

Buckinghamshire County Council Pension Fund



Statement of Accounts

For the year ended 31 March 2017



Pension Fund Accounts

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DRAFT - INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BUCKINGHAMSHIRE COUNTY COUNCIL

We have audited the pension fund financial statements of Buckinghamshire County Council (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The pension fund financial statements comprise the Pension Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

Respective responsibilities of the Director of Finance and Assets and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Director of Finance and Assets is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the pension fund financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance and Assets; and the overall presentation of the pension fund financial statements. In addition, we read all the financial and non-financial information in the Authority's Statement of Accounts to identify material inconsistencies with the audited pension fund financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the pension fund financial statements

In our opinion:

- the pension fund financial statements present a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2017 and of the amount and disposition at that date of the fund's assets and liabilities; and
- the pension fund financial statements have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited pension fund financial statements in the Authority's Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the audited pension fund financial statements.

[Signature]

Ciaran McLaughlin
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

30 Finsbury Square
London
EC2A 1AG

[Date]

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 |

Pension Fund Accounts

Investment Strategy Statement

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

<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 |

Pension Fund Accounts

| | | | |
|------------------|--|----|------------------|
| (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. 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

Pension Fund Accounts

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.

Accounting Standards that have been issued but not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The Accounting changes introduced in the 2018/19 Code relate to the reporting of IFRS9 Financial Instruments requiring new classification categories for financial instruments and additional disclosures. IFRS15 Revenue from contracts with customers sets out the requirements for recognising revenue that apply to contracts with customers.

3. Contributions

Contributions relating to wages and salaries paid up to 31 March 2017 have been included in these accounts.

| 2015/16 £000 | Contributions | 2016/17 £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 £000 | Transfers in from other pension funds | 2016/17 £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.

Pension Fund Accounts

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

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 |

Pension Fund Accounts

| 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 | Dividend income receivable | 7,848 |
| 1,346,414 | Total Other | 1,558,709 |
| 2,213,549 | Total Value of Investments | 2,675,512 |

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

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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 | Observable | Significant | |
| | Price | Inputs | Unobservable | |
| | Level 1 | Level 2 | Level 3 | |
| | £000 | £000 | £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 |
| Cash deposits | - | 87,736 | - | 87,736 |
| Borrowings | - | - | - | - |
| Total | 1,624,976 | 610,707 | 431,981 | 2,667,664 |

Following the adoption of IRFS13 for Pension Fund accounts the fair value hierarchy disclosure should be limited to investments. Dividend income receivable, current assets and current liabilities have been removed from the fair value hierarchy table and the 2015/16 comparator figures have been restated.

| Restated Value at 31 March 2016 | Quoted | Using | With | Total |
|--|------------------|----------------|----------------|------------------|
| | Market | Observable | Significant | |
| | Price | Inputs | Unobservable | |
| | 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) |
| Cash deposits | - | 69,072 | - | 69,072 |
| Borrowings | - | - | - | - |
| Total | 1,259,573 | 563,347 | 383,472 | 2,206,392 |

| Original Value at 31 March 2016 | Quoted | Using | With | Total |
|--|------------------|----------------|----------------|------------------|
| | Market | Observable | Significant | |
| | Price | Inputs | Unobservable | |
| | 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.

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.

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

| Asset Type | Value | Change for the year in net assets available to pay benefits | |
|---|----------------|---|----------------|
| | | 1% | -1% |
| As at 31 March 2016 | £000 | £000 | £000 |
| 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) |

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

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

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 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.

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| 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). The Director of Finance and Assets (s151 Officer), holds a key position in the financial management of the Fund and is an active member. He is an employee of Buckinghamshire County Council for whom a portion of his costs of employment are re-charged to the Fund. Disclosure of his pay costs can be found within the officer remuneration note in the main Buckinghamshire County Council accounts.

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:

- 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.

Pension Fund Accounts

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 |
| Frosts (MKC) | Vale of Aylesbury Housing Trust |
| Hayward Services | Wolverton & Watling Way Pools Trust |
| Heritage Care | Wycombe Heritage and Arts Trust |