

## Pension Fund Committee 20 July 2018

### Agenda Item

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# Pension Fund Committee

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<b>Title:</b>	<b>Pension Fund Accounts for the Year Ended 31 March 2018</b>
<b>Date:</b>	20 July 2018
<b>Author:</b>	Finance Director, Resources & ACES
<b>Contact officer:</b>	Julie Edwards 01296 383910
<b>Electoral divisions affected:</b>	N/A

## Summary

To present Grant Thornton's draft report on any significant findings from its audit of the Pension Fund Accounts.

## Recommendation

**The Committee is asked to NOTE the Accounts for the financial year ended 31 March 2018, to NOTE Grant Thornton's Audit Findings Report and to NOTE the Letter of Representation.**

### Resource implications

- 1 There are none arising directly from this report.

### Other implications/issues

- 2 The Pension Fund's Unaudited Statement of Accounts were presented to the Pension Fund Committee at its meeting on 24 May 2018 and the Regulatory and Audit Committee as part of the Council's overall unaudited Statement of Accounts on 31 May 2018. They were signed by the Director of Finance and Procurement, the Council's appointed S151 officer. At that stage, the audit of the accounts had not commenced. Grant Thornton audited the Pension Fund Accounts during June and we anticipate that Grant Thornton will issue an unqualified audit opinion on the Pension Fund's financial statements. There were no changes to the Net Assets Statements. The Accounts are attached as Appendix 1, the changes are highlighted in the document.
- 3 Representatives from Grant Thornton will provide an update on their findings at the meeting as detailed in the Audit Findings Report, see Appendix 2. Page 13 of Audit Findings Report details the misclassification and disclosure changes. The Letter of Representation from the administering authority is also attached as Appendix 3.

- 4 The Accounts, Grant Thornton's Audit Findings Report for the Pension Fund will be reported to the Regulatory & Audit Committee on 25 July 2018. Members of this Committee are requested to comment on the Statement of Accounts, the Audit Findings Report and the Letter of Representation.

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

- 5 Not applicable

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**Background Papers**

None

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# Buckinghamshire County Council Pension Fund

## Statement of Accounts

For the year ended 31 March 2018

## Pension Fund Accounts

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**DRAFT - Independent auditor's report to the members of Buckinghamshire County Council on the pension fund financial statements****Opinion**

We have audited the pension fund financial statements of Buckinghamshire County Council (the 'Authority') for the year ended 31 March 2018 which comprise the Pension Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. 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 2017/18.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2018 and of the amount and disposition at that date of the fund's assets and liabilities,
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the pension fund of the Authority in accordance with the ethical requirements that are relevant to our audit of the pension fund financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's 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.

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance & Procurement's use of the going concern basis of accounting in the preparation of the pension fund financial statements is not appropriate; or
- the Director of Finance & Procurement has not disclosed in the pension fund financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the pension fund financial statements are authorised for issue.

**Other information**

The Director of Finance & Procurement is responsible for the other information. The other information comprises the information included in the Pension Fund Accounts, the Narrative Report and the Annual Governance Statement, other than the pension fund financial statements, our auditor's report thereon and our auditor's report on the Authority's financial statements. Our opinion on the pension fund financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

## Pension Fund Accounts

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In connection with our audit of the pension fund financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension fund financial statements or our knowledge of the pension fund of the Authority obtained in the course of our work or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the pension fund financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the pension fund financial statements the other information published together with the pension fund financial statements in the Pension Fund Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the pension fund financial statements are prepared is consistent with the pension fund financial statements.

### **Matters on which we are required to report by exception**

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

### **Responsibilities of the Authority, the Director of Finance & Procurement and Those Charged with Governance for the financial statements**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance & Procurement. The Director of Finance & Procurement is responsible for the preparation of the 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 2017/18, which give a true and fair view, and for such internal control as the Director of Finance & Procurement determines is necessary to enable the preparation of pension fund financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund financial statements, the Director of Finance & Procurement is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the pension fund lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the pension fund.

The Regulatory and Audit Committee is Those Charged with Governance.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the pension fund financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these pension fund financial statements.



A further description of our responsibilities for the audit of the pension fund financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**[Signature]**

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

**30 Finsbury Square**  
**London**  
**EC2A 1AG**

**[Date]**

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## Pension Fund Accounts

### Pension Fund Account for the Year Ended 31 March 2018

The Pension Fund Accounts contain two core statements, the Pension Fund Account and the Net Assets Statement. Each of the statements is accompanied by supplementary notes providing additional detail to the figures presented.

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

## Net Assets Statement

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

Note: The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 18.

## 1 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.

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 1/49<sup>th</sup>. Employee contribution bands range from 5.5% to 12.5% of pensionable pay. In April 2014 a 50/50 option was introduced which means members can pay half their contribution rate and build up half the pension benefit whilst retaining full value of other scheme benefits such as death in service lump sum and ill health cover. Accrued pension is revised annually in line with the Consumer Prices Index. Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. More details of benefits provided under the scheme are available on the Council's pension website.

<https://www.buckscc.gov.uk/services/council-and-democracy/local-government-pension-scheme/scheme-members>

The Fund is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme Regulations 2013 (as amended)
- the Local Government Pensions Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

In 2015 the government announced that they wanted the 91 Local Government Pension Scheme funds to pool their investments into larger pools in order to achieve savings in investment management costs. Brunel Pension

## Pension Fund Accounts

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Partnership Ltd was formed to implement the investment strategies for ten Funds. The founding Funds include The Environment Agency Pension Fund, and the Local Government Funds of Avon, Buckinghamshire, Cornwall, Devon, Dorset, Gloucestershire, Oxfordshire, Somerset and Wiltshire. The company Brunel Pension Partnership Ltd was formed on 14 October 2016. By 31 December 2017 the collective assets of the pool were £27 billion.

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

The following summarises the membership of the Fund:

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

## Investment Strategy Statement

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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://www.buckscc.gov.uk/media/4508836/bccpf\\_iss\\_may2017.pdf](https://www.buckscc.gov.uk/media/4508836/bccpf_iss_may2017.pdf)

## Further Information

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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/>

## Basis of Preparation

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The accounts summarise the Fund's transactions for the 2017/18 financial year and its position at year end as at 31 March 2018. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting (the Code), which is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

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

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## 2. Accounting Policies and Critical Judgements in Applying Accounting Policies

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### Accounting Policies

#### Accruals of Income and Expenditure

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

Contributions, benefits and investment income are included on an accruals basis. All settlements for buying and selling investments are accrued on the day of trading. Interest on deposits is accrued if not received by the end of the financial year. Investment management expenses are accounted for on an accruals basis. Administrative expenses are accounted for on an accruals basis, staff costs are paid by Buckinghamshire County Council then recharged to the Pension Fund at the year end and group transfers to and from the Fund are accounted for on an accruals basis unless it is too early in the negotiations for an estimate of the value to be available. Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Net Assets Statement. Some additional payments are made to beneficiaries on behalf of certain employers. These payments are subsequently reimbursed by those employers. The figures contained in the accounts are shown exclusive of both payments and reimbursements.

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

#### Investment Income

Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis. Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as dividend income receivable. Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset. Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits / losses during the year.

#### Benefits Payable

Pensions and lump sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

#### Management Expenses

All management expenses are accounted for on an accruals basis. Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. These are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

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

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

## Pension Fund Accounts

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- Standard Life – UK equities

### Financial Instruments

Financial Instruments that are “held for trading” are classified as financial assets and liabilities at fair value through profit or loss when the financial instrument is:

- Acquired or incurred principally for the purpose of selling or repurchasing it in the near term, or
- Part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking, or
- A derivative.

Financial assets and liabilities at fair value through profit or loss are initially recognised at fair value excluding transaction costs and carried at fair value without any deduction for transaction costs that would be incurred on sale or disposal.

Financial instruments have been classified as Loans and Receivables when they have fixed or determinable payments and are not quoted in an active market. Loans and receivables are initially recognised at Fair Value and carried at historic cost as they are all short term.

The value of market quoted investments is determined by the bid market price ruling on the final day of the accounting period. Fixed interest securities are recorded at net market value based on their current yields. Pooled investments in property funds, equity funds, fixed interest funds, private equity funds and hedge fund of funds are valued by the fund manager in accordance with industry guidelines. **Note 12 includes commentary on the valuation methods that the Fund’s fund managers use.**

### Foreign Currency Transactions

Foreign currency transactions are translated into sterling at the exchange rate ruling at the date of transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

### Derivatives

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

### Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

### Contingent Assets & Liabilities and Commitments

Contingent liabilities are disclosed by way of a note when there is a possible obligation which may require a payment or a transfer of economic benefits. The timing of the economic transfer and the level of certainty attaching to the event are such that it would be inappropriate to make a provision.

Contingent assets are disclosed by way of a note where inflow or a receipt or an economic benefit is possible and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the Pension Fund.

**Commitments are disclosed by way of a note when there is a contractual commitment which may require a payment.. The timing of the payment is such that it would be inappropriate to make a provision. Commitments are accounted for at the best estimate of the obligation.**

## Critical Judgements in Applying Accounting Policies

### Pension Fund Liability

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

### Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year end date and the amounts reported for assets and liabilities at the year end date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the net assets statement at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows.

Item	Uncertainties	Effect if actual results differ from assumptions
<b>Actuarial present value of promised retirement benefits (Note 18)</b>	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance: <ul style="list-style-type: none"> <li>a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £90m</li> <li>a 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £84m</li> <li>a one-year increase in assumed life expectancy would increase the liability by approximately £171m.</li> </ul>
<b>Private equity fund of funds (Note 12)</b>	Private equity investments are valued at fair value in accordance with <i>International Private Equity and Venture Capital Valuation Guidelines</i> (2012). These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Private equity investments are valued at £166m in the financial statements. There is a risk that this investment may be under or overstated in the accounts by £24m.

### Events After The Reporting Date

Since 31 March 2018, there has been some volatility in the financial markets, there would be an impact on the market value of the fund's investments were they to be valued as at the date these accounts were authorised.

## Pension Fund Accounts

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These changes are deemed to be non-adjusting post balance sheet events. There have been no events since 31 March 2018, and up to the date when these accounts were authorised, which require any adjustments to these accounts.

### Accounting Standards that have been issued but not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The Accounting changes introduced in the 2018/19 Code relate to the reporting of IFRS9 Financial Instruments and IFRS15 Revenue from contracts. IFRS9 Financial Instruments introduces extensive changes to the classification and measurement of financial assets, and a new "expected credit loss" model for impairing financial assets. The impact will be to reclassify assets currently classified as loans and receivables to any changes in the measurement of financial assets and the Fund does not at this stage anticipate any adjustments for impairments. IFRS15 Revenue from contracts with customers set out the requirements for recognising revenue that apply to contracts with customers. The Fund does not have any revenue streams within the scope of the new standard.

### 3. Contributions

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

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

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

### 4. Transfer Values

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

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The individual transfer values relate to transfers, which have been received during the financial year i.e. included on a cash basis. On 31 March 2018 there were no outstanding transfer values receivable greater than £50k. (On 31 March 2017 there were 5 outstanding transfer values receivable greater than £50k, for which £785k had not been received).

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

## 5. Benefits

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

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

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

## 6. Payments to and on Account of Leavers

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

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

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

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### 7. Management Expenses

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

The analysis of the cost of managing the Pension Fund during the period has been prepared in accordance with CIPFA guidance. Management expenses have been categorised as administrative costs, investment management expenses and oversight / governance costs. Management fees for pooled funds and transaction costs have been included in the investment management expenses.

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

### 8. Investment Income

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

### 9. Investments

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All investments are valued on a fair value basis and where there is an active market the bid price is the appropriate quoted market price. The investment accounting information is provided by BNY Mellon and State Street, BNY Mellon was the Fund's custodian bank to 12 December 2017. State Street became the Fund's custodian bank on 13 December 2017. Realised profit of £169.689m and unrealised loss of £96.586m are combined to report an increase in the market value of investments of £73.103m.

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

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

Investments (All values are shown £000)	Value at 31 March 2016 £000	Reclassification of Assets £000	Purchases at Cost £000	Sales Proceeds £000	Realised Profit / (Loss) £000	Unrealised Profit / (Loss) £000	Value at 31 March 2017 £000
Equities - quoted	647,353	-	576,778	(561,042)	82,313	107,230	852,632
<b>Bonds</b>	<b>308,243</b>	<b>-</b>	<b>502,494</b>	<b>(498,115)</b>	<b>14,187</b>	<b>12,196</b>	<b>339,005</b>
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
	<b>2,206,392</b>	<b>-</b>	<b>1,153,717</b>	<b>(1,121,822)</b>	<b>96,190</b>	<b>333,187</b>	<b>2,667,664</b>
Investment income due	7,157						7,848
	<b>2,213,549</b>						<b>2,675,512</b>

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

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year. The Fund's investments in derivatives are not material and therefore further disclosures are not included in the accounts. Indirect costs are incurred through the bid-offer spread on investments within pooled investments.

The Fund does not participate directly in a stock lending programme.

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

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

### 10. Investment Management Arrangements

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

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

## 11. Analysis of the Value of Investments

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

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

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

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

The code requires that for each class of financial assets and financial liabilities an authority shall disclose the fair value of that class of assets and liabilities in a way that permits it to be compared with its carrying amount. As all investments are disclosed at fair value, carrying value and fair value are therefore the same.

### Valuation of Financial Instruments Carried at Fair Value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

**Level 1:** Financial instruments where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities, quoted equities are classified as level 1. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

**Level 2:** Financial instruments where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data. **Fixed interest securities are traded in an active market and evaluated prices sourced from a valid pricing vendor.**

**Level 3:** Financial instruments at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions. The values of the investment in private equity are based on valuations provided by the general partners to the private equity fund of funds in which the Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS. Valuations are audited annually as at 31 December, and the valuations as at 31 March reflect cash flow transactions since 31 December.

The values of the hedge fund of funds are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value.

The following table analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

Value at 31 March 2018	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Outputs	Total £000
	Level 1 £000	Level 2 £000	Level 3 £000	
Long term investments	-	-	840	840
<b>Equities - quoted</b>	<b>883,946</b>	-	-	<b>883,946</b>
<b>Bonds</b>	-	<b>352,726</b>	-	<b>352,726</b>
Pooled investment vehicles	-	1,074,355	165,584	1,239,939
Property – unit trusts	-	204,534	-	204,534
Derivatives	-	102	-	102
<b>Total</b>	<b>883,946</b>	<b>1,631,717</b>	<b>166,424</b>	<b>2,682,087</b>

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

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Restated 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
Equities - quoted	852,632	-	-	852,632
Bonds	-	339,005	-	339,005
Pooled investment vehicles	19,298	977,711	207,316	1,204,325
Property – unit trusts	-	183,581	-	183,581
Derivatives	-	385	-	385
<b>Total</b>	<b>871,930</b>	<b>1,500,682</b>	<b>207,316</b>	<b>2,579,928</b>

Original 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
<b>Total</b>	<b>1,624,976</b>	<b>610,707</b>	<b>431,981</b>	<b>2,667,664</b>

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
Equities - quoted	647,352	-	-	647,352
Bonds	-	308,243	-	308,243
Pooled investment vehicles	-	804,605	191,088	995,693
Property – unit trusts	-	186,330	-	186,330
Derivatives	-	(298)	-	(298)
<b>Total</b>	<b>647,352</b>	<b>1,298,880</b>	<b>191,088</b>	<b>2,137,320</b>



Original 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)
Cash deposits	-	69,072	-	69,072
<b>Total</b>	<b>1,259,573</b>	<b>563,347</b>	<b>383,472</b>	<b>2,206,392</b>

### Sensitivity Analysis of Assets Valued at Level 3

Having analysed historical data and current market trends, the Fund has determined that the valuation methods described above are likely to be accurate within the following ranges, and has set out below the potential impact on the closing value of investments held at 31 March 2018 and 31 March 2017.

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

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

### Reconciliation of Fair Value Measurements Within Level 3

	Value at 31 March 2017 £000	Sales during the year £000	Unrealised Profit £000	Value at 31 March 2018 £000
Pooled investment vehicles – private equity	207,316			165,584
<b>Total</b>	<b>207,316</b>			<b>165,584</b>

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	Value at 31 March 2016 £000	Sales during the year £000	Unrealised Profit £000	Value at 31 March 2017 £000
Pooled investment vehicles – private equity	190,566			207,316
<b>Total</b>	<b>190,566</b>			<b>207,316</b>

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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**

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The Fund's primary long term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure that there is sufficient liquidity to meet the Fund's forecast cash flows. The Pension Fund Committee manages these investment risks as part of its overall Fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pension Fund Committee. The Pension Fund Risk Assessment analyses the risks faced by the Council's pensions operations, it is reviewed regularly by the Pension Fund Committee to reflect changes in activity and in market conditions. The analysis below is designed to meet the disclosure requirements of IFRS 7.

### **Market Risk**

Market risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in market prices of equities, commodities, interest rates, foreign exchange rates and credit spreads. This could be as a result of changes in market price, interest rates or currencies. The objective of the Fund's Investment strategy is to manage and control market risk exposure within acceptable parameters, while optimising the return.

In general excessive volatility in market risk is managed through diversification across asset class, investment manager, country, industry sector and individual securities. Each manager is expected to maintain a diversified portfolio within their allocation.

### **Market Price Risk**

Market price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting the market in general.

By diversifying investments across asset classes and managers, the Fund aims to reduce the exposure to price risk. Diversification of asset classes seeks to reduce correlation of price movements, whilst the appointment of specialist managers enables the Fund to gain from their investment expertise.

### Market Price - Sensitivity Analysis

Whilst the value of the Fund's assets is sensitive to changes in market conditions and the Fund's assets are diversified across fund managers and asset classes to mitigate the risks. The Fund's liability to pay future benefits is equally sensitive, particularly to interest rate changes. The Fund's investment consultant undertakes triennial strategy reviews following the triennial actuarial valuation to ensure that the asset allocation of the Fund remains appropriate to expectations for its liabilities both in the short term and in the long term. The latest review, carried out by Mercer in March 2017, showed that the overall risk factor (standard deviation) for the Fund is 13.4%. The next review is due in early 2020 following the triennial valuation, interim strategy reviews can be undertaken if required. Following analysis of historical data and expected investment return movement during the financial year, applying a 13.4% movement in market price risk which is reasonably possible for the 2017/18 reporting period, if the market price of the Fund's investments does increase/decrease in line with the table below, the change in the market price of net assets available to pay benefits would be as follows.

Asset Type	31 March 2018 £000	Percentage Change %	Value on increase £000	Value on decrease £000
Long term investments	840	13.4	953	727
Equities – quoted	883,946	13.4	1,002,395	765,497
Bonds	352,726	13.4	399,991	305,461
Pooled investment vehicles	1,239,939	13.4	1,406,091	1,073,787
Property - unit trusts	204,534	13.4	231,942	177,126
Derivative contracts	102	13.4	116	88
Cash deposits	121,408	13.4	137,677	105,139
Investment income due	9,504	13.4	10,778	8,230
<b>Total</b>	<b>2,812,999</b>		<b>3,189,943</b>	<b>2,436,055</b>

Following analysis of historical data and expected investment return movement during the financial year, applying a 13.4% movement in market price risk which is reasonably possible for the 2016/17 reporting period, if the market price of the Fund's investments does increase/decrease in line with the table below, the change in the market price of net assets available to pay benefits would be as follows which has been restated to show totals for equities and bonds.

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

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

### 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%	-1%
<b>As at 31 March 2018</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cash deposits	121,408	-	-
Cash balances (not forming part of the investment assets)	3,473	-	-
<b>Bonds</b>	<b>292,689</b>	<b>2,927</b>	<b>(2,927)</b>
<b>Total</b>	<b>417,570</b>	<b>2,927</b>	<b>(2,927)</b>

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

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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%
<b>As at 31 March 2018</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cash deposits / cash and cash equivalents	201	20	(20)
<b>Bonds</b>	8,230	-	-
<b>Total</b>	<b>8,431</b>	<b>20</b>	<b>(20)</b>

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

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

### Currency Risk

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

### Currency Risk – Sensitivity Analysis

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

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

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%
Equities – quoted	563,439	617,924	508,954
Bonds	7,669	8,411	6,927
Pooled investment vehicles	207,311	227,358	187,264
Property - unit trusts	4,142	4,543	3,741
Cash deposits	1,746	1,915	1,577
<b>Total</b>	<b>784,307</b>	<b>860,151</b>	<b>708,463</b>

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

#### Currency Exposure by Significant Currency

The Fund's most significant currency exposures are to US Dollars and EUROS, using data on currency risk of 9.71% for the US Dollar and 9.23% for the EURO. Weakening or strengthening of Sterling against US Dollars and EUROS at 31 March 2018 would have increased or decreased the net assets by the amounts shown in the following table.

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

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	Percentage Change	Value on increase	Value on decrease
	£000	%	£000	£000
US Dollars	466,964	9.41	510,905	423,023
EUROS	157,924	9.18	172,421	143,427
<b>Total</b>	<b>624,888</b>		<b>683,326</b>	<b>566,450</b>

#### 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

## Pension Fund Accounts

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of credit risk. The Fund is exposed to credit risk through its investment managers, custodian and its daily treasury management activities. Credit risk is minimised through the careful selection and monitoring of financial institutions and counterparties. Contractual credit risk is represented by the net payment or receipt that remains outstanding.

A source of credit risk is the cash balances held internally or by managers. The Pension Fund's bank account is held at Lloyds, which holds an "A" long term credit rating. The management of the cash held in this account is managed by the Council's Treasury Management Team in line with the Council's Treasury Management Strategy which sets out the permitted counterparties and limits. The value of the Fund invested by the Treasury Management Team at 31 March 2018 was £1.186m in an instant access Lloyds account. (On 31 March 2017 £4.535m was invested in an instant access Lloyds account.) Cash held by investment managers is invested with the global custodian, State Street, in a diversified money market fund rated AAAM.

### Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The main liabilities of the Fund relate to the benefits payable which fall due over a long period of time. The investment strategy reflects this and sets out the strategic asset allocation of the Fund. Liquidity risk is mitigated by investing a proportion of the Fund in actively traded instruments in particular equities and fixed income investments. The Fund maintains a cash balance to meet operational requirements.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer to convert in to cash. The following table summarises the Fund's illiquid assets by fund manager.

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

## 14. Related Parties

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

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

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

Membership of the Local Government Pension Scheme (LGPS) for Councillors closed to new members on 31 March 2014, councillors who were active members ceased to be a member at the next end of term of office. There are no members of the Pension Fund Committee who are pensioner or deferred members of the Fund on 31 March 2018



(on 31 March 2017 no pensioner or deferred members). The Director of Finance and Procurement (s151 Officer), holds a key position in the financial management of the Fund and is an active member. He is an employee of Buckinghamshire County Council for whom a portion of his costs of employment are re-charged to the Fund. Disclosure of his pay costs can be found within the officer remuneration note in the main Buckinghamshire County Council accounts.

The Pension Fund has transactions with Brunel Pension Partnership Ltd (BPP Ltd) (Company number 10429110) which was formed on 14 October 2016 and will oversee the investment of pension fund assets for ten Funds. The founding Funds include The Environment Agency Pension Fund, and the Local Government Funds of Avon, Buckinghamshire, Cornwall, Devon, Dorset, Gloucestershire, Oxfordshire, Somerset and Wiltshire. Each of the 10 organisations, including Buckinghamshire County Council own 10% of BPP Ltd. During the year to 31 March 2018 the Fund paid BPP Ltd £840k (£0k in the year to 31 March 2017).

## 15. Current Assets and Liabilities

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

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

## Pension Fund Accounts

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### 16. Taxes on Income

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

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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

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

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

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

The main assumptions used in the valuation were:

#### Future assumed returns

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

#### Financial assumptions

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

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

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

## 18. Actuarial Present Value of Promised Retirement Benefits

International Financial Reporting Standards (IFRS) requires the disclosure of the actuarial present value of promised retirement benefits. The Fund's Actuary has prepared a report which rolls forward the value of the Employers' liabilities calculated for the Triennial valuation as at 31 March 2016. On an IAS 19 basis the Actuary estimates that the net liability as at 31 March 2018 is £1,794m (31 March 2017 £1,858m), but figures calculated on an IAS 19 basis are not relevant for calculations undertaken for funding purposes or for other statutory purposes undertaken under UK pensions legislation. The Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

For the Triennial Valuation the actuary asks the question – what is the value of the assets required based on existing investment strategy to be sufficient to meet future liabilities? For IAS 19 valuations, however, the actuary asks the question – how much would need to be borrowed on the corporate bond market to meet future liabilities?

The expected returns on the assets actually held will be different from borrowing costs, and so different amounts are required. This manifests itself in different discount rates being used in each type of valuation, and so different values are placed on the same liabilities.

<b>31 March 2017</b>		<b>31 March 2018</b>
<b>£000</b>		<b>£000</b>
4,503,310	Present value of funded obligation	4,605,799
(2,645,301)	Fair value of scheme assets	(2,812,158)
<b>1,858,009</b>	<b>Net Liability</b>	<b>1,793,641</b>

The Present Value of Funded Obligation consists of £4,470m (£4,351m at 31 March 2017) in respect of Vested Obligation and £136m (£152m at 31 March 2017) in respect of Non-Vested Obligation. Vested benefits are the benefits that employees have a right to receive even if they do not render services to the employer. In other words, the employees will receive their vested benefits even if they stop working for the employer. Thus, non-vested benefits are the benefits an employee can receive in the future if he or she continues providing services to the employer. The liabilities above are calculated on an IAS19 basis and therefore differ from the results of the triennial funding valuation (see Note 17) because IAS19 stipulates a discount rate rather than a rate that reflects market rates. The main assumptions used were:

<b>31 March 2017</b>		<b>31 March 2018</b>
3.6%	RPI increases	3.3%
2.7%	CPI increases	2.3%
4.2%	Salary increases	3.8%
2.7%	Pension increases	2.3%
2.8%	Discount rate	2.6%

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These assumptions are set with reference to market conditions at 31 March. The Actuary's estimate of the duration of the Fund's past service liabilities is 20 years. An estimate of the Fund's future cashflows is made using notional cashflows based on the estimated duration above. These estimated cashflows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cashflows, discounted at this single rate, equates to the net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point). This approach has changed from the "spot approach" adopted at the previous accounting date to reflect national auditor preferences.

Similarly to the approach used to derive the discount rate, the Retail Prices Index (RPI) increase assumption is set using a Single Equivalent Inflation Rate (SEIR) approach, using the notional cashflows described above. The single inflation rate derived is that which gives the same net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, as applying the BoE implied inflation curve. As above, the Merrill Lynch AA rated corporate bond yield spot curve is assumed to be flat beyond the 30 year point and the BoE implied inflation spot curve is assumed to be flat beyond the 40 year point. The approach has changed from the "spot rate" approach adopted at the previous accounting date to reflect national auditor preferences. As future pension increases are expected to be based on CPI rather than RPI, the Actuary has made a further assumption about CPI which is that it will be 1.0% below RPI i.e. 2.3%.

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

### Demographic/Statistical assumptions

The actuary has adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2016. The post retirement mortality tables adopted are the S2PA tables with a multiplier of 85%. These base tables are then projected using the CMI 2015 Model, allowing for a long-term rate of improvement of 1.5% p.a. The assumed life expectations from age 65 are:

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

The actuary also assumed that:

- Members will exchange half of their commutable pension for cash at retirement;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age; and
- The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

## 19. Contingent Liabilities and Contractual Commitments

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

Contractual Commitments	Amount Paid as	Amount Paid	Total
	at 31 March 2017	as at 31 March 2018	Contractual Commitment
	\$000	\$000	\$000
Pantheon Asia Fund V LP	22,938	22,938	25,000
Pantheon Asia Fund VI LP	29,704	35,250	47,000
Pantheon USA Fund VII Limited	19,635	19,635	21,250
Pantheon USA Fund VIII Feeder LP	65,325	66,525	75,000
Pantheon Global Secondary Fund IV Feeder LP	9,975	9,975	15,000
Partners Group Global Resources 2009, LP	27,751	30,751	35,000
	<b>175,328</b>	<b>185,074</b>	<b>218,250</b>
	€000	€000	€000
Pantheon Europe Fund V "A" LP	16,548	16,983	18,125
Pantheon Europe Fund VI LP	57,980	59,605	65,000
Partners Group Global Real Estate 2008 SICAR	22,996	22,996	25,000
Partners Group Global Infrastructure 2009 SICAR	21,842	21,842	25,000
	<b>119,366</b>	<b>121,426</b>	<b>133,125</b>

These contractual commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity, resources, global real estate and infrastructure parts of the portfolio. The amounts "called" by the funds are irregular in both size and timing over several years from the date of each original commitment. The total contractual commitment at 31 March 2018 is the same as the total contractual commitment at 31 March 2017.

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

Funds Undrawn	31 March 2017		31 March 2018	
	\$000	€000	\$000	€000
Pantheon Asia Fund V LP	2,062	1,603	2,062	1,466
Pantheon Asia Fund VI LP	17,296	13,444	11,750	8,352
Pantheon USA Fund VII Limited	1,615	1,255	1,615	1,148
Pantheon USA Fund VIII Feeder LP	9,675	7,520	8,475	6,024
Pantheon Global Secondary Fund IV Feeder LP	5,025	3,906	5,025	3,572
Partners Group Global Resources 2009, LP	7,249	5,635	4,249	3,020
	<b>42,922</b>	<b>33,363</b>	<b>33,176</b>	<b>23,582</b>
	€000	€000	€000	€000
Pantheon Europe Fund V "A" LP	1,577	1,333	1,142	999
Pantheon Europe Fund VI LP	7,020	5,935	5,395	4,721
Partners Group Global Real Estate 2008 SICAR	2,004	1,694	2,004	1,754
Partners Group Global Infrastructure 2009 SICAR	3,158	2,670	3,158	2,764
	<b>13,759</b>	<b>11,632</b>	<b>11,699</b>	<b>10,238</b>

## Pension Fund Accounts

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

### 20. Additional Voluntary Contributions (AVCs)

AVC providers secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. The AVC providers to the Fund are Prudential and Scottish Widows, Scottish Widows replaced Clerical Medical on 7 May 2017. Prudential invests in several funds including with profits accumulation, deposit and discretionary funds. Scottish Widows invests in a range of funds to suit Scheme members' changing lifestyles. These amounts are not included in the Pension Fund Net Assets Statement in accordance with regulation 5(2)c of the Pension Scheme (Management and Investment of Funds) Regulations 1998 (SI 1998 No 1831).

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

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

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

## 21. List of Scheduled and Admitted Bodies

### Scheduled Bodies

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

## Pension Fund Accounts

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



**Admitted Bodies**

Acorn Childcare	Excelcare
Acorn Childcare (Jubilee Wood School)	Frosts (MKC)
Action for Children	Hayward Services Ltd
Action for Children (Children's Centres)	Heritage Care
Adventure Learning Foundation (BCC)	Hertsmere Leisure Trust
Adventure Learning Foundation (WDC)	Hightown Housing Association Ltd
Alliance in Partnership	Innovate Ltd
Ambassador Theatre Group	Kids Play Ltd
Archgate Cleaning	Manpower Direct Ltd
Ashridge Security Management	Mears Group plc
Aspens Services Ltd	MK Dons
Beacon Housing Association	NSL Services Group
Birkin Cleaning (John Colet)	Nurture Landscapes (MKC)
Birkin Cleaning (Oakgrove School)	OFM Support Ltd
Bucks Association of Local Councils	Oxfordshire Health NHS Foundation Trust
Bucks County Museum Trust	Oxon PCT (SALT)
Bucks Learning Trust	Paradigm Housing Association
Busy Bee Cleaning Services Ltd (WDC)	Places for People Leisure (Newp TC)
C-SALT (Woughton Leisure Centre)	Places for People Leisure (WDC)
Capita (WDC)	Police Superintendents Association
Caterlink Ltd (Buckingham Primary)	Red Kite Community Housing Ltd
Caterlink Ltd (Chiltern Hills Academy)	Ridge Crest Cleaning Ltd (Walton High)
Caterlink Ltd (Orchard Academy)	Ringway Infrastructure Services
Chartwells Ltd (Oakgrove School)	Ringway Jacobs
Chiltern Rangers CIC	Serco MKC Recreation & Maintenance
Cleantec Services Limited	Servest Group Limited
Connection FS (BCC)	Sports Leisure Management
Connection Support (MKC Brokerage)	Spurgeons
Connexions Buckinghamshire	Stantonbury Arts & Leisure
Cucina Restaurants Ltd (Denbigh School)	The Fremantle Trust
Cucina Restaurants Ltd (Walton High)	Vale of Aylesbury Housing Trust
Derwent Facilities Management Ltd	Wolverton & Watling Way Pools Trust
Enterprise Support Services UK	Wycombe Heritage and Arts Trust



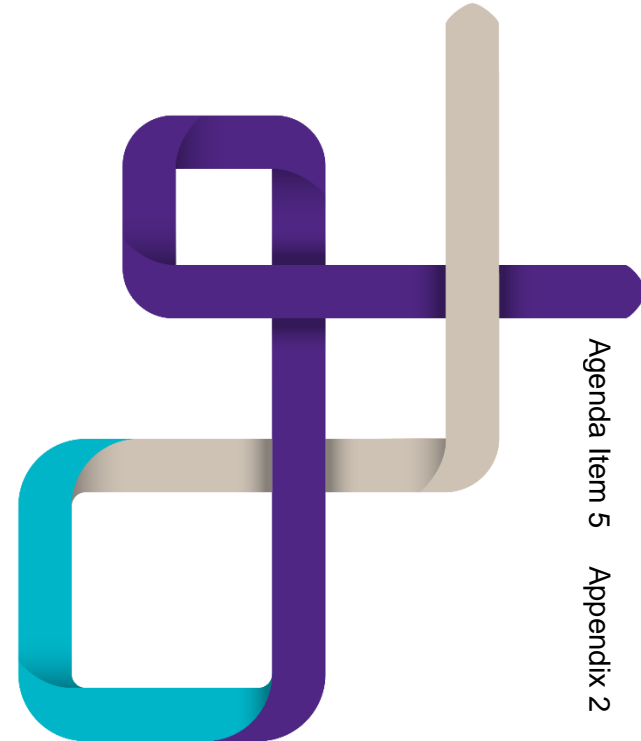
# Audit Findings

*Year ending 31 March 2018*

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Buckinghamshire Pension Fund

25 July 2018



# Contents



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## Section

1. Headlines
2. Financial statements
3. Independence and ethics

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## Appendices

- A. Follow up of prior year recommendations
- B. Audit adjustments
- C. Fees
- D. Audit Opinion

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Headlines

## Introduction

This table summarises the key issues arising from the statutory audit of Buckinghamshire Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2018 for those charged with governance.

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<b>Financial Statements</b>	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion: <ul style="list-style-type: none"><li>the Pension Fund's financial statements give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year, and have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting;</li></ul>	Our audit work was completed on site during June and July. Our findings are summarised on pages 3 to 10. We have not identified any adjustments to the Fund's reported financial performance and position detailed within the Pension Fund Account and the Net Assets Statement. We have identified a number of amendments to the disclosures set out in the notes to the accounts, which are detailed in Appendix B. Our follow up of a recommendation from the prior year's audit is detailed in Appendix A. Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Regulatory and Audit Committee meeting on 25 July 2018, as detailed in Appendix D. These outstanding items include: <ul style="list-style-type: none"><li>- receipt of management's response to our findings from review of the draft accounts;</li><li>- finalisation of testing of contributions from scheduled and admitted bodies;</li><li>- finalisation of testing of data submitted to the actuary;</li><li>- receipt and review of the Pension Fund Annual Report</li><li>- receipt of the management representation letter; and</li><li>- review of the final set of financial statements.</li></ul>
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## Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

# Summary

## Overview of the scope of our audit

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), 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.

## Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- an evaluation of the Pension Fund's internal controls environment, including its IT systems and controls;
- controls testing of benefit payments to new pensions and of starters, leavers and changes of circumstance processed on the pension admin system; and
- substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

## Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Regulatory and Audit Committee meeting on 25 July 2018, as detailed in Appendix D. These outstanding items include:

- receipt of management's response to our findings from review of the draft accounts;
- receipt and review of the Pension Fund Annual Report
- receipt of the management representation letter; and
- review of the final set of financial statements.

Materiality calculations remains the same as reported in our audit plan.

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## Our approach to materiality

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.

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	£26,966,000	<ul style="list-style-type: none"> <li>• In calculating materiality, we have considered the users the financial statements and the extent to which they place reliance on the financial statements.</li> </ul>
Performance materiality	£18,876,000	<ul style="list-style-type: none"> <li>• In calculating performance materiality, we have considered the Fund's control environment and the likelihood of material misstatements of the financial statements arising.</li> </ul>
Trivial matters	£1,000,000	<ul style="list-style-type: none"> <li>• We have considered the level at which audit misstatements would be of interest to management and to members of the Regulatory and Audit Committee in discharging their duties.</li> </ul>

# Going concern

## Our responsibility

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) 570).

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## Going concern commentary

### Management’s assessment process

Management have assessed that the Fund has sufficient resources to meet its liabilities as they fall due for the foreseeable future.

### Auditor commentary

- We are satisfied regarding the appropriateness of management’s process for formulating their going concern assessment.

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### Work performed

Detail audit work performed on management’s assessment

### Auditor commentary

- We have considered the financial position of the Fund and undertaken a review to identify any possible indicators of any circumstances or events that could indicate that the Fund is no longer a going concern.

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### Concluding comments

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### Auditor commentary

- We have identified no events or conditions in the course of the audit that we consider may cast significant doubt on your ability to continue as a going concern.
  - We are satisfied with the appropriateness of management’s going concern assessment process. As such we plan to issue an unmodified audit report in respect of going concern.
-

# Significant audit risks

## Risks identified in our Audit Plan

## Commentary

1

### Improper revenue recognition

Under ISA 240 (UK) there is a presumed risk that revenue 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.

### Auditor commentary

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- 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 as the Administering Authority of Buckinghamshire Pension Fund, 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.

Though we have rebutted this risk, we have still tested all revenue streams to a material extent. Our audit work has not identified any issues in respect of revenue recognition.

2

### Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.

We identified management override of controls as a risk requiring special audit consideration.

### Auditor commentary

- We undertook the following procedures in relation to this risk:
  - gained an understanding of the significant accounting estimates, judgements applied and decisions made by management and consider their reasonableness;
  - obtained a full listing of journal entries, identified and then tested unusual journal entries for appropriateness; and
  - evaluated the rationale for any changes in accounting policies or significant unusual transactions that came to our attention during the course of the audit.
- Our work has not identified any issues in respect of this risk.

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# Significant audit risks (continued)

Risks identified in our Audit Plan	Commentary
<p><b>3</b> <b>The valuation of Level 3 investments is incorrect</b></p> <p>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.</p> <p>We identified the valuation of level 3 investments as a risk requiring special audit consideration.</p>	<p><b>Auditor commentary</b></p> <ul style="list-style-type: none"> <li>• We undertook the following procedures in relation to this risk:               <ul style="list-style-type: none"> <li>– gained an understanding of the Fund’s process for valuing Level 3 investments and evaluating the design of the associated controls;</li> <li>– reviewed the nature and basis of estimated Level 3 valuations and considered what assurance management has over the year end valuations provided for these investments; and</li> <li>– for a sample of investments, tested the valuation by obtaining and reviewing the audited accounts as at 31 December 2017 for individual investments, agreeing these to fund manager reports at that date and reconciling those values to the valuations reported at 31 March 2018 with reference to known movements in the intervening period.</li> </ul> </li> <li>• Our work has not identified any issues in respect of this risk.</li> </ul>
<p><b>4</b> <b>Change in custodian</b></p> <p>During the year a number of funds have transferred custodian from BNY Mellon to State Street.</p>	<p><b>Auditor commentary</b></p> <ul style="list-style-type: none"> <li>• We undertook the following procedures in relation to this risk:               <ul style="list-style-type: none"> <li>– documented the controls in place to manage the transfer of data to the system of new custodian; and</li> <li>– reviewed and tested management’s reconciliation of the closing position from the old custodian system to the opening position of the new system.</li> </ul> </li> <li>• Our work has not identified any issues in respect of this risk.</li> </ul>

# Reasonably possible audit risks

## Risks identified in our Audit Plan

## Commentary

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### Contributions

Contributions from employers and employees' represents a significant percentage (68%) of the Fund's revenue.

We therefore identified occurrence of contributions as a risk requiring particular audit attention.

### Auditor commentary

- We undertook the following procedures in relation to this risk:
  - evaluated the Fund's accounting policy for recognition of contributions for appropriateness;
  - gained an understanding of the Fund's system for accounting for contributions income and evaluate the design of the associated controls;
  - tested a sample of contributions to source data to gain assurance over their accuracy and occurrence; and
  - rationalised contributions received with reference to changes in member body payrolls and the number of contributing pensioners and noted no unusual trends.
- Our work has not identified any issues in respect of this risk.

6

### Pension Benefits Payable

Pension benefits payable represents a significant percentage (76%) of the Fund's expenditure.

We identified completeness of pension benefits payable as a risk requiring particular audit attention:

### Auditor commentary

- We undertook the following procedures in relation to this risk:
  - evaluated the Fund's accounting policy for recognition of pension benefits expenditure for appropriateness;
  - gained an understanding of the Fund's system for accounting for pension benefits expenditure and evaluate the design of the associated controls;
  - undertaken controls testing in respect of a sample of benefit payments to new pensioners who commenced receipt of pension payments during 2017/18; and
  - rationalised pensions paid with reference to changes in pensioner numbers and increases applied in year to ensure that any unusual trends are satisfactorily explained.
- Our work has not identified any issues in respect of this risk.

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### The valuation of Level 2 investments is incorrect




While level 2 investments do not carry the same level of inherent risks associated with level 3 investments, there is still an element of judgement involved in their valuation as their very nature is such that they cannot be valued directly.

We identified valuation of level 2 investments as a risk requiring particular audit attention.

### Auditor commentary




- We undertook the following procedures in relation to this risk:
  - gained an understanding of the Fund's process for valuing Level 2 investments and evaluate the design of the associated controls;
  - reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments; and
  - for a sample of investments, tested the valuation by obtaining independent information from custodian/manager on units and unit prices.
- Our work has not identified any issues in respect of this risk.

# Accounting policies

Accounting area	Summary of policy	Comments	Assessment
<b>Revenue recognition</b>	<ul style="list-style-type: none"> <li>Contributions 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.</li> </ul>	The revenue recognition policies are appropriate and in accordance with the CIPFA Code of Practice and International Financial Reporting Standards (IFRS).	 <b>Green</b>
<b>Judgements and estimates</b>	<ul style="list-style-type: none"> <li>Key estimates and judgements include:               <ul style="list-style-type: none"> <li>the assumptions within the IAS26 calculation of the present value of future retirement benefits;</li> <li>the assumptions within the triennial valuation; and</li> <li>valuation of Level 3 investments.</li> </ul> </li> </ul>	We are satisfied that in all significant respects, judgements and estimates have been disclosed appropriately and adequately in accordance with appropriate accounting policies.	 <b>Green</b>
<b>Other critical policies</b>	<ul style="list-style-type: none"> <li>We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.</li> </ul>	We have reviewed the Fund's policies against the requirements of the CIPFA Code of Practice. We consider the Fund's accounting policies are appropriate and consistent with previous years.	 <b>Green</b>

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## Assessment

-  Marginal accounting policy which could potentially be open to challenge by regulators
-  Accounting policy appropriate but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

# Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Regulatory and Audit Committee in our Audit Plan dated 31 May 2018. We have not been made aware of any frauds during the period in respect of the Fund and no issues have been identified during the course of our audit procedures.</li> </ul>
2	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>We are not aware of any related parties or related party transactions which have not been disclosed.</li> </ul>
3	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.</li> </ul>
4	<b>Written representations</b>	<ul style="list-style-type: none"> <li>A standard letter of representation has been requested from the Pension Fund.</li> </ul>
5	<b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We requested from management permission to send confirmation requests to your fund managers, custodians and other institutions with which you held bank or investment balances as at the year end. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.</li> </ul>
6	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review identified a number of disclosure omissions or required adjustments in respect of the financial statements. These are detailed in Appendix B.</li> </ul>
7	<b>Significant difficulties</b>	<ul style="list-style-type: none"> <li>We have experienced no significant difficulties in performing our audit work.</li> </ul>
8	<b>Matters on which we report by exception</b>	<ul style="list-style-type: none"> <li>We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements.</li> <li>We propose to issue our 'consistency' opinion on the Pension Funds Annual Report on 26 July 2018 alongside our main opinion on the financial statements.</li> </ul>

# Independence and ethics

## **Independence and ethics**

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements
- We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.
- Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix C.

## **Audit and Non-audit services**

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. No non-audit services were identified.

# Follow up of prior year recommendations

We identified the following issues in the audit of Buckinghamshire Pension Fund's 2016/17 financial statements, which resulted in one recommendations being reported in our 2017/18 Audit Findings report. We are pleased to report that management have implemented our recommendation.

1	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓/X	<ul style="list-style-type: none"> <li>The reconciliation of monthly returns for scheme contributions from scheduled and admitted bodies was not maintained on a regular basis during the year and a number of significant reconciling differences were not followed up and resolved. If this reconciliation is not kept up to date, then there is a risk that any misstatements of contributions recorded on the general ledger could go unidentified.</li> </ul>	<ul style="list-style-type: none"> <li>The scheme contributions reconciliation has been maintained to a higher standard over 2017/18 and did not contain material reconciling differences as it did in the prior year.</li> <li>However, we noted from our testing of scheme contributions number of minor reconciling differences on the contributions for many of the scheduled and admitted bodies. This indicates that there remains further scope for management to improve the accuracy of the contributions reconciliation.</li> </ul>	

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#### Assessment

- ✓ Action completed
- X Not yet addressed

# Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Detail	Adjusted?
<b>Description of the Fund</b>	<ul style="list-style-type: none"> <li>The sections 'Description of the Fund' and 'Membership of the Fund' that precede the financial statements should be moved to a note to the accounts to make clear that these disclosures form part of the audited statement of accounts.</li> </ul>	✓
<b>Accounting Policies</b>	<ul style="list-style-type: none"> <li>No accounting policy was disclosed within Note 2 'Accounting Policies and Critical Judgements in Applying Accounting Policies' in respect of distributions from pooled funds or contractual commitments.</li> </ul>	✓
<b>Accounting Policies</b>	<ul style="list-style-type: none"> <li>Within Note 2 'Accounting Policies and Critical Judgements in Applying Accounting Policies' it was disclosed that loans and receivables financial instruments are carried at historic cost. The balances are actually carried at amortised cost.</li> </ul>	✓
<b>Contributions</b>	<ul style="list-style-type: none"> <li>No analysis was provided within Note 3 'Contributions' of employers contributions by category, ie between the classifications employers' normal contributions, employers' deficit recovery contributions and employers' augmentation contributions.</li> </ul>	✓
<b>Benefits</b>	<ul style="list-style-type: none"> <li>Within Note 5 'Benefits', no disclosure was provided of the benefits payable analysed between the administering authority, scheduled bodies and admitted bodies.</li> </ul>	✓
<b>Investment Income</b>	<ul style="list-style-type: none"> <li>The analysis of income provided in Note 8' Investment Income' did not use the same classification of investments as used on the Pension Fund Account and contained no reference to income from pooled investments</li> </ul>	✓
<b>Investments</b>	<ul style="list-style-type: none"> <li>Within Note 9 'Investments', no quantitative analysis of pooled investments was provided.</li> </ul>	✓
<b>Financial Instruments</b>	<ul style="list-style-type: none"> <li>In Note 12 'Financial Instruments', investment cash balances were included within the fair value hierarchy disclosure table, however cash carried at amortised cost and not fair value and so therefore should not be disclosed within this table.</li> </ul>	✓
<b>Financial Instruments</b>	<ul style="list-style-type: none"> <li>Within Note 12 'Financial Instruments', there has been a restatement of the fair value hierarchy disclosure table. However, no disclosure was provided of the comparative balances as at 1 April 2016 on the restated basis.</li> </ul>	✓
<b>Actuarial Present Value of Promised Retirement Benefits</b>	<ul style="list-style-type: none"> <li>Within Note 17 'Actuarial Position of the Fund' and Note 18 'Actuarial Present Value of Promised Retirement Benefits, no disclosure was provided in respect of key demographic, salary and commutation assumptions made in calculating the actuarial estimates reporting in the accounts.</li> </ul>	✓

# Fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

## Audit Fees

	Proposed fee	Final fee
Pension Fund Audit	£25,033	£25,033
<b>Total audit fees (excluding VAT)</b>	<b>£25,033</b>	<b>£25,033</b>

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).

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## Non Audit Fees

No other services have been provided.



# Audit opinion

**We anticipate we will provide the Pension Fund with an unmodified audit report.**

## Independent auditor's report to the members of Buckinghamshire County Council on the pension fund financial statements

### Opinion

We have audited the pension fund financial statements of Buckinghamshire County Council (the 'Authority') for the year ended 31 March 2018 which comprise the Pension Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. 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 2017/18.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2018 and of the amount and disposition at that date of the fund's assets and liabilities,
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the pension fund of the Authority in accordance with the ethical requirements that are relevant to our audit of the pension fund financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's 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.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance & Procurement's use of the going concern basis of accounting in the preparation of the pension fund financial statements is not appropriate; or
- the Director of Finance & Procurement has not disclosed in the pension fund financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the pension fund financial statements are authorised for issue.

## Other information

The Director of Finance & Procurement is responsible for the other information. The other information comprises the information included in the Pension Fund Accounts, the Narrative Report and the Annual Governance Statement, other than the pension fund financial statements, our auditor's report thereon and our auditor's report on the Authority's financial statements. Our opinion on the pension fund financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the pension fund financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension fund financial statements or our knowledge of the pension fund of the Authority obtained in the course of our work or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the pension fund financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Opinion on other matter required by the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the pension fund financial statements the other information published together with the pension fund financial statements in the Pension Fund Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the pension fund financial statements are prepared is consistent with the pension fund financial statements.

### Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

### Responsibilities of the Authority, the Director of Finance & Assets and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance & Procurement. The Director of Finance & Procurement is responsible for the preparation of the 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 2017/18, which give a true and fair view, and for such internal control as the Director of Finance & Procurement determines is necessary to enable the preparation of pension fund financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund financial statements, the Director of Finance & Procurement is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the pension fund lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the pension fund.

The Regulatory and Audit Committee is Those Charged with Governance.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the pension fund financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these pension fund financial statements.

A further description of our responsibilities for the audit of the pension fund financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

[Signature]

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

30 Finsbury Square  
London  
EC2A 1AG

[Date]



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## Buckinghamshire County Council

### Resources

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Aylesbury, Buckinghamshire HP20 1UA

**Director of Finance and Procurement**  
Richard Ambrose

[www.buckscc.gov.uk](http://www.buckscc.gov.uk)

Grant Thornton UK LLP  
30 Finsbury Square  
London  
EC2A 1AG

Dated: 25 July 2018

Dear Sirs

### **Buckinghamshire County Council Pension Fund – Financial Statements for the year ended 31 March 2018**

This representation letter is provided in connection with the audit of the financial statements of Buckinghamshire Pension Fund ('the Fund) for the year ended 31 March 2018 for the purpose of expressing an opinion as to whether the Fund financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

#### **Financial Statements**

We have fulfilled our responsibilities for the preparation of the Fund's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

We have complied with the requirements of all statutory directions affecting the Fund and these matters have been appropriately reflected and disclosed in the financial statements.

The Fund has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

We acknowledge our responsibilities for making the accounting estimates included in the financial statements. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Where it was necessary to choose between estimation techniques that comply with the Code, we selected the estimation technique considered to be the most appropriate to the Fund's particular circumstances for the purpose of giving a true and fair view. Those estimates reflect our judgement based on our knowledge and experience about past and current events and are also based on our assumptions about conditions we expect to exist and courses of action we expect to take.

We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.

Except as disclosed in the financial statements:

- there are no unrecorded liabilities, actual or contingent
- none of the assets of the Fund have been assigned, pledged or mortgaged
- there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

- i We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- ii The financial statements are free of material misstatements, including omissions.

Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

We believe that the Fund's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Fund's needs. We believe that no further disclosures relating to the Fund's ability to continue as a going concern need to be made in the financial statements.

## Information Provided

We have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the Fund financial statements such as records, documentation and other matters;
- additional information that you have requested from us for the purpose of your audit; and
- unrestricted access to persons within the Fund from whom you determined it necessary to obtain audit evidence.

We have communicated to you all deficiencies in internal control of which management is aware.

All transactions have been recorded in the accounting records and are reflected in the financial statements.

We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Fund and involves:

- management;
- employees who have significant roles in internal control; or
- others where the fraud could have a material effect on the financial statements.

We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

There have been no communications with The Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.

We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.

We have disclosed to you the identity of the Fund's related parties and all the related party relationships and transactions of which we are aware.

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

**Approval**

The approval of this letter of representation was minuted by the Regulatory and Audit Committee at its meeting on 25 July 2018.

Yours faithfully

Signed .....

Signed .....

Name Richard Ambrose

Name David Martin

Position Director of Finance & Procurement

Position Chairman of Regulatory & Audit Committee

Date .....

Date .....

Signed on behalf of Buckinghamshire County Council as administering body of the Buckinghamshire County Council Pension Fund.