of the Fund Available to Fund Benefits at 31 March		2,695,584

1. Basis of Preparation

The accounts summarise the fund's transactions for the 2016/17 financial year and its position at year end as at 31 March 2017. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting (the Code), which is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

The Pension Fund is administered by Buckinghamshire County Council, but the Fund balances are not included in Buckinghamshire County Council's Consolidated Balance Sheet.

2. Accounting Policies and Critical Judgements in Applying Accounting Policies

Accounting Policies
Accruals of Income and Expenditure

The financial statements are prepared on an accruals basis, unless otherwise stated. That is, income and expenditure are recognised as they are earned or incurred, not as they are received or paid.

Contributions, benefits and investment income are included on an accruals basis. All settlements for buying and selling investments are accrued on the day of trading. Interest on deposits is accrued if not received by the end of the financial year. Investment management expenses are accounted for on an accruals basis. Administrative expenses are accounted for on an accruals basis, staff costs are paid by Buckinghamshire County Council then recharged to the Pension Fund at the year end and group transfers to and from the Fund are accounted for on an accruals basis unless negotiations it is too early in the negotiations for an estimate of the value to be available.

Pension Fund Accounts

Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Net Assets Statement. Some additional payments are made to beneficiaries on behalf of certain employers. These payments are subsequently reimbursed by those employers. The figures contained in the accounts are shown exclusive of both payments and reimbursements.

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

Investment Income

Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. 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 2016, the past service funding level of the Fund as a whole increased from 82% to 87% between 31 March 2013 and 31 March 2016. The next valuation will take place as at 31 March 2019. The methodology used is in line with accepted guidelines and in accordance with IAS19.

Events After The Reporting Date

Since 31 March 2017, 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 2017, 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 2017 have been included in these accounts.

2015/16	Contributions	2016/17
£000		£000
	Employers	
(25,997)	Administering authority	(26,450)
(49,236)	Scheduled bodies	(58,628)
(11,026)	Admitted bodies	(7,276)
	Employers' Augmentation Costs	
-	Administering authority	-
(400)	Scheduled bodies	-
-	Admitted bodies	-
	Members	
(7,199)	Administering authority	(7,549)
(18,098)	Scheduled bodies	(19,576)
(2,911)	Admitted bodies	(1,320)
(114,867)	Total Contributions	(120,799)

4. Transfer Values

2015/16	Transfers in from other pension funds	2016/17
£000		£000
-	Group transfers	(6,061)
(5,822)	Individual transfers	(8,924)
(5,822)	Total Transfers in from other pension funds	(14,985)

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 2017 there were 5 outstanding transfer values receivable greater than £50k, for which £785k had not been received. (no outstanding transfer values receivable on 31 March 2016).

On 31 March 2017 there were 7 group transfers to the Fund being negotiated with other Funds (3 on the 31 March 2016), the value of the transfers to the Fund is being negotiated between the Funds' actuaries. The income due to the Fund for 5 of the transfers has not been accrued since negotiations are at too early a stage for an estimate of the value to be available.

5. Benefits

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

2015/16 £000	Benefits	2016/17 £000
	Pensions	
30,610	Administering authority	31,350
42,010	Scheduled bodies	44,077
5,985	Admitted bodies	6,533
20,411	Commutations of pensions and lump sum retirement benefits	21,515
1,891	Lump sum death benefits	2,853
100,907	Total Benefits	106,328

6. Payments to and on Account of Leavers

2015/16 £000	Payments to and on Account of Leavers	2016/17 £000
236	Refunds to members leaving service	671
109	Payments for members joining the state scheme	501
267	Group transfers to other pension funds	1,615
2,766	Individual transfers to other pension funds	11,043
3,378	Total Payments to and on Account of Leavers	13,830

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 2017 there were no outstanding individual transfer values payable greater than £50k. 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 2017 there were 3 group transfers from the Fund being negotiated with other Funds (2 on the 31 March 2016); 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.

7. Management Expenses

2015/16 £000	Management Expenses	2016/17 £000
1,382	Administrative costs	1,779
13,900	Investment management expenses	14,808
500	Oversight and governance costs	583
25	External Audit Fee	24
15,807	Total Management Expenses	17,194

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

Pension Fund Accounts

expenses and oversight / governance costs. Management fees for pooled funds and transaction costs have been included in the investment management expenses.

The investment management expenses include £1.562m (£2.038m in the 2015/16 financial year) in respect of performance related fees payable to the fund's investment managers. It also includes £1.566m in respect of transaction costs (£1.601m in the 2015/16 financial year).

8. Investment Income

2015/16	Investment Income	2016/17
£000		£000
(10,349)	Interest from fixed interest securities	(10,897)
(20,305)	Dividends from equities	(22,970)
(692)	Income from index-linked securities	(498)
(32)	Interest on cash deposits	18
(6,564)	Income from property unit trusts	(7,858)
(5,115)	Other	(4,572)
(43,057)	Total Investment Income	(46,777)

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 2016	Reclassification of Assets	Purchases at Cost	Sales Proceeds	Realised Profit / (Loss)	Unrealised Profit / (Loss)	Value at 31 March 2017
	£000	£000	£000	£000	£000	£000	£000
Fixed interest securities	219,783	-	101,284	(70,353)	3,497	9,960	264,171
Equities - quoted	647,353	-	576,778	(561,042)	82,313	107,230	852,632
Index-linked securities	88,460	-	401,210	(427,762)	10,690	2,236	74,834
Pooled investment vehicles	995,692	-	45,266	(50,431)	8,044	205,754	1,204,325
Unit Trusts - property funds	186,330	-	25,654	(27,096)	(6,378)	5,071	183,581
Derivative contracts	(298)	-	3,525	(1,549)	(1,976)	683	385
Cash deposits	69,072	-	-	16,411	-	2,253	87,736
	2,206,392	-	1,153,717	(1,121,822)	96,190	333,187	2,667,664
Investment income due	7,157						7,848
	2,213,549						2,675,512

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

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 2017 assets which exceed 5% of the total value of the net assets of the Fund are a £166.2m, 6.2%, investment in Legal & General's All Stocks Index-Linked Gilt Fund (£138.7m as at 31 March 2016) and a £172.6m, 6.4%, investment in Legal & General's Europe (ex UK) Equity Index Fund (£134.9m as at 31 March 2016).

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 2017 was £2,670m (£2,168m at 31 March 2016). 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 2016	Proportion of Fund 31 March 2017
Aviva Investors	Property	Percentage of fund	9%	7%
BlackRock	Cash / inflation plus	Percentage of fund	4%	5%
Blackstone Alternative Asset Management	Hedge fund of funds	Percentage of fund	4%	5%
Global Thematic Partners	Less constrained global equities	Performance related fee	6%	7%
Investec Asset Management	Less constrained global equities	Performance related fee	8%	8%
Legal & General Investment Management	Passive index-tracker	Percentage of fund	27%	28%
Mirabaud Investment Management Limited	UK equities	Performance related fee	5%	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%	14%
Schroders	Less constrained UK equities	Performance related fee	7%	8%
Standard Life Investments	Less constrained UK equities	Performance related fee	5%	5%

11. Analysis of the Value of Investments

31 March 2016 £000	Analysis of the Value of Investments	31 March 2017 £000
	Fixed Interest Securities	
30,092	UK public sector	27,906
2,333	Overseas public sector	1,363
187,358	UK other	234,902
-	Overseas other	-
219,783	Total Fixed Interest Securities	264,171
	Equities	
201,877	UK quoted	251,374
445,475	Overseas quoted	601,258
647,352	Total Equities	852,632
	Other	
88,460	Index-linked securities public sector	74,834
-	Index-linked securities other	-
995,693	Pooled Investment vehicles	1,204,325
186,330	Unit Trusts - property funds	183,581
(298)	Derivatives	385
69,072	Cash deposits – sterling and foreign cash	87,736
7,157	Cash deposits - sterling and foreign cash	7,848
1,346,414	Total Other	1,558,709
2,213,549	Total Value of Investments	2,675,512

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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 2016			31 March 2017		
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					
219,783	-	-	264,171	-	-
647,352	-	-	852,632	-	-
88,460	-	-	74,834	-	-
995,693	-	-	1,204,325	-	-
186,330	-	-	183,581	-	-
-	-	-	385	-	-
7,157	-	-	7,848	-	-
-	69,072	-	-	87,736	-
-	4,158	-	-	14,925	-
2,144,775	73,230	-	2,587,776	102,661	-
Financial Liabilities					
(298)	-	-	-	-	-
-	-	-	-	-	-
-	-	(3,952)	-	-	(3,471)
-	-	(3,952)	-	-	(3,471)
2,144,477	73,230	(3,952)	2,587,776	102,661	(3,471)

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

31 March 2016 £000		31 March 2017 £000	
Financial Assets			
13,525	Fair value through profit and loss	475,729	
1,255	Loans and receivables	91	
-	Financial liabilities measured at amortised cost	-	
Financial Liabilities			
-	Fair value through profit and loss	-	
381	Loans and receivables	481	
-	Financial liabilities measured at amortised cost	-	
15,161	Total	476,301	

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 2017	Quoted	Using	With	Total
	Market Price	Observable Inputs	Significant Unobservable Outputs	
	Level 1 £000	Level 2 £000	Level 3 £000	£000
Fixed interest securities	-	264,171	-	264,171
UK equities - quoted	251,374	-	-	251,374
Overseas equities - quoted	601,258	-	-	601,258
Index-linked securities	-	74,834	-	74,834
Pooled investment vehicles	772,344	-	431,981	1,204,325
Property – unit trusts	-	183,581	-	183,581
Derivatives	-	385	-	385
Dividend income receivable	-	7,848	-	7,848
Cash deposits	-	87,736	-	87,736
Borrowings	-	-	-	-
Current assets	-	24,372	-	24,372
Current liabilities	-	(4,300)	-	(4,300)
Total	1,624,976	638,627	431,981	2,695,584

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Value at 31 March 2016	Quoted	Using	With	Total
	Market Price	Observable Inputs	Significant Unobservable Outputs	
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Fixed interest securities	-	219,783	-	219,783
UK equities - quoted	201,877	-	-	201,877
Overseas equities - quoted	445,475	-	-	445,475
Index-linked securities	-	88,460	-	88,460
Pooled investment vehicles	612,221	-	383,472	995,693
Property – unit trusts	-	186,330	-	186,330
Derivatives	-	(298)	-	(298)
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	1,259,573	578,208	383,472	2,221,253

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 by Mercer in March 2017, showed that the overall risk factor (standard deviation) for the Fund is 13.4%. The next review is due in early 2020 following the triennial valuation, interim strategy reviews can be undertaken if required. Following analysis of historical data and expected investment return movement during the financial year, applying a 13.4% movement in market price risk which is reasonably possible for the 2016/17 reporting period, if the market price of the Fund's investments does increase/decrease in line with the table below, the change in the market price of net assets available to pay benefits would be as follows.

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

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 2015/16 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 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

Interest Rate Risk

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

Interest Rate – Sensitivity Analysis

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

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

Asset Type	Value £000	Change for the year in net assets available to pay benefits	
		1% £000	-1% £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)

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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 2017	£000	£000	£000
Cash deposits / cash and cash equivalents	148	15	(15)
Fixed interest securities	10,897	-	-
Total	11,045	15	(15)

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)

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

Currency Risk

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

Currency Risk – Sensitivity Analysis

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

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

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 is considered reasonable. A 6.39% weakening or strengthening of Sterling against the various currencies at 31 March 2016 would have increased or decreased the net assets by the amount shown in the following table.

Currency Exposure by Asset Type	31 March 2016 £000	Value on increase £000 +6.39%	Value on decrease £000 -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

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

Currency Exposure by Significant Currency

The Fund's most significant currency exposures are to US Dollars and EUROS, using data on currency risk of 9.41% for the US Dollar and 9.18% for the EURO. Weakening or strengthening of Sterling against US Dollars and EUROS at 31 March 2017 would have increased or decreased the net assets by the amounts shown in the following table.

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

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. Weakening or strengthening 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 £000	Percentage Change %	Value on increase £000	Value on decrease £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

Credit Risk

Credit risk represents the risk that the counterparty to a transaction or financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market value of investments generally reflects an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of

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the Fund's financial assets and liabilities. In essence the Fund's entire investment portfolio is exposed to some sort of credit risk. The Fund is exposed to credit risk through its investment managers, custodian and its daily treasury management activities. Credit risk is minimised through the careful selection and monitoring of financial institutions and counterparties. Contractual credit risk is represented by the net payment or receipt that remains outstanding.

A source of credit risk is the cash balances held internally or by managers. The Pension Fund's bank account is held at Lloyds, which holds an "A" long term credit rating. The management of the cash held in this account is managed by the Council's Treasury Management Team in line with the Council's Treasury Management Strategy which sets out the permitted counterparties and limits. The value of the Fund invested by the Treasury Management Team at 31 March 2017 was £4.535m in an instant access Lloyds account. (On 31 March 2016 £2.709m was invested in an instant access Lloyds account.) 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 2016		31 March 2017	
£000		£000	
188,298	Aviva	193,323	
88,852	Blackstone	128,372	
145,916	Pantheon Private Equity	165,106	
44,650	Partners Group	42,206	
522	Hg Capital	581	
468,238		529,588	

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 £1.9m (£1.5m in the 2015/16 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 £34.0m to the Fund in 2016/17 (£33.2m in the 2015/16 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 2017, the Fund had an average investment balance of £4.7m (£7.4m in the 2015/16 year), earning interest of £27k (£43k in the 2015/16 year).

There are no members (31 March 2016 no members) of the Pension Fund Committee who are active members of the Fund, no pensioner members (31 March 2016 one pensioner member) and no deferred members (31 March 2016 no deferred members). There is one employee, the Director of Assurance (s151 Officer), who holds a key

position in the financial management of the Fund who is an active member. Disclosure of his pay costs can be found within the officer remuneration note in the main Buckinghamshire County Council accounts.

15. Current Assets and Liabilities

31 March 2016	Current Assets and Liabilities	31 March 2017
£000		£000
	Current Assets	
8,310	Contributions due from employers 31 March	9,447
2,732	Cash balances (not forming part of the investment assets)	4,176
1,426	Other current assets	10,749
12,468	Total Current Assets	24,372
	Current Liabilities	
(1,009)	Management charges	(937)
(812)	HM Revenue and Customs	(829)
(1,261)	Unpaid benefits	(519)
(1,682)	Other current liabilities	(2,015)
(4,764)	Total Current Liabilities	(4,300)
7,704	Net Current Assets	20,072

31 March 2016	Current Assets and Liabilities	31 March 2017
£000		£000
	Current Assets	
2,444	Central government bodies	2,720
4,954	Other local authorities	12,296
5	NHS bodies	3
2,842	Public corporations and trading funds	4,300
2,223	All other bodies	5,053
12,468	Total Current Assets	24,372
	Current Liabilities	
(814)	Central government bodies	(828)
(14)	Other local authorities	(1,615)
-	NHS bodies	-
(2,459)	Public corporations and trading funds	(944)
(1,477)	All other bodies	(913)
(4,764)	Total Current Liabilities	(4,300)
7,704	Net Current Assets	20,072

16. Taxes on Income

2015/16	Taxes on Income	2016/17
£000		£000
-	Withholding tax - fixed interest securities	-
1,259	Withholding tax - equities	333
1,259	Total Taxes on Income	333

The Fund retains the following taxation status:

Pension Fund Accounts

- 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 Regulation 62 of the Local Government Pension Scheme Regulations 2013 (as amended), the Fund's actuary, Barnett Waddingham LLP, undertakes a funding valuation every three years to review the financial position of the Fund and to set appropriate contribution rates for each employer in the Fund for the forthcoming triennial period. The last such valuation took place as at 31 March 2016. The next valuation will take place as at 31 March 2019.

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

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

The main assumptions used in the valuation were:

Future assumed returns

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

Financial assumptions

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

18. Actuarial Present Value of Promised Retirement Benefits

International Financial Reporting Standards (IFRS) requires the disclosure of the actuarial present value of promised retirement benefits. The Fund's Actuary has prepared a report which rolls forward the value of the Employers' liabilities calculated for the Triennial valuation as at 31 March 2016. On an IAS 19 basis the Actuary estimates that the net liability as at 31 March 2017 is £1,858m (31 March 2016 £1,440m), 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 2016		31 March 2017
£000		£000
3,653,503	Present value of funded obligation	4,503,310
(2,213,549)	Fair value of scheme assets	(2,645,301)
1,439,954	Net Liability	1,858,009

The Present Value of Funded Obligation consists of £4,351m (£3,508m at 31 March 2016) in respect of Vested Obligation and £152m (£145m at 31 March 2016) in respect of Non-Vested Obligation. Vested benefits are the benefits that employees have a right to receive even if they do not render services to the employer. In other words, the employees will receive their vested benefits even if they stop working for the employer. Thus, non-vested benefits are the benefits an employee can receive in the future if he or she continues providing services to the employer. The liabilities above are calculated on an IAS19 basis and therefore differ from the results of the triennial funding valuation (see Note 17) because IAS19 stipulates a discount rate rather than a rate that reflects market rates. The main assumptions used were:

31 March 2016		31 March 2017
3.3%	RPI increases	3.6%
2.4%	CPI increases	2.7%
4.2%	Salary increases	4.2%
2.4%	Pension increases	2.7%
3.7%	Discount rate	2.8%

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 20 years. The discount rate is the annualised yield at the 20 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 20 year point on the Bank of England market implied inflation curve. The RPI assumption is therefore 3.6% 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. 2.7%.

Salaries are then assumed to increase at 1.5% 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 2017 are:

Contractual Commitments	Amount Paid as at 31 March 2016 \$000	Amount Paid as at 31 March 2017 \$000	Total Contractual Commitment \$000
Pantheon Asia Fund V LP	22,688	22,938	25,000
Pantheon Asia Fund VI LP	25,521	29,704	47,000
Pantheon USA Fund VII Limited	19,274	19,635	21,250
Pantheon USA Fund VIII Feeder LP	61,200	65,325	75,000
Pantheon Global Secondary Fund IV Feeder LP	9,975	9,975	15,000
Partners Group Global Resources 2009, LP	27,527	27,751	35,000
	166,185	175,328	218,250
	€000	€000	€000
Pantheon Europe Fund V "A" LP	16,548	16,548	18,125
Pantheon Europe Fund VI LP	53,560	57,980	65,000
Partners Group Global Real Estate 2008 SICAR	22,989	22,996	25,000
Partners Group Global Infrastructure 2009 SICAR	21,520	21,842	25,000
	114,617	119,366	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 2017 is the same as the total contractual commitment at 31 March 2016.

On 31 March 2017 there were 7 group transfers to the Fund being negotiated with other Funds (3 on the 31 March 2016), the value of the transfers to the Fund is being negotiated between the Funds' actuaries. The income due to the Fund for 5 of the transfers has not been accrued since negotiations are at too early a stage for an estimate of the value to be available. On 31 March 2017 there were 3 group transfers from the Fund being negotiated with other Funds (2 on the 31 March 2016), 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.

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).

2015/16	Prudential	2016/17
£000		£000
5,441	Value of AVC fund at beginning of year	4,085
(1,299)	Correction opening value	-
634	Employees' contributions and transfers in	650
151	Investment income	150
(842)	Benefits paid and transfers out	(850)
4,085	Value of AVC fund at year end	4,035

1.11.2014 - 31.10.2015	Clerical Medical	1.11.2015 - 31.10.2016
£000		£000
3,788	Value of AVC fund at beginning of year	3,581
149	Employees' contributions	142
235	Investment income	318
(591)	Benefits paid and transfers out	(807)
3,581	Value of AVC fund at year end	3,233

21. List of Scheduled and Admitted Bodies

Scheduled Bodies

Buckinghamshire County Council	Stony Stratford Town Council
Buckinghamshire Fire and Rescue Service	Taplow Parish Council
Thames Valley Police	Waddesdon Parish Council
Aylesbury Vale District Council	Wendover Parish Council
Chiltern District Council	West Bletchley Town Council
Milton Keynes Council	Weston Turville Parish Council
South Bucks District Council	West Wycombe Parish Council
Wycombe District Council	Winslow Town Council
	Woburn Sands Town Council
Amersham Town Council	Wolverton & Greenleys Town Council
Aston Clinton Parish Council	Wooburn & Bourne End Parish Council
Aylesbury Town Council	Woughton Community Council
Bletchley & Fenny Stratford Town Council	
Broughton & Milton Keynes Parish Council	Alfriston School
Buckingham Town Council	Amersham School
Burnham Parish Council	Amersham & Wycombe College
Campbell Park Parish Council	Aylesbury College
Chalfont St Giles Parish Council	Aylesbury Grammar School
Chalfont St Peter Parish Council	Aylesbury High School
Chepping Wycombe Parish Council	Aylesbury Vale Academy
Chesham Bois Parish Council	Beaconsfield High School
Chesham Town Council	Beechview Academy
Chiltern Crematorium	Bedgrove Infant School
Chilterns Conservation Board	Bedgrove Junior School
Coldharbour Parish Council	Bourne End Academy
Gerrards Cross Parish Council	Bourton Meadow Academy
Great Missenden Parish Council	Bridge Academy
Hambleden Parish Council	Brill CofE Combined School
Hazlemere Parish Council	Brookmead School
Iver Parish Council	Brooksward School
Ivinghoe Parish Council	Brushwood Middle School
Kents Hill and Monkston Parish Council	Buckinghamshire New University
Lacey Green Parish Council	Buckinghamshire University Technical College
Lane End Parish Council	Burnham Grammar School
Little Marlow Parish Council	Bushfield School
Longwick-cum-Ilmer Parish Council	Castlefield School
Marlow Town Council	Chalfonts Community College
New Bradwell Parish Council	Chalfont St Peter CE Academy
Newport Pagnell Town Council	Chalfont Valley E-Act Academy
Newton Longville Parish Council	Charles Warren Academy
Olney Town Council	Chepping View Primary Academy
Penn Parish Council	Chesham Grammar School
Piddington & Wheeler End Parish Council	Chestnuts Academy
Princes Risborough Town Council	Chiltern Hills Academy
Shenley Brook End and Tattenhoe Parish Council	Chiltern Way Academy
Shenley Church End Parish Council	Cottesloe School
Stantonbury Parish Council	Danesfield School

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

Admitted Bodies

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

Pension Fund Committee

Title:	Pensions Administration Strategy
Date:	Wednesday 31 May 2017
Author:	Finance Director, Business Services Plus
Contact officer:	Claire Lewis-Smith, 01296 383424
Local members affected:	N/A

For press enquiries concerning this report, please contact the media office on 01296 382444

Summary

Regulation 59 of The Local Government Pension Scheme Regulations 2013 enables an administering authority to prepare a written statement of the authority's policies (its pension administration strategy) in relation to:

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

- such other matters arising from its pension administration strategy as it considers appropriate; and
- such other matters as appear to the administering authority after consulting its Scheme employers and such other persons as it considers appropriate, to be suitable for inclusion in that strategy.

Buckinghamshire County Council Pension Fund implemented a Pension Administration Strategy with effect from 1 June 2010. LGPS Regulations require the Strategy to be kept under review.

Recommendation

Members are asked to consider and comment on this report

Supporting information to include the following if a decision is being requested:

Resource implications

The pension administration strategy and accompanying Service Level Agreement are vital documents to assist both the administering authority and Scheme employers with the requirements of administering the Scheme. In the long term they will help to keep administration costs at a reasonable level and ensure costs are fair across all employers. The Pension Regulator encourages participation with Scheme employers to ensure they understand the key events and information they have to provide. If an employer fails to provide the required information, additional administration costs may be recovered from the employer and the reporting of a breach to The Pension Regulator can be considered.

Legal implications

N/A

Other implications/issues

N/A

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

The revised Strategy and Service Level Agreement have been issued to all Scheme employers for comments and have also been presented to the Pension Board. Where appropriate, comments received have been incorporated into the final documents.

Background Papers

Appendix A – Pensions Administration Strategy

[Timeline LGPS Regulations 2013](#) (see Part 2 Regulation 59)

http://www.buckscc.gov.uk/media/4508731/sla_bccpf-scheme-employers-2017_v1.pdf



**Buckinghamshire County Council Pension Fund
Pension Administration Strategy
1 April 2017**



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Introduction

With 5.1 million members, the Local Government Pension Scheme (LGPS) is one of the largest public sector pension schemes in the UK. Buckinghamshire County Council Pension Fund has approximately 260 employers with over 65,000 scheme members in total.

<http://old.buckscc.gov.uk/about-your-council/local-government-pension-fund/employers/contribution-rates/>

The LGPS is a nationwide scheme and is a valuable part of the pay and reward package for employees working in local government or working for other employers participating in the Scheme. Success in promoting the Scheme amongst members and ensuring a high quality service delivery depends upon the relationship between the administering authority and Scheme employers, and Scheme employers and their employees.

Good quality administration and communication assists in the overall promotion of the Scheme and reminds employees of the value of the LGPS, which in turn aids recruitment, retention and motivation of employees. Providing employees with confidence in the administration of their benefits, in a Scheme with ever increasing complexity, is a challenge facing both administering authorities and Scheme employers.

The Local Government Pension Scheme Regulations 2013 enable an administering authority to prepare a written statement to assist the administering authority and Scheme employers in working together to provide a high quality service to all parties. This document sets out the pension administration strategy of Buckinghamshire County Council as the administering authority of the Buckinghamshire County Council Pension Fund, after consultation with Scheme employers and the Local Pension Board.

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

The strategy is effective from 1 April 2017. Any enquiries in relation to this strategy should be sent to:

Principal Pensions Officer (Governance & Employer Liaison)
Buckinghamshire County Council
Pensions & Investments Team
County Hall
Aylesbury
HP20 1UD

Regulatory Framework

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

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

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

When preparing, reviewing or making revisions to the strategy an administering authority must consult its Scheme employers and any other persons it considers appropriate.

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

In preparing, reviewing or making revisions to the policy, an administering authority must consult its Scheme employers. This will be carried out via direct mailing, employer newsletters or via the Pension Board.

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

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

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

Responsibilities and Procedures

1. Procedures for liaison and communication with Scheme employers

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

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

Procedures for liaison and communication between the Buckinghamshire County Council Pension Fund and Scheme employers are contained within the Buckinghamshire County Council Pension Fund's Communication Policy.
<http://old.buckscc.gov.uk/about-your-council/local-government-pension-fund/policies/>

1.1. Procedures for improving communication between the administering authority and Scheme employers

Effective communication between all parties concerned reduces errors, improves efficiency and nurtures better working relationships. Where performance monitoring shows there is cause for concern, the Principal Pensions Officer (Governance & Employer Liaison) and the relevant Employer Liaison Officer will work closely with the Scheme employer to improve any weaknesses.

1.1.1. Training

Buckinghamshire County Council as the administering authority will provide training and support to any Scheme employer where major issues are identified. At any time a Scheme employer may request an ad-hoc training session.

1.1.2. Website

The Buckinghamshire County Council Pension Fund website is reviewed and updated on a regular basis. The website has relevant information for Scheme employers regarding scheme changes and all relevant policies agreed by the administering authority are published on the site. All employer newsletters are also available. The website address is: www.buckscc.gov.uk/pensions

1.2. Establishing levels of performance

1.2.1 Performance Standards

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

1.2.2. TUPE Transfers

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

1.2.3. Overriding legislation

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

- Pensions Act 1995 and associated disclosure legislation;
- Disability Discrimination Act 1995;
- Age Discrimination Act 1998;
- Data Protection Act 1998;
- Freedom of Information Act 2000;
- Finance Act 2004;
- Public Service Pensions Act 2013; and
- Health and Safety legislation.

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

1.2.4. Internal Standards

These are standards detailed in the SLA and include:

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

1.2.5. Timeliness

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

1.2.6. Data quality

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

1.2.7. Employer Liaison Officers

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

2. Procedures for ensuring compliance with statutory requirements and levels of performance

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

2.1. Audit

The Buckinghamshire County Council Pension Fund will be subject to an annual audit of its processes and internal controls, with the County Council's Regulatory and Audit Committee applying scrutiny to the Fund. Both the administering authority and Scheme employers will be expected to comply with requests for information from internal and external auditors in a timely manner. Any subsequent recommendations will be implemented into the appropriate document.

2.2 Performance monitoring

The administering authority will report on each Scheme employer periodically against specific tasks outlined in the SLA. The administering authority will also monitor its own performance in accordance with the SLA and report outcomes to the Pension Board. The Chartered Institute of Public Finance and Accountancy (CIPFA) Benchmarking will also be used to monitor performance.

2.3. Employer liaison meetings

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

2.4. Pension Board

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

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

<https://democracy.buckscc.gov.uk/documents/s71216/Pension%20Fund%20Board%20TOR.pdf>

2.5. Pension Fund Committee

The Pension Fund Committee (PFC) is responsible for setting overall investment strategy and investment principles. They appoint Investment Managers, Advisors and Custodians and monitor investment performance. The PFC's Terms of Reference can be found at:

<http://democracy.buckscc.gov.uk/mqConvert2PDF.aspx?ID=11106>

2.6. Valuation

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

2.7. Year End and Annual Benefit Statements.

Annual year end processes will be circulated to all Scheme employers in a timely manner. Outline details are within the SLA. Annual Benefit Statements will be sent to all Scheme employers for circulating to Scheme members, or made available to members online, by 31 August each year. Further details on Annual Benefit Statements are outlined in the Communications Policy.

2.8. Treasury Management

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

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

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

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

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

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

Procedures to address unsatisfactory performance

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

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

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

Administering Authority unsatisfactory performance will be reported to the Pension Board and Pension Fund Committee if applicable. Performance is monitored against the SLA and [Customer Charter](#)

Review Process

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

http://old.buckscc.gov.uk/media/2865371/pension_administration_strategy_charging_schedule.pdf

Buckinghamshire Pension Fund
County Hall
Aylesbury
Buckinghamshire
HP20 1UD
01296 383755
pensions@buckscc.gov.uk
www.buckscc.gov.uk/pensions

Charging Schedule		
1	Failure to notify BCC of new starters by the 19 th of the month following the month payroll action was taken	£50 per occurrence
2	Failure to notify BCC of a change in hours or a change in member's address by the 19 th of the month following the date where payroll action was taken	£50 per occurrence
3	Failure to notify BCC of unpaid leave, maternity leave or strike breaks by the 19 th of the month following the month in which payroll action was taken	£50 per occurrence
4	Failure to notify BCC of any member leaving by the 19 th of the month following the month in which the member left	£50 per occurrence
5	Failure to notify BCC of any retirement within 3 weeks of the member's retirement date	£50 per occurrence
6	Where as a result of the Employer's/Payroll Providers failure to notify BCC of a retirement interest becomes payable on any lump sum or death grant paid, BCC will recharge the total amount of interest to the Employer/Payroll Provider	Interest calculated in accordance with Regulation 81 of The LGPS Regulations 2013
7	Failure to notify BCC of the death in service of a member within 10 working days of notification	£50 per occurrence
8	Failure to pay over monthly contributions to BCC by the 19 th of the month following deduction of the contributions	Interest calculated in accordance with Regulation 71 of The LGPS Regulations 2013
9	Failure to provide BCC with the annual year end return by 30 April	£50 per working day from 1 May to date return is received
10	Failure to respond to requests for Year-end information to resolve queries within the prescribed time	£50 per occurrence
11	Estimate requests in excess of two required in a rolling year	£11.50 per estimate plus VAT per additional request
12	Other non-standard work	Charge dependant on time taken and Officer undertaking the work

Notes to the Charging Schedule

- 1 Notifications of new starters must include all of the information detailed in the New Entrants to the Scheme section of the SLA.
- 2 Notifications of changes in hours and address must include all of the information detailed in the Changes section of the SLA.
- 3 Notification of any unpaid leave, maternity leave or strike breaks must include all of the information detailed in the Unpaid Leave section of the SLA.
- 4 Notifications of leavers must include all of the information required on the 'Notification of Employee Leaving Early form, detailed in the Leavers section of the SLA.
- 5 Notifications of retirements must include all of the information required on the 'Notification of Employee Leaving where Pension Benefits will be Paid' form, detailed in the Retirements section of the SLA.
- 6 Regulations 71 and 81 of The LGPS Regulations 2013 state that interest must be calculated at one per cent above base rate on a day to day basis from the due date to the date of payment and compounded with three-monthly rests. If late payment of a lump sum or death grant occurs as a result of a failure by the scheme member to provide information to the pension team, the pension fund will be liable for the payment of any interest due.
- 7 Notification of a death in service must include all of the information required on the 'Notification of Employee Leaving where Pension Benefits will be paid' form, detailed in the Death in Service section of the SLA.
- 8 Requirements regarding payment of monthly contributions are set out in the Monthly Contributions section of the SLA.
- 9 Requirements regarding submission of the annual return are set out in the Year-end Return section of the SLA.

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

PENSION FUND COMMITTEE FORWARD PLAN

Updated	18-May-17
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31 May 2017	Agenda Item	Aylesbury, County Hall Author	Cyclical Item?
	Election of Chairman / Appointment of Vice-Chairman	--	
	Apologies / Declarations of interest / Minutes	--	
	Buckinghamshire Pension Board Minutes	Steve Mason	4-monthly
	External Audit Plan	Grant Thornton	Annual
	Annual Accounts	Julie Edwards	Annual
	Pensions Administration Strategy	Claire Lewis-Smith	Triennial
	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
	Brunel Pension Partnership Update	Mark Preston	No
	Private Equity Update	Mercer	No
	Date of next meeting / AOB	--	

27 July 2017	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 2016/17	Cheryl Platts	Annually
	Forward Plan	Julie Edwards	Every meeting
	Exclusion of Press and Public		
	Confidential Minutes		
	Fund Manager Presentation	TBA	No
	Training Session	Mercer	No
	Brunel Pension Partnership Update	Mark Preston	No
	Date of next meeting / AOB	--	

20 September 2017	Agenda Item	Aylesbury, County Hall Author	Cyclical Item?
	Apologies / Declarations of interest / Minutes	--	Every meeting
	Buckinghamshire Pension Board Minutes	Steve Mason	4 monthly
	Governance Update	Julie Edwards	Annual

PENSION FUND COMMITTEE FORWARD PLAN

Updated	18-May-17
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Pension Fund Risk Register	Julie Edwards	6 monthly
Forward Plan	Julie Edwards	Every meeting
Exclusion of Press and Public		
Confidential Minutes		
Buckinghamshire Pension Board Confidential Minutes	Steve Mason	4 monthly
Fund Manager Performance	Julie Edwards	Quarterly
Fund Managers Presentation	TBA	No
Brunel Pension Partnership Update	Mark Preston	No
Date of next meeting / AOB	--	

30 November 2017

Agenda Item	Aylesbury, County Hall Author	Cyclical Item?
Apologies / Declarations of interest / Minutes	--	
Buckinghamshire Pension Board Minutes	Steve Mason	4 monthly
Governance Update	Julie Edwards	Annually
Verbal Feedback from Local Authority Pension Forum	David Martin	Annual
Forward Plan	Julie Edwards	
Exclusion of Press and Public		
Confidential Minutes		
Buckinghamshire Pension Board Confidential Minutes	Steve Mason	4 monthly
Fund Managers' Performance	Julie Edwards	Quarterly
Fund Managers Presentation	TBA	No
Brunel Pension Partnership Update	Mark Preston	Every meeting
Date of next meeting / AOB	--	

February 2018

Agenda Item	Aylesbury, County Hall Author	Cyclical Item?
Apologies / Declarations of interest / Minutes	--	
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
Fund Manager Presentation	TBA	No
Brunel Pension Partnership Update	Mark Preston	No
Date of next meeting / AOB	--	

PENSION FUND COMMITTEE FORWARD PLAN

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Updated	18-May-17
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March 2018	Agenda Item	Aylesbury, County Hall Author	Cyclical Item?
	Apologies / Declarations of interest / Minutes	--	
	Pension Fund Risk Register	Julie Edwards	6 monthly
	Forward Plan	Julie Edwards	Every meeting
	Exclusion of Press and Public		
	Confidential Minutes		
	Fund Manager Presentation	TBA	No
	Brunel Pension Partnership Update	Mark Preston	No
	Date of next meeting / AOB	--	

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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