

Pension Fund Annual Report

for the year ended 31 March 2019

Pension Scheme Reg. No: 10123049

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Scheme Management and Advisers

| | |
|---|---|
| Administering Authority: | Buckinghamshire County Council (BCC) |
| Pension Fund Committee: (BCC unless stated) | Cllr John Chilver (Chairman) Cllr David Martin (Vice-Chairman) Cllr Timothy Butcher Cllr Anita Cranmer (to 24 September 2018) Cllr Clive Harriss Cllr Arif Hussain (from 24 September 2018) Cllr Niknam Hussain Cllr John Gladwin (representing the District Councils in Buckinghamshire) Cllr Norman Miles (Milton Keynes Council) Cllr Matthew Barber (Thames Valley Police) |
| Asset Pool and Asset Pool Operator: | Brunel Pension Partnership |
| Advisers: | Mercer Investment Consulting Carolyn Dobson |
| Fund Managers: | BlackRock Blackstone Alternative Asset Management Investec Asset Management Legal & General Investment Management La Salle Pantheon Private Equity Partners Group Royal London Asset Management Schroders Standard Life Investments |
| Custodian: | State Street |
| AVC Providers: | Prudential Scottish Widows |
| Actuary: | Barnett Waddingham LLP |
| Fund Legal Advisors: | HB Public Law |
| Bankers to the Fund: | Lloyds TSB Bank plc |
| Fund Accountant: | Julie Edwards (BCC) |
| Head of Finance, Pensions, Investments & Projects: | Mark Preston (BCC) |
| Auditor: | Grant Thornton UK LLP |
| Scheme Administrators: | Pensions and Investments Team (BCC) |

Introduction from the Head of Finance (Pensions, Investments & Projects)

Contained within this publication are the report and accounts of the Buckinghamshire County Council Pension Fund. The Fund is a part of the statutory Local Government Pension Scheme (LGPS) and is administered by Buckinghamshire County Council (BCC).

A unitary council for Buckinghamshire

On 1 November 2018, the Secretary of State announced the establishment of a single unitary council for Buckinghamshire. The new council will go live on 1 April 2020. As the administering authority of the LGPS in Buckinghamshire, we already provide the pension administration service to all local government employers who offer the LGPS in Buckinghamshire and Milton Keynes. As a result, there will be little change of substance when the new Buckinghamshire Council becomes the administering authority. Scheme members who work for either the county or district councils will not see a change to their LGPS pension provision with the establishment of the new unitary council. As the new Buckinghamshire Council takes shape, we will work with the relevant employers to provide LGPS updates for scheme members.

The Buckinghamshire Pension Board

The Buckinghamshire Pension Board meets three times a year to assist in the good governance of the Scheme. In 2018/19 the Pension Board reviewed our quarterly employer newsletters, year-end administration, the minutes of the Pension Fund Committee, the Fund's 2017/18 annual report and accounts, pensions administration strategy, enhancements to scheme member and employer communications, complaints under IDRP and the Fund's risk register. They have also been updated on the progress of the Brunel Pension Partnership. The 2018/19 annual review of the Board is included in the content of this annual report.

Brunel Pension Partnership

The Brunel Pension Partnership held their second Annual General Meeting in March 2019. "Since our earliest days as Project Brunel back in 2016, through to our one-year anniversary as a company in July 2018 and beyond," said Brunel Chair Denise Le Gal, "one of our greatest strengths has been our adaptability and willingness to review and refine our business plan for the best possible outcomes for our client funds and the future."

In line with the Business Plan, Brunel achieved its key performance objectives for the year in terms of developing the Company and achieving FCA authorisation status by 31 March 2018, the onboarding of nine LGPS clients with State Street for custody services, and the launch and transition of our passive equities' portfolios in July 2018.

In his comments on Brunel's financial performance, Joe Webster, Chief Operating Officer stated that, as planned, Brunel started to provide core services to clients from April 2018. "The Original Business Case assumed net savings of £550m across its portfolios," he said. "The estimated fee savings for our first six available portfolios within passive have exceeded the Original Business Case by over £70 million, cumulatively, by 2036."

As always, more information and news can be found on the Brunel Pension Partnership website at www.brunelpensionpartnership.org.

Triennial Valuation

The last full triennial valuation of the Buckinghamshire County Council Pension Fund was carried out as at 31 March 2016 by Barnett Waddingham LLP. Since 31 March 2016, investment returns have been higher than assumed at the 2016 triennial valuation. The value placed on the liabilities will, however, have also increased slightly due to the accrual of new benefits as well as a decrease in the real discount rate underlying the valuation funding model. Overall, Barnett Waddingham expect an improvement in funding level since 31 March 2016 though there may be a higher primary rate due to the expectation of incorporating more prudence into the valuation funding assumptions.

The next actuarial valuation is due as at 31 March 2019 and the resulting contribution rates required to be paid by the employers will take effect from 1 April 2020.

Pension Fund Management Update

The market value of the Pension Fund as at 31 March 2019 was £2.999bn. The Fund, excluding private equity achieved a return of 5.7%, representing underperformance of 0.7%, compared to the 6.4% benchmark, for the year to 31 March 2019. In the three years to 31 March 2019, the Fund achieved a return of 9.8%, representing outperformance of 0.4% compared to the benchmark of 9.4% for that period.

The Fund's strategy seeks to maximise the value of the Fund without increasing its exposure to risk over the medium to long term in order to meet the pension payment liabilities made, both now and in the future, to Fund members. Investment strategy decisions were made in accordance with the principles in our Investment Strategy Statement.

As always, we welcome any comments you have on this publication, or any matter relating to pensions administration, using the contact details available on our website, www.buckscc.gov.uk/pensions, or within our newsletters.



Mark Preston
Head of Finance
Pensions, Investments & Projects
Buckinghamshire County Council
7 June 2019

The Pensions and Investments Team

There are four teams within the Pensions and Investments Team; three teams which administer the Local Government Pension Scheme ("the scheme") - the Benefits Administration Team, the Governance and Employer Liaison Team and the Systems Team. The remaining team is the Treasury Team.

Benefits Administration Team

We deal with over 24,000 active employees, 29,000 ex-employees and 19,400 pensioners on behalf of the Buckinghamshire County Council Pension Fund. The Benefits Administration Team deals with all aspects of benefits work, from new entrants to the scheme, through to retirement and death. The team's work also includes the processing and issuing of refunds and pension estimates, responding to member and pensioner queries, issues relating to pension sharing on divorce and transfers of previous pension rights in and out of the scheme.

Governance and Employer Liaison Team

The Governance and Employer Liaison Team deal with enquiries from the Fund's Employing Authorities. The team deals with the Fund's year-end procedures and supports the Benefits Administration team where possible. The Fund's 250 Employers include scheduled bodies (major and smaller), admitted bodies, LEA schools and academies in Buckinghamshire and Milton Keynes. The team also produce all Fund communications.

Systems Team

The Systems Team is responsible for the specialist computer systems within the Pensions and Investments Team, including the management of Altair (our pensions administration system), document imaging, pensioner payroll, and workflow management. The team are also responsible for the roll-out and maintenance of our 'my pension online' member portal and the i-Connect system module.

Treasury Team

The Treasury Team is responsible for implementing the Fund's investment strategy, and reviewing and monitoring the Pension Fund's investments. The team also provides the Council's treasury function.

Knowledge and Skills Policy Statement

This organisation recognises the importance of ensuring that it has the necessary resources to discharge its pensions administration responsibilities and that all staff and members charged with financial administration, governance and decision-making with regard to the pension scheme are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.

It therefore seeks to utilise individuals who are both capable and experienced and it will provide and/or arrange training for staff and members of the pensions decision-making and governance bodies to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

Local Government Pension Scheme Benefits

The Local Government Pension Scheme (LGPS) is a statutory funded pension scheme. Its benefits are defined, guaranteed in law and provide significant benefits to its members. The scheme changed from a final salary scheme to a career average revalued earnings scheme on 1 April 2014 and the LGPS 2014 benefits are summarised below.

| Feature | LGPS 2014 |
|------------------------------------|--|
| Basis of Pension | Career Average Revalued Earnings (CARE) |
| Accrual Rate | 1/49 th (or 1/98 th in the 50/50 scheme) |
| Revaluation Rate | Consumer Prices Index (CPI) |
| Pensionable Pay | Pay including non-contractual overtime and additional hours |
| Contribution Flexibility | Yes, members can pay 50% contributions for 50% of the pension benefit |
| Normal Pension Age | Equal to the individual member's State Pension Age (minimum age 65) |
| Lump Sum Trade Off | Trade £1 of pension for £12 lump sum |
| Death in Service Lump Sum | 3 x Pensionable Pay |
| Death in Service Survivor Benefits | 1/160th accrual based on Tier 1 ill health pension enhancement |
| Ill Health Provision | <ul style="list-style-type: none"> ▪ Tier 1 - Immediate payment with service enhanced to Normal Pension Age ▪ Tier 2 - Immediate payment with 25% service enhancement to Normal Pension Age ▪ Tier 3 - Temporary payment of pension for up to 3 years |
| Indexation of Pension in Payment | CPI |
| Vesting Period | 2 years |

Contributions

Employee contributions are based on their actual pensionable pay. Since 1 April 2014 this pensionable pay includes all overtime, both contractual and non-contractual.

| Band | Pay Bands*: actual pensionable pay | Contribution Rate Main Scheme | Contribution Rate 50/50 Scheme |
|------|------------------------------------|-------------------------------|--------------------------------|
| 1 | Up to £14,100 | 5.5% | 2.75% |
| 2 | £14,101 to £22,000 | 5.8% | 2.95% |
| 3 | £22,001 to £35,700 | 6.5% | 3.25% |
| 4 | £35,701 to £45,200 | 6.8% | 3.4% |
| 5 | £45,201 to £63,100 | 8.5% | 4.25% |
| 6 | £63,101 to £89,400 | 9.9% | 4.95% |
| 7 | £89,401 to £105,200 | 10.5% | 5.25% |
| 8 | £105,201 to £157,800 | 11.4% | 5.7% |
| 9 | £157,801 or more | 12.5% | 6.25% |

* The pay bands shown applied for the Scheme year ended 31 March 2019. Pay bands are adjusted on 1 April each year in line with any increase in the Consumer Price Index.

Local Government Pension Scheme Benefits

The Employer also contributes to the Fund, covering the full cost of providing the benefits. Membership of the scheme entitles the employee to receive tax relief on contributions.

Retirement

The scheme is funded on the basis that the benefits will become available at the member's State Pension Age (minimum age 65), although members can remain in the scheme up to age 75. Employees can voluntarily retire from age 55.

Pension built up before 1 April 2014 has a protected Normal Pension Age, which for almost all members is age 65. If a member retires and draws their entire pension at their protected Normal Pension Age, the pension built up in the scheme before 1 April 2014 will be paid in full.

If a member chooses to take their pension before their protected Normal Pension Age, the pension built up in the scheme before 1 April 2014 will normally be reduced, as it is being paid earlier. If taken later than their protected Normal Pension Age it will be increased because it is being paid later.

The amount of any reduction or increase will be based on how many years earlier or later than the protected Normal Pension Age the member draws the pension they have built up in the scheme to 31 March 2014.

The benefits built up in the career average scheme from April 2014 have a Normal Pension Age linked to a member's State Pension Age (with a minimum age of 65). The amount of any reduction or increase will be based on how many years earlier or later than their State Pension Age they draw their LGPS 2014 pension.

Members cannot take benefits built up to April 2014 separately from the benefits built up from April 2014. All of the pension would have to be drawn at the same time (except in the case of Flexible Retirement).

Calculation of benefits for Scheme Members

Benefits on any membership up to 31 March 2008, in the Final Salary scheme, will be calculated as follows:

$$\text{Pension} = \frac{\text{Years Membership} \times \text{Final Salary}}{80}$$

$$\text{Lump Sum} = 3 \times \text{Pension}$$

Benefits on membership between 1 April 2008 and 31 March 2014, in the Final Salary scheme, will be calculated as follows:

$$\text{Pension} = \frac{\text{Years Membership} \times \text{Final Salary}}{60}$$

Benefits on membership after 1 April 2014, in the Career Average Revalued Earnings (CARE) scheme, will be calculated as follows:

$$\begin{array}{r} \text{Pension for year 1 x revaluation \%} \quad + \\ \text{Pension for year 2 x revaluation \%} \quad + \\ \text{Pension for year 3 x revaluation \%} \quad + \\ \text{And so on... until final year's pension} \quad + \\ \hline \text{Total CARE pension} \end{array}$$

Local Government Pension Scheme Benefits

On all membership after 1 April 2008, members have the flexible option to take a lump sum by giving up some of their pension. For each £1 of pension given up, a lump sum of £12 will be paid, up to the point where the total lump sum is equal to 25% of the capital value of all their pension benefits.

Ill Health Retirement

If a member's employment is terminated because of permanent ill health and the member has at least 2 years membership, the pension payable is based on the member's accrued membership, plus:

First Tier

- 100% of prospective membership between leaving and Normal Pension Age, where the member has no reasonable prospect of being capable of obtaining gainful employment before age 65, or

Second Tier

- 25% of prospective membership between leaving and Normal Pension Age, where the member is unlikely to be capable of obtaining gainful employment within a reasonable period of time, but is likely to be able to be capable of obtaining gainful employment before Normal Pension Age.

Third Tier

- With no enhancement where the member is likely to be able to obtain gainful employment within three years of leaving and are payable for so long as he is not in gainful employment.

Death in Service

A lump sum death grant, which is equal to three times the member's actual pay, is issued regardless of length of membership. In addition to the lump sum death grant, pensions are payable to surviving spouses/civil partners/cohabiting partners and children up to the age of 18, or while still in full time education up to age 23, which is based on the deceased member's pension. The member may nominate who they wish to receive their death grant.

Death in Retirement

Surviving spouse's/civil partner's/cohabiting partner's and children's pensions will be paid in the same way as above, but it will be based on the former employee's pension. If the death occurs before ten years of the pension has been paid and before the member reached age 75, the balance will be paid as a lump sum.

Risk Management Report

The Fund's statutory documentation and the Fund's accounts contain the required sections detailing the Fund's approach to the various types of risks it faces across its operations, together with how the Fund looks to mitigate each of these. In particular:

- The Governance Policy and Compliance Statement reviews the risk areas and mitigation approach within the Fund's management and governance structure;
- The Investment Strategy Statement covers risk measurement and management in an investment sense;
- The Funding Strategy Statement includes a section, prepared in conjunction with the Fund's actuary, on the identification of risks and countermeasures in relation to the Fund's funding position and investment strategy; and
- The Pension Fund accounts contain a detailed section on the nature and extent of the risks arising from Financial Instruments, including detailed sensitivity analysis of the potential monetary impact to the Fund of the varying financial risks.

The Pension Fund Risk Register in the following table is reviewed by the Pension Fund Committee twice a year. It details the risks and risk mitigation measures in place:

Key to the risk / impact

In accordance with the Council's risk management framework scores between 0 and 5 are attributed to the impact of the risk. The impact areas are service/performance, reputation/political, financial, data protection technological, legislation/regulatory and health and safety. Scores between 0 and 5 are attributed to the likelihood of the risk from extremely unlikely (1) to extremely likely (6). The scores for each risk are combined and assigned red, amber or green in the heat map in accordance with the table below.

| Matrix & Heat Map - scoring detail & colour scale | | | | | | |
|---|---|----|----|----|----|----|
| 5 | 5 | 10 | 15 | 20 | 25 | 30 |
| 4 | 4 | 8 | 12 | 16 | 20 | 24 |
| 3 | 3 | 6 | 9 | 12 | 15 | 18 |
| 2 | 2 | 4 | 6 | 8 | 10 | 12 |
| 1 | 1 | 2 | 3 | 4 | 5 | 6 |
| | 1 | 2 | 3 | 4 | 5 | 6 |

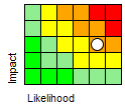

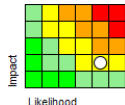
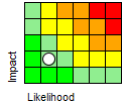

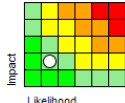
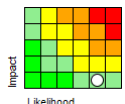

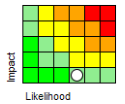
| Scoring colour code | |
|---------------------|-------|
| | 1-3 |
| | 4-6 |
| | 7-12 |
| | 13-20 |
| | 21-30 |

| Scale | Impact Areas |
|-------|-------------------------------|
| 0-5 | Service/Performance |
| 0-5 | Reputation/Political |
| 0-5 | Financial |
| 0-5 | Data Protection/Technological |
| 0-5 | Legislation/Regulatory |
| 0-5 | Health & Safety |

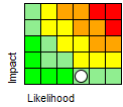

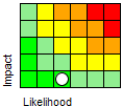
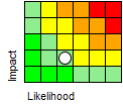

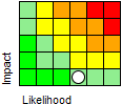
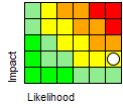

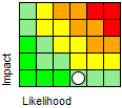
| Scale | Likelihood |
|-------|-------------|
| 1-6 | Scores from |

Risk Management

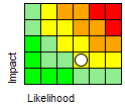

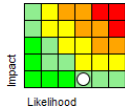
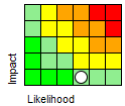

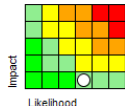
Pensions & Investments Team – Administration risk register

| Risk Name | Risk Description | Current Score | Direction of Travel | Target Score | Risk Owner | Latest Note | Date Reviewed |
|---|--|---|---|---|---------------|---|---------------|
| RS-PA-01 Employer LGPS knowledge | Lack of employer understanding of the LGPS and knowledge of the Service Level Agreement may cause incorrect information to be provided and additional queries from employers |  |  |  | Julie Edwards | <p>Due to Scheme complexities and also changing staff this is an issue which will be encountered regularly. The team are also working closely with employers to improve knowledge by holding annual training events, face to face training and quarterly meetings with the larger employers. Quarterly newsletters are also provided, a dedicated employer area on the BCC LGPS website and each employer has a dedicated Liaison Officer within the team.</p> <p>Progress has been made over the past year, one large employer has cleared all outstanding backlog tasks and now regularly provides information on time. We are working closely with two main "issue" employers / payroll providers with the aim to help clear their backlogs and also improve the information they provide in future.</p> | 01-Mar-2019 |
| RS-PA-02 Staff Capacity Issues | A lack of capacity due to staff losses or sickness could adversely affect the workload of the pensions section resulting in decreased productivity. |  |  |  | Julie Edwards | Risk level remains the same. The team is currently at a level which allows us to keep priority areas of work up to date and also begin to work on housekeeping/project areas. Temporary staff are still being utilised to cover for maternity leave or backlogs of work caused by an increase in volume of work from employers due to their backlogs. | 01-Mar-2019 |
| RS-PA-03 Pensions Administration Software | The risk that the pensions administration software (Altair) causes disruption due to system crashes etc. leading to calculation errors, delays and a loss of working time. |  |  |  | Julie Edwards | There have been no significant ICT issues lately suggesting that BCC have resolved any issues that had previously impacted the team. The likelihood has therefore reduced but there is still a possibility of impact. | 01-Mar-2019 |

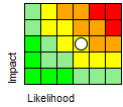

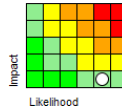
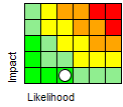

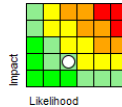
Risk Management

| Risk Name | Risk Description | Current Score | Direction of Travel | Target Score | Risk Owner | Latest Note | Date Reviewed |
|---|--|--|--|--|---------------|--|---------------|
| RS-PA-04 Software Updates | Software updates resulting from scheme changes may create errors in calculations thus resulting in more time spent checking and re doing calculations. |  |  |  | Julie Edwards | <p>Currently, the number of errors within Altair calculations is minimal compared to previous years. Where any issues arise, these are passed to the systems team/Heywoods to be resolved. In most cases, work arounds are provided and the updates regularly resolve issues.</p> <p>Heywoods have also been open to suggestions of developments within the system that would aid the team so further improvements should be taking place.</p> | 01-Mar-2019 |
| RS-PA-05 Staff Retention | Staff retention. There is a risk of losing trained staff to other organisations due to a lack of flexibility in the career matrix. |  |  |  | Julie Edwards | Remains a low likelihood of occurrence. Further work is underway regarding team structures to ensure the team is efficient and to keep staff morale high. | 01-Mar-2019 |
| RS-PA-06 Quality / Timeliness Data from Employers | Poorly performing employers/payroll providers can cause additional work on the pensions team by not providing information which they have a statutory duty to provide. This results in wasted time chasing employers and creating a backlog of work. |  |  |  | Julie Edwards | <p>Still continues to be an issue. I-Connect is currently being rolled out to employers with the aim that all employers will use this facility by 1st April 2020. This should result in an improvement in timeliness and also accuracy of the data.</p> <p>Our largest employer, BCC, are due to be live from early 2019.</p> | 01-Mar-2019 |

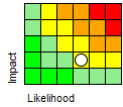

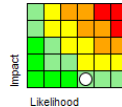
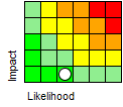

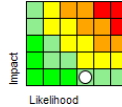
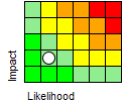

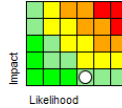
Risk Management

| Risk Name | Risk Description | Current Score | Direction of Travel | Target Score | Risk Owner | Latest Note | Date Reviewed |
|---|--|---|---|---|---------------|---|---------------|
| RS-PA-07 TUPE / Payroll Provider Changes | Additional work and disruption is caused due to outsourcing and changes in schools payroll providers creating losses of vital information. This results in a lot of extra work on pensions administration staff attempting to piece together information which should have been provided |  |  |  | Julie Edwards | Payroll changes do continue to be an issue where employers do not advise the team of these changes which results in delays in receiving information or pension records being updating incorrectly. A new monthly notification spreadsheet has been issued recently to all employers and this includes a tab to notify of payroll provider changes so the likelihood of this risk should reduce in the future. | 01-Mar-2019 |
| RS-PA-08 TUPE Transfers / Academy Conversions | The increase of TUPE transfers / schools opting for academy status has resulted in an increased workload for pensions staff. The TUPE officer must deal with the admission agreements as well as liaising with external contractors and the fund actuaries. The range of employees involved differ between employers, but range from one employee to hundreds. |  |  |  | Julie Edwards | TUPEs are dealt with by the TUPE officer and Academy conversions with specific Employer Liaison Officers which should reduce any impact on the team in terms of additional work & delays. The Principal & TUPE Officer have reviewed all BCC & MKC schools to ascertain that 1/3rd have converted to Academy status which suggests further workloads to come. With this information the team can plan ahead. The likelihood has not reduced due to the fact that high workloads could be created due to Academy conversions. | 01-Mar-2019 |

Risk Management



| Risk Name | Risk Description | Current Score | Direction of Travel | Target Score | Risk Owner | Latest Note | Date Reviewed |
|--|---|---|---|---|---------------|---|---------------|
| RS-PA-09 Guaranteed Minimum Pension reconciliation | The end of contracting out of the Additional State Pension from April 2016 means that a Guaranteed Minimum Pension reconciliation of the Fund's records with the HMRC's records will need to be completed by 2018. This reconciliation may result in identifying overpayments/ underpayments. If the reconciliation is not complete before the closing of the office this could result in the Fund being liable for GMP's which we should not be responsible for. |  |  |  | Julie Edwards | ITM are now well under way working on this as a project and are now at a stage of liaising with the payroll team. | 01-Mar-2019 |
| RS-PA-10 Mid / High Earner Optouts due to Tax Legislation | Tax legislation in respect of high earners pensions contributions could result in a departure of high earners from the Fund. High earners leaving the Scheme could be perceived as senior management not advocating the benefits of the LGPS |  |  |  | Julie Edwards | Risk remains the same. Changes to the Annual Allowance are anticipated over the next couple of years which could result in high earners opting out of the scheme. | 01-Mar-2019 |

Risk Management

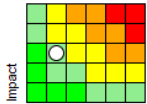

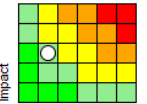

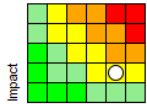

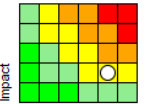

| Risk Name | Risk Description | Current Score | Direction of Travel | Target Score | Risk Owner | Latest Note | Date Reviewed |
|---|---|---|---|---|---------------|---|---------------|
| RS-PA-11 Admitted Bodies Deficits | If Admitted Bodies who joined the Fund prior to 1997 fail or if current Admitted Bodies reduce their active members to 0, then the Fund has no powers to ensure these organisations make good any deficit. |  |  |  | Julie Edwards | An employer covenant exercise is currently taking place which will allow these to be renegotiated with a bond requirement however it is not mandatory. The Actuary has been instructed to complete a full employer risk review on certain categories of employer | 15-Nov-2018 |
| RS-PA-12 Mid / high earner optouts due to high employee contribution rates | The 3% on average increase employee pension contributions implemented, with effect from 1 April 2014, by increasing the tiers of contributions paid by mid/high earners could result in a departure of mid/high earners from the Fund. Mid/High earners leaving the Scheme could be perceived as senior management not advocating the benefits of the LGPS. During current period of low pay increases members may opt out due to pressures on household budgets. |  |  |  | Julie Edwards | Risk remains the same. | 08-Nov-2018 |
| RS-PA-13 Annual Benefits Statements Issuance | The Public Sector Pensions Act 2013 requires that Annual Benefits Statements are issued to Scheme Members by 31 August. There is a risk that the Regulator will issue a fine although this is the position for most local authorities. |  |  |  | Julie Edwards | The number of year end queries has continued to reduce which will result in a higher rate of ABS's issued for ongoing years. It is anticipated that the overall ABS's issued by the end of March 2019 will be 97%. | 08-Nov-2018 |

Risk Management

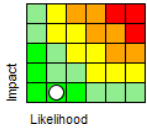

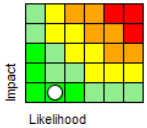

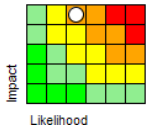

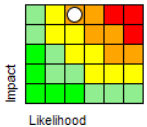

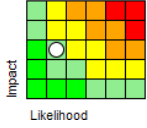

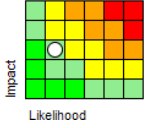

Pensions & Investments Team – BCC Pension Fund risk register

| Risk Name | Risk Description | Current Score | Direction of Travel | Target Score | Description | Action Progress | Risk Owner | Latest note | Date Reviewed |
|---|--|---|---|--|--|---|---------------|--|---------------|
| BSP-P&I-01 Investment Strategy | If the investment strategy does not produce the returns as envisaged / required then funds perform worse than expected, the deficit increases, pressure on employer contributions, pressure on Council Tax and reputational pressure on the Pension Fund |  |  |  | Strategy reviewed formally every 3 years Review strategy more frequently - annual refresh Action Plan where issues arise Mini-valuation undertaken annually Appointment of Investment Consultant and Committee Advisor, Investment advice analysed. A long term view is taken with regards to the Fund's investment strategy. |  | Julie Edwards | Investment Strategy Review due to take place early 2020. | 07-Mar-2019 |
| BSP-P&I-02 Significant Downturn in a Particular Sector | If there is a significant downturn in a particular sector / geographical location due to man-made or natural disasters, then funds perform worse than expected, the deficit increases, employers contributions would need to be increased. |  |  |  | Strategy reviewed every 3 years Review strategy more frequently - annual refresh Action Plan where issues arise. Managers closely monitored. Economic issues are being monitored. Closer monitoring of managers' views on Eurozone and BREXIT implications. Revised strategy implemented May 2014, investment strategy reviewed in March 2017. The Fund investments are diversified across several asset classes. Annual mini-actuarial valuation reported. Governance structures require meeting every Fund Manager on average 3 times per annum. Holistic reporting to Members - not just performance based. |  | Julie Edwards | Investment Strategy Review scheduled for early 2020. | 07-Mar-2019 |

Risk Management

| Risk Name | Risk Description | Current Score | Direction of Travel | Target Score | Description | Action Progress | Risk Owner | Latest note | Date Reviewed |
|---|--|---|---|--|---|--|---------------|--|---------------|
| BSP-P&I-03 New Investment Vehicle Not Understood | If a new investment vehicle is not understood by the Pension Fund Committee then loss of control, limited governance exercised, poor controls / limited challenge and errors. |  Impact Likelihood |  |  Impact Likelihood | Ensure adequate training. Periodic training needs analysis undertaken to support annual training plan. Committee Advisor supports the Committee members understanding of asset classes and investment issues. |  100% | Julie Edwards | Asset class training plan to be scheduled in the Pension Fund Committee forward plan aligned with Brunel Pension Partnership transition plan. | 07-Mar-2019 |
| BSP-P&I-06 Public Sector Cuts | Public sector cuts could increase the number of early retirements, increase in administration costs and impact on revenue. Public sector cuts, member opt outs, localism and outsourcing could reduce the number of active members reducing contributions income. Contributions income could bring forward the date when the Fund has to use investment income to meet benefit payments. |  Impact Likelihood |  |  Impact Likelihood | Review in light of austerity measures and other large employer strategies. Periodic meetings held with larger employers. Factor maturity of the Fund into investment strategy decisions; review Funding Strategy Statement every three years following the actuarial valuation. |  100% | Julie Edwards | The unitary Buckinghamshire Council will be implemented on 1 April 2020, potential redundancies and role changes will impact on the administration team workloads. | 07-Mar-2019 |

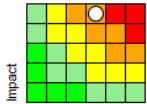

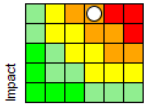

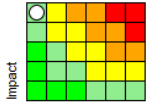

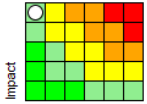

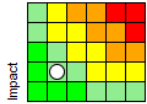

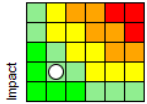

Risk Management

| Risk Name | Risk Description | Current Score | Direction of Travel | Target Score | Description | Action Progress | Risk Owner | Latest note | Date Reviewed |
|---|--|---|---|--|---|---|---------------|--|---------------|
| BSP-P&I-07 Significant Changes in Government Regulations | If significant changes in government regulations occur, for example IAS19, then limited opportunities for innovation exist and resource is wasted supporting employers / members with non-value adding activities. |  |  |  | The Investment Regulations 2016 removed some of the existing prescriptive means of securing a diversified investment strategy and placed the onus on authorities to determine the balance of their investments and take account of risk. The Secretary of State has the power to intervene to ensure the more flexible legislation is used and the guidance on pooling is adhered to. |  | Julie Edwards | | 31-Mar-2019 |
| BSP-P&I-09 Poor Fund Management | If there is poor Fund management caused by poor selection, loss of key staff, change in process or not keeping up with the market then there will be poor performance, reduced assets, damage to reputation and increased deficit. |  |  |  | Fund managers' performance actively reviewed quarterly. Investment strategy reviewed March 2017. Benchmarking undertaken and research undertaken. |  | Julie Edwards | Investment Strategy Review scheduled early 2020. | 07-Mar-2019 |
| BSP-P&I-10 Under-estimation of Pensioner Longevity | If there is an underestimation of pensioner longevity then there will be a failure to have high enough pension contributions and increased pressure on future contributions. |  |  |  | Not within the Pension Fund's control Actuaries review projection of longevity regularly. The 2013 Actuarial Valuation mortality assumptions allowed for a long term rate of improvement in mortality rates. The 2016 mortality assumptions did not allow for a long term rate of improvement in mortality rates. |  | Julie Edwards | The outcome of the triennial valuation as at 31 March 2019 will be reported in the autumn of 2019. | 07-Mar-2019 |

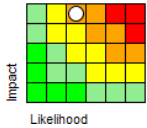

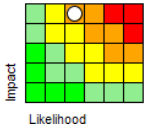
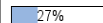
Risk Management

| Risk Name | Risk Description | Current Score | Direction of Travel | Target Score | Description | Action Progress | Risk Owner | Latest note | Date Reviewed |
|---|---|---------------|---------------------|--------------|--|-----------------|---------------|-------------|---------------|
| BSP-P&I-11 Inflation | If inflation is significantly greater than currently forecast, then a combination of lower bond values and increasing pay levels will cause the deficit to widen (all else equal). If inflation is negative (deflation) for a prolonged period of time, the value of the inflation linked bonds will decrease. However, the value of the liabilities would not fall to the same extent as pay levels are unlikely to fall and pensions cannot be reduced, which will cause the deficit to widen (all else equal). | | | | The strategic allocation to inflation linked bonds within the investment strategy will increase in value if inflation expectations increase (all else equal), helping to offset some of the impact on the liabilities. The Pension Fund Committee will consider the Fund's exposure to inflation linked assets when reviewing the Fund's investment strategy. Part of the inflation linked bond allocation is managed actively, and the manager has discretion to increase or decrease the allocation in anticipation of increases or decreases in inflation expectations respectively | | Julie Edwards | | 07-Mar-2019 |
| BSP-P&I-12 Loss of Confidence by Employees and Employers | If there is loss of confidence by employees and employers in the Pension Fund management then political fallout, seen as a poor performer, criticism from external audit and Public Interest Reports. | | | | Pensions Communications Officer role involves designing and delivering communications strategy. The Buckinghamshire Pension Board was established in 2015. | | Julie Edwards | | 07-Mar-2019 |

Risk Management

| Risk Name | Risk Description | Current Score | Direction of Travel | Target Score | Description | Action Progress | Risk Owner | Latest note | Date Reviewed |
|---|--|--|---|---|--|---|---------------|-------------|---------------|
| BSP-P&I-13 Market Volatility | If stock market volatility exists at key points in the cycle e.g. at time of actuarial review then, deficit grows as does pressure on employer costs. |  |  |  | Ongoing review more intense when markets are volatile. Key decision to be made in terms of timing of changes. Actuary using 'smoothing' effect which actively seeks to mitigate risks. |  | Julie Edwards | | 07-Mar-2019 |
| BSP-P&I-14 Failure / Fraud at a Fund Management House or Nominee Company | If a failure / fraud of a fund management house or nominee company occurs, then there will be a short term performance failure, time and cost implications and a potential loss of opportunity if at the wrong moment. |  |  |  | Ongoing review using governance structures described previously. |  | Julie Edwards | | 07-Mar-2019 |
| BSP-P&I-15 Policy Compliance | If officers undertake fraudulent activity or do not follow policy decision or recommend inappropriate / radical policy decision then too great an exposure in certain areas will exist leading to greater volatility, break down of trust, policy decisions slowed, loss of opportunity and reputation damage. |  |  |  | Effective scrutiny of officer activity by line management, Pension Fund Committee and audit |  | Julie Edwards | | 07-Mar-2019 |

Risk Management

| Risk Name | Risk Description | Current Score | Direction of Travel | Target Score | Description | Action Progress | Risk Owner | Latest note | Date Reviewed |
|--|--|---|---|--|---|---|---------------|--|---------------|
| BSP-P&I-17 Brunel Pension Partnership | Proposals to pool the Fund's assets in the Brunel Pension Partnership are currently being implemented. If the project is not managed and the transition is ineffective or excessive in cost, then the cost benefit ratio may not be achieved. If the guidance on pooling is not adhered to, then the Secretary of State may deem it necessary to intervene in the investment function of an administering authority. |  |  |  | Project team, Shadow Oversight Board with representatives from the Pensions Committees, Client Operations Group with officer representatives and Finance and Legal Assurance Group established. Project plan regularly reviewed to help support workstreams and keep deliverables on track. |  | Julie Edwards | Brunel Pension Partnership Ltd was established on 18 July 2017, learning the lessons from the previous year a comprehensive review of the Business Plan for 2019 undertaken, the plan for transitioning assets to Brunel and resources have been reviewed. Developed passive equities have transitioned to Brunel. | 15-Nov-2018 |

Internal Audit Testing

Following a recent internal audit the overall conclusion on the system of internal control being maintained is 'reasonable'. The following areas were tested as part of the audit and the table below summarises the conclusion for each area.

| Areas Tested | Area Conclusion |
|---|-----------------|
| Pension Fund Governance and Strategy | Substantial |
| Risk and Performance Management | Limited |
| Pensions Administration | Reasonable |
| Pension Transactions | Substantial |
| Pension Fund Investments and Administration | Substantial |
| Systems Access, Data Security & Integrity | Substantial |
| i-Connect | Limited |
| Brunel Pension Partnership | Substantial |
| Fraud | Substantial |

Below are the definitions for the overall conclusion on the system of internal control being maintained.

| | Definition | Rating Reason |
|-------------|--|---|
| Substantial | There is a sound system of internal control designed to achieve objectives and minimise risk. | The controls tested are being consistently applied and risks are being effectively managed. Actions are of an advisory nature in context of the systems, operating controls and management of risks. Some medium priority matters may also be present. |
| Reasonable | There is a good system of internal control in place which should ensure objectives are generally achieved, but some issues have been raised which may result in a degree of risk exposure beyond that which is considered acceptable. | Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently developed. Majority of actions are of medium priority but some high priority actions may be present. |
| Partial | The system of internal control designed to achieve objectives is inadequate. There are an unacceptable number of weaknesses which have been identified and the level of non-compliance and / or weaknesses in the system of internal control puts the system objectives at risk. | There is an inadequate level of internal control in place and/or controls are not being operated effectively and consistently. Actions may include high and medium priority matters to be addressed. |
| Limited | Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk. | The internal control is generally weak/does not exist. Significant non-compliance with basic controls which leaves the system open to error and/or abuse. Actions will include high priority matters to be actions. Some medium priority matters may also be present. |

Financial Performance

Financial Performance Overview

Three year forecast of income and expenditure

| Three year forecast of income and expenditure | 2018/19 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|---|------------------|------------------|------------------|------------------|------------------|
| | Forecast | Actual | Forecast | Forecast | Forecast |
| | £000 | £000 | £000 | £000 | £000 |
| Contributions | 135,000 | 136,456 | 137,700 | 140,454 | 143,263 |
| Transfers in | 11,000 | 11,349 | 11,500 | 12,000 | 12,500 |
| Total Income | 146,000 | 147,805 | 149,200 | 152,454 | 155,763 |
| Benefits payable | (113,000) | (112,070) | (115,825) | (118,721) | (121,689) |
| Transfers out | (11,000) | (11,736) | (11,500) | (12,000) | (12,500) |
| Total Benefits | (124,000) | (123,806) | (127,325) | (130,721) | (134,189) |
| Surplus of Contributions over Benefits | 22,000 | 23,999 | 21,875 | 21,733 | 21,574 |
| Management Expenses | (16,866) | (16,237) | 17,000 | 17,250 | 17,500 |
| Total Income less Expenditure | 5,134 | 7,762 | 38,875 | 38,983 | 39,074 |
| Investment income | 42,392 | 47,693 | 43,664 | 45,978 | 48,415 |
| Taxes on income | | (471) | | | |
| Other Income | 120 | 163 | 120 | 120 | 120 |
| Change in market value of investments | 163,221 | 129,727 | 129,727 | 129,727 | 129,727 |
| Net return on investments | 205,733 | 177,112 | 173,511 | 175,825 | 178,262 |
| Net increase in the fund | 210,867 | 184,874 | 212,386 | 214,808 | 217,336 |

Future assumed returns

| Future assumed returns | 2016 |
|------------------------|----------------|
| Equities | 7.4% pa |
| Gilts | 2.4% pa |
| Bonds | 3.3% pa |
| Absolute Return Fund | 5.8% pa |
| Cash | 1.8% pa |
| Property | 5.9% pa |
| Total assets | 6.0% pa |

Budget vs Outturn report on the management expenses to the Fund

| | 2017/18 Forecast | 2017/18 Actual | 2018/19 Forecast | 2018/19 Actual |
|---------------------------------------|---------------------|-------------------|---------------------|-------------------|
| Administrative Costs | £000 | £000 | £000 | £000 |
| Staffing costs | 1,260 | 1,240 | 1,400 | 1,366 |
| Transport | 0 | 0 | 0 | 2 |
| Supplies and Services | 450 | 460 | 650 | 673 |
| Support Services | 146 | 146 | 140 | 144 |
| Income | -6 | -6 | -6 | -8 |
| Subtotal | 1,850 | 1,840 | 2,184 | 2,177 |
| | | | | |
| Investment Management Expenses | £000 | £000 | £000 | £000 |
| Supplies and Services | 16,000 | 16,623 | 14,500 | 13,501 |
| Subtotal | 16,000 | 16,623 | 14,500 | 13,501 |
| | | | | |
| Oversight and governance costs | £000 | £000 | £000 | £000 |
| Staffing costs | 175 | 176 | 180 | 187 |
| Transport | 2 | 2 | 2 | 2 |
| Supplies and Services | 478 | 579 | 350 | 354 |
| Support Services | 20 | 19 | 20 | 16 |
| Subtotal | 675 | 776 | 552 | 559 |
| | | | | |
| Total | 18,525 | 19,239 | 17,236 | 16,237 |

Net Asset Statement

| Net Asset Statement | 2018/19 | 2018/19 |
|------------------------------|------------------|------------------|
| | Forecast | Actual |
| | £000 | £000 |
| Equities | 570,112 | 574,773 |
| Gilts | - | - |
| Bonds | 441,256 | 428,687 |
| Property | 214,656 | 214,243 |
| Pooled investment vehicles | 1,700,914 | 1,690,849 |
| Cash and Other | 85,166 | 98,472 |
| Net investment assets | 3,012,104 | 3,007,024 |

Movement in Assets & Liabilities

| Movement in Assets & Liabilities | 2018/19 | 2018/19 |
|--|----------------|----------------|
| | Forecast | Actual |
| | £000 | £000 |
| Surplus of Contributions over Benefits | 22,000 | 23,999 |
| Management Expenses | (16,736) | (16,237) |
| Returns on Investments | 205,733 | 177,112 |
| Net increase in the net assets available for benefits during the year | 210,997 | 184,874 |

Five year analysis of pension overpayments, recoveries and any amounts written off

| Year | Payments received in respect of overpayments made | Total money recovered from monthly pension payments | Total Overpayments recovered | Total Overpayments written off | Total Overpayments |
|---------|---|---|------------------------------|--------------------------------|--------------------|
| | £000 | £000 | £000 | £000 | £000 |
| 2014/15 | 28 | 8 | 36 | 25 | 61 |
| 2015/16 | 75 | 10 | 85 | 4 | 89 |
| 2016/17 | 59 | 142 | 201 | 9 | 210 |
| 2017/18 | 36 | 165 | 201 | 7 | 208 |
| 2018/19 | 236 | 17 | 253 | 8 | 261 |

The above figures include overpayments made when paying Teachers' Enhanced and Teachers' Proportion pensions and also Compensatory Added Years (CAY) awarded under Local Government Pension Scheme Regulations. The value of these enhanced pensions are recharged to the relevant Employer. Where an overpayment occurs, the Fund recovers the overpayment.

In 2018/19, most overpayments were recovered by one-off payments made in respect of invoices issued, rather than by deductions from monthly pensions. The overpayments recovered include the value of LGPS refunds paid in error to members who were not entitled to a refund (due to having other pension rights in the LGPS in England or Wales). The Council have improved recovery of aged debt. The Fund does not recover overpayments of less than £100.

Results of participation in National Fraud Initiative (NFI) exercise

The National Fraud Initiative (NFI) is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. Computerised data matching allows potentially fraudulent claims and payments to be identified. Where a match is found it may indicate that there is an inconsistency which requires further investigation. Below are the Fund's 2018/19 NFI results.

| NFI results 2018/19 | |
|-------------------------|------------|
| Number of matches | 572 |
| Number requiring action | 2 |
| Value of overpayments | £2,988.79* |

* Overpayments in excess of £100 will be recovered by the Fund.

Financial Performance

Employee contributions

Employee contributions are based on their actual pensionable pay. Since 1 April 2014 pensionable pay includes all overtime, both contractual and non-contractual. The pay bands shown below applied for the Scheme year ended 31 March 2019. Pay bands are adjusted on 1 April each year in line with any increase in the Consumer Price Index.

| Band | Pay Bands: actual pensionable pay | Contribution Rate Main Scheme | Contribution Rate 50/50 Scheme |
|------|-----------------------------------|-------------------------------|--------------------------------|
| 1 | Up to £14,100 | 5.5% | 2.75% |
| 2 | £14,101 to £22,000 | 5.8% | 2.95% |
| 3 | £22,001 to £35,700 | 6.5% | 3.25% |
| 4 | £35,701 to £45,200 | 6.8% | 3.4% |
| 5 | £45,201 to £63,100 | 8.5% | 4.25% |
| 6 | £63,101 to £89,400 | 9.9% | 4.95% |
| 7 | £89,401 to £105,200 | 10.5% | 5.25% |
| 8 | £105,201 to £157,800 | 11.4% | 5.7% |
| 9 | £157,801 or more | 12.5% | 6.25% |

Total value of Employee contributions received 1 April 2018 to 31 March 2019: £ 30.129m

An analysis of amounts due to the Fund from Employers

Total value of Employer contributions received 1 April 2018 to 31 March 2019: £ 107.131m

Analysis of the timeliness of receipt of contributions*

| | 2015/16 | 2016/17 | 2017/18 | 2018/19 |
|---|---------|---------|---------|---------|
| Number of payments received | 2388 | 2508 | 2704 | 2757 |
| Number of payments late | 74 | 136 | 192 | 115 |
| Percentage of payments received late | 3.10% | 5.42% | 7.1% | 4.17% |
| Percentage of payments received on time | 96.90% | 94.58% | 92.9% | 95.83% |

* The data for 2014/15 has not been included above as the basis of preparation differed in that year.

Age of overdue contributions

| Analysis of late payments in 2018/19 | |
|--------------------------------------|------------|
| Payments 1-2 days late | 32 |
| Payments 3-10 days late | 37 |
| Payments 11-30 days late | 27 |
| Payments 1-2 months late | 3 |
| Payments 3-6 months late | 13 |
| Payments 6+ months late | 3 |
| Total | 115 |

In 2018/19 the Fund did not exercise the option to levy interest on overdue contributions.

Employers' & average employees' contributions as a % of pensionable pay received during the year

| Employer Name | Employer's contribution as % of pensionable pay | Average Employees' contribution as a % of pensionable pay |
|---|---|---|
| Acorn Childcare | 17.0% | 5.7% |
| Acorn Childcare (Jubilee Wood School) <i>CEASED 20.09.2018</i> | 25.1% | 5.5% |
| Action for Children | 14.5% | 6.2% |
| Action for Children (Children's Centres) | 20.8% | 6.4% |
| Adventure Learning Foundation (BCC) | 23.9% | 6.5% |
| Adventure Learning Foundation (WDC) <i>CEASED 31.10.2018</i> | 10.0% | 6.8% |
| Alfriston School | 22.8% | 6.3% |
| Alliance in Partnership <i>CEASED 30.11.2018</i> | 21.7% | 5.7% |
| Ambassador Theatre Group | 20.0% | 6.5% |
| Amersham School | 22.8% | 5.9% |
| Amersham Town Council | 22.0% | 6.3% |
| Ashridge Security Management Ltd | 23.0% | 5.8% |
| Aspens Services Ltd | 27.7% | 6.8% |
| Aspire Schools | 22.8% | 6.5% |
| Aston Clinton Parish Council | 23.7% | 6.3% |
| Aylesbury College | 20.8% | 6.2% |
| Aylesbury Grammar School | 22.8% | 6.3% |
| Aylesbury High School | 22.8% | 6.0% |
| Aylesbury Town Council | 20.8% | 6.6% |
| Aylesbury Vale Academy | 22.8% | 5.9% |
| Aylesbury Vale District Council | 25.3% | 7.0% |

| Employer Name | Employer's contribution as % of pensionable pay | Average Employees' contribution as a % of pensionable pay |
|---|---|---|
| Beaconsfield High School | 22.8% | 6.1% |
| Beaconsfield School, The | 22.8% | 6.0% |
| Beaconsfield Town Council | 17.8% | 6.6% |
| Bedgrove Infant School | 25.1% | 5.7% |
| Bedgrove Junior School | 20.2% | 5.7% |
| Beechview Academy | 22.8% | 5.4% |
| Birkin Cleaning (John Colet) <i>CEASED 31.10.2018</i> | 22.1% | 5.5% |
| Birkin Cleaning Services Ltd (Oakgrove) <i>CEASED 31.12.2018</i> | 22.3% | 5.5% |
| Bletchley & Fenny Stratford Town Council | 24.0% | 6.8% |
| Bourne End Academy | 22.8% | 5.9% |
| Bourton Meadow Academy | 22.8% | 5.8% |
| Bradwell Parish Council | 17.8% | 5.9% |
| Bridge Academy | 20.0% | 6.1% |
| Brill CofE School | 22.8% | 5.5% |
| Brookmead Combined School | 25.5% | 6.0% |
| Brooksward School | 21.0% | 4.5% |
| Broughton & Milton Keynes Parish Council | 17.8% | 6.3% |
| Buckingham Town Council | 23.7% | 5.7% |
| Buckinghamshire County Council | 26.4% | 6.4% |
| Buckinghamshire UTC | 16.4% | 6.8% |

Financial Performance

| Employer Name | Employer's contribution as % of pensionable pay | Average Employees' contribution as a % of pensionable pay | Employer Name | Employer's contribution as % of pensionable pay | Average Employees' contribution as a % of pensionable pay |
|--|---|---|--|---|---|
| Bucks County Museum Trust | 19.9% | 6.3% | Chepping Wycombe Parish Council | 24.1% | 6.0% |
| Bucks Learning Trust <i>CEASED 18.03.2019</i> | 15.8% | 7.4% | Chesham Bois Combined Academy | 22.8% | 5.8% |
| Bucks MK Fire Authority | 15.5% | 7.1% | Chesham Bois Parish Council | 21.4% | 5.3% |
| Bucks Music Trust | 15.4% | 7.2% | Chesham Grammar School | 22.8% | 6.4% |
| Bucks New University | 22.4% | 6.9% | Chesham Town Council | 24.1% | 6.1% |
| Burnham Grammar School | 22.8% | 6.3% | Chestnuts Academy | 20.0% | 5.8% |
| Burnham Parish Council | 26.7% | 6.4% | Chiltern District Council | 27.0% | 6.9% |
| Busy Bee Cleaning Services Ltd (WDC) | 28.7% | 5.5% | Chiltern Hills Academy | 22.8% | 5.9% |
| Campbell Park Parish Council | 23.7% | 6.2% | Chiltern Rangers CIC | 17.7% | 6.8% |
| Capita (WDC) | 21.0% | 6.7% | Chiltern Way Academy | 22.8% | 6.2% |
| Castlefield School | 15.1% | 5.9% | Chilterns Conservation Board | 14.7% | 6.9% |
| Caterlink (Chiltern Hills) | 19.7% | 5.5% | Cleantec Services | 26.1% | 5.5% |
| Caterlink (Buckingham Primary) | 26.2% | 5.7% | Coldharbour PC | 17.8% | 5.5% |
| Chalfont St Giles Parish Council | 23.6% | 6.4% | Connection FS (BCC) <i>CEASED 30.06.2018</i> | 23.0% | 6.5% |
| Chalfont St Peter CofE Academy | 22.8% | 5.8% | Connection Support (MKC) <i>CEASED 31.08.2018</i> | 22.4% | 6.6% |
| Chalfont St Peter Parish Council | 23.8% | 6.5% | Connexions - Adviza <i>STARTED 01.10.2018</i> | 15.1% | 6.2% |
| Chalfont Valley E-ACT Primary Academy | 22.8% | 5.7% | Connexions Buckinghamshire <i>CEASED 30.09.2018</i> | 15.1% | 6.2% |
| Chalfonts Community College | 22.8% | 6.2% | C-Salt (Woughton Leisure Centre) | 18.2% | 5.9% |
| Charles Warren Academy | 20.0% | 5.8% | Cucina Restaurants Ltd (Denbigh) | 23.5% | 5.5% |
| Chartwells Ltd (Oakgrove) | 20.2% | 6.4% | Cucina Restaurants Ltd (Walton High) | 24.8% | 5.6% |
| Chepping View Primary Academy | 22.8% | 5.9% | Danesfield School | 15.1% | 5.7% |
| | | | Denbigh School | 20.0% | 6.0% |

Financial Performance

| Employer Name | Employer's contribution as % of pensionable pay | Average Employees' contribution as a % of pensionable pay | Employer Name | Employer's contribution as % of pensionable pay | Average Employees' contribution as a % of pensionable pay |
|---|---|---|---|---|---|
| Denham Green E-ACT Primary Academy | 22.8% | 5.7% | Greenleys Junior School | 20.0% | 5.7% |
| Derwent Facilities Management Ltd | 30.5% | 5.7% | Hambleden Parish Council | 24.1% | 5.5% |
| Dorney School | 22.8% | 5.7% | Hamilton Academy | 22.8% | 5.9% |
| Dr Challoner's Grammar School | 22.8% | 6.4% | Hayward Services (Downley School) <i>STARTED</i> 19.03.2018 | 5.5% | 5.5% |
| Dr Challoner's High School | 22.8% | 6.1% | Hayward Services (John Colet) <i>STARTED</i> 25.10.2018 | 28.1% | 5.5% |
| E-ACT Burnham Park Academy | 22.8% | 6.2% | Hazeley Academy | 20.0% | 5.9% |
| Eaton Mill Day Nursery & Out of School Daycare | 19.7% | 6.9% | Hazlemere Parish Council | 23.0% | 6.5% |
| EMLC Academy Trust | 20.0% | 8.3% | Heritage Care | 26.1% | 5.8% |
| Excelcare | 30.0% | 5.8% | Heronsgate School | 20.0% | 5.7% |
| Fairfields Primary | 20.0% | 5.3% | Heronshaw Academy | 20.0% | 5.7% |
| Fremantle Trust, The *due to deficit payment | 137.8%* | 6.9% | Hertsmere Leisure Trust <i>CEASED</i> 30.08.2018 | 27.4% | 6.4% |
| George Grenville Academy | 22.8% | 5.6% | Highcrest Academy | 22.8% | 6.2% |
| Gerrards Cross CE School | 22.8% | 5.8% | Hightown Housing Association | 37.9% | 6.5% |
| Gerrards Cross Parish Council | 24.8% | 6.5% | Holmer Green Senior School | 22.8% | 6.2% |
| Glastonbury Thorn First School | 15.6% | 4.5% | Ickford Learning Trust - Ickford School | 22.8% | 5.6% |
| Great Horwood C of E | 22.8% | 5.5% | Innovate Ltd | 16.6% | 6.5% |
| Great Kimble C of E | 22.8% | 5.5% | Inspiring Futures | 20.0% | 7.0% |
| Great Kingshill C of E | 22.8% | 5.7% | Iver Parish Council | 25.9% | 6.2% |
| Great Marlow School | 22.8% | 6.1% | Ivinghoe Parish Council | 17.8% | 5.5% |
| Great Missenden C of E Combined School | 22.8% | 5.6% | Ivingswood Academy | 22.8% | 5.7% |
| Great Missenden Parish Council | 19.2% | 6.2% | John Colet School | 22.8% | 6.1% |
| Green Park School | 19.7% | 5.6% | John Hampden Grammar School | 22.8% | 6.1% |
| Green Ridge Primary Academy | 22.8% | 5.8% | Jubilee Wood Primary | 20.0% | 5.9% |
| | | | Kents Hill Park School | 20.0% | 5.8% |

Financial Performance

| Employer Name | Employer's contribution as % of pensionable pay | Average Employees' contribution as a % of pensionable pay | Employer Name | Employer's contribution as % of pensionable pay | Average Employees' contribution as a % of pensionable pay |
|--|---|---|---|---|---|
| Kents Hill School | 20.0% | 5.7% | Monkston Primary Academy | 20.0% | 5.8% |
| Khalsa Secondary Academy | 22.8% | 9.0% | National Foundation for Educational Research (NFER) | 100.0% | |
| Kids Play Childcare | 17.8% | 6.3% | New Bradwell Academy | 20.0% | 5.7% |
| Kingsbridge Education Trust MAT staff | 20.0% | 7.5% | New Bradwell Parish Council | 17.8% | 5.7% |
| Knowles Primary Academy | 20.0% | 5.8% | New Chapter School | 20.0% | 5.9% |
| Lace Hill Academy | 22.8% | 5.5% | Newport Pagnell Town Council | 27.4% | 7.9% |
| Lane End Parish Council | 23.3% | 6.5% | Newton Longville Parish Council | 17.8% | 6.3% |
| Lent Rise Combined School | 22.8% | 5.7% | Nurture Landscapes | 24.6% | 6.5% |
| Little Marlow Parish Council | 23.9% | 5.8% | Oakgrove School | 20.0% | 6.1% |
| Longwick Academy | 22.8% | 5.6% | OFM Support <i>CEASED 30.04.2018</i> | 24.4% | 5.8% |
| Lord Grey School | 20.0% | 5.9% | Olney Infant Academy | 20.0% | 5.6% |
| Loudwater Combined School | 24.5% | 5.6% | Olney Middle School (Academy) | 20.0% | 5.8% |
| Loughton & Great Holm Parish Council | 25.1% | 6.3% | Olney Town Council | 22.9% | 6.2% |
| Loughton School | 20.0% | 5.7% | Orchard Academy | 20.0% | 6.0% |
| Manpower Direct Ltd | 18.0% | 6.0% | Ousedale School | 20.0% | 5.9% |
| Marlow Town Council | 24.1% | 6.4% | Overstone Combined School | 23.9% | 5.7% |
| Mears Group plc | 20.0% | 7.2% | Oxford Diocese | 22.8% | 6.3% |
| Mentmore Parish Council | 17.8% | 5.5% | Oxford Health NHS Foundation Trust (OBMH) | 17.7% | 6.9% |
| Middleton Primary School | 20.0% | 5.9% | Oxley Park Academy | 20.0% | 6.1% |
| Milton Keynes Academy | 20.0% | 6.1% | Padbury C of E School | 22.8% | 5.5% |
| Milton Keynes College | 16.6% | 6.4% | Paradigm Housing Group | 16.9% | 7.2% |
| Milton Keynes Council | 19.7% | 6.6% | Penn Parish Council | 17.8% | 5.8% |
| Milton Keynes Development Partnership (MKDP) | 13.5% | 9.6% | Piddington & Wheeler End Parish Council | 24.8% | 5.5% |
| Milton Keynes Schools | 19.7% | 5.8% | | | |
| Misbourne Academy | 22.8% | 6.2% | | | |

Financial Performance

| Employer Name | Employer's contribution as % of pensionable pay | Average Employees' contribution as a % of pensionable pay | Employer Name | Employer's contribution as % of pensionable pay | Average Employees' contribution as a % of pensionable pay |
|---|---|---|--|---|---|
| Places for People Leisure (New/Pag TC) | 23.1% | 5.5% | SERCO (MKC) | 17.7% | 6.5% |
| Places for People Leisure (WDC) | 21.2% | 6.5% | Servest Group Ltd | 27.3% | 5.5% |
| Police & Crime Commissioner for Thames Valley | 13.5% | 7.4% | Shenley Brook End & Tattenhoe Parish Council | 22.5% | 6.6% |
| Police Superintendents' Association | 13.6% | 6.8% | Shenley Brook End School | 20.0% | 5.8% |
| Portfields Combined School | 19.7% | 5.6% | Shenley Church End Parish Council | 23.8% | 6.1% |
| Premier Academy, The | 20.0% | 6.1% | Shepherdswell Academy | 20.0% | 5.7% |
| Princes Risborough Primary School | 22.8% | 5.6% | Sir Henry Floyd Grammar School | 22.8% | 6.2% |
| Princes Risborough School | 22.8% | 6.0% | Sir Herbert Leon Academy | 20.0% | 6.3% |
| Princes Risborough Town Council | 22.7% | 6.4% | Sir Thomas Fremantle Secondary School | 22.8% | 5.9% |
| Radcliffe School | 20.2% | 6.4% | Sir William Borlase's Grammar School | 22.8% | 6.2% |
| Red Kite Community Housing | 23.2% | 6.7% | Sir William Ramsay School | 22.8% | 6.0% |
| Rickley Park Primary School | 20.0% | 5.7% | South Bucks District Council | 29.2% | 6.9% |
| Ridge Crest Cleaning - Shenley Brook End | 21.8% | 5.5% | Southwood Middle School | 15.6% | 4.6% |
| Ridge Crest Cleaning Ltd Walton High | 26.4% | 5.5% | Sports Leisure Management (SLM) | 27.0% | 5.8% |
| Ringway Infrastructure Services Limited (MK) | 22.0% | 6.8% | Spurgeons | 22.3% | 6.0% |
| Ringway Jacobs (BUCKS) | 20.0% | 7.2% | St Johns C of E Combined | 22.8% | 5.8% |
| Royal Grammar School | 22.8% | 6.6% | St Nicolas' CE Combined School Taplow | 22.8% | 5.8% |
| Royal Latin School | 22.8% | 5.9% | St Paul's Catholic School | 19.7% | 6.1% |
| Seer Green CE Combined School | 22.8% | 5.6% | Stanton School | 19.7% | 5.7% |
| SERCO (MKC Recreation & Maintenance-MKPG) | 17.7% | 6.1% | Stantonbury Campus | 20.0% | 6.4% |
| | | | Stantonbury Parish Council | 24.3% | 5.8% |

Financial Performance

| Employer Name | Employer's contribution as % of pensionable pay | Average Employees' contribution as a % of pensionable pay |
|---------------------------------------|---|---|
| Stephenson Academy | 20.0% | 6.3% |
| Stony Stratford Town Council | 21.7% | 6.1% |
| Taplow Parish Council | 17.8% | 5.8% |
| Thames Valley Police | 15.2% | 6.6% |
| The Meadows School | 22.8% | 5.8% |
| Thomas Harding Academy | 22.8% | 5.6% |
| Two Mile Ash School | 20.0% | 5.7% |
| Vale of Aylesbury Housing Trust | 21.0% | 7.6% |
| Waddesdon C of E School | 22.8% | 6.2% |
| Waddesdon Parish Council | 17.8% | 5.5% |
| Walton High | 20.0% | 6.5% |
| Water Hall Primary | 20.0% | 6.0% |
| Waterside Combined | 22.8% | 5.5% |
| Wendover Parish Council | 27.5% | 6.3% |
| West Bletchley Council | 22.7% | 5.7% |
| West Wycombe Parish Council | 23.6% | 5.5% |
| Weston Turville Parish Council | 17.8% | 5.8% |
| Whitehouse Primary School | 20.0% | 5.7% |
| Winslow Town Council | 23.9% | 6.1% |
| Woburn Sands Town Council | 23.7% | 6.5% |
| Wolverton and Greenleys Town Council | 23.0% | 6.0% |
| Wolverton and Watling Way Pools Trust | 12.0% | 8.5% |
| Wooburn and Bourne End Parish Council | 23.7% | 6.5% |

| Employer Name | Employer's contribution as % of pensionable pay | Average Employees' contribution as a % of pensionable pay |
|-------------------------------|---|---|
| Woughton Community Council | 19.1% | 6.2% |
| Wycombe District Council | 15.7% | 7.2% |
| Wycombe Heritage & Arts Trust | 14.8% | 6.6% |
| Wycombe High School | 22.8% | 6.5% |

Investment Policy and Performance Report

The planned asset allocation and actual asset allocation at the beginning and end of the 2018/19 financial year are shown in the table below.

A strategic review of asset allocation, in March 2017, showed that the overall risk factor (standard deviation) for the Fund is 13.4%. The next strategic review of asset allocation is due in 2020 following the outcome of the triennial valuation. Interim strategy reviews can be taken if required.

Table 1: Asset Allocation 2018/19

| | Planned % 31 March 2018 | Actual % 31 March 2018 | Planned % 31 March 2019 | Actual % 31 March 2019 |
|-------------------|----------------------------|---------------------------|----------------------------|---------------------------|
| Overseas Equities | 49 | 51 | 49 | 49 |
| Bonds | 25 | 23 | 25 | 27 |
| Alternatives | 18 | 16 | 18 | 15 |
| Property | 8 | 7 | 8 | 7 |
| Cash | 0 | 3 | 0 | 2 |
| Total | 100 | 100 | 100 | 100 |

The Fund's Investment Strategy Statement sets out the principles that will guide the Committee when making decisions about the investment of the Fund's assets.

Investment Administration

The Fund's assets are managed by external fund managers. The Fund's equities and bonds within segregated mandates are held by our global custodian, State Street. The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS).

In the year to 31 March 2019 the annual return was 5.7% compared to its benchmark return of 6.4%, an underperformance of 0.7%. Blackrock, Investec and Royal London outperformed for the year to 31 March. Aberdeen Standard, Blackstone, La Salle and Schrodgers underperformed. Legal & General's performance in accordance with its passive mandate matched the benchmark.

In the three years to 31 March, the Fund achieved a return of 9.8%, an annual outperformance of 0.4% compared to its 9.4% benchmark for that period. Over the three years Blackrock, Blackstone, Investec and RLAM have outperformed their benchmarks.

Legal & General, in accordance with their passive tracker mandate matched the benchmark. Aberdeen Standard, La Salle and Schrodgers underperformed their benchmarks for the three year period.

Table 2: Investments' Annual & Three Year Performance

| Asset Category | | | Annual Performance | | | Three Year Performance | | |
|---|---------------------|---------------------|----------------------|----------------|--------------------------|------------------------|----------------|--------------------------|
| | Opening Value £m | Closing Value £m | Net Performance % | Benchmark % | Net Relative Return % | Net Performance % | Benchmark % | Net Relative Return % |
| Asset Pool Managed Investments | | | | | | | | |
| Passive Listed Equity | 0 | 767 | - | - | - | - | - | - |
| Private Equity | 0 | 6 | - | - | - | - | - | - |
| Infrastructure | 0 | 2 | - | - | - | - | - | - |
| Total Asset Pool | 0 | 775 | | | | | | |
| Non-Asset Pool Managed Investments | | | | | | | | |
| Aberdeen Standard – UK Equity High Alpha | 120 | 122 | 1.8 | 6.4 | -4.6 | 7.5 | 9.5 | -2.0 |
| Mirabaud – UK Equity | 151 | 0 | - | - | - | - | - | - |
| GTP – Global Equity Thematic | 197 | 0 | - | - | - | - | - | - |
| Investec - Global Equity Dynamic | 233 | 259 | 11.0 | 10.5 | 0.5 | 14.5 | 14.4 | 0.1 |
| Schroders – Global Equity Active Value | 210 | 220 | 4.3 | 10.5 | -6.2 | 12.1 | 14.4 | -2.3 |
| RLAM – Core Plus Bonds | 379 | 465 | 4.4 | 4.1 | 0.3 | 6.2 | 5.3 | 0.9 |
| LGIM – Passive Equities | 448 | 88 | 5.8 | 5.8 | 0.0 | - | - | - |
| LGIM – Passive Corporate Bonds | 125 | 130 | 3.9 | 3.9 | 0.0 | - | - | - |
| LGIM – Passive Index-Linked Bonds | 214 | 226 | 5.5 | 5.5 | 0.0 | - | - | - |
| La Salle - Property Multimanager | 211 | 221 | 4.6 | 4.8 | -0.2 | 5.4 | 6.1 | -0.7 |
| Pantheon - Private Equity | 148 | 119 | - | - | - | - | - | - |
| Partners – Private Equity | 39 | 25 | - | - | - | - | - | - |
| Cash | 89 | 54 | - | - | - | - | - | - |
| Blackrock – Dynamic Diversified Growth Fund | 135 | 139 | 3.1 | 0.8 | 2.3 | 3.4 | 0.6 | 2.8 |
| Blackstone – Offshore Sterling Hedge Fund | 134 | 156 | -0.2 | 0.7 | -0.9 | 2.6 | 0.5 | 2.1 |
| Total Non-Asset Pool | 2,812 | 2,224 | | | | | | |
| Total Fund | 2,812 | 2,999 | 5.7 | 6.4 | -0.7 | 9.8 | 9.4 | 0.4 |

The performance of the Fund's private equity investments has been excluded from the combined performance monitoring summary. This is common practice for many LGPS Funds due to the problematic nature of calculating private equity returns on a quarter-by-quarter basis, the issue of which reference benchmark to put in place, the valuations are quarterly in arrears and adjusted for cash contributions / distributions made during the quarter.

Investment Policy and Performance Report

Due to the long term nature of these investments, where there is underperformance the Committee would not be able to terminate the contracts with these managers if they were to underperform. The Committee are monitoring the portfolio based on the investment manager reports for Pantheon and Partners Group.

The table below shows the Fund's investment performance over historical periods to 31 March 2019 compared to the Fund's investment benchmark.

Table 3: Investment Performance

| | 1 year % | 3 years % | 5 years % |
|---------------------|-------------|--------------|--------------|
| BCC Fund | 6.7 | 9.8 | 8.2 |
| Strategic Benchmark | 6.4 | 9.4 | 8.2 |
| Relative | 0.3 | 0.4 | 0.0 |

Table 4: Ongoing Investment Management Costs

| | Asset Pool | | | Non-Asset Pool | | | Fund Total £000 |
|--------------------------------|------------|------------|--------------|----------------|---------------|---------------|-----------------------|
| | Direct | Indirect | Total | Direct | Indirect | Total | |
| | £000 | £000 | £000 | £000 | £000 | £000 | |
| Management Fees | | | | | | | |
| ad valorem | - | 63 | 63 | 3,595 | 6,634 | 10,229 | 10,292 |
| performance | - | 106 | 106 | - | 2,376 | 2,376 | 2,482 |
| Asset pool shared costs | 835 | - | 835 | - | - | - | 835 |
| Transaction costs | | | | | | | - |
| Transaction taxes | - | - | - | - | 280 | 280 | 280 |
| Broker commission | - | - | - | - | 302 | 302 | 302 |
| Implicit costs | - | - | - | - | 1,950 | 1,950 | 1,950 |
| Entry/exit charges | - | - | - | - | 1 | 1 | 1 |
| Indirect transaction costs | - | - | - | - | 139 | 139 | 139 |
| Other transaction costs | - | - | - | - | 28 | 28 | 28 |
| Custody | - | - | - | 50 | 50 | 100 | 100 |
| Total | 835 | 169 | 1,004 | 3,645 | 11,760 | 15,405 | 16,409 |

How the service is delivered

Scheme Member and Pensioner Administration

Buckinghamshire County Council's Pensions and Investments Team administer the Local Government Pension Scheme on behalf of the Buckinghamshire County Council Pension Fund. This includes pensioner administration and the Fund runs its own in-house pensioner payroll. Our contact details are given at page 124 of this annual report.

Arrangements for gathering assurance of effective and efficient administration operations

- The Pensions and Investments Team report to the Buckinghamshire Pension Board on year-end administration performance and complaints under IDRP.
- The team are internally audited on an annual basis. The internal audit reports include an action tracker which details outstanding issues.
- Updates to outstanding BCC Pension Fund internal audit actions are reviewed at the County Council's Regulatory and Audit Committee meetings. The Regulatory and Audit Committee consists of eight elected members who meet to consider matters relating to the Council's constitution, accounts, risk management and governance arrangements.

Key areas of Technology

- The Fund's records and administration system are computerised. *Altair* enables us to store our members' paperwork electronically by scanning all correspondence to the individual's record. All work is recorded and monitored on our workflow system.
- Our "my pension online" member self-service facility enables the Fund's members to access their pension records via a secure web portal at <https://ms.buckscc.gov.uk>. "My pension online" allows users to update their address details, produce pension quotes and access their annual benefit statements and other Fund documentation. By default, all members have an online pension account, but registration is not automatic due to the need to set up a secure username and password. As at 31 March 2019, 32% of active members had registered for online access to their pension record. This is similar to other administering authorities.
- i-Connect is a real-time monthly reporting solution for Employers, that streamlines data transfer to the Fund by reducing the cost and risks associated with manually processing pension data. i-Connect assists Fund Employers in their statutory duties by reducing the risk of data protection breaches, helping to identify data mismatches early, improving the reliability of valuations, reducing cost and complexity in scheme data submissions and ensuring Employers meet their duties in supplying data for HMRC Annual Allowance checks. In 2018/19, 52 Fund Employers were on-boarded to i-Connect.

Key information sources for members

- The Fund maintains its own website which is available to scheme members, scheme employers, prospective members and all other stakeholders. The Fund's website address is www.buckscc.gov.uk/pensions. The website content is comprehensive and includes links to the national LGPS member website at www.lgpsmember.org. Our website address is provided on all our communications materials.
- Scheme members and employers are able to contact our team by telephone or email. Our Pensions Helpline is staffed 9am to 5:30pm Monday to Thursday and 9am to 5pm on Fridays. Employers are provided with the contact details of their nominated Employer Liaison Officer or can contact the Employer Liaison Team mailbox by emailing employers@buckscc.gov.uk. The national LGPS Regulations and Guidance website at www.lgpsregs.org also provides guidance for scheme members, employers and administrators.
- Scheme members are provided with a link to the Fund's LGPS documentation, which is inserted into all contracts of employment by their Employer. The link is www.buckscc.gov.uk/lgpsguidesandforms.
- Scheme members are able to make an appointment with a Pensions Officer at one of our fortnightly member surgeries. These are held at County Hall in Aylesbury on a pre-booked appointment basis.

Arrangements for ensuring accuracy:

- System checks and testing procedures are undertaken by the Systems Team.
- Checking procedures within the Benefit Administration Team ensures calculations are checked before being provided to Scheme members.
- Year-end data cleanse and data validation is undertaken annually by the Employer Liaison Team.
- Financial reconciliation data checks take place on a monthly and annual basis by the Pensions Finance Team.

Arrangements for ensuring data protection and confidentiality:

- The Fund's summary and full privacy notices, as well as our memorandum of understanding are available from www.bucksc.gov.uk/lgps-gdpr
- Callers to our Pensions Helpline are asked a number of security questions before we share data with them.
- Due to the corporate use of strong end-to-end encryption and anti-spoofing technology Buckinghamshire County Council have passed the government's whitelist assessment. We can securely email any other organisation on the government whitelist as end-to-end encryption ensures the message is secure in transit.
- For those organisations not on the whitelist, we are able to send and receive emails containing personal data securely via the Egress Switch encrypted email service. Under the terms of our licence, once registered Employers are able to freely correspond with us, or any other person holding a full Egress Switch licence, without charge.
- If our Employers are not able to use Egress Switch, they are required to password protect all correspondence containing personal data.

The Pensions Advisory Service (TPAS)

TPAS provides independent and impartial information about pensions, free of charge, to members of the public. TPAS is available to assist members and beneficiaries of the Scheme with any pension query they have or any general requests for information or guidance concerning their pension benefits. TPAS can be contacted:

In writing: 11 Belgrave Road, London, SW1V 1RB
By telephone: 0800 011 3797
Website: www.pensionsadvisoryservice.org.uk

The Pensions Ombudsman (TPO)

TPO deals only with pension complaints. It can help if members have a complaint or dispute about the administration and / or management of personal and occupational pension schemes. TPO can be contacted:

In writing: 10 South Colonnade, Canary Wharf, E14 4PU
By telephone: 0800 917 4487
Website: www.pensions-ombudsman.org.uk

Scheme Administration

Value for money statement

The Fund's total membership increased from 74,877 in 2017/18 to 77,678 in 2018/19, an increase of 3.74%. The total cost per member increased from £24.57 in 2017/18 to £28.03 in 2018/19, an increase of 14.08% per member. The higher percentage increase in costs is due to the fee paid to ITM to undertake the GMP reconciliation exercise and an increase in staffing costs.

During 2018/19, 39,387 administration cases were completed throughout the year.

Our corporate Key Performance Indicator is to complete 90% of daily workflow procedures for high priority areas. These include retirements, deaths, refund and annual allowance calculations. For each quarter in 2018/19 the following completion rates were achieved:

| | |
|-----------|-----|
| Quarter 1 | 78% |
| Quarter 2 | 92% |
| Quarter 3 | 97% |
| Quarter 4 | 95% |

Summary of Administration Team's activity in 2018/19

In 2018/19 the pension administration team undertook the following projects:

- **i-Connect** - an automated data exchange solution, designed to assist scheme employers in meeting their obligations under pensions legislation, whilst minimising the effort required from their payroll team. 52 scheme employers were on-boarded onto the i-Connect system during 2018/19.
- **GMP reconciliation** - the Fund appointed ITM to assist with reconciling Guaranteed Minimum Pension values for which the Fund is liable. In April 2018, 36,924 scheme member records were reconciled. By 31 March 2019, 55,892 scheme member records were reconciled, an increase of 18,968.
- **Workflow review** - all administration requests received by the pension administration team are recorded on a workflow system. The existing workflow procedures were outdated and no longer reflected the working practices of the team. All workflow procedures were reviewed, updated and tested to ensure performance monitoring statistics generated from the system accurately reflected the time taken to undertake the various administration procedures.
- **Data quality** - A review was undertaken of the annual quality data report (May 2018) and a detailed Data Improvement Plan of Action was developed to support the continuous improvement of our tPR common data and scheme specific data scores.

Scheme Administration

Key performance data

Performance Indicators

| Process | No. cases outstanding at start of period | No. of cases commenced in year | No. cases completed in year | No. cases outstanding at year end | % completed in year | |
|---|---|---|-----------------------------|-----------------------------------|---------------------|-------|
| Deaths - Initial letter acknowledgement death of active/deferred/pensioner member | 0 | 620 | 620 | 0 | 100.00 | |
| Deaths - Letter notifying amount of dependant's benefits | 0 | 620 | 515 | 105 | 90.75 | |
| Retirements - Letter notifying estimate of retirement benefits (includes all retirement types) | Active | Based on our new workflow tasks, our reports do not split between active and deferred status. Therefore only totals have been provided here. | | | | |
| | Deferred | | | | | |
| | Total | 56 | 977 | 1006 | 27 | 98.64 |
| Retirements - Letter notifying actual retirement benefits i.e. retirement pack issued (includes all retirement types) | Active | 158 | 1002 | 997 | 163 | 91.85 |
| | Deferred | 345 | 1302 | 1258 | 389 | 84.80 |
| | Total | 503 | 2304 | 2255 | 552 | 87.01 |
| Retirements - Process and pay lump sum retirement grant (includes all retirement types) | Active | Our retirement task includes issuing the retirement pack and making payment. Therefore the above figures are for the whole retirement process. Our new workflow process is able to split this task and will be used for reporting in the 2019/20 annual report. | | | | |
| | Deferred | | | | | |
| | Total | | | | | |
| Deferment - Calculate and notify deferred benefits | 1254 | 3091 | 3808 | 537 | 92.22 | |
| Transfers in - Letter detailing transfer in quote | 96 | 83 | 81 | 98 | 40.24* | |
| Transfers in - Letter detailing transfer in (actual) | Included above. Transfer process includes quote and actual. | | | | | |
| Transfers out - Letter detailing transfer out quote | 13 | 159 | 157 | 15 | 95.25 | |
| Transfers out - Letter detailing transfer out actual | 11 | 65 | 71 | 5 | 96.32 | |
| Refund - Process and pay a refund | 15 | 880 | 874 | 21 | 98.80 | |
| Divorce - Letter detailing cash equivalent transfer value and other benefits | 10 | 149 | 153 | 6 | 98.01 | |
| Divorce - Letter detailing implementation of cash equivalent transfer value and application of pension sharing order | 7 | 8 | 12 | 3 | 85.00 | |
| Joiners - Send notification of joining the LGPS to scheme member (i.e. statutory notices issued) | 0 | 7634 | 7634 | 0 | 100.00 | |
| Aggregation - Send notification of aggregation options | 748 | 1448 | 1187 | 1009 | 61.71 | |

* No. of transfer in tasks completed lower than expected during the 2018/19 year due to a suspension of CETV calculations between October 2018 and January 2019. The backlog of stockpiled cases have since been cleared.

Scheme Administration

| Process * | Fund KPI | Percentage | No. cases completed within KPI | Legal Requirement | Percentage | Number |
|--|----------|------------|--------------------------------|-------------------|--|--------|
| Deaths - Initial letter acknowledgement death of active/deferred/pensioner member | 5 days | 100 | 620 | 2 months | 100 | 620 |
| Retirements - Letter notifying estimate of retirement benefits (includes all retirement types) | 10 days | 82.9 | 834 | 2 months | These workflows are measured against the Fund's 10 day KPI. Anything above exceeds the Fund's benchmark. | |
| Deferment - Calculate and notify deferred benefits | 10 days | 61.94 | 2248 | 2 months | | |
| Transfers out - Letter detailing transfer out quote | 10 days | 84.71 | 133 | 2 months | 99 | 132 |
| Transfers out - Letter detailing transfer out actual | 10 days | 71.83 | 51 | 2 months | 97 | 69 |
| Refund - Process and pay a refund | 10 days | 96 | 840 | 2 months | 100 | 874 |
| Divorce – Letter detailing cash equivalent transfer value and other benefits | 10 days | 87.07 | 132 | 2 months | 100 | 153 |

Methodology:

The above KPI information has been drawn from our pension administration system (Altair) reports. We are not able to report on all processes, due to the way in which our old workflow processes were configured. These workflow processes are being updated to enable a full suite of reporting against targets being completed on a monthly basis. The new workflow will also help improve performance.

Staffing Indicators

| Staffing (Full Time Equivalent) | As at 31/03/17 | As at 31/03/18 | As at 31/03/19 |
|----------------------------------|----------------|----------------|----------------|
| LGPS administration staff | | | |
| Benefit Administration | 22.8 | 23.2 | 21 |
| Employer Liaison | 5.8 | 7 | 7.2 |
| IT/Systems | 5.5 | 3 | 4 |
| Pensioner Payroll | 2.5 | 3 | 3 |
| Subtotal | 36.6 | 36.2 | 35.2 |
| Non-LGPS admin. staff | 1.5 | 2.5 | 2.5 |
| Temporary agency staff | 1 | 1 | |
| Total staff (FTE)* | 39.1 | 39.7 | 37.7 |

* While the total staff numbers have been stated as full-time equivalent (FTE), a number staff within the Pensions & Investments Team work part-time hours resulting in decimals.

Staff to fund member ratios

| Staff : fund members ratio (based on total LGPS administration staff) | | | |
|---|-----------------|-----------------|-----------------|
| Membership type | As at 31/03/17 | As at 31/03/18 | As at 31/03/19 |
| Actives | 1 : 582 | 1 : 606 | 1 : 624 |
| Deferreds | 1 : 789 | 1 : 813 | 1 : 905 |
| Pensioners | 1 : 449 | 1 : 467 | 1 : 515 |
| Total | 1 : 1820 | 1 : 1886 | 1 : 2060 |

| Staff : fund members ratio (based on total Benefit Administration staff) | | | |
|--|----------------|----------------|----------------|
| Membership type | As at 31/03/17 | As at 31/03/18 | As at 31/03/19 |
| Actives | 1:998 | 1:1036 | 1:1150 |
| Deferreds | 1:1354 | 1:1392 | 1:1625 |
| Pensioners | 1:770 | 1:799 | 1:924 |
| Total | 1:3122 | 1:3227 | 1:3699 |

| Caseload analysis for 2018/19 | |
|--|--------------|
| Cases outstanding at start of 01/04/2018 | 4,782 |
| New cases during 2018/19 | 38,113 |
| Cases completed in 2018/19 | 39,387 |
| Cases outstanding at end of 31/03/2019 | 3,508 |
| Average no. of workflow cases per FTE member of staff | 1,138 |

Satisfaction levels of Employers

We hosted three Employer training events in 2017/18 and four Employer training events in 2018/19, to which all our Employers were invited. The feedback we received from these group events is provided below.

| Question | 2017/18 | | | | | 2018/19 | | | | |
|---|---------------------|-----------|---------------------|----------------|--------------------|---------------------|-----------|---------------------|----------------|--------------------|
| | % Good to very good | % Neutral | % Poor to very poor | % Not answered | No. of respondents | % Good to very good | % Neutral | % Poor to very poor | % Not answered | No. of respondents |
| The relevance of the training and areas covered | 88% | 10% | - | 2% | 60 | 96% | 4% | - | - | 46 |
| The pace of the training | 88% | 10% | 2% | - | 60 | 98% | 2% | - | - | 46 |
| The presenters' knowledge of the subject material | 100% | - | - | - | 60 | 100% | - | - | - | 46 |
| Training material provided | 50% | 10% | 7% | 33% | 60 | 96% | - | 2% | 2% | 46 |

* The data for previous years has not been included above as the basis of preparation differed at that time.

Additional comments and suggestions made by Employers were followed up by members of the Employer Liaison Team.

Scheme Administration

We have not included scheme member satisfaction survey data. In previous years, our annual member satisfaction survey generated very few responses (i.e. less than 10 responses p.a.). As a result we are redesigning our customer survey process in 2019/20 to contact a sample of members who have interacted with our service during the scheme year. This would include recently retired scheme members, members who have contact us with queries, those who have transferred in previous pension rights, etc.

Internal Dispute Resolution Procedure (IDRP) Report

The Local Government Pension Scheme (LGPS) operates a two stage dispute procedure under Regulation 72 to 79 of the Local Government Pension Scheme Regulations 2013.

Within the first stage of this procedure, the complaint will be considered by a person nominated by the body that took the decision that the member wishes to complain against. Each employer is asked to nominate a 'specified person' and any complaints against the employing authority will be directed to them. Where the complaint is against the administering authority, these complaints will be addressed by the specified person within the administering authority.

If the member is not satisfied with the decision from stage 1, they have not received a decision, an interim letter more than 3 months after the date the initial complaint is lodged, or it is more than 1 month from the date they were informed a decision would be made, then a member can progress their complaint to stage 2. At this stage, the administering authority can take a fresh look at the complaint, which would be undertaken by a person not involved in the first stage decision. Where the stage 1 complaint was against the employing authority, the specified person within the administering authority or HB Public Law will undertake the stage 2 review. Where the stage 1 complaint was against the administering authority, HB Public Law are responsible for this review.

If members are still dissatisfied following stage 1 & Stage 2, they can take the case to The Pensions Ombudsman within 3 years of the original decision being made.

Summary of IDRP cases in 2018/19

| Type | Details | Date |
|----------------------------|--|------------|
| 1. Ill Health Appeal | Member appealed non-award of ill health. | |
| | Stage 1 - Declined | 01/05/2018 |
| | Stage 2 - Appeal upheld & member awarded a T1 benefit | 08/11/2018 |
| 2. Ill Health Appeal | Member appealed non-award of ill health. | |
| | Stage 1 - Declined | 15/06/2018 |
| 3. Ill Health Appeal | Member appealing T3 IH award | |
| | Stage 1 - In progress | 04/10/2018 |
| 4. Ill Health Appeal | Member appealed non-award of ill health. | |
| | Stage 1 - Appeal upheld & member awarded a T1 benefit | 27/09/2018 |
| 5. Ill Health Appeal | Member appealing T3 IH award | |
| | Stage 1 - Declined | 12/11/2018 |
| | Stage 2 - Declined | 26/03/2019 |
| 6. Annual Allowance Appeal | Member appealed refusal by Administering Authority to accept a late scheme pays election | |
| | Stage 1 - Declined | 19/03/2019 |

Exercise of Employer discretions in 2018/19

Scheme employers participating in the LGPS in England and Wales must formulate, publish and keep under review a statement of policy on all mandatory discretions (or where the discretion is non-mandatory, are recommended to) which they have the power to exercise in relation to members of the CARE Scheme and earlier schemes.

The five specific mandatory discretions stipulated in the LGPS regulations are:

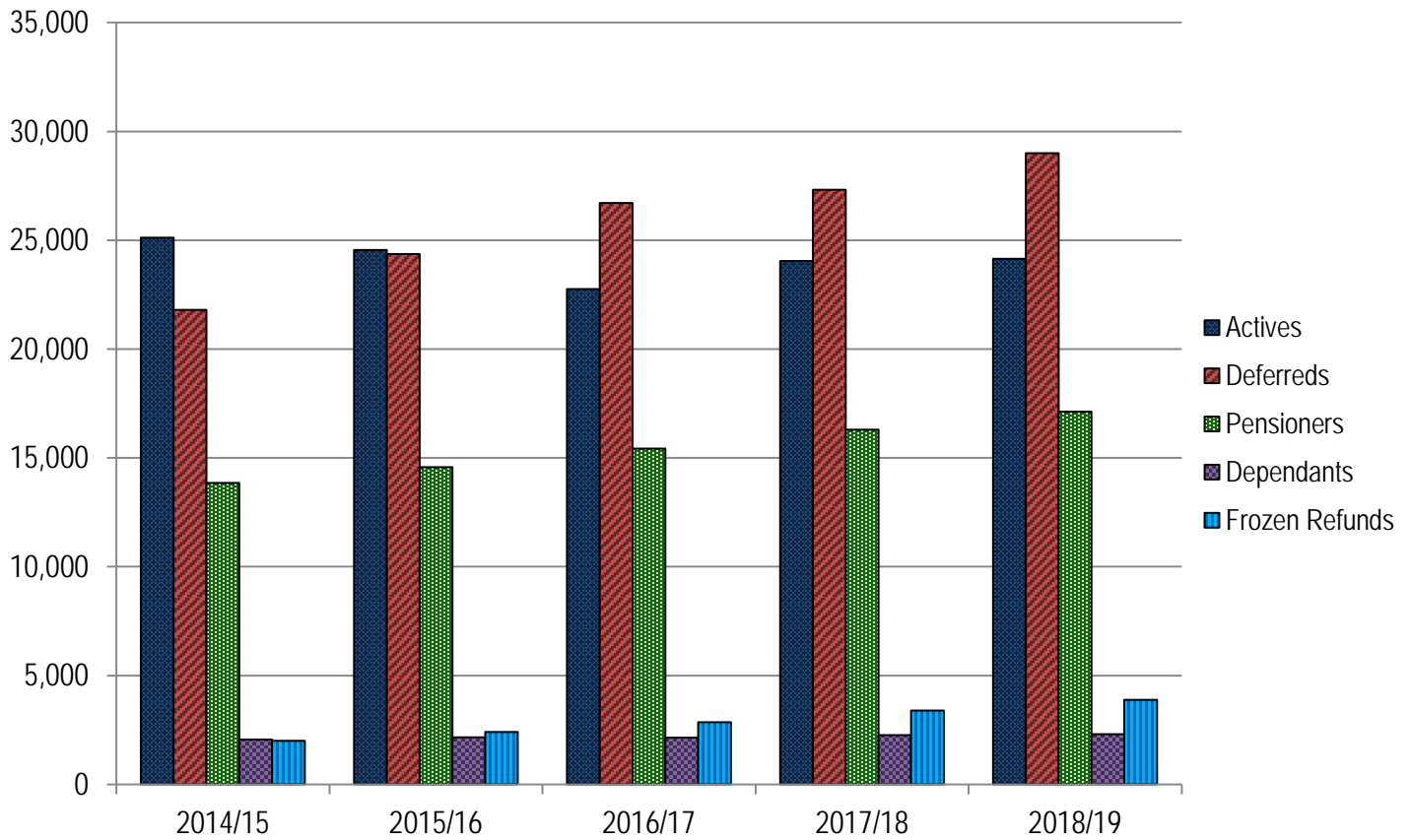
1. Whether to waive upon the voluntary early payment of benefits, any actuarial reduction on compassionate grounds or otherwise
2. Whether, as the 85 year rule does not (other than on flexible retirement) automatically fully apply to members who would otherwise be subject to it and who choose to voluntarily draw their benefits on or after age 55 and before age 60, to switch the 85 year rule back on in full for such members
3. Whether to permit flexible retirement for staff aged 55 or over who, with the agreement of the Scheme employer, reduce their working hours or grade
4. Whether, where an active member wishes to purchase extra annual pension of up to £6,822 (figure at 1 April 2018) by making additional pension contributions (APCs), to voluntarily contribute towards the cost of purchasing that extra pension via a shared cost additional pension contribution (SCAPC)
5. Whether, at full cost to the Scheme employer, to grant extra annual pension of up to £6,822 (figure at 1 April 2018) to an active member or within 6 months of leaving to a member whose employment was terminated on the grounds of redundancy or business efficiency

The following table summarises how employer discretions have been exercised for employer consent retirements in 2018/19.

| Employer discretion: | Number |
|--|--------|
| Early retirement with Employer's consent (where member was age 55-60 and left pre-April 2014) *Reported between 01/04/2018 and 30/04/2018. Employer consent not required after that date. | 2* |
| Flexible retirement | 35 |
| Redundancy retirement | 90 |
| Contribute to shared cost APC | 0 |
| Grant additional pension | 0 |

Additional information for the Scheme annual report

Five-year analysis of the Fund's membership data



| Composition of Membership | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 |
|---------------------------|---------|---------|---------|---------|---------|
| Actives | 25,112 | 24,552 | 22,754 | 24,042 | 24,141 |
| Deferreds | 21,791 | 24,362 | 26,699 | 27,313 | 28,991 |
| Pensioners | 13,840 | 14,573 | 15,420 | 16,297 | 17,117 |
| Dependants | 2,060 | 2,155 | 2,146 | 2,251 | 2,294 |
| Frozen Refunds | 1,992 | 2,404 | 2,852 | 3,381 | 3,877 |
| Undecided Leavers | 241 | 236 | 1,317 | 1,593 | 1,258 |

Five year analysis of new pensioners

| Type of retirement | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 |
|-----------------------|------------|-------------|-------------|-------------|--------------|
| Early retirement | 713 | 805 | 878 | 910 | 853 |
| Normal retirement | 38 | 67 | 81 | 93 | 78 |
| Late retirement | 114 | 141 | 137 | 152 | 134 |
| Ill health retirement | 17 | 28 | 24 | 24 | 24 |
| Total | 882 | 1041 | 1120 | 1179 | 1,089 |

Summary of the number of Employers in the Fund as at 31 March 2019

| | Active | Ceased | Total |
|----------------|------------|-----------|------------|
| Scheduled Body | 191 | 38 | 229 |
| Admitted Body | 56 | 49 | 105 |
| Total | 247 | 87 | 334 |

Total value of Employee contributions received **1 April 2018 to 31 March 2019**: £ 30.129m

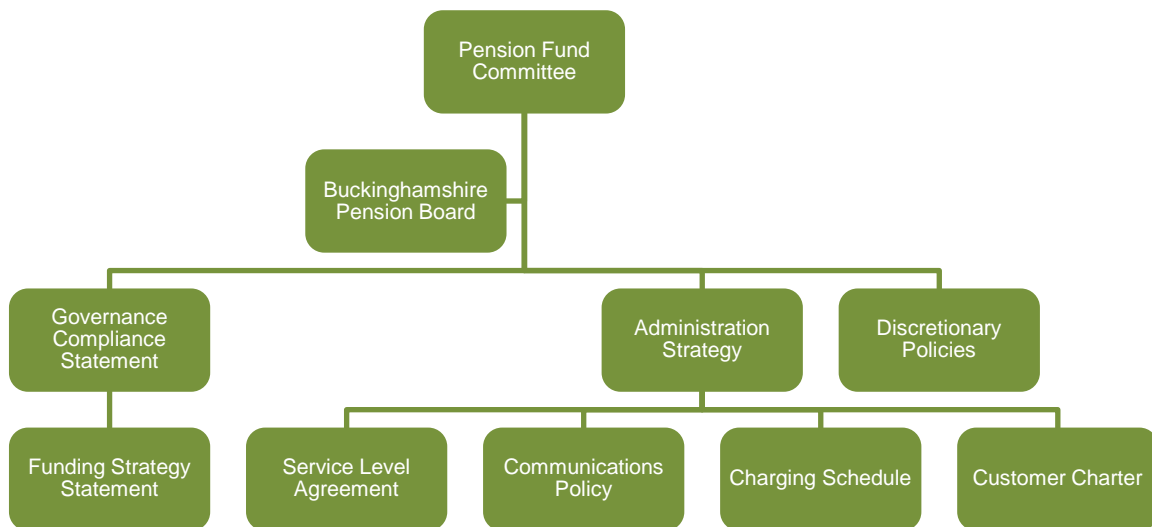
Total value of Employer contributions received **1 April 2018 to 31 March 2019**: £ 107.131m

Governance Statements

The Local Government Pension Scheme (England and Wales) Regulations provide the statutory framework within which LGPS administering authorities are required to publish governance policy and governance compliance statements.

The Pension Administration Strategy and Charging Schedule establish levels of performance for both the administering authority and participating employers, detailing actions to be taken if targets are not met.

The following diagram demonstrates the relationship between the statutory requirements of the Buckinghamshire County Council Pension Fund and its associated policies:



The BCC Pension Fund Governance Statements and Pension Administration Strategy are available for download at <http://www.buckscc.gov.uk/services/council-and-democracy/local-government-pension-scheme/policies/>

Governance Policy Statement

Background

1. Regulation 55 of the Local Government Pension Scheme regulations 2013, requires pension fund administering authorities to prepare and publish a governance compliance statement which covers:
 - whether the administering authority delegates its functions in relation to the pension fund to a committee, a sub-committee or an officer of the Council; and where this is the case, details of:
 - the frequency of any committee's meetings;
 - the terms of reference, structure and operational procedures in relation to the use of delegated powers;
 - whether the committee includes representatives of employers or scheme members; and if so, whether they have voting rights.
2. This policy statement sets out the County Council's arrangements for discharging its responsibilities for pension fund matters in accordance with the governance compliance statement.

Governance of Buckinghamshire Pension Fund

3. The current arrangements for the discharge of the County Council's responsibilities for pension fund matters are set out below.

Governance Statements

4. Under the County Council's constitution, the County Council has delegated responsibility for decision-making on pension fund investments to the Pension Fund Committee. The Pension Fund Committee consults within the advisory framework and the Finance Director - Resources & Pensions, before making decisions within the scope of their delegated powers. The Committee receives professional advice from an investment consultant and an independent adviser on investment strategy and other investment matters.
5. The terms of reference for the Pension Fund Committee are to agree:
 - the overall investment objective for the Fund;
 - the Fund's Investment Strategy Statement;
 - the Fund's asset allocation policy;
 - the appointment of firms to provide investment and actuarial advice for the Fund;
 - any other matters relating to the management and investment of the Pension Fund, as requested.

Reporting

6. The Chairman reports annually to the Cabinet and the Council on the discharge of the Committee's delegated responsibility and the performance of the Fund.

Membership

7. The membership of the Pension Fund Committee is:
 - Six elected members from Buckinghamshire County Council;
 - One elected member from Milton Keynes Council;
 - One elected Police and Crime Commissioner (PCC) or Deputy PCC member from Thames Valley Police;
 - One elected member chosen by the four District Councils in Buckinghamshire;

Members have Quasi-Trustee status and consequently no substitutions are permitted.

8. The Fund's investment consultants and independent adviser advise on investment strategy and other investment matters.

Operational Procedures

9. The Pension Fund Committee has five regular meetings scheduled each year. At four of the meetings the Committee receives a report on the investment performance of the fund in the quarter, the fund's longer term performance. The Committee meets to review the Fund's investment performance in relation to targets.
10. Procedures for communicating with employers contributing to the Pension Fund are set out in the Communication Policy Statement.

Knowledge and Skills Policy Statement

11. This organisation recognises the importance of ensuring that all staff and members charged with the financial administration and decision-making with regard to the pension scheme are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.
12. It therefore seeks to utilise individuals who are both capable and experienced and it will provide/arrange training for staff and members of the pension fund's decision-making bodies to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

Governance Compliance Statement

1. Introduction

- 1.1 This is the Governance Compliance Statement of the Buckinghamshire Pension Fund which operates as part of the Local Government Pension Scheme and is administered by Buckinghamshire County Council (the Council).
- 1.2 This statement has been prepared as required by Regulation 55 of the Local Government Pension Scheme Regulations 2013.

2. Governance Arrangements

- 2.1 Under the terms of the Council's Constitution, the functions of the Council as Administering Authority of the Pension Fund are delegated to the Pension Fund Committee and are excluded from the delegation of authority to the Cabinet and other Committees. The Pension Fund Committee is supported by officers of the Council, investment consultants and an independent adviser. Governance arrangements are outlined in the Governance Policy Statement.
- 2.2 The Pension Fund Committee meets five times a year and its members act in a quasi-trustee capacity. Under the Constitution, it is responsible for administering, investing and managing the Fund. Further meetings can be arranged if required. Terms of reference are available on the Council's website at: <http://democracy.buckscc.gov.uk/mgConvert2PDF.aspx?ID=11106>
- 2.3 The purpose of the Local Pension Board is to assist the administering authority in its role as a scheme manager of the Scheme. This covers all aspects of governance and administration of the LGPS, including funding and investments. Such assistance is to secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme and any requirements imposed by the Pensions Regulator in relation to the Scheme. The Board must also ensure the effective and efficient governance and administration of the Scheme and help the administering authority, including undertaking work requested by the administering authority. Meetings are held four times a year. The Terms of Reference were adopted at the Board's first meeting and are available on the Council's website.

3. Functions and Responsibilities

- 3.1 The Pension Fund Committee approves the Pension Fund's Funding Strategy, the Investment Strategy Statement, the Governance Policy Statement and the Communications Policy. Other key responsibilities of the Committee include:
 - Policy approval
 - Appointing Advisers and monitoring Fund performance
 - Monitoring Scheme Governance
- 3.2 The Funding Strategy sets out the aims and purpose of the Fund and the responsibilities of the administering authority as regards funding the scheme. Regulation 7 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 to formulate, publish and maintain an Investment Strategy Statement.
- 3.3 The Investment Strategy Statement required by Regulation 7 must include:-
 - a requirement to invest money in a wide variety of investments;
 - the authority's assessment of the suitability of particular investments and types of investments;
 - the authority's approach to risk, including the ways in which risks are to be measured and managed;

Governance Statements

- the authority's approach to pooling investments, including the use of collective investment vehicles and shared services;
 - the authority's policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and
 - the authority's policy on the exercise of rights (including voting rights) attaching to investments.
- 3.4 The Investment Strategy Statement must also set out the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investment.
- 3.5 The Communications Policy details the overall strategy for involving stakeholders in the Pension Fund. The Pension Fund also has a Governance Policy Statement which outlines many of the frameworks identified within this document. Additionally, an administering authority discretions document has been developed stating those discretions found within the scheme that it has adopted. All documentation is published at www.buckscc.gov.uk/pensions
- 3.6 The Pension Administration Strategy is an important tool in managing and improving the administrative performance of the Fund. It formally sets out the requirements of both Buckinghamshire County Council as the Administering Authority and participating employers/third party payroll providers in the Fund in a single document within one framework, a formal review is undertaken every three years.

4. Representation

- 4.1 The Pension Fund Committee has 9 members as follows:
- Six Elected Members from Buckinghamshire County Council
 - One Elected Co-Opted Member from Milton Keynes Council
 - One Elected Police and Crime Commissioner (PCC) or Deputy PCC from Thames Valley Police
 - One Elected Co-Opted Member chosen by the four District Councils in Buckinghamshire

Members have Quasi-Trustee status and consequently substitutions are not permitted.

- 4.2 The Local Pension Board has 8 members comprising of 4 employer representatives and 4 scheme member representatives

5. Stakeholder Engagement

- 5.1 A triennial meeting of the Pension Fund, called the 'Pensions General Meeting', is held in November / December in the year of the Fund valuation (the year prior to when the revised contribution rates from the valuation are due to come into effect), to which all employer representatives and scheme members are welcome. The purpose of the meeting is to report on investment performance and current issues of concern to the Fund stakeholders.
- 5.2 Mechanisms used to involve stakeholders include:
- Communication with Scheme Employers
 - Dedicated Employer Liaison Officers and Communications Officer
 - Training Events
 - Meetings with the Actuary and the Auditors
 - Meetings with Advisors
 - Meetings with Brunel Pension Partnership
 - Buckinghamshire Finance Officers meetings
 - The annual report for the Pension Fund
 - Scheme member newsletters/updates

Governance Statements

6. Review and Compliance with Best Practice

- 6.1 This statement will be kept under review and will be revised and published annually or following any material change in the Governance Policy Statement of the Pension Fund.
- 6.2 The Pension Fund is regularly audited and no material findings have arisen from either our internal or external auditors.
- 6.3 The Regulations require a statement as to the extent to which the governance arrangements comply with guidance issued by the Secretary of State. This statement is confirming that all the above mentioned mechanisms are in place and are effective and embedded. Any breach of our Governance Policy would be outlined in this document and reported to the Chairman of the Pension Fund Committee. A summary of our compliance with recommended good practice is outlined below.

Responsible Officer: Claire Lewis-Smith, Principal Pensions Officer (Governance & Employer Liaison)

| Good Practice Requirement | Met/Not Met | Evidence |
|--|-------------|--|
| Structure | | |
| The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing Council. | Met | Pension Fund Committee (PFC) Terms of Reference |
| That representatives of LGPS Scheme employers and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee. | Met | PFC Terms of Reference and Buckinghamshire Pension Board (BPB) Terms of Reference |
| That where a secondary committee or panel has been established, the structure ensures effective communication across both levels. | Met | PFC meets five times per year and BPB meets four times per year. BPB minutes are on the PFC agenda and vice-versa |
| Representation | | |
| That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: - i) Scheme employers (including non-local government employers, e.g. admitted bodies); ii) Scheme members (including deferred and pensioner scheme members), iii) Independent professional observers, and iv) Expert advisors (on an ad-hoc basis). | Met | Key stakeholders on PFC or BPB as per Terms of Reference i) PFC and BPB ii) BPB iii) PFC and BPB iv) PFC and BPB |

Governance Statements

| Good Practice Requirement | Met/Not Met | Evidence |
|--|-------------|--|
| That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights. | Met | All PFC members and advisers get all papers except where it concerns them. BPB members are provided with relevant training as required under The Pensions Regulator's Code of Practice 14 |
| Selection and role of lay members | | |
| That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee. | Met | This is set out in the Committee's terms of reference. |
| Voting | | |
| The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees. | Met | Voting rights are not specifically noted in the PFC Terms of Reference. However under section 4 (Membership) there are 9 members and under section 4.5 it is noted that members have Quasi-Trustee status and therefore no substitutions are permitted. Section 4.6 confirms the Quorum is 4 members. BPB has 4 employer representatives and 4 scheme member representatives. The Terms of Reference confirms the Quorum is 4 Board members, comprising of at least 2 employer and 2 scheme member representatives. Substitutions are not permitted. |
| Training/facility time/expenses | | |
| That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process. | Met | Training for PFC members is undertaken annually as detailed by the PFC training plan. This organisation has adopted the key recommendations of the <i>Code of Practice on Public Sector Pensions Finance Knowledge and Skills</i> . Reimbursement of Expenses is defined in BCC constitution. Training for BPB members is undertaken in accordance with The Pensions Regulator's Code of Practice 14. |
| That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum. | Met | Reimbursement of expenses is defined in BCC Constitution. |

Governance Statements

| Good Practice Requirement | Met/Not Met | Evidence |
|--|-------------|--|
| Meetings (frequency/quorum) | | |
| That an administering authority's main committee or committees meet at least quarterly. | Met | PFC Terms of Reference. |
| That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits. | Met | BPB Terms of Reference. |
| Access | | |
| That subject to any rules in the council constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee. | Met | Confirmed that this applies by Member Services. |
| Scope | | |
| That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements. | Met | PFC forward plan requires Senior Pension officers to attend meetings to discuss and raise issues outside the usual scope of Pension Fund Investment. |
| Publicity | | |
| That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements. | Met | All non-confidential agendas, papers and minutes are on BCC external website. There is a separate policies section on the website where all governance policies are available. |

The Pension Fund Committee

The membership of the Pension Fund Committee throughout 2018/19 is detailed below:

| Name | Details |
|---------------------|------------------------|
| Clr John Chilver | Chairman |
| Clr David Martin | Vice-Chairman |
| Clr Timothy Butcher | |
| Clr Anita Cranmer | to 24 September 2018 |
| Clr Clive Harriss | |
| Clr Arif Hussain | from 24 September 2018 |
| Clr Niknam Hussain | |
| Clr John Gladwin | District Councils |
| Clr Norman Miles | Milton Keynes Council |
| Clr Matthew Barber | Thames Valley Police |

| PFC: meeting attendance matrix 2018/19 | Chairman | Vice-chairman | TB, BCC Councillor representative | AC, BCC Councillor representative | CH, BCC Councillor representative | AH, BCC Councillor representative | NH, BCC Councillor representative | JG, District Councils Councillor representative | NM, MKC Councillor representative | MB, TVP Councillor representative |
|--|----------|---------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|---|-----------------------------------|-----------------------------------|
| | | | | | | | | | | |
| 24 May 2018 | ✓ | ✓ | - | - | ✓ | | - | ✓ | ✓ | ✓ |
| 20 July 2018 | ✓ | ✓ | ✓ | - | ✓ | | ✓ | ✓ | - | - |
| 24 September 2018 | ✓ | ✓ | ✓ | - | ✓ | - | - | ✓ | - | ✓ |
| 26 November 2018 | ✓ | ✓ | ✓ | | - | - | - | ✓ | - | ✓ |
| 18 March 2019 | ✓ | ✓ | ✓ | | ✓ | ✓ | - | ✓ | ✓ | - |

All members of the Committee have voting rights. PFC Members are required to disclose any declarations of interest at the beginning of each Pension Fund Committee meeting.

The training offered to Pension Fund Committee members included:

- Brunel's Responsible Investment Policy
- Brunel Private Markets
- Brunel Annual Engagement Day

Buckinghamshire Pension Board

The membership of the Buckinghamshire Pension Board throughout 2018/19 is detailed below:

Scheme member representatives

- Peter Dearden
- Steve Mason (Chairman)
- Joe McGovern
- Tina Pearce

Scheme employer representatives

- Bev Black
- Roona Ellis (Vice Chairman)
- Ian Thompson
- Lisa Wheaton

| BPB: meeting and training attendance matrix 2018/19 | Chairman Scheme member representative | Vice-chairman Employer representative | BB, Employer representative | IT, Employer representative | LW, Employer representative | PD, Scheme member representative | JM, Scheme member representative | TP, Scheme member representative |
|---|--|--|--|--|--|---|---|---|
| Buckinghamshire Pension Board meetings | | | | | | | | |
| BPB meeting 18 July 2018 | ✓ | ✓ | ✓ | - | - | ✓ | ✓ | ✓ |
| BPB meeting 10 October 2018 | ✓ | ✓ | ✓ | - | ✓ | ✓ | - | - |
| BPB meeting 14 March 2019 | ✓ | ✓ | - | ✓ | ✓ | ✓ | - | ✓ |
| Training attended 2018/19 | | | | | | | | |
| Barnett Waddingham: Local Pension Boards (LPB) Three Years on | - | ✓ | - | - | - | - | - | ✓ |
| In-house BCCPF Employer training event | ✓ | ✓ | - | - | - | - | - | - |
| Barnett Waddingham: autumn LBP members seminar | - | - | - | - | - | - | - | - |
| LGA Fundamentals training course | - | ✓ | - | - | - | - | - | ✓ |
| Annual LGPS Trustee Conference | - | - | - | - | - | - | - | - |

Annual Review of the Buckinghamshire Pension Board

The Public Service Pensions Act 2013 introduced the requirement to have a Local Pensions Board to assist in the good governance of the scheme.

The Board met three times in 2018. The frequency of meetings was reviewed in October 2018 and was increased to four meetings per year going forward. The Board consists of 4 Employer and 4 Member representatives and all positions were filled during the 2018/19 year. An attendance rate of 75% has been achieved for this year.

All members of the Board have equal voting rights.

On 31 March 2019, the Board members were:

Scheme member representatives

- Peter Dearden
- Steve Mason (Chairman)
- Joe McGovern
- Tina Pearce

Scheme employer representatives

- Bev Black
- Roona Ellis (Vice Chairman)
- Ian Thompson
- Lisa Wheaton

Members of the Board are required to disclose any declarations of interest at the beginning of each Buckinghamshire Pension Board meeting.

In accordance with Section 248a of the Pensions Act 2004, every member of the Buckinghamshire County Council Local Pension Board must be conversant with the rules of the scheme (the Local Government Pension Scheme Regulations), and any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme.

Pension Board members must also have knowledge and understanding of the law relating to pensions, and such other matters as may be prescribed.

Accordingly, all members of the Board are encouraged to take advantage of the many training opportunities notified to them by Pensions Officers and to maintain their core knowledge via self-study using the Pension Regulator's Public Services toolkit for online learning. This includes modules on conflicts of interest, managing risk and internal controls, maintaining accurate member data, maintaining member contributions, providing information to members and others, resolving internal disputes and reporting breaches of the law.

Other training opportunities offered to and undertaken by Board Members include:

- LGA Trustee Fundamentals training
- Barnett Waddingham Board Member Seminars, and
- In-house Employer Training

At the end of its fourth year since inception, the Board looked back at a busy and varied 12 months:

The Board undertook annual reviews of:

- their Terms of Reference, Code of Conduct Policy, Conflicts Policy and the Knowledge and Understanding Framework,

Annual Review of the Buckinghamshire Pension Board

- the Pension Fund Pension Administration Strategy,
- the Pension Fund Annual Report and Accounts 2017/18, and
- the Pension Fund Risk Register.

At each meeting of the Board, reports were presented and considered regarding:

- Pension Fund Administration Performance Statistics,
- Pension Fund Administration Year-end Updates,
- Pension Fund Committee agenda and minutes,
- Updates from Officers regarding the progress in implementing the Brunel Pension Partnership as part of the Government LGPS Investments reform agenda,
- The BCCPF Employer's Newsletter for each quarter.

Ad-hoc reports were presented and considered regarding:

- Breaches of the Law,
- General Data Protection Regulation,
- Guaranteed Minimum Pension Reconciliation,
- Internal Disputes Resolution Procedure,
- i-Connect roll out
- Online access to pension records for scheme members, and
- Training Opportunities.

In addition, the Board Chairman attended meetings of the Pensions Committee in an 'observer' capacity and had regular meetings with senior Officers to review Administration issues.

The Board Chairman reported that,

The Board continue to work closely with Officers to ensure the good governance of the scheme and, via regular reports received and attendance at Pension Fund Committee meetings, to monitor closely the transition of the fund's assets under the new pooling arrangements.

The Board particularly note, and congratulate Officers, on the continued improvement regarding the despatch of Annual Benefit Statements to scheme members and the ongoing effort toward the elimination of historic queries.

The Board is also pleased to recognise the continuing effort being made by Officers in the training and education of scheme employers and the extension of this training to include new and existing Board members.

Pensions Administration Strategy

With 5.6 million members, the Local Government Pension Scheme (LGPS) is one of the largest public sector pension schemes in the UK. Buckinghamshire County Council Pension Fund has approximately 260 employers with over 69,000 scheme members in total.

<http://www.buckscc.gov.uk/services/council-and-democracy/local-government-pension-scheme/employers/contribution-rates/>

The LGPS is one national scheme, administered locally, and is a valuable part of the pay and reward package for employees working in local government or for other employers participating in the Scheme. Success in promoting the Scheme amongst members and ensuring a high quality service delivery depends upon the relationship between the administering authority and scheme employers, and scheme employers and their employees. It should be noted that where a scheme employer uses a third party payroll provider, the scheme employer remains the responsible party under The LGPS Regulations.

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

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

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

The strategy is effective from 1 April 2019. Any enquiries in relation to this strategy should be sent to:

Pensions Administration Manager
Buckinghamshire County Council
Pensions & Investments Team
County Hall
Aylesbury
HP20 1UD

Regulatory Framework

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

- Procedures for liaison and communication with its scheme employers.
- The establishment of levels of performance which the administering authority and its scheme employers are expected to achieve in carrying out their scheme functions by:
 - the setting of performance targets
 - the making of agreements about levels of performance and associated matters, or
 - such other means as the administering authority considers appropriate
- Procedures which aim to secure that the administering authority and its scheme employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance.

Pensions Administration Strategy

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

Regulation 59(3) states that an administering authority must keep the strategy under review and make appropriate revisions following any material change in its policies in relation to any matters contained within the strategy. When preparing, reviewing or making revisions to the strategy, an administering authority must consult its scheme employers and any other persons it considers appropriate.

Under Regulation 59(6), where an administering authority publishes its pension administration strategy, or that strategy is revised, it must send a copy to each of its scheme employers and to the Secretary of State as soon as is reasonably practicable. In preparing, reviewing or making revisions to the policy, an administering authority must consult its scheme employers. This will be carried out via direct mailing, employer newsletters or via the Pension Board.

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

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

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

Responsibilities and Procedures

1. Procedures for liaison and communication with scheme employers

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

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

Procedures for liaison and communication between the Buckinghamshire County Council Pension Fund and scheme employers are contained within the Buckinghamshire County Council Pension Fund's Communication Policy.

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

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

Effective communication between all parties concerned reduces errors, improves efficiency and nurtures better working relationships. Where performance monitoring shows there is cause for concern, the scheme employer's dedicated Employer Liaison Officer will work closely with them to improve any underperformance.

1.1.1. Training

Buckinghamshire County Council as the administering authority will provide annual training sessions for all scheme employers and additional training and support to scheme employers where concerns are identified. All scheme employers may request an ad-hoc training session.

1.1.2. Website

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

1.2. Establishing levels of performance

1.2.1 Performance Standards

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

1.2.2. TUPE Transfers

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

1.2.3. Overriding legislation

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

- Superannuation Act 1972;
- Pensions Act 1995 and associated disclosure legislation;
- Freedom of Information Act 2000;
- Finance Act 2004;
- Equality Act 2010;
- Public Service Pensions Act 2013;
- Data Protection Act 2018; and
- Health and Safety legislation.

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

1.2.4. Internal Standards

These are standards detailed in the SLA and include:

- Compliance with all requirements in the SLA;
- Provision of information or notifications in the required format using i-Connect and/or using forms/spreadsheets as provided with the SLA;
- All information or notifications to be legible and accurate;

- Communications to be in plain language;
- Information provided to be checked for accuracy by another member of staff;
- A nominated pensions contact within each scheme employer; and
- Information provided or decisions made within the timescales contained within the SLA.

1.2.5. Timeliness

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

1.2.6. Data quality

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

1.2.7. Employer Liaison Officers

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

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

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

2.1. Audit

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

2.2 Performance monitoring

The administering authority will report on each scheme employer periodically against specific tasks outlined in the SLA. The administering authority will monitor its own performance in accordance with the SLA, provide an internal benchmark comparison year on year and report outcomes to the Pension Board.

2.3. Employer liaison meetings

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

2.4. Pension Board

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

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

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

2.5. Pension Fund Committee

The Pension Fund Committee (PFC) is responsible for setting overall investment strategy and investment principles. They appoint Advisors and monitor Fund performance. They are responsible for monitoring scheme governance and policy approval. The PFC's Terms of Reference can be found in the Council's Constitution at:

<https://www.buckscc.gov.uk/media/4510769/council-constitution.pdf>

2.6. Valuation

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

2.7. Year End and Annual Benefit Statements.

Annual year end processes will be circulated to all scheme employers in a timely manner. Outline details are within the SLA. Annual Benefit Statements will be made available to members online, by 31 August each year, unless they have elected for a hard copy. Further details on Annual Benefit Statements are outlined in the Communications Policy.

2.8. Treasury Management

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

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

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

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

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

The administering authority may also charge for other services. Details of all the charges that apply are detailed at Appendix A, shown on page 61.

Procedures to address unsatisfactory performance

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

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

Pensions Administration Strategy

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

Administering Authority unsatisfactory performance will be reported to the Pension Board and Pension Fund Committee if applicable. Performance is monitored against the SLA.

Review Process

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

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

| Charging Schedule | | |
|--------------------------|--|---|
| 1. | Failure to notify BCC of new starters by the 19 th of the month following the month payroll action was taken | Charge dependent on the amount of additional time spent obtaining the outstanding data by Pensions & Investments Team |
| 2. | Failure to notify BCC of a change in hours or a change in member's address by the 19 th of the month following the date where payroll action was taken | Charge dependent on the amount of additional time spent obtaining the outstanding data by Pensions & Investments Team |
| 3. | Failure to notify BCC of unpaid leave, parental leave or trade dispute breaks by the 19 th of the month following the month in which payroll action was taken | Charge dependent on the amount of additional time spent obtaining the outstanding data by Pensions & Investments Team |
| 4. | Failure to notify BCC of any member leaving by the 19 th of the month following the month in which the member left | Charge dependent on the amount of additional time spent obtaining the outstanding data by Pensions & Investments Team |
| 5. | Failure to notify BCC of any retirement within 3 weeks of the member's retirement date | Charge dependent on the amount of additional time spent obtaining the outstanding data by Pensions & Investments Team |
| 6. | Where as a result of the Employer's/Payroll Provider's failure to notify BCC of a retirement interest becomes payable on any lump sum or death grant paid, BCC will recharge the total amount of interest to the scheme Employer | Interest calculated in accordance with Regulation 81 of The LGPS Regulations 2013 |
| 7. | Failure to notify BCC of the death in service of a member within 10 working days of notification | Charge dependent on the amount of additional time spent obtaining the outstanding data by Pensions & Investments Team |
| 8. | Failure to notify BCC of the monthly contributions deducted by the 19 th of the month via the monthly notification spreadsheet (non i-Connect scheme employers) | Charge dependent on the amount of additional time spent obtaining the outstanding data by Pensions & Investments Team |
| 9. | Failure to pay over monthly contributions to BCC by the 19 th of the month following deduction of the contributions | Interest calculated in accordance with Regulation 71 of The LGPS Regulations 2013 |
| 10. | Failure to pay an additional administration cost | Interest calculated in accordance with Regulation 71 of The LGPS Regulations 2013 |
| 11. | Failure to provide BCC with the annual year end return by 30 April | £50 per working day from 1 May to date return is received |
| 12. | Failure to respond to requests for Year-end information to resolve queries within the prescribed time | Charge dependent on the amount of additional time spent obtaining the outstanding data by Pensions & Investments Team |
| 13. | Estimate requests in excess of two required in a rolling year | £11.50 per estimate plus VAT per additional request |
| 14. | Other non-standard work | Charge dependent on the amount of time taken and Pensions & Investments Team member undertaking the work |

Notes to the Charging Schedule:

Please note the detail below applies to all scheme employers whether they submit a monthly notification spreadsheet or use i-Connect.

1. Notifications of new starters must include all of the information detailed in the New Entrants to the Scheme section of the SLA.
2. Notifications of changes in hours and address must include all of the information detailed in the Changes section of the SLA.
3. Notification of any unpaid leave, parental leave or trade dispute breaks must include all of the information detailed in the Unpaid Leave section of the SLA.
4. Notifications of leavers must include all of the information required on the 'Notification of Employee Leaving' form, detailed in the Leavers section of the SLA. Where an overtime payment is still to be made and the employer is not able to submit the form before the 19th of the month following the month in which the member left, they should submit the form as soon as possible after the final payment and not wait until the following month's submission.
5. Notifications of retirements must include all of the information required on the 'Notification of Employee Leaving' form, detailed in the Retirements section of the SLA. Where an overtime payment is still to be made and the employer is not able to submit the form before the 19th of the month following the month in which the member left, they should submit the form as soon as possible after the final payment and not wait until the following month's submission.
6. Regulation 81 of The LGPS Regulations 2013 state that interest must be calculated at one per cent above base rate on a day to day basis from the due date to the date of payment and compounded with three-monthly rests. If late payment of a lump sum or death grant occurs as a result of a failure by the scheme member to provide information to the Pensions & Investments Team, the pension fund will be liable for the payment of any interest due.
7. Notification of a death in service must include all of the information required on the 'Notification of Employee Leaving' form, detailed in the Death in Service section of the SLA.
8. Notification of the contributions deducted should be sent (non i-Connect users only) on a monthly basis in order for the contributions to be reconciled and allocated correctly.
9. Requirements regarding payment of monthly contributions are set out in the Monthly Contributions section of the SLA. Regulation 71 of The LGPS Regulations 2013 states that for overdue payments, interest must be calculated at one per cent above base rate on a day to day basis from the due date to the date of payment and compounded with three-monthly rests.
10. Regulation 71 of The LGPS Regulations 2013 states that for overdue payments, interest must be calculated at one per cent above base rate on a day to day basis from the due date to the date of payment and compounded with three-monthly rests.
11. Requirements regarding submission of the annual return are set out in the Year-End Return section of the SLA.
12. Requirements regarding Year-End queries are set out in the Year-End section of the SLA.

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

The Fund's Communications Policy Statement as at 1 April 2017 is reproduced below. This policy statement is reviewed every three years in line with the Fund's triennial valuation and a revised version will be published, effective 1 April 2020.

Due to the Fund's ongoing shift to digital delivery, the following big changes were implemented in 2018/19, which will be reflected in the next policy statement review. A number of smaller changes will also be incorporated at that time.

- In August 2018 the Fund went paperless with their annual benefit statements. Rather than being printed and sent to the relevant Employer or by post to the member, annual benefit statements for all active and deferred scheme members were published to our secure "my pension online" member portal. Members can opt-out of online access and receive a printed statement, however in 2018/19 less than 1,000 printed statements were sent. Some of these opted-out members have since signed up to "my pension online" and will be provided with an electronic statement in future.
- Due to data protection legislation implemented in May 2018, the Fund has shifted focus from Employer Services to i-Connect. i-Connect is a middleware technology solution which enables employers to automate their submission of data to the Fund and move to real-time monthly data reporting. In 2018/19, 54 scheme employers went live with i-Connect.

Introduction

With over 67,000 Scheme members, the Buckinghamshire County Council Pension Fund has a responsibility to provide timely and accurate information to all stakeholders.

Regulation 61 of the Local Government Pension Scheme Regulations 2013 requires Funds to prepare, maintain and publish a written statement setting out its policy concerning communications. The Communications Policy Statement is available online at <http://www.buckscc.gov.uk/services/council-and-democracy/local-government-pension-scheme/policies/> and outlines the Fund's position on:

- The provision of information and publicity about the Scheme to members, employers and representatives of members participating in the Fund.
- The promotion of the Scheme to prospective members and their employing authorities.
- The format, frequency and methods of distributing Fund information and publicity.

To ensure the information reaches all interested parties, different media and methods of communication will be used.

Communication with Scheme members

1.1 Printed Literature

The Fund provides brief and full Scheme guides, which give information on the key aspects of the Scheme, based on the guides produced by the Local Government Association (LGA). The Scheme guides serve as a reference point for Scheme members and are available on request from the member's Scheme employer or direct from the Pensions & Investments Team website. The Fund also produces a guide for pensioner members, "Your Retirement", which provides information on the benefits payable and other factors for consideration after retirement. The retirement guide is updated annually. All guides are updated and uploaded to the Fund's website when there are changes to the Regulations. Printed copies are available on request.

1.2 Internet

The Fund's website, <http://www.buckscc.gov.uk/pensions>, is the main medium for communicating with Scheme members and changes to the Scheme are regularly added to the website. The website is reviewed frequently and is updated as required. The website provides a number of online Scheme guides, forms, and fact sheets along with links to other relevant websites. Details of Scheme benefits, pensioner pay dates and other frequently requested

information, including contact details for the Pensions & Investments Team are available. Electronic copies of the Fund's forms and guides are available for download in PDF format.

1.3 Telephone

The Pensions & Investments Team has a dedicated helpline number for member enquiries. The helpline is staffed by Member Liaison Officers from 09:00 until 17:30 Monday to Thursday, 09:00 until 17:00 on Friday and an answering service is in operation at all other times. All communications published include the helpline number, 01296 383755.

1.4 Fax, Post and Email

The Fund publishes central fax, postal and email contact details for member enquiries. The fax, post and email accounts are monitored daily. All correspondence is date stamped, logged on a workflow monitoring system and scanned directly to the member's record on receipt for appropriate action. Full contact details are:

Pensions & Investments Team
County Hall, Aylesbury
Bucks
HP20 1UD

Email: pensions@buckscc.gov.uk Fax: 01296 383780

1.5 Pensions Presentations

The Fund offers a variety of presentations, which are available to active scheme members or those wishing to join the Scheme. Presentations include:

- Induction – For new employees
- Planning for the Future
- Pre-Retirement
- Scheme changes e.g. LGPS 2014 changes

These courses are available upon request by Scheme employers.

1.6 Newsletters

A member newsletter detailing Scheme updates is compiled and distributed to all active Scheme members annually. Where the newsletter also relates to deferred and pensioner members, they will receive a copy of the newsletter as well.

A pensioner newsletter, "In Touch", is prepared and distributed annually detailing the annual pensions increase, pay dates for the year, contact details for the Pensions & Investments Team and other statutory information.

1.7 Payslips/P60s

Pensioner members are sent a payslip every month where there is more than a £5.00 variance in their net monthly payment, or where they have requested a monthly payslip to be sent. All pensioner members receive an annual payslip in April and May to reflect the pensions increase. A payslip is issued to all pensioners in September/October. This was implemented to ensure we are aware of any pensioners who may have moved and not informed us of their new address. P60s are issued by the end of May each year. Short messages can be printed onto payslips and these can be used to communicate personal changes or more general pension information.

1.8 Annual Benefit Statements

All active, deferred and pension credit members receive an annual benefit statement, delivered to their home address where known, otherwise via their employer.

The Fund is legally required to send an annual benefit statement to all active, deferred and pension credit (individuals awarded a pension credit on divorce) members, as per Regulation 89 of The Local Government Pension Scheme Regulations 2013.

The annual benefit statement provides Scheme members with:

- an estimate of the current value of Scheme benefits and death benefits
- a projection of benefits at retirement
- an opportunity to check that all details on their record are correct

1.9 Retirement information

When notification of a Scheme member's retirement is received, a benefit statement is prepared to show the pension benefits the member is entitled to. A website link to the retirement guide (with the option to request a printed copy) is included in our correspondence and this information is sent to the member's home address, or email address where known.

1.10 Letter of Condolence

When the Fund receives notification of the death of a Scheme member, a letter of condolence is sent to the dependents, beneficiaries or personal representatives, detailing the administrative procedure to be followed.

1.11 Member Self Service – “my pension online”

The Fund has updated its pension administration system to enable members to access their pension details online. Registered members are able to safely and securely access their Annual Benefit Statements, check the accuracy of their pension records, calculate the pension benefits due at retirement and view and change who they have nominated to receive their lump sum Death Grant.

Active members will receive registration information via their work email address, or can register online at <https://ms.buckscc.gov.uk>. Deferred and pensioner members can register online at <https://ms.buckscc.gov.uk>. In future all our annual benefits statements will only be available online. If, however, members would prefer to continue receiving a paper statement, they are able to opt out of Member Self Service.

1.12 Miscellaneous

A birthday card is sent to all pensioners who reach the age of 100.

Communication with Scheme employers

Employing authorities in the Buckinghamshire County Council (BCC) Pension Fund include scheduled bodies and admitted bodies as defined in Regulation 3 of The Local Government Pension Scheme Regulations 2013.

- **Scheduled Bodies** are required to offer Scheme membership to their employees. Some may have to pass a resolution and/or designate a specific class of employee eligible to be a member.
- **Admitted Authorities** are employers who have entered into an "admission agreement" with BCC to allow their employees to join the Scheme.

2.1 Internet

The Fund's website is accessible to all Scheme employers. The website includes a dedicated Employer area, and is regularly updated with changes to the Scheme, as well as providing access to Scheme guides and other relevant information.

2.2 Telephone

Each Scheme employer is allocated a dedicated Employer Liaison Officer and provided with this person's name & direct contact details so that they do not have to use the Pensions & Investments Team helpline number.

2.3 Fax and Post

The Fund publishes central fax, postal and email address details for employers' enquiries. These are monitored throughout the day.

2.4 Email

Scheme employers are periodically advised, via email, of changes to Scheme legislation, policy and issues currently under debate. The dedicated email address for Scheme employers to submit any queries is employers@buckscc.gov.uk.

2.5 Newsletter

A quarterly employer newsletter is sent to all Scheme employers, which summarises changes to Scheme legislation, policy, issues currently under debate and Scheme administration. These are also available from the Fund's website.

2.6 Buckinghamshire Pension Board

The Local Government Pension Scheme (Amendment) (Governance) Regulations 2014 set out the requirements for an administering authority to establish a Local Pension Board.

The purpose of the Board is to assist the Administering Authority in its role as a scheme manager. This covers all aspects of governance and administration of the LGPS, including funding and investments. Such assistance is to:

- secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme;
- to ensure the effective and efficient governance and administration of the Scheme.
- helping the Administering Authority, including doing work requested by the administering authority

Full details of the Board and minutes of all meetings can be found at:

<https://democracy.buckscc.gov.uk/mgCommitteeDetails.aspx?ID=869>

2.7 Year-End Financial Information

Scheme employers receive an annual email requesting year-end financial information. This request includes a covering email, spreadsheet attachments, accompanying guidance notes for the provision of year-end data and a timetable setting out the requirements of both the administering authority and Scheme employers. Scheme employers are asked to certify the split between employer's contributions, employee's contributions and any additional contributions. This information is used to accurately reflect employers' and scheme members' contributions in the year-end Statement of Accounts.

Once the contributions have been uploaded to the pension software system (Altair), it is used to produce the Annual Benefit Statements that are provided to all active and deferred Scheme members each year.

2.8 Annual Reports and Accounts

Copies of the Fund's annual report and accounts are published on the website by the end of July each year. Hard copies are available on request.

2.9 Presentations and meetings

The BCC Pensions & Investments Team invites representatives from all Scheme employers to attend the Pensions General Meeting, which takes place every 3 years in the year of the Fund valuation (the year prior to when the revised contribution rates from the valuation are due to come into effect). Presenters vary depending on key topics of the day but in the past have included BCC's Director of Assurance, Finance Director (Consultancy), Pensions & Investments Manager, Fund managers and the Scheme's Actuary.

2.10 Employer meetings and training sessions

Meetings with a member of the Employer Liaison Team and Scheme employers will take place at the request of either the administering authority or the Scheme employer to review performance against targets and the quality of data exchanged.

Frequent meetings will be arranged for larger employers or where deemed necessary by either party. Scheme employers can request training sessions for staff involved with the provision of Scheme information to the Fund, including correct completion of pension forms.

Presentations by the Pensions & Investments Team are also provided at induction, preparing for the future and pre-retirement. Scheme employers must provide the venue and notify employees concerned of its availability. Due to the high demand for courses, the Pensions & Investments Team cannot offer this service to groups of fewer than 20 members.

2.11 Employer Services

In addition to Member Self Service, the Fund's Employer Services website will soon go live. The system enables Employers to view and amend data online for their staff, including:

- New starter creation
- Update of general information
- Update of part-time hours
- Notification of leavers
- Benefit projector
- Benefit calculations
- Documentation
- Reporting
- Work activities
- Submission of interface files

2.12 FRS102/IAS19 Reports

The FRS102/IAS19 Reports are prepared annually and are provided to relevant Scheme employers in electronic format, via email.

Communication with members' representatives

Scheme members include prospective, active/contributing, deferred and pensioner members of the BCC Pension Fund. Members' representatives include any individual or group enquiring or acting on behalf of a Scheme member, with the Scheme member's authority e.g. trade unions or solicitors.

3.1 Internet

The Fund's website is accessible to members' representatives and is regularly updated with changes to the Scheme, as well as providing access to Scheme guides and information. The website provides a number of online Scheme guides, forms and fact sheets along with links to other relevant websites. Details of Scheme benefits, pensioner pay dates and other frequently requested information, including contact details for the Pensions & Investments Team are available.

3.2 Telephone

The Pensions & Investments Team has a dedicated helpline number for general pension enquiries. The helpline is staffed by Member Liaison Officers from 09:00 until 17:30, Monday to Thursday, 09:00 until 17:00 on Friday and an answering service is in operation at all other times. All communications published include the helpline number, 01296 383755.

3.3 Fax, Post and Email

The Fund publishes central fax, postal and email contact details for general pension enquiries. The fax, post and email accounts are monitored daily.

Communication with prospective members

4.1 Printed Literature

A link to the Fund's website, directing the prospective member to the Scheme guides, death grant expression of wish forms and forms for transferring in benefits, is included in the employment offer package sent by the relevant Scheme employer to all new employees. Printed copies are available on request.

4.2 Internet

The Fund's website provides a number of fact sheets and other frequently requested information, including contact details for the Pensions & Investments Team. Electronic copies of the Fund's forms and guides are available for download and printed versions are available on request. The website is reviewed regularly and updated with changes to the Scheme. A link to the national Local Government Pension Scheme website is provided which has a section for employees thinking of joining.

4.3 Telephone

The Pensions & Investments Team has a dedicated helpline number for employees' enquiries. The helpline is staffed by Member Liaison Officers from 09:00 until 17:30, Monday to Thursday, 09:00 until 17:00 on Friday and an answering service is in operation at all other times. All communications published include the helpline number, 01296 383755.

4.4 Fax, Post and Email

The Fund publishes central fax, postal and email contact details for general pension enquiries from any interested party.

4.5 Induction presentations

An overview of the Scheme is included in the induction programme for BCC staff and other employers where Pensions & Investments Team representation is requested.

4.6 Press Releases

When there is a change to the Scheme, notification is issued by the Finance Director (Consultancy) or the Pensions & Investments Manager to all Scheme employers to cascade to all staff. Notifications will be sent via email.

4.7 Miscellaneous

Prospective members can request information, for illustration purposes, of the costs of joining the Scheme from their employer or from the national LGPS website.

Access to Communications

The Fund can provide large print and Braille versions of all its printed literature on request. The Fund's website is designed to work on mobile devices and with assistive technologies e.g. screen readers for visually impaired users.

This communication policy statement is reviewed every three years in line with the triennial valuation and a revised version will be republished following any material change.

The availability and format of Fund publications, frequency & review periods

| Communication Material | Formats Available | Available To | When Published | When Reviewed |
|---|---------------------------------------|--|---|------------------------------------|
| Scheme guides | Online, paper | All members, prospective members, members' representatives, Scheme employers | Web link to guides included with employment offer. Available on request | As required |
| Fact sheets | Online, paper | All members, prospective members, members' representatives, Scheme employers | Always available | As required |
| Member Self Service and Employer Services | Online | All registered members and employers, allowing them to access their/their staff online pension records | Always available | As required |
| Scheme update newsletter | Online, paper | All Active members. (Deferred and Pensioner members where necessary) | Annually or more often as required | Annually or more often as required |
| Pensioner newsletter | Online, paper | Pensioner members | Annually | Annually |
| Technical Employer newsletter | Sent via email, also available online | Scheme employers | Quarterly | Quarterly |
| Payslips | Paper, online | Pensioner members | Monthly if £5 variance in net pay/if requested by pensioner member | As required |
| P60s | Paper, online | Pensioner members | Annually | Annually |
| Annual Benefit Statements | Paper, online | All Active, Deferred and Pension Credit members | Annually | Annually |
| Retirement guide | Online, paper | Pensioner members | At retirement | Annually or more often as required |
| Annual Report and Accounts | Online | Scheme employers | Annually | Annually |
| Fund Valuation Report | Online | Scheme employers | Every three years | Every three years |
| Training / Presentations | PowerPoint Presentation | Members, Scheme employers | On request | As required |
| Press Releases | Electronic | Scheme employers | When Scheme changes | As required |
| FRS102/IAS19 Reports | Electronic | Relevant Scheme employers | Annually | Annually |

Funding Strategy Statement

This is the Funding Strategy Statement (FSS) for the Buckinghamshire County Council Pension Fund. It has been prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (the Regulations) and describes Buckinghamshire County Council's strategy, in its capacity as administering authority, for the funding of the Buckinghamshire County Council Pension Fund (the Fund). This statement should be read in conjunction with the Fund's Investment Strategy Statement (ISS) and has been prepared with regard to the 2016 guidance issued by CIPFA.

Purpose of the Funding Strategy Statement

The purpose of the FSS is to explain the Fund's approach to meeting employers' pension liabilities and in particular to:

- Establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;
- Support the desirability of maintaining as nearly constant a primary contribution rate as possible, as defined in Regulation 62(5) of the Regulations;
- Ensure that the regulatory requirements to set contributions to meet the future liability to provide scheme member benefits in a way that ensures the solvency and long-term cost efficiency of the fund are met; and
- Take a prudent longer-term view of funding those liabilities.

These objectives are desirable individually but may be mutually conflicting. This FSS seeks to set out how the administering authority has balanced the conflicting aims of affordability of contributions, transparency of processes, stability of employers' contributions and prudence in the funding basis.

Aims and purposes of the Fund

The aims of the Fund are to:

- Manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due;
- Enable primary contribution rates to be kept as nearly constant as possible and (subject to the administering authority not taking undue risks) at reasonable cost to all relevant parties (such as the taxpayers, scheduled, resolution and admitted bodies), while achieving and maintaining fund solvency and long-term cost efficiency. This should be assessed in light of the risk profile of the Fund and employers, and the risk appetite of the administering authority and employers alike; and
- Seek returns on investment within reasonable risk parameters.

The purpose of the Fund is to:

- Pay pensions, lump sums and other benefits to scheme members as provided under the Regulations;
- Meet the costs associated in administering the Fund;
- Receive contributions, transfer values and investment income; and
- Accumulate and invest money received, and facilitate the management of this.

Funding objectives

Contributions are paid to the Fund by Scheme members and the employing bodies to provide for the benefits which will become payable to Scheme members when they fall due.

The funding objectives are to:

- Set levels of employer contribution that will build up a fund of assets that will be sufficient to meet all future benefit payments from the Fund.
- Build up the required assets in such a way that employer contribution rates are kept as stable as possible, with consideration of the long-term cost efficiency objective.
- Ensure that pension benefits can be met as and when they fall due over the lifetime of the Fund; and
- Ensure the solvency of the Fund; and
- Ensure effective and efficient management of each employer's liabilities.

Key parties

The key parties involved in the funding process and their responsibilities are as follows:

The administering authority

The administering authority for the Pension Fund is Buckinghamshire County Council. The main responsibilities of the administering authority are to:

- Operate the Fund;
- Collect and account for employee and employer contributions, investment income and other amounts due to the Fund as stipulated in the Regulations;
- Invest the Fund's assets ensuring sufficient cash is available to meet liabilities as and when they become due;
- Pay the benefits due to Scheme members as stipulated in the Regulations;
- Take measures as set out in the Regulations to safeguard the Fund against the consequences of employer default;
- Manage the actuarial valuation process in conjunction with the Fund Actuary;
- Prepare and maintain this FSS and also the ISS after consultation with other interested parties;
- Monitor all aspects of the Fund's performance;
- Prepare the Fund accounts;
- Effectively manage any potential conflict of interest arising from its dual role as both Fund administrator and Scheme Employer; and
- Enable the Local Pension Board to review the valuation process as they see fit.

Individual employers

In addition to the administering authority, a number of other employers, including admission bodies, participate in the Fund. The responsibilities of each employer that participates in the Fund, including the administering authority, are to:

- Collect employee contributions and pay these together with their own employer contributions as certified by the Fund Actuary to the administering authority within the statutory timescales;
- Notify the administering authority of any new Scheme members and any other membership changes promptly;
- Develop a policy on certain discretions and exercise those discretions as permitted under the Regulations;
- Meet the costs of any augmentations or other additional costs, particularly in respect of early retirement strains, in accordance with agreed policies and procedures; and
- Pay any exit payments due on ceasing participation in the Fund.

Scheme members

Active scheme members are required to make contributions into the Fund as set by the Department of Communities and Local Government.

Fund Actuary

The Fund Actuary for the Fund is Barnett Waddingham LLP. The main responsibilities of the Fund Actuary are to:

- Prepare valuations, including the setting of employers' contribution rates at a level to ensure Fund solvency and long-term cost efficiency, after agreeing assumptions with the administering authority and having regard to the FSS and the Regulations;
- Advise interested parties on funding strategy and completion of actuarial valuations in accordance with the FSS and the Regulations;
- Prepare advice and calculations in connection with bulk transfers and individual benefit-related matters;
- Prepare advice and valuations on the exiting of employers from the Fund;
- Provide advice to the administering authority on bonds or other forms of security against the financial effect on the Fund of employer default;

Funding Strategy Statement

- Assist the administering authority in assessing whether employer contributions need to be revised between valuations as permitted or required by the Regulations;
- Ensure that the administering authority is aware of any professional guidance or other professional requirements which may be of relevance to his or her role in advising the Fund; and
- Advise on other actuarial matters affecting the financial position of the Fund.

Funding strategy

The factors affecting the Fund's finances are constantly changing, so it is necessary for its financial position and the contributions payable to be reviewed from time to time by means of an actuarial valuation to check that the funding objectives are being met. The funding strategy seeks to achieve (via employee and employer contributions and investment income) two key objectives:

- A funding level of 100%, as assessed by the Fund's appointed actuary, triennially, in accordance with the Regulations; and
- As stable an employer contribution rate as is practical, with consideration of the long-term cost efficiency objective.

The funding strategy recognises that the funding level will fluctuate with changing levels of employment, retirements and investment income, and the employer contribution has to be adjusted to a level sufficient to maintain the pension scheme's solvency and to achieve a funding level of 100% over the longer term.

The actuarial valuation involves a projection of future cashflows to and from the Fund. The main purpose of the valuation is to determine the level of employers' contributions that should be paid to ensure that the existing assets and future contributions will be sufficient to meet all future benefit payments from the Fund.

The most recent actuarial valuation was carried out as at 31 March 2016 with the assets of the Fund found to represent 87% of the accrued liabilities for the Fund, corresponding to a deficit of £335m. The primary rate required to cover the employer cost of future benefit accrual was 15.1% of payroll p.a. A summary of the methods and assumptions adopted is set out in the sections below.

Funding method

The key objective in determining employers' contribution rates is to establish a funding target and then set levels of employer contribution to meet that target over an agreed period.

The funding target is to have sufficient assets in the Fund to meet the accrued liabilities for each employer in the Fund. The funding target may, however, depend on certain employer circumstances and in particular, whether an employer is an "open" employer – one which allows new staff access to the Fund, or a "closed" employer which no longer permits new staff access to the Fund. The expected period of participation by an employer in the Fund may also affect the chosen funding target.

For open employers, the actuarial funding method that is adopted is known as the Projected Unit Funding Method which considers separately the benefits in respect of service completed before the valuation date ("past service") and benefits in respect of service assumed to be completed after the valuation date ("future service"). This approach focuses on:

- The past service funding level of the Fund. This is the ratio of accumulated assets to liabilities in respect of past service. It makes allowance for future increases to members' pay and pensions in payment. A funding level in excess of 100% indicates a surplus of assets over liabilities; while a funding level of less than 100% indicates a deficit; and
- The future service funding rate (also referred to as the primary rate as defined in Regulation 62(5) of the Regulations) which is the level of contributions required from the individual employers which, in combination with employee contributions is assumed to support the cost of benefits accruing in future.

Funding Strategy Statement

The key feature of this method is that, in assessing the future service cost, the primary contribution rate represents the cost of one year's benefit accrual.

For closed employers, the funding method adopted is known as the Attained Age Method. The key difference between this method and the Projected Unit Method is that the Attained Age Method assesses the average cost of the benefits that will accrue over a specific period, such as the length of a contract or the remaining expected working lifetime of active members.

The amounts that the employer then pays are a combination of the future service cost described above and any adjustments for the past service surplus or deficit. If there is a deficit, this adjustment will be specified as an additional contribution expressed as either a percentage of pay or as a cash amount to be paid in future.

Valuation assumptions and funding model

In completing the actuarial valuation it is necessary to formulate assumptions about the factors affecting the Fund's future finances such as inflation, pay increases, investment returns, rates of mortality, early retirement and staff turnover etc. The assumptions adopted at the valuation can therefore be considered as:

- The statistical assumptions which are essentially estimates of the likelihood of benefits and contributions being paid, and
- The financial assumptions which will determine the estimates of the amount of benefits and contributions payable and their current or present value.

Future price inflation

The base assumption in any valuation is the future level of price inflation over a period commensurate with the duration of the liabilities. This is derived by considering the average difference in yields over the appropriate period from conventional and index linked gilts during the six months straddling the valuation date to provide an estimate of future price inflation as measured by the Retail Price Index (RPI). The RPI assumption adopted as at 31 March 2016 was 3.3% p.a.

Future pension increases

Pension increases are linked to changes in the level of the Consumer Price Index (CPI). Inflation as measured by the CPI has historically been less than RPI due mainly to different calculation methods. A deduction of 0.9% p.a. is therefore made to the RPI assumption to derive the CPI assumption. The CPI assumption adopted as at 31 March 2016 was 2.4% p.a.

Future pay inflation

As some of the benefits are linked to pay levels at retirement, it is necessary to make an assumption as to future levels of pay inflation. Historically, there has been a close link between price and pay inflation with pay increases exceeding price inflation in the longer term. The long-term pay increase assumption adopted as at 31 March 2016 was CPI plus 1.5%, with a short-term assumption in line with CPI for the period to 31 March 2020. An allowance has also been made for promotional increases.

Future investment returns/discount rate

To determine the value of accrued liabilities and derive future contribution requirements it is necessary to discount future payments to and from the Fund to present day values. The discount rate that is adopted will depend on the funding target adopted for each Scheme employer.

The discount rate that is applied to the projected liabilities reflects a prudent estimate of the rate of investment return that is assumed to be earned from the underlying investment strategy by considering average market yields in the six months straddling the valuation date. The discount rate so determined may be referred to as the "ongoing" discount rate. The discount rate adopted for the 31 March 2016 valuation was 5.4% p.a.

Funding Strategy Statement

For some employers, an adjustment may be made to the discount rate in relation to the remaining liabilities, once all active members are assumed to have retired if at that time (the projected "termination date"), the employer becomes an exiting employer under Regulation 64.

The Fund Actuary will incorporate such an adjustment after consultation with the administering authority.

The adjustment to the discount rate for employers may be set to a higher funding target at the projected termination date, so that there are sufficient assets to fund the remaining liabilities on a "minimum risk" rather than on an ongoing basis if the Fund do not believe that there is another Scheme employer to take on the responsibility of the liabilities after the employer has exited the Fund. The aim is to minimise the risk of deficits arising after the termination date.

Asset valuation

For the purposes of the valuation, the asset value used is the market value of the accumulated Fund at the valuation date adjusted to reflect average market conditions during the six months straddling the valuation date.

Statistical assumptions

The statistical assumptions incorporated into the valuation, such as future mortality rates, are based on national statistics. These are adjusted as appropriate to reflect the individual circumstances of the Fund and/or individual employers.

Further details of all of the assumptions adopted are included in the latest actuarial valuation report.

Deficit recovery periods

Whilst one of the funding objectives is to build up sufficient assets to meet the cost of benefits as they accrue, it is recognised that at any particular point in time, the value of the accumulated assets will be different to the value of accrued liabilities, depending on how the actual experience of the Fund differs to the actuarial assumptions. Accordingly the Fund will normally either be in surplus or in deficit.

Where the actuarial valuation discloses a significant deficit then the levels of required employers' contributions will include an adjustment to fund the deficit over a period of years. The deficit recovery period for each employer will depend upon the significance of the deficit relative to that employer's liabilities, the covenant of the individual employer and any limited period of participation in the Fund, and the implications in terms of stability of future levels of employers' contribution.

At the 2016 valuation, a maximum deficit recovery period of 16 years is used for all employers. Shorter recovery periods have been used where affordable. This will provide a buffer for future adverse experience and reduce the interest cost paid by employers. For Transferee Admission Bodies the deficit recovery period is set equal to the remaining contract period if this is known.

Where an employer's contribution has to increase significantly then, if appropriate, the increase may be phased in over a period not exceeding 3 years.

Deficit contributions required from an employer are expressed as a minimum requirement, with employers able to pay regular contributions at a higher rate, or one-off contributions, to reduce their deficit. Employers should discuss with the administering authority before making one-off capital payments.

Pooling of individual employers

The policy of the Fund is that each individual employer should be responsible for the costs of providing pensions for its own employees who participate in the Fund. Accordingly, contribution rates are set for individual employers to reflect their own particular circumstances.

Funding Strategy Statement

However, certain groups of individual employers are pooled for the purposes of determining contribution rates to recognise common characteristics or where the number of Scheme members is small.

Currently there are the following pools within the Fund:

- Buckinghamshire County Council;
- Milton Keynes Council;
- Bucks Academies;
- Milton Keynes Academies;
- Town and Parish Councils;
- Admission Bodies.

There are also a number of connected employers within the Fund. Connected employers are those where we understand that the organisation controls all of the employers or has responsibility for all the pension obligations. Examples include parent/subsidiaries or former Transferee Admission Bodies who have ceased to participate where the legacy liabilities have been passed back to the Letting Authority. In these instances, the contribution rate has been determined as a pooled rate.

The main purpose of pooling is to produce more stable employer contribution levels in the longer term whilst recognising that ultimately there will be some level of cross-subsidy of pension cost amongst pooled employers.

Cessation valuations

When an employer leaves the Scheme and becomes an exiting employer, the Fund Actuary will be asked to make a termination assessment. Any deficit in the Fund in respect of the employer will be due to the Fund as an immediate exit payment, unless it is agreed by the administering authority and the other parties involved that the assets and liabilities relating to the employer will transfer within the Fund to another participating employer.

In certain circumstances, if it is not possible for all or part of the exit payment to be obtained from the ceasing employer, it may be possible for the exit payment to be paid over a period which the administering authority considers reasonable.

In assessing the deficit on cessation, the Fund Actuary may adopt a “minimum risk” discount rate based on gilt yields and adopt different assumptions to those used at the previous valuation. For example, this is likely to apply in instances where there is no employer in the Fund taking responsibility for any residual liabilities of the ceasing employer. This is in order to protect the other employers in the Fund from having to fund any future deficits which may arise from the liabilities that will remain in the Fund.

Early retirement costs

The funding basis makes no allowance for premature retirement except on grounds of ill health. Employers are required to pay additional contributions wherever an employee retires before attaining the age at which the valuation assumes that benefits are payable. The calculation of these costs is carried out with reference to a calculation method approved by the Fund Actuary.

Links with the Investment Strategy Statement (ISS)

The main link between the FSS and the ISS relates to the discount rate that underlies the funding strategy as set out in the FSS, and the assumed rate of investment return which is assumed to be achieved by the underlying investment strategy as set out in the ISS.

As explained above, the ongoing discount rate that is adopted in the actuarial valuation is derived by considering the assumed return from the underlying investment strategy. This ensures consistency between the funding strategy and investment strategy.

Risks and counter measures

Whilst the funding strategy attempts to satisfy the funding objectives of ensuring sufficient assets to meet pension liabilities and stable levels of employer contributions, it is recognised that there are risks that may impact on the funding strategy and hence the ability of the strategy to meet the funding objectives. The major risks to the funding strategy are financial, although there are other external factors including demographic risks, regulatory risks, and employer risks.

Financial risks

The main financial risk is that the actual investment strategy fails to produce the assumed rate of investment return (in real terms) that underlies the funding strategy. This could be due to a number of factors, including market returns being less than assumed and/or the fund managers who are employed to implement the chosen investment strategy failing to achieve their performance targets.

The valuation results are most sensitive to the real discount rate. Broadly speaking an increase/decrease of 0.5% p.a. in the real discount rate will decrease/increase the liabilities by 10%, and decrease/increase the required employer contribution by around 2.5% of payroll.

However, the Pension Fund Committee regularly monitors the investment returns achieved by the fund managers and receives advice from the independent advisers and officers on investment strategy. The Committee may also seek advice from the Fund Actuary on valuation related matters. In addition, the Fund Actuary provides funding updates between valuations to check whether the funding strategy continues to meet the funding objectives.

Demographic risks

Allowance is made in the funding strategy via the actuarial assumptions for a continuing improvement in life expectancy. However, the main demographic risk to the funding strategy is that it might underestimate the continuing improvement in longevity. For example, an increase of one year to life expectancy of all members in the Fund will reduce the funding level by approximately 1%. The actual mortality of pensioners in the Fund is monitored by the Fund Actuary at each actuarial valuation and assumptions are kept under review. The liabilities of the Fund can also increase by more than has been planned as a result of early retirements.

However, the administering authority monitors the incidence of early retirements; and procedures are in place that require individual employers to pay additional amounts into the Fund to meet any additional costs arising from early retirements.

Regulatory risks

The benefits provided by the Scheme and employee contribution levels are set out in Regulations determined by central Government. The tax status of the invested assets is also determined by the Government. The funding strategy is therefore exposed to the risks of changes in the Regulations governing the Scheme and changes to the tax regime which may affect the cost to individual employers participating in the Scheme.

However, the administering authority participates in any consultation process of any proposed changes in Regulations and seeks advice from the Fund Actuary on the financial implications of any proposed changes.

Employer risks

Many different employers participate in the Fund. Accordingly, it is recognised that a number of employer-specific events could impact on the funding strategy including:

- Structural changes in an individual employer's membership;
- An individual employer deciding to close the Scheme to new employees;
- An employer ceasing to exist without having fully funded their pension liabilities; and
- New employers being created out of existing employers.

Funding Strategy Statement

However, the administering authority monitors the position of employers participating in the Fund, particularly those which may be susceptible to the events outlined, and takes advice from the Fund Actuary when required.

In addition, the administering authority keeps in close touch with all individual employers participating in the Fund to ensure that, as administering authority, it has the most up to date information available on individual employer situations. It also keeps individual employers briefed on funding and related issues.

Monitoring and review

This FSS is reviewed formally, in consultation with the key parties, at least every three years to tie in with the triennial actuarial valuation process.

The administering authority also monitors the financial position of the Fund between actuarial valuations and may review the FSS more frequently if necessary.

1. Introduction

The Buckinghamshire County Council Pension Fund (the Fund) is administered by Buckinghamshire County Council (the Administering Authority) which is legally responsible for the Fund. In that role the Administering Authority has responsibility to ensure the proper management of the Fund.

The Administering Authority delegates its responsibility for administering the Fund to the Pension Fund Committee (the Committee), which is its formal decision making body. The Committee is responsible for setting strategic asset allocation and monitoring investment performance, having taken advice from professional advisers. Operational implementation of the investment strategy is delegated to Officers.

In addition, the Buckinghamshire Pension Fund Board has an oversight and scrutiny role to ensure good governance through monitoring of the Fund's performance, activity of the Committee and adherence to statutory duties.

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the Regulations) 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.

This statement sets out the principles that will guide the Committee when making decisions about the investment of the Fund's assets. It also sets out the framework for investing the Fund's assets which is consistent with the funding strategy, as set out in the Funding Strategy Statement.

The Investment Strategy Statement is an important governance tool for the Fund, as well as providing transparency in relation to how the Fund's investments are managed. This statement will be reviewed by the Committee at least triennially or more frequently should any significant change occur.

2. Investment Objectives

The primary objective of the Fund is to be efficient, reduce costs and minimise contributions for employers, in order to meet the cost of pension benefits as required by statute. A related objective is to minimise the volatility of employer contribution rates as investment returns vary from year to year.

The investment objective of the Fund is to achieve a return that is sufficient to meet the primary funding objective, subject to an appropriate level of risk (implicit in the target) and liquidity. The investment strategy will be reviewed at least every three years to ensure it remains appropriate in light of market conditions and the above objectives.

It is the Administering Authority's current policy that external fund managers are employed to administer the Fund's assets. Cash balances arising from the receipt of employer and employee contributions are invested in accordance with the agreement between the Administering Authority and the Committee.

3. Investment strategy and the process for ensuring suitability of investments

The rate of return assumed within the actuarial valuation together with the long term nature of the liabilities means the Fund allocates a significant weighting to asset classes with higher expected returns. Such asset classes may introduce volatility in the short term but are ultimately expected to generate higher returns in the long term. The investment strategy considers the expected risk-return profile of each asset class.

A management agreement is in place for each fund manager, setting out the relevant benchmark, performance target, asset allocation ranges and any statutory restrictions or other restrictions determined by the Committee (where possible).

Investment Strategy Statement

The Fund's investment strategy, along with an overview of the role each asset class plays is set out in the table below:

| Asset class | Allocation (%) | Role(s) within the strategy |
|------------------------------------|----------------|--|
| Equities | 49.0 | |
| Active UK | 10.0 | Generate returns through capital gains and income through exposure to the shares of domestic and overseas companies; indirect links to inflation. The Fund invests in a range of actively and passively managed strategies to gain diversified exposure to global equity markets, using active managers where appropriate and in the expectation that these will add value. |
| Passive Developed Global (incl UK) | 14.2 | |
| Active Developed Global | 18.9 | |
| Emerging Markets | 5.9 | |
| Alternatives | 26.0 | |
| Diversified Growth | 5.0 | To deliver returns in excess of cash, with a reasonably low correlation to traditional equity markets and providing a degree of downside protection in periods of equity market stress. Can include allocations to equities, bonds, cash and other assets which are dynamically managed. |
| Fund of Hedge Funds | 5.0 | Operates in a range of niche markets, looking to generate returns from unconstrained active management and reduce the volatility of the total portfolio via increased diversification. |
| Property | 8.0 | Generate returns through income and capital appreciation via investment in UK and European property markets, whilst providing some diversification away from equities and bonds. |
| Private Equity | 8.0 | Generate returns through privately held assets that are not quoted on a stock market and capture the illiquidity premium available to long-term investors. Diversification of risk and return sources away from more traditional assets. |
| Bonds | 25.0 | |
| Index-Linked Gilts | 10.0 | Provide direct protection relative to inflation linked liabilities. |
| UK Corporate Bonds | 15.0 | Expected to generate returns above those available on domestic sovereign bonds (gilts) with only marginal increase in risk, whilst providing diversification relative to other asset classes. |
| Total | 100.0 | |

The Fund employs a number of external investment managers to deliver the investment strategy. This includes selecting active managers for asset classes where manager skill is expected to enhance the market return and manage risk, to a greater or lesser extent, or where passive options are not available. Passive approaches aim to deliver the market return by replicating the index in a cost and implementation efficient manner.

Asset allocation varies over time through the impact of market movements and cash flows. The overall balance between "growth" assets (equities and alternatives) and "defensive" assets (bonds) is monitored regularly by one of the Fund's investment managers, and if the allocations move more than 2.5% away from the 75% growth / 25% defensive target, the manager will switch assets between equities and bonds in order to maintain the asset distribution as close as possible to the central benchmark.

Investment Strategy Statement

The Committee is responsible for the Fund's asset allocation which is determined via strategy reviews undertaken as part of the actuarial valuation process. The last review of the investment strategy was in Q1 2017 and was both qualitative and quantitative in nature, and was undertaken by the Committee in conjunction with Officers and independent advisers. The review considered:

- The required level of return that will mean the Fund can meet its future benefit obligations as they fall due
- An analysis of the order of magnitude of the various risks facing the Fund
- The desire for diversification across asset class, region, sector, and type of security.

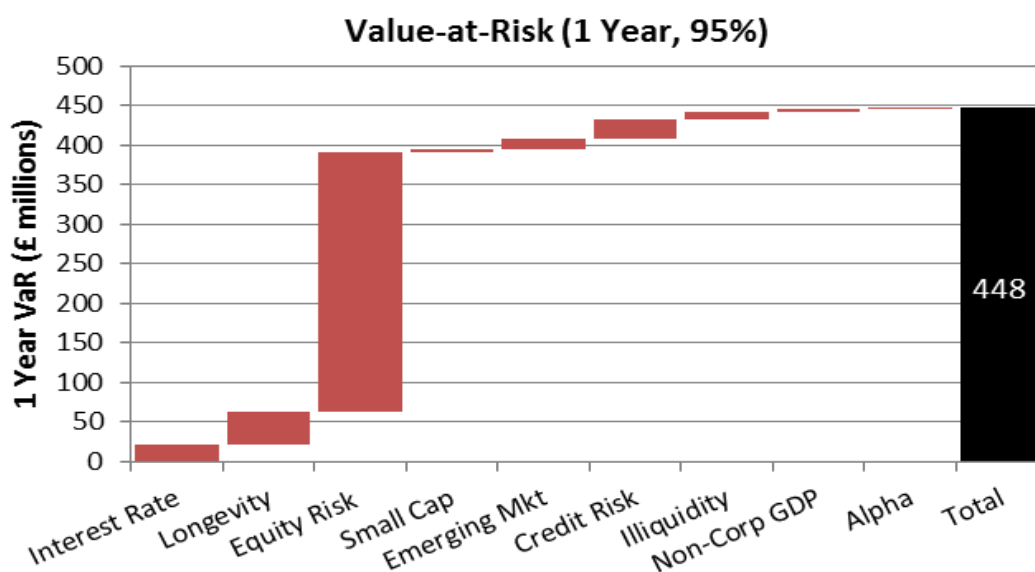
Following the latest investment strategy review, the Committee are considering a number of revisions to the long term investment strategy. These proposals include increasing diversification within the equity and bond holdings and increasing the allocation to "alternative" assets, in order to maintain total expected returns whilst reducing risk.

4. Risk measurement and management

The risk and return profile of the assets will be measured against the strategic objective and be considered in the Fund's capacity as a long term investor. The main risk to the Fund is the risk that the Fund's assets do not produce the returns needed to meet the liabilities, as determined by the Funding Strategy Statement. The main risk to the employers is the volatility of the contribution rates, and their affordability

The Committee recognises that, whilst investing in higher risk assets increases potential returns over the long-term, it also increases the risk of a shortfall in returns relative to that required to cover the Fund's liabilities, as well as producing more short-term volatility in the funding position. The Fund's diverse range of asset classes and approaches is designed to help achieve returns in a variety of market environments. By holding a range of assets across the portfolio that are not perfectly correlated, the Fund expects to reduce the level of risk it is exposed to, whilst increasing the potential to generate attractive risk-adjusted returns.

The graph overleaf provides an indication of the main sources of investment risk (estimated by the Fund's investment consultant) that contribute to the volatility of the Fund's funding position, as measured by a one year "value at risk" measure at the 5% level. In other words, if we consider a downside scenario which has a 1 in 20 chance of occurring, this would be the impact on the deficit relative to our "best estimate" of what the deficit would be in a years' time.



Note: approximate analysis as at 31 December 2016, based on the Fund's strategic asset allocation.

Each investment style/manager is assessed quantitatively and qualitatively within a monitoring framework designed to address any underperformance, highlight any inappropriate risk taking behaviour from individual managers and address factors that may impact the manager's ability to achieve long term outperformance goals. The respective managers' investment performance is generally monitored against three year performance targets (or longer for certain asset classes / managers) consistent with a longer term investment approach. Such monitoring of performance relative to a performance target is intended to constrain fund managers from deviating significantly from the intended approach, whilst permitting flexibility to manage the Fund in such a way as to enhance returns. The appointment of more than one fund manager introduces a level of diversification of manager risk.

Fund managers are instructed to diversify between investment types and within each investment type so that the prospects of potential losses are reduced. Fund managers are also instructed to observe the Administering Authority's constraints in such areas as property, derivatives, stock lending, overseas investment, non-income producing investments and unquoted securities.

The following risks are also considered by the Committee:

(i) Governance Risk

This is the risk that Committee members do not have sufficient expertise to evaluate and challenge the advice they receive, particularly given the potential for turnover within the Committee. The Fund recognises the importance of maintaining an appropriate level of knowledge across the Committee. It has taken steps to ensure that Committee members possess an appropriate level of knowledge, skill and understanding to discharge their fiduciary duties by providing appropriate training as and when required. Officers ensure the Committee receives expert advice to support strategic and implementation decisions. In addition, the Committee maintains a Risk Register that is regularly updated and monitored by the Committee.

(ii) Exchange Rate Risk

The Fund is subject to exchange rate risk due to the Fund's investment in sterling priced portfolios which hold underlying investments denominated in foreign currency. There is no currency hedging in place at the strategic level.

(iii) Liquidity Risk

The Committee recognises the inherent risk of holding illiquid assets that cannot be easily converted into cash. However, given the long-term investment horizon of the Fund it is appropriate to accept liquidity risk where such assets are considered to deliver attractive risk-adjusted returns within the context of the overall strategy. The majority of the Fund's assets are held in liquid instruments and realisable at short-notice.

(iv) Cashflow Risk

The Fund is becoming more mature and is expected to become cashflow negative over time, meaning that income and disinvestments will be required from the Fund's investments to meet benefit payments. Monitoring cash flow is critical to the internal monitoring and rebalancing process and has been considered when setting investment strategy.

(v) Valuation Risk

The actuarial valuation assumes that the Fund generates an expected return equal to or in excess of the Fund's discount rate. An important risk to which the Fund is exposed is that the return is not achieved if the assets do not deliver as expected. This risk is reduced by the diversified investment strategy the Fund employs, through the alignment of the investment strategy with funding requirements through regular reviews, and through regular monitoring.

(vi) Longevity Risk

This is the risk that the members of the Fund live longer than assumed in the actuarial valuation model. This risk is captured within the funding strategy which is monitored by the Committee. Any increase in longevity will only be realised over the long term.

(vii) Employer Covenant Risk

There is a risk that employers within the Fund withdraw or lack the financial capacity to make good their outstanding liabilities. The financial capacity and willingness of the sponsoring employers to support the Fund is a key consideration of the Committee and is reviewed on a regular basis.

(viii) Regulatory and Political Risk

Across all of the Fund's investments, there is the potential for adverse regulatory or political change. Regulatory risk arises from investing in a market environment where the regulatory regime may change. This may be compounded by political risk in those environments subject to political uncertainty. These risks are managed by diversifying across markets and are monitored by reviewing the investment strategy and specific investment mandates.

5. Approach to asset pooling

The Fund is working with nine other administering authorities to pool investment assets through the Brunel Pension Partnership Ltd. (BPP Ltd). This is currently work in progress with the intention of meeting the Government's requirement for the pool to become operational and for the first assets to transition to the pool from April 2018.

Once the Brunel Pension Partnership Ltd. is established the Fund, through the Committee, will retain the responsibility for setting the detailed Strategic Asset Allocation for the Fund and allocating investment assets to the portfolios provided by BPP Ltd.

The Brunel Pension Partnership Ltd will be a new company which will be wholly owned by the Administering Authorities. The company will seek authorisation from the Financial Conduct Authority (FCA) to act as the operator of an unregulated Collective Investment Scheme. It will be responsible for implementing the detailed Strategic Asset Allocations of the participating Funds by investing Funds' assets within defined outcome focused investment portfolios. In particular it will research and select the Manager Operated Funds needed to meet the requirements of the detailed Strategic Asset Allocations. These Manager Operated Funds will be operated by professional external investment managers. The Fund will be a client of BPP Ltd and as a client will have the right to expect certain standards and quality of service. A detailed service agreement is being drafted which will set out the duties and responsibilities of BPP Ltd, and the rights of the Fund as a client. It includes a duty of care of BPP Ltd to act in its clients' interests.

An Oversight Board will be established. This will be comprised of representatives from each of the Administering Authorities. It will be set up by them according to an agreed constitution and terms of reference. Acting for the Administering Authorities, it will have ultimate responsibility for ensuring that BPP Ltd delivers the services required to achieve investment pooling. It will therefore have a monitoring and oversight function. Subject to its terms of reference it will be able to consider relevant matters on behalf of the Administering Authorities, but will not have delegated powers to take decisions requiring shareholder approval. These will be remitted back to each Administering Authority individually.

The Oversight Board will be supported by the Client Group, comprised primarily of pension investment officers drawn from each of the Administering Authorities but will also draw on Administering Authorities finance and legal officers from time to time. It will have a primary role in reviewing the implementation of pooling by BPP Ltd, and provide a forum for discussing technical and practical matters, confirming priorities, and resolving differences. It will be responsible for providing practical support to enable the Oversight Board to fulfil its monitoring and oversight function.

The proposed arrangements for asset pooling for the Brunel pool have been formulated to meet the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and Government guidance. Regular reports have been made to Government on progress towards the pooling of investment assets, and the Minister for Local Government has confirmed that the pool should proceed as set out in the proposals made.

Buckinghamshire County Council has approved the full business case for the Brunel Pension Partnership. It is anticipated that investment assets will be transitioned across from the Buckinghamshire Pension Fund's existing investment managers to the portfolios managed by BPP Ltd between April 2018 and March 2020 in accordance with a timetable that will be agreed with BPP Ltd. Until such time as transitions take place, the Fund will continue to maintain the relationship with its current investment managers and oversee their investment performance, working in partnership with BPP Ltd. where appropriate.

Following the completion of the transition plan outlined above, it is envisaged that all of the Fund's assets will be invested through BPP Ltd. However, the Fund has certain commitments to long term illiquid investment funds which will take longer to transition across to the new portfolios to be set up by BPP Ltd. These assets will be managed in partnership with BPP Ltd. until such time as they are liquidated, and capital is returned.

6. Social, environmental and corporate governance policy

The Committee has a fiduciary duty to act in the best interest of the Fund's members and seek to obtain the best financial return that it can for members. This is a fundamental principle, and all other considerations are secondary. However, the Fund is also mindful of its responsibilities as a long term shareholder.

The extent to which social, environmental and ethical considerations are taken into account in these decisions is left to the discretion of the fund managers. However, the Committee expects that the extent to which social, environmental and ethical issues may have a financial impact on the portfolio will be taken into account by the fund managers in the exercise of their delegated duties and reviewed by the Committee from time to time.

Forward guidance on ESG under pooling

BPP Ltd's Investment Principles clearly articulate its commitment and that of each underlying Fund, to be responsible investors and as such recognises that social, environment and corporate governance considerations are part of the processes in the selection, non-selection, retention and realisation of assets. One of the principal benefits, outlined in the BPP Ltd business case, expected to be achieved through scale and resources arising from pooling, is the improved implementation of responsible investment and stewardship.

Each portfolio, in every asset class, under BPP Ltd, explicitly includes responsible investment which includes an assessment of how social, environmental and corporate governance considerations may present financial risks to the delivery of the portfolio objectives. These considerations will therefore be taken into account in the selection, non-selection, retention and realisation of assets. The approach undertaken will vary in order to be the most effective in mitigating risks and enhancing investor value in relation to each portfolio and its objectives.

7. Policy of the exercise of rights (including voting rights) attaching to investments

The policy of the Committee is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the fund managers although the Committee has retained rights to scrutinise any voting intention.

In respect of voting rights, fund managers are asked to take into account the extent to which the company concerned complies with best practice in corporate governance.

Forward guidance on stewardship under pooling

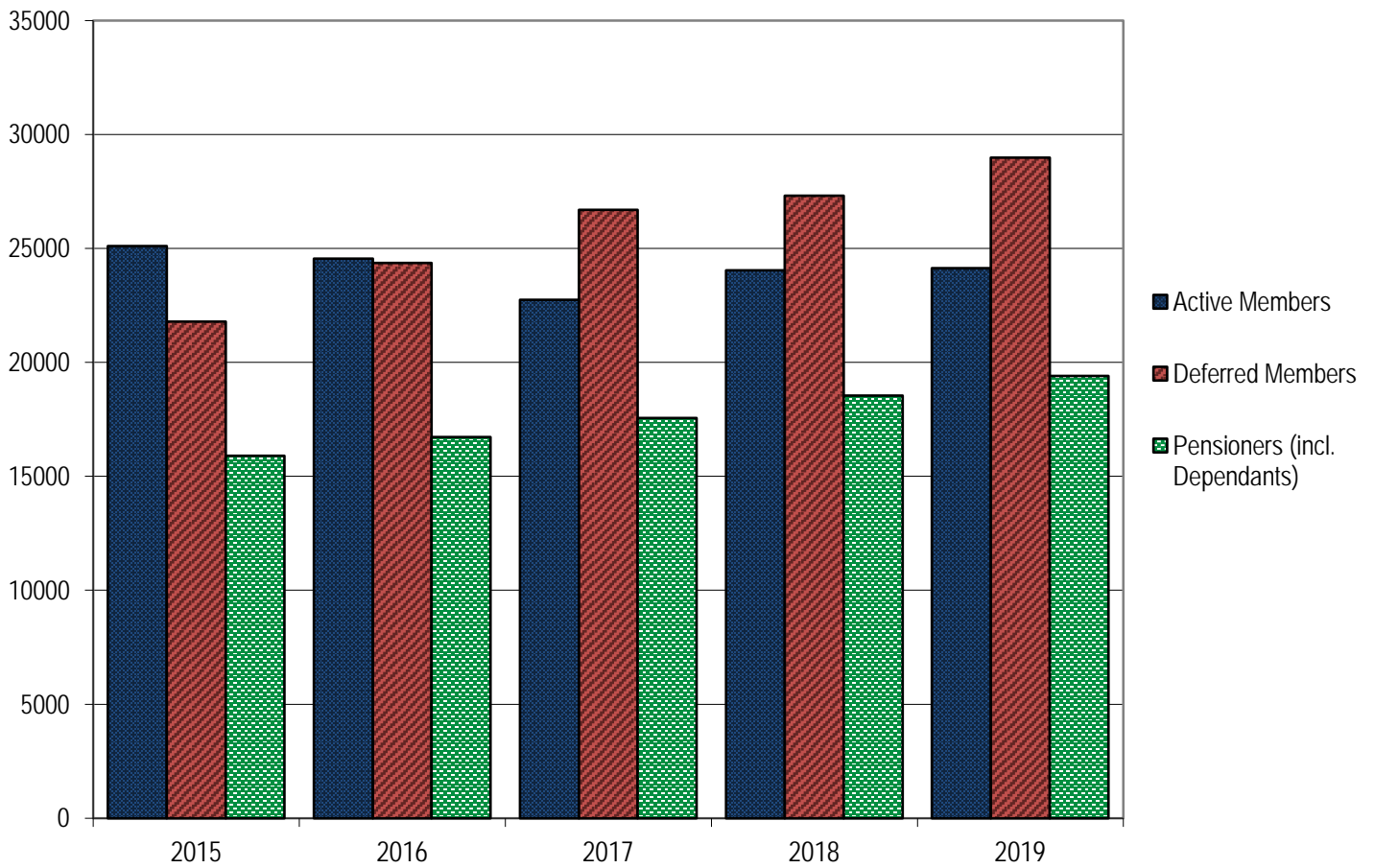
Once established and fully operational the BPP Ltd will deliver best practice standards in responsible investment and stewardship as outlined in the BPP Ltd Investment Principles.

Advice Taken

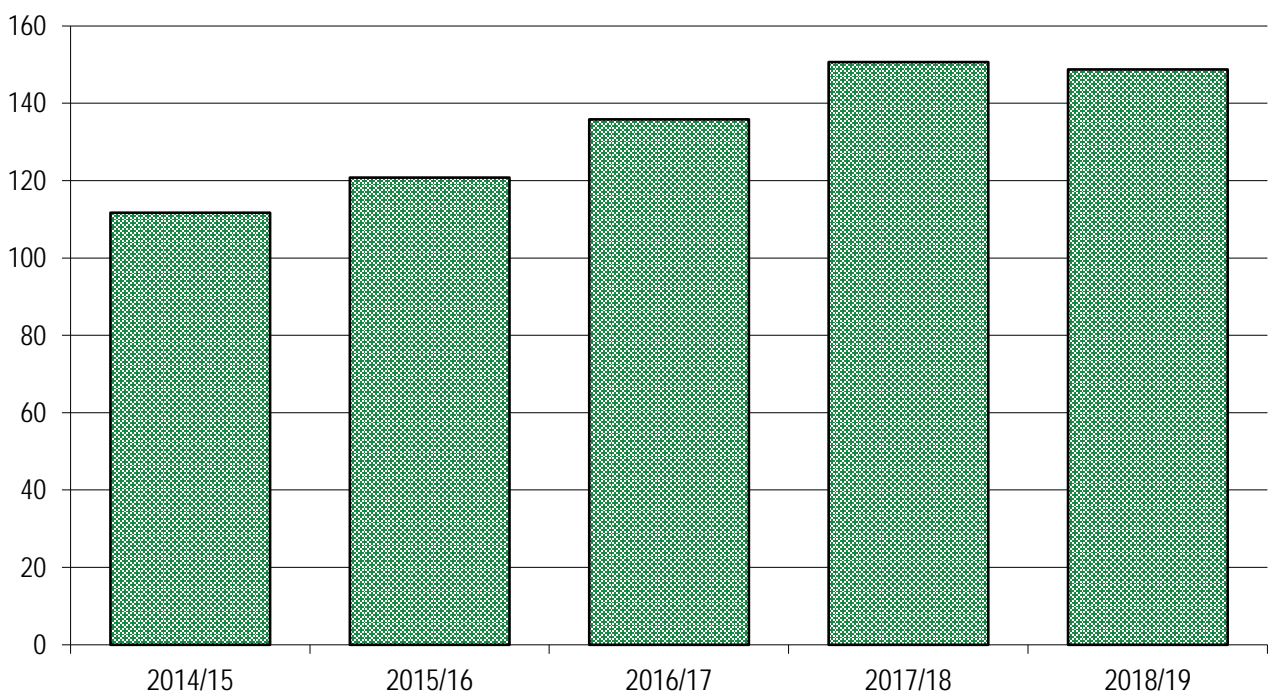
In preparing this statement, the Committee has taken advice from Fund Officers, the Fund's appointed investment consultant and the Client Group at the Brunel Pension Partnership Ltd.

History of the Fund

Membership Profile

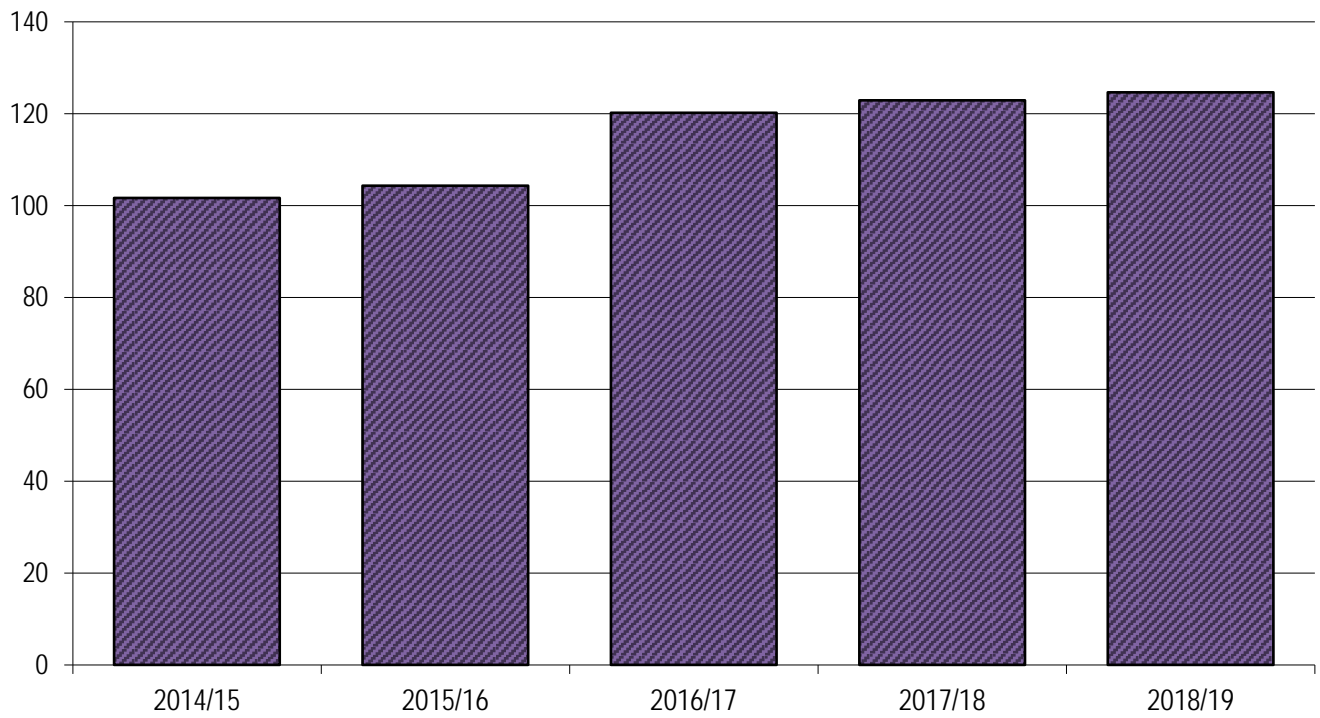


Contributions Received £m

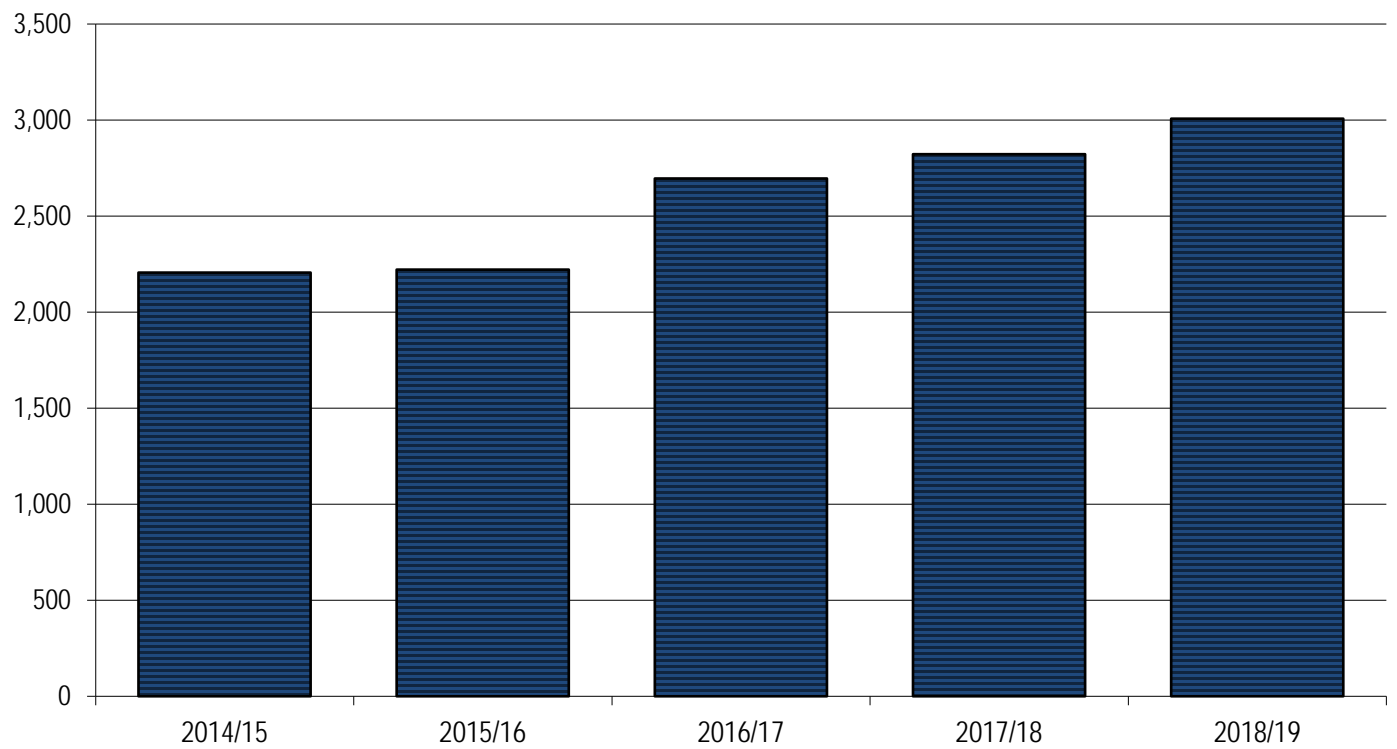


History of the Fund

Benefits Paid £m



Value of the Fund as at 31 March £m



Introduction

The last full triennial valuation of the Buckinghamshire County Council Pension Fund was carried out as at 31 March 2016 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 (the Regulations) and in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated 31 March 2017. The 2016 valuation report is available from the Fund's website at https://www.buckscc.gov.uk/media/4508554/valuation_report2016.pdf

Asset value and funding level

The results for the Fund at 31 March 2016 were as follows:

- The smoothed market value of the Fund's assets as at 31 March 2016 for valuation purposes was £2,203m.
- The Fund had a funding level of 87% i.e. the assets were 87% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a deficit of £335m.

Contribution rates

The employer contributions rates, in addition to those paid by the members of the Fund, are set to be sufficient to meet:

- The annual accrual of benefits allowing for future pay increases and increases to pensions in payment when these fall due;
- Plus an amount to reflect each participating employer's notional share of the Fund's assets compared with 100% of their liabilities in the Fund, in respect of service to the valuation date.

The primary rate of contribution on a whole Fund level was 15.1% of payroll p.a. The primary rate as defined by Regulation 62(5) is the employer's share of the cost of benefits accruing in each of the three years beginning 1 April 2017.

In addition each employer pays a secondary contribution as required under Regulation 62(7) that when combined with the primary rate results in the minimum total contributions. This secondary rate is based on their particular circumstances and so individual adjustments are made for each employer.

Details of each employer's contribution rate are contained in the Rates and Adjustment Certificate in the triennial valuation report.

Assumptions

The assumptions used to value the liabilities at 31 March 2016 are summarised below:

| Assumption | 31 March 2016 |
|-------------------|---|
| Discount rate | 5.4% p.a. |
| Pension increases | 2.4% p.a. |
| Salary increases | In line with CPI until 31 March 2020 and 3.9% p.a. thereafter. |
| Mortality | 85% of S2PA tables with future improvements in line with the CMI 2015 Model with a long-term rate of improvement of 1.5% p.a. |
| Retirement | Each member retires at a single age, weighted based on when each part of their pension is payable unreduced |
| Commutation | Members will convert 50% of the maximum possible amount of pension into cash |

Full details of the demographic and other assumptions adopted as well as details of the derivation of the financial assumptions used can be found in the relevant actuarial valuation report.

Updated position since the 2016 valuation

Since 31 March 2016, investment returns have been higher than assumed at the 2016 triennial valuation. The value placed on the liabilities will, however, have also increased slightly due to the accrual of new benefits as well as a decrease in the real discount rate underlying the valuation funding model. Overall, we expect an improvement in funding level since 31 March 2016 though there may be a higher primary rate due to the expectation of incorporating more prudence into the valuation funding assumptions.

The next actuarial valuation is due as at 31 March 2019 and the resulting contribution rates required to be paid by the employers will take effect from 1 April 2020.

Roisin McGuire FFA
Associate
Barnett Waddingham LLP
13 May 2019

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director of Finance & Procurement;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts, delegated to the Regulatory and Audit Committee.

The Director of Finance & Procurement Responsibilities

The Director of Finance & Procurement is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2018-19 (the Code).

In preparing this Statement of Accounts, the Director of Finance & Procurement has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate of the Director of Finance & Procurement

I certify that this draft Statement of Accounts for the year ended 31 March 2019 gives a true and fair view of the financial position of the Council as at 31 March 2019 and its income and expenditure for the year ended 31 March 2019.



Richard Ambrose
Director of Finance & Procurement
Buckinghamshire County Council
21 May 2019

Independent Auditor's Report to the Members of Buckinghamshire County Council

Independent Auditor's Report to the Members of Buckinghamshire County Council Grant Thornton (when audit complete)

Independent auditor's report to the members of Buckinghamshire County Council on the consistency of the pension fund financial statements included in the pension fund annual report

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Pension Fund Accounts

Pension Fund Account for the Year Ended 31 March 2019

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 2018 | Pension Fund Account | Note | 31 March 2019 |
|------------------|--|------|------------------|
| £000 | | | £000 |
| | Dealings with Members, Employers and Others directly Involved in the Fund | | |
| | Income | | |
| (134,066) | Contributions | 3 | (137,260) |
| (16,504) | Transfers in from other pension funds | 4 | (11,349) |
| (110) | Other income | | (163) |
| <u>(150,680)</u> | | | <u>(148,772)</u> |
| | Benefits | 5 | |
| 85,504 | Pensions | | 90,860 |
| 22,700 | Commutation of pensions and lump sums | | 21,210 |
| | Payments to and on Account of Leavers | 6 | |
| 556 | Refunds of contributions | | 804 |
| 14,113 | Transfers out to other pension funds | | 11,736 |
| <u>122,873</u> | | | <u>124,610</u> |
| <u>(27,807)</u> | Net Additions from Dealings with Members | | <u>(24,162)</u> |
| | Management expenses | 7 | |
| <u>19,239</u> | | | <u>16,237</u> |
| <u>(8,568)</u> | Net (Additions)/Withdrawals including Fund Management Expenses | | <u>(7,925)</u> |
| | Returns on Investments | | |
| (45,448) | Investment income | 8 | (47,693) |
| (73,103) | Profits and losses on disposal of investments and changes in the market value of investments | 9 | (129,727) |
| 554 | Taxes on income | 16 | 471 |
| <u>(117,997)</u> | Net Returns on Investments | | <u>(176,949)</u> |
| <u>(126,565)</u> | Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year | | <u>(184,874)</u> |

Pension Fund Accounts

Net Assets Statement

| 31 March 2018 £000 | Net Assets Statement | Note | 31 March 2019 £000 |
|-----------------------|--|------|-----------------------|
| | Investments | | |
| 840 | Long term investments | | 840 |
| 883,946 | Equities - quoted | | 573,933 |
| 352,726 | Bonds | | 428,687 |
| 1,239,939 | Pooled investment vehicles | | 1,690,849 |
| 204,534 | Unit trusts - property | | 214,243 |
| 121,408 | Cash deposits | | 80,693 |
| 102 | Derivative contracts | | (34) |
| 9,504 | Dividend income receivable | | 10,489 |
| 2,812,999 | Net Investments | 11 | 2,999,700 |
| 14,293 | Current assets | 15 | 21,694 |
| (5,143) | Current liabilities | 15 | (14,370) |
| 2,822,149 | Net Assets of the Fund Available to Fund Benefits at 31 March | | 3,007,024 |

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.

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

Pension Fund Accounts

Brunel Pension 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 2018 the collective assets of the pool were circa £30 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 began in July 2018 and by 2021 the majority of the assets will have transitioned, 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

The following summarises the membership of the Fund:

| 31 March 2018 | Membership of the Fund | 31 March 2019 |
|---------------|-------------------------------------|---------------|
| 24,042 | Contributors | 24,141 |
| 18,548 | Pensioners | 19,411 |
| 27,313 | Deferred pensioners | 28,991 |
| 69,903 | Total Membership of the Fund | 72,543 |

Investment Strategy Statement

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

https://www.buckscc.gov.uk/media/4508836/bccpf_iss_may2017.pdf

Further Information

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

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

Basis of Preparation

The accounts summarise the Fund's transactions for the 2018/19 financial year and its position at year end as at 31 March 2019. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting (the Code), which is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

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

2. Accounting Policies and Critical Judgements in Applying Accounting Policies

Accounting Policies

Accruals of Income and Expenditure

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

Contributions, benefits and investment income are included on an accruals basis. All settlements for buying and selling investments are accrued on the day of trading. Interest on deposits is accrued if not received by the end of the financial year. Investment management expenses are accounted for on an accruals basis. Administrative expenses are accounted for on an accruals basis, staff costs are paid by Buckinghamshire County Council then recharged to the Pension Fund at the year end and group transfers to and from the Fund are accounted for on an accruals basis unless 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
- 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. Following the 31 March 2019 triennial valuation, an updated funding level will be available later this year.

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 2019 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 |
|--|--|--|
| Actuarial present value of promised retirement benefits (Note 18) | 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: a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £93m. a 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £8m. a one-year increase in assumed life expectancy would increase the liability by approximately £170m. |
| Private equity fund of funds (Note 12) | 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 £146m in the financial statements. There is a risk that this investment may be under or overstated in the accounts by £22m. |

Events After The Reporting Date

Since 31 March 2019, there has been some volatility in the financial markets, there would be an impact on the market value of the fund's investments were they to be valued as at the date these accounts were authorised. These changes are deemed to be non-adjusting post balance sheet events. There have been no events since 31 March 2019, and up to the date when these accounts were authorised, which require any adjustments to these accounts.

Pension Fund 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. Potentially relevant standards include annual improvements to IFRS standards 2014-2016, IFRIC 22 foreign currency transactions and advance considerations and amendments to IFRS9 financial instruments: prepayment features with negative compensation.

3. Contributions

Contributions relating to wages and salaries paid up to 31 March 2019 have been included in these accounts, there were no augmented employers' contributions received during 2017/18 or 2018/19.

| Restated 2017/18 £000 | Contributions by Category | 2018/19 £000 |
|-----------------------------|---------------------------------------|------------------|
| | Employers' Contributions | |
| (83,561) | Normal Contributions | (87,302) |
| (21,056) | Deficit Recovery Contributions | (19,829) |
| <u>(104,617)</u> | Total Employers' Contributions | <u>(107,131)</u> |
| <u>(29,449)</u> | Members' Contributions | <u>(30,129)</u> |
| <u>(134,066)</u> | Total Contributions | <u>(137,260)</u> |

The 2017/18 employers' contributions by category have been restated to correct the allocation of the administering authority's normal and deficit contributions.

| Original 2017/18 £000 | Contributions by Category |
|-----------------------------|---------------------------------------|
| | Employers' Contributions |
| (91,568) | Normal Contributions |
| (13,049) | Deficit Recovery Contributions |
| <u>(104,617)</u> | Total Employers' Contributions |
| <u>(29,449)</u> | Members' Contributions |
| <u>(134,066)</u> | Total Contributions |

| 2017/18 £000 | Contributions by Authority | 2018/19 £000 |
|------------------|----------------------------|------------------|
| (40,298) | Administering authority | (40,308) |
| (88,050) | Scheduled bodies | (92,413) |
| (5,718) | Admitted bodies | (4,539) |
| <u>(134,066)</u> | Total Contributions | <u>(137,260)</u> |

4. Transfer Values

| 2017/18 £000 | Transfers in from other pension funds | 2018/19 £000 |
|-----------------|--|-----------------|
| (4,427) | Group transfers | (2,159) |
| (12,077) | Individual transfers | (9,190) |
| <u>(16,504)</u> | Total Transfers in from other pension funds | <u>(11,349)</u> |

Pension Fund Accounts

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 2019 there were two outstanding transfer values receivable greater than £50k, for which £196k had not been received. (On 31 March 2018 there were no outstanding transfer values receivable greater than £50k.)

On 31 March 2019 there was one group transfer to the Fund being negotiated with other Funds (3 on the 31 March 2018), 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.

| 2017/18 £000 | Benefits Payable by Category | 2018/19 £000 |
|-----------------|---|-----------------|
| 85,504 | Pensions | 90,860 |
| 19,951 | Commutations of pensions and lump sum retirement benefits | 19,321 |
| 2,749 | Lump sum death benefits | 1,889 |
| 108,204 | Total Benefits | 112,070 |

| 2017/18 £000 | Benefits Payable by Authority | 2018/19 £000 |
|-----------------|-------------------------------|-----------------|
| 37,825 | Administering authority | 40,227 |
| 62,049 | Scheduled bodies | 63,044 |
| 8,330 | Admitted bodies | 8,799 |
| 108,204 | Total Benefits | 112,070 |

6. Payments to and on Account of Leavers

| 2017/18 £000 | Payments to and on Account of Leavers | 2018/19 £000 |
|-----------------|--|-----------------|
| 439 | Refunds to members leaving service | 761 |
| 117 | Payments for members joining the state scheme | 43 |
| 942 | Group transfers to other pension funds | 0 |
| 13,171 | Individual transfers to other pension funds | 11,736 |
| 14,669 | Total Payments to and on Account of Leavers | 12,540 |

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 2019 there were four outstanding individual transfer values payable greater than £50k, for which £528k had not been paid. 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 2019 there was one group transfer from the Fund being negotiated with other Funds (one on the 31 March 2018); 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.

Pension Fund Accounts

7. Management Expenses

| 2017/18 | Management Expenses | 2018/19 |
|---------------|----------------------------------|---------------|
| £000 | | £000 |
| 1,840 | Administrative costs | 2,177 |
| 16,623 | Investment management expenses | 13,501 |
| 776 | Oversight and governance costs | 559 |
| 19,239 | Total Management Expenses | 16,237 |

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. Included in the oversight and governance costs are the external audit fees, £19k in 2018/19 (£25k in 2017/18). Administrative costs increased in 2018/19 due to appointing an external provider to undertake a reconciliation of the Fund's records to HMRC's Guaranteed Minimum Pension records.

Management fees for pooled funds and transaction costs have been included in the investment management expenses. The investment management expenses include £3.03m (£0.775m in the 2017/18 financial year) in respect of performance related fees payable to the fund's investment managers. It also includes £2.621m in respect of transaction costs (£1.697m in the 2017/18 financial year).

8. Investment Income

| 2017/18 | Investment Income | 2018/19 |
|-----------------|----------------------------------|-----------------|
| £000 | | £000 |
| (23,781) | Dividends from equities | (23,026) |
| (13,510) | Income from bonds | (14,315) |
| (804) | Income from pooled investments | (162) |
| (6,767) | Income from property unit trusts | (7,420) |
| (201) | Interest on cash deposits | (903) |
| (385) | Other | (1,867) |
| (45,448) | Total Investment Income | (47,693) |

9. Investments

All investments are valued on a fair value basis and where there is an active market the bid price is the appropriate quoted market price. The investment accounting information from 13 December 2017 is provided by State Street when they became the Fund's custodian, BNY Mellon provided the investment accounting information to 12 December 2017. Realised profit of £324m and unrealised loss of £195m are combined to report an increase in the market value of investments of £129m.

Pension Fund Accounts

| Investments (All values are shown £000) | Value at 31 March 2018 £000 | Reclassification of Assets £000 | Purchases at Cost £000 | Sales Proceeds £000 | Realised Profit / (Loss) £000 | Unrealised Profit / (Loss) £000 | Value at 31 March 2019 £000 |
|---|--------------------------------|------------------------------------|---------------------------|------------------------|----------------------------------|------------------------------------|--------------------------------|
| Long term investments | 840 | - | - | - | - | - | 840 |
| Equities - quoted | 883,946 | - | 458,840 | (822,441) | 79,231 | (25,643) | 573,933 |
| Bonds | 352,726 | - | 194,371 | (123,385) | 2,349 | 2,626 | 428,687 |
| Pooled investment vehicles | 1,239,939 | - | 1,308,442 | (922,451) | 238,483 | (173,564) | 1,690,849 |
| Unit trusts - property funds | 204,534 | - | 26,351 | (18,923) | 4,227 | (1,946) | 214,243 |
| Derivative contracts | 102 | - | 485 | (463) | (22) | (136) | (34) |
| Cash deposits | 121,408 | - | - | (44,439) | - | 3,724 | 80,693 |
| | 2,803,495 | - | 1,988,489 | (1,932,102) | 324,268 | (194,939) | 2,989,211 |
| Investment income due | 9,504 | | | | | | 10,489 |
| | 2,812,999 | | | | | | 2,999,700 |

During 2017/18 realised profit of £169.689m and unrealised loss of £96.586m 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 |
| Bonds | 339,005 | 0 | 163,024 | (141,800) | 3,808 | (11,311) | 352,726 |
| 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 |
| | 2,667,664 | - | 1,031,357 | (968,629) | 169,689 | (96,586) | 2,803,495 |
| Investment income due | 7,848 | | | | | | 9,504 |
| | 2,675,512 | | | | | | 2,812,999 |

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

Pension Fund Accounts

The change in the fair value of investments during the year comprises all increases and decreases in the fair value of investments held at any time during the year, including profits and losses realised on sales of investments during the year. The Fund's investments in derivatives are not material and therefore further disclosures are not included in the accounts. Indirect costs are incurred through the bid-offer spread on investments within pooled investments.

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

On 31 March 2019 assets which exceed 5% of the total value of the net assets of the Fund are a £226.4m, 7.5%, investment in Legal & General's All Stocks Index-Linked Gilt Fund (£214.5m as at 31 March 2018) and a £767.1m, 25.5%, investment in Brunel Pension Partnership Passive Developed Global Equities portfolio (£0.0m as at 31 March 2018).

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 2019 was £2,945m (£2,723m at 31 March 2018). Aviva Investors sold its Real Estate Multi Manager (REMM) business to LaSalle Investment Management on 6 November 2018. 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 | | Proportion of Fund | |
|--|----------------------------------|--------------------|---------------|
| | | 31 March 2018 | 31 March 2019 |
| Investments managed by Brunel Pension Partnership Ltd | | | |
| Global Passive Equities | | 0% | 26% |
| Infrastructure | | 0% | 0% |
| Private Equity | | 0% | 0% |
| Investments managed by the Fund | | | |
| La Salle / Aviva Investors | Property | 8% | 7% |
| BlackRock | Cash / inflation plus | 5% | 5% |
| Blackstone Alternative Asset Management | Hedge fund of funds | 5% | 5% |
| Global Thematic Partners | Less constrained global equities | 7% | 0% |
| Investec Asset Management | Less constrained global equities | 8% | 9% |
| Legal & General Investment Management | Passive index-tracker | 28% | 15% |
| Mirabaud Investment Management Limited | UK equities | 5% | 0% |
| Pantheon Private Equity | Private equity | 5% | 4% |
| Partners Group | Private equity | 1% | 1% |
| Royal London Asset Management | Core plus bonds | 14% | 15% |
| Schroders | Less constrained global equities | 7% | 7% |
| Aberdeen Standard Investments | Less constrained UK equities | 4% | 4% |

Pension Fund Accounts

11. Analysis of the Value of Investments

| 31 March 2018 | Analysis of the Value of Investments | 31 March 2019 |
|------------------|---|------------------|
| £000 | | £000 |
| 840 | Long Term Investments | 840 |
| | Bonds | |
| | Fixed Interest Securities | |
| 319 | Overseas public sector | 0 |
| 213,922 | UK other | 279,600 |
| 78,448 | Overseas other | 86,759 |
| 292,689 | Total Fixed Interest Securities | 366,359 |
| | Index-Linked Securities | |
| 50,934 | UK Index-linked securities public sector | 51,742 |
| 9,103 | UK Index-linked securities other | 10,586 |
| 60,037 | Total Index-Linked Securities | 62,328 |
| 352,726 | Total Bonds | 428,687 |
| | Equities | |
| 301,919 | UK quoted | 144,069 |
| 582,027 | Overseas quoted | 429,864 |
| 883,946 | Total Equities | 573,933 |
| | Pooled Investment Vehicles | |
| 10,735 | UK Equities | 0 |
| 358,218 | UK Bonds | 379,310 |
| 436,412 | Overseas Equities | 864,319 |
| 134,940 | Overseas Diversified Growth Fund | 139,122 |
| 134,050 | Overseas Hedge Fund of Funds | 156,310 |
| 0 | Overseas Infrastructure | 5,883 |
| 165,584 | Overseas Private Equity | 145,909 |
| 1,239,939 | Total Pooled Investment vehicles | 1,690,849 |
| | Other | |
| 204,534 | Unit Trusts - property funds | 214,243 |
| 102 | Derivatives | (34) |
| 121,408 | Cash deposits – sterling and foreign cash | 80,693 |
| 9,504 | Dividend income receivable | 10,489 |
| 335,548 | Total Other | 305,391 |
| 2,812,999 | Total Value of Investments | 2,999,700 |

Pension Fund Accounts

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 2018 | | | 31 March 2019 | | |
|--|-------------------------------|---|--|-------------------------------|---|
| Fair value through profit and loss £000 | Loans And Receivables £000 | Financial Liabilities At amortised cost £000 | Fair value through profit and loss £000 | Loans And Receivables £000 | Financial Liabilities At amortised cost £000 |
| Financial Assets | | | | | |
| 840 | - | - | 840 | - | - |
| 883,946 | - | - | 573,933 | - | - |
| 352,726 | - | - | 428,687 | - | - |
| 1,239,939 | - | - | 1,690,849 | - | - |
| 204,534 | - | - | 214,243 | - | - |
| 102 | - | - | - | - | - |
| 9,504 | - | - | 10,489 | - | - |
| - | 127,559 | - | - | 80,693 | - |
| - | 6,371 | - | - | 11,585 | - |
| 2,691,591 | 133,930 | - | 2,919,041 | 92,278 | - |
| Financial Liabilities | | | | | |
| - | - | - | (34) | - | - |
| - | - | (4,190) | - | - | (13,367) |
| - | - | (4,190) | - | - | (13,367) |
| 2,691,591 | 133,930 | (4,190) | 2,919,007 | 92,278 | (13,367) |
| 2,821,331 | | | 2,997,918 | | |

| | |
|--|-------------|
| Reconciliation to Net Investments in the Net Assets Statement | £000 |
| Net Investments | 3,007,024 |
| Less contributions due current assets | (10,109) |
| Add HMRC current liabilities | 1,003 |
| Valuation of Financial Instruments carried at fair value | 2,997,918 |

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

| 31 March 2018 £000 | | 31 March 2019 £000 |
|------------------------------|--|-----------------------|
| Financial Assets | | |
| 121,320 | Fair value through profit and loss | 175,424 |
| 1,770 | Loans and receivables | 2,227 |
| - | Financial liabilities measured at amortised cost | - |
| Financial Liabilities | | |
| - | Fair value through profit and loss | - |
| (238) | Loans and receivables | (9,177) |
| - | Financial liabilities measured at amortised cost | - |
| 122,852 | Total | 168,474 |

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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 2019 | Quoted | Using | With | Total |
|----------------------------|----------------|-------------------|----------------------------------|------------------|
| | Market Price | Observable Inputs | Significant Unobservable Outputs | |
| | Level 1 | Level 2 | Level 3 | |
| | £000 | £000 | £000 | £000 |
| Long term investments | - | - | 840 | 840 |
| Equities - quoted | 573,933 | - | - | 573,933 |
| Bonds | - | 428,687 | - | 428,687 |
| Pooled investment vehicles | - | 1,539,057 | 151,792 | 1,690,849 |
| Property – unit trusts | - | 214,243 | - | 214,243 |
| Derivatives | - | (34) | - | (34) |
| Total | 573,933 | 2,181,953 | 152,632 | 2,908,518 |

Cash is not included in the analysis of assets held at fair value since it is held at amortised cost, not fair value.

| Reconciliation to Net Investments in the Net Assets Statement | £000 |
|---|-----------|
| Net Investments | 2,999,700 |
| Less Cash deposits | (80,693) |
| Less dividend income receivable | (10,489) |
| Valuation of Financial Instruments carried at fair value | 2,908,518 |

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

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 2019 and 31 March 2018.

| | Assessed valuation range (+/-) | Value at 31 March 2019 £000 | Value on increase £000 | Value on decrease £000 |
|---|--------------------------------------|-----------------------------------|------------------------------|------------------------------|
| Pooled investment vehicles - infrastructure | 15% | 5,883 | 6,765 | 5,001 |
| Pooled investment vehicles – private equity | 15% | 146,060 | 167,969 | 124,151 |
| Total | | 151,943 | 174,734 | 129,152 |

| | 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 |
| Total | | 165,584 | 190,422 | 140,746 |

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Reconciliation of Fair Value Measurements Within Level 3

| | Value at 31 March 2018 £000 | Purchases £000 | Sales £000 | Realised profit/(loss) £000 | Unrealised profit/loss £000 | Value at 31 March 2019 £000 |
|---|-----------------------------------|-------------------|-----------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Pooled investment vehicles – private equity | 165,584 | 8,853 | (37,552) | 31,745 | (22,570) | 146,060 |
| Pooled investment vehicles – infrastructure | 0 | 6,154 | 0 | 0 | (271) | 5,883 |
| Total | 165,584 | 15,007 | (37,552) | 31,745 | (22,842) | 151,943 |

| | Value at 31 March 2017 £000 | Purchases £000 | Sales £000 | Realised profit/(loss) £000 | Unrealised profit/loss £000 | Value at 31 March 2018 £000 |
|---|-----------------------------------|-------------------|-----------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Pooled investment vehicles – private equity | 207,316 | 11,987 | (66,599) | (5,785) | 18,665 | 165,584 |
| Total | 207,316 | 11,987 | (66,599) | (5,785) | 18,665 | 165,584 |

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").

La Salle – Property Fund

La Salle 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 La Salle's Real Estate Multi Manager (REMM) team.

Pantheon – Private Equity

Investments are valued using the most relevant of methods listed below:

- Cost/recent round of financing/price of recent investment where recent transactions may be the most reflective of fair value.
- Comparable Private Company Transactions used for companies with low enterprise value or low EBITDA which means it is not appropriate to use earnings multiples of similar publicly listed companies.
- Earnings/Earnings Multiples /Performance Multiples valuations involve applying a multiple, appropriate to the company being valued, to the earnings of a company. The valuation is described as a function of two variables, price and earnings (The most widely used of the valuation methodologies, especially for buyout or other businesses that have comparable characteristics to companies in the public markets).
- Underlying value of Net Assets.
- Discounted Cash flows (DCF) where there are predictable cash flows visible over a given time horizon.
- Industry Benchmarks are normally based on the assumption that investors are willing to pay for market share, and that profitability of the business in the does not vary greatly.
- Unrestricted Publicly traded securities are valued at the closing public market price on the valuation date.

These methods are consistently applied across all investment types.

BlackRock Institutional Jersey Dynamic Diversified Growth Fund

The above Fund is a sub-fund of the BlackRock Institutional Jersey Funds umbrella which reports under UK SORP and is not exchange-traded. The price is determined daily by the Funds Administrator and will be representative of the Fund's net asset value ("NAV") at each dealing point subject to any spreads applied, where appropriate. The Fund is not subject to any redemption notice periods and can be redeemed at each dealing point, currently on a daily basis.

13. Additional Financial Risk Management Disclosures

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

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

Market Risk

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

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

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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. In consultation with Mercer, the Fund's investment consultant, the Fund has determined that the following movements in market price risk are reasonably possible for 2019/20. Assuming that all other variables in particular foreign exchange rates and interest rates, 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 2019 £000 | Percentage Change % | Value on increase £000 | Value on decrease £000 |
|----------------------------|--------------------------|---------------------------|------------------------------|------------------------------|
| Long term investments | 840 | 20.0 | 1,008 | 672 |
| Equities – quoted | 573,933 | 20.0 | 688,720 | 459,146 |
| Bonds | 428,687 | 4.2 | 446,621 | 410,753 |
| Pooled investment vehicles | 1,690,849 | 17.0 | 1,940,104 | 1,441,594 |
| Property - unit trusts | 214,243 | 14.8 | 245,951 | 182,535 |
| Derivative contracts | (34) | 12.2 | (30) | (38) |
| Cash deposits | 80,693 | 1.0 | 81,500 | 79,886 |
| Investment income due | 10,489 | 20.0 | 12,587 | 8,391 |
| Total | 2,999,700 | | 3,416,461 | 2,582,939 |

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 |
| Total | 2,812,999 | | 3,189,943 | 2,436,055 |

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, both of which affect the value of the net assets available to pay benefits. The sensitivity of the Fund's investments to changes in interest rates has been analysed by showing the impact of a 1% change, long term average interest rates are expected to move less than 1% from one year to the next. The exposure to interest rate risk for 31 March 2018 has been restated to show the impact of a 1% change on the asset values. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

| 31 March 2019 | Asset Value | Impact of 1% increase | Impact of 1% decrease |
|---------------------------------------|----------------|-----------------------|-----------------------|
| | £000 | £000 | £000 |
| Exposure to interest rate risk | | | |
| Cash and cash equivalents | 90,575 | 90,575 | 90,575 |
| Fixed interest bonds | 366,359 | 370,023 | 362,695 |
| Variable rate bonds | 62,328 | 62,328 | 62,328 |
| Total | 519,262 | 522,926 | 515,598 |

| Restated 31 March 2018 | Asset Value | Impact of 1% increase | Impact of 1% decrease |
|---------------------------------------|----------------|-----------------------|-----------------------|
| | £000 | £000 | £000 |
| Exposure to interest rate risk | | | |
| Cash and cash equivalents | 124,881 | 124,881 | 124,881 |
| Fixed interest bonds | 292,689 | 295,616 | 289,762 |
| Variable rate bonds | 60,037 | 60,037 | 60,037 |
| Total | 477,607 | 480,534 | 474,680 |

| Asset Type | Value | Change for the year in net assets available to pay benefits | |
|---|----------------|---|----------------|
| | | 1% | -1% |
| | £000 | £000 | £000 |
| Audited Accounts as at 31 March 2018 | | | |
| Cash deposits | 121,408 | - | - |
| Cash balances (not forming part of the investment assets) | 3,473 | - | - |
| Bonds | 292,689 | 2,927 | (2,927) |
| Total | 417,570 | 2,927 | (2,927) |

The exposure to interest rate risk for 31 March 2018 has been restated to show the impact of a 1% change on the interest receivable.

| 2018/19 | Interest receivable | Impact of 1% increase | Impact of 1% decrease |
|---------------------------------------|---------------------|-----------------------|-----------------------|
| | £000 | £000 | £000 |
| Exposure to interest rate risk | | | |
| Cash and cash equivalents | 903 | 912 | 894 |
| Fixed interest bonds | 8,721 | 8,721 | 8,721 |
| Variable rate bonds | 5,595 | 5,651 | 5,539 |
| Total | 15,219 | 15,284 | 15,154 |

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| Restated 2017/18 | Interest receivable | Impact of 1% increase | Impact of 1% decrease |
|--------------------------------|---------------------|-----------------------|-----------------------|
| | £000 | £000 | £000 |
| Exposure to interest rate risk | | | |
| Cash and cash equivalents | 201 | 203 | 199 |
| Fixed interest bonds | 8,230 | 8,230 | 8,230 |
| Variable rate bonds | 5,280 | 5,333 | 5,227 |
| Total | 13,711 | 13,766 | 13,656 |

| Income Source | Value | Change for the year on income values | |
|---|--------------|--------------------------------------|-------------|
| | | 1% | -1% |
| | £000 | £000 | £000 |
| Audited accounts as at 31 March 2018 | | | |
| Cash deposits / cash and cash equivalents | 201 | 20 | (20) |
| Bonds | 8,230 | - | - |
| Total | 8,431 | 20 | (20) |

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 La Salle property mandate.

Currency Risk – Sensitivity Analysis

The sensitivity of the Fund's investments to changes in foreign currency rates have been analysed using a 9.36% movement in exchange rates in either direction for 31 March 2019. This analysis assumes that all variables, in particular interest rates, remain constant. Based on the composition of the Fund's currency exposure a 9.36% fluctuation in the currency is considered reasonable. A 9.36% weakening or strengthening of Sterling against the various currencies at 31 March 2019 would have increased or decreased the net assets by the amount shown below.

| Currency Exposure by Asset Type | 31 March 2019 | Value on increase | Value on decrease |
|---------------------------------|----------------|-------------------|-------------------|
| | £000 | £000 | £000 |
| | | +9.36% | -9.36% |
| Equities – quoted | 439,638 | 480,788 | 398,488 |
| Pooled investment vehicles | 151,787 | 165,994 | 137,580 |
| Property - unit trusts | 163 | 178 | 148 |
| Cash deposits | 40,181 | 43,942 | 36,420 |
| Total | 631,769 | 690,902 | 572,636 |

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%

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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 increase | Value on decrease |
|---------------------------------|----------------|-------------------|-------------------|
| | £000 | £000 | £000 |
| | | +9.79% | -9.79% |
| Equities – quoted | 540,358 | 593,259 | 487,457 |
| Bonds | 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 |
| Total | 813,917 | 893,599 | 734,235 |

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 9.40% for the US Dollar and 7.99% for the EURO. Weakening or strengthening of Sterling against US Dollars and EUROS at 31 March 2019 would have increased or decreased the net assets by the amounts shown in the following table.

| Asset Type | 31 March 2019 | Percentage Change | Value on increase | Value on decrease |
|--------------|----------------|-------------------|-------------------|-------------------|
| | £000 | % | £000 | £000 |
| US Dollars | 388,278 | 9.40 | 424,776 | 351,780 |
| EUROS | 113,438 | 7.99 | 122,502 | 104,374 |
| Total | 501,716 | | 547,278 | 456,154 |

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 |
| Total | 662,684 | | 726,170 | 599,198 |

Credit Risk

Credit risk represents the risk that the counterparty to a transaction or financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market value of investments generally reflects an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. In essence the Fund's entire investment portfolio is exposed to some sort of credit risk. The Fund is exposed to credit risk through its investment managers, custodian and its daily treasury management activities. Credit risk is minimised through the careful selection and monitoring of financial institutions and counterparties. Contractual credit risk is represented by the net payment or receipt that remains outstanding.

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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 2019 was £0.691m in an instant access Lloyds account. (On 31 March 2018 £1.186m 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.

| 31 March 2018 | | 31 March 2019 |
|----------------|-------------------------|----------------|
| £000 | | £000 |
| 211,284 | Aviva | 0 |
| 134,050 | Blackstone | 156,310 |
| 0 | Brunel Infrastructure | 5,883 |
| 0 | Brunel Private Equity | 1,565 |
| 0 | La Salle | 221,066 |
| 135,818 | Pantheon Private Equity | 119,040 |
| 29,761 | Partners Group | 24,867 |
| 567 | Hg Capital | 588 |
| 511,480 | | 529,319 |

14. Related Parties

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

The County Council was reimbursed £2.2m (£2.1m in the 2017/18 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 2018/19 (£40.3m in the 2017/18 year).

The Pension Fund's surplus cash held for day to day cash flow purposes is invested on the money markets by the Buckinghamshire County Council's treasury management team, through a service level agreement. During the year to 31 March 2019, the Fund had an average investment balance of £7.7m (£7.2m in the 2017/18 year), earning interest of £55k (£30k in the 2017/18 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 is one member of the Pension Fund Committee who is a deferred member of the Fund. There are no members of the Pension Fund Committee who are pensioner members of the Fund on 31 March 2019 (on 31 March 2018 no

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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 2019 BPP Ltd provided services costing £835k (£840k in the year to 31 March 2018).

15. Current Assets and Liabilities

| 31 March 2018 | Current Assets and Liabilities | 31 March 2019 |
|----------------|---|-----------------|
| £000 | | £000 |
| | Current Assets | |
| 7,922 | Contributions due from employers 31 March | 10,109 |
| 3,473 | Cash balances (not forming part of the investment assets) | 9,882 |
| 2,898 | Other current assets | 1,703 |
| <u>14,293</u> | Total Current Assets | <u>21,694</u> |
| | Current Liabilities | |
| (2,091) | Management charges | (1,170) |
| (953) | HM Revenue and Customs | (1,003) |
| (511) | Unpaid benefits | (692) |
| (1,588) | Other current liabilities | (11,505) |
| <u>(5,143)</u> | Total Current Liabilities | <u>(14,370)</u> |
| <u>9,150</u> | Net Current Assets | <u>7,324</u> |

16. Taxes on Income

| 2017/18 | Taxes on Income | 2018/19 |
|------------|---|------------|
| £000 | | £000 |
| - | Withholding tax - fixed interest securities | - |
| 554 | Withholding tax - equities | 471 |
| <u>554</u> | Total Taxes on Income | <u>471</u> |

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 certain countries is subject to withholding tax, unless an exemption is available.

17. Actuarial Position of the Fund

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

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

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

The main assumptions used in the valuation were:

Future assumed returns

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

Financial assumptions

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

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 2019 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. Following the 31 March 2019 triennial valuation, an updated funding level will be available later this year.

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 2019 is £1,754m (31 March 2018 £1,794m), but figures calculated on an IAS 19 basis are not relevant for calculations undertaken for funding purposes or for other statutory purposes undertaken under UK pensions legislation. The Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

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

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

| 31 March 2018 | | 31 March 2019 |
|------------------|------------------------------------|------------------|
| £000 | | £000 |
| 4,605,799 | Present value of funded obligation | 4,752,421 |
| (2,812,158) | Fair value of scheme assets | (2,998,856) |
| 1,793,641 | Net Liability | 1,753,565 |

The Present Value of Funded Obligation consists of £4,628m (£4,470m at 31 March 2018) in respect of Vested Obligation and £124m (£136m at 31 March 2018) in respect of Non-Vested Obligation. Vested benefits are the benefits that employees have a right to receive even if they do not render services to the employer. In other words, the employees will receive their vested benefits even if they stop working for the employer. Thus, non-vested benefits are the benefits an employee can receive in the future if he or she continues providing services to the employer. The liabilities above are calculated on an IAS19 basis and therefore differ from the results of the triennial funding valuation (see Note 17) because IAS19 stipulates a discount rate rather than a rate that reflects market rates. The main assumptions used were:

| 31 March 2018 | | 31 March 2019 |
|---------------|-------------------|---------------|
| 3.3% | RPI increases | 3.4% |
| 2.3% | CPI increases | 2.4% |
| 3.8% | Salary increases | 3.9% |
| 2.3% | Pension increases | 2.4% |
| 2.6% | Discount rate | 2.4% |

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 is consistent with the approach used at the previous accounting date.

Pension Fund Accounts

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. This is consistent with the approach used at the previous accounting date. As future pension increases are expected to be based on CPI rather than RPI, the Actuary has made a further assumption about CPI which is that it will be 1.0% below RPI i.e. 2.4%.

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 2019 |
|-------------------------------------|---------------|---------------|
| Retiring today | | |
| Males | 24.0 | 22.9 |
| Females | 26.1 | 24.8 |
| Retiring in 20 years | | |
| Males | 26.2 | 24.6 |
| Females | 28.4 | 26.6 |

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

Outstanding contractual commitments at 31 March 2019 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 undrawn amount, the outstanding commitment, for each of these contracts is shown in the table below:

Outstanding Capital Commitments

| | 31 March 2018 | 31 March 2019 |
|---|---------------|---------------|
| | £000 | £000 |
| Brunel Infrastructure | 0 | 68,846 |
| Brunel Private Equity | 0 | 73,570 |
| Pantheon Asia Fund V LP | 1,466 | 715 |
| Pantheon Asia Fund VI LP | 8,352 | 6,369 |
| Pantheon USA Fund VII Limited | 1,148 | 1,244 |
| Pantheon USA Fund VIII Feeder LP | 6,024 | 5,803 |
| Pantheon Global Secondary Fund IV Feeder LP | 3,572 | 3,465 |

Pension Fund Accounts

| | | |
|---|---------------|----------------|
| Partners Group Global Resources 2009, LP | 3,020 | 3,271 |
| Pantheon Europe Fund V "A" LP | 999 | 982 |
| Pantheon Europe Fund VI LP | 4,721 | 3,578 |
| Partners Group Global Real Estate 2008 SICAR | 1,754 | 1,722 |
| Partners Group Global Infrastructure 2009 SICAR | 2,764 | 2,715 |
| | 33,820 | 172,280 |

On 31 March 2019 there was one group transfer to the Fund being negotiated with other Funds (3 on the 31 March 2018), 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 2019 there was one group transfer from the Fund being negotiated with other Funds (one on the 31 March 2018), 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).

| 2017/18 | Prudential | 2018/19 |
|--------------|---|--------------|
| £000 | | £000 |
| 4,035 | Value of AVC fund at beginning of year | 4,035 |
| 91 | Correction opening value | 694 |
| 570 | Employees' contributions and transfers in | 543 |
| 242 | Investment income | 79 |
| (1,069) | Benefits paid and transfers out | (611) |
| 3,869 | Value of AVC fund at year end | 4,740 |

| 07.05.2017 - 31.03.2018 | Scottish Widows | 2018/19 |
|----------------------------|--|--------------|
| £000 | | £000 |
| 3,378 | Value of AVC fund at beginning of year | 3,321 |
| 0 | Correction opening value | (437) |
| 141 | Employees' contributions | 119 |
| 400 | Investment income | (46) |
| (598) | Benefits paid and transfers out | (119) |
| 3,321 | Value of AVC fund | 2,838 |

21. List of Scheduled and Admitted Bodies

Scheduled Bodies

Buckinghamshire County Council
Buckinghamshire Fire and Rescue Service
Thames Valley Police
Aylesbury Vale District Council
Chiltern District Council
Milton Keynes Council
South Bucks District Council
Wycombe District Council

Amersham Town Council
Aston Clinton Parish Council
Aylesbury Town Council
Beaconsfield Town Council
Bletchley & Fenny Stratford Town Council
Bradwell Parish Council
Broughton & Milton Keynes Parish Council
Buckingham Town Council
Burnham Parish Council
Campbell Park Parish Council
Chalfont St Giles Parish Council
Chalfont St Peter Parish Council
Chepping Wycombe Parish Council
Chesham Bois Parish Council
Chesham Town Council
Chiltern Crematorium
Chilterns Conservation Board
Coldharbour Parish Council
Coleshill Parish Council
Gerrards Cross Parish Council
Great Missenden Parish Council
Hambleden Parish Council
Hazlemere Parish Council
Iver Parish Council
Ivinghoe Parish Council
Kents Hill & Monkston Parish Council
Lacey Green Parish Council
Lane End Parish Council
Little Marlow Parish Council
Longwick-cum-Ilmer Parish Council
Marlow Town Council
Mentmore Parish Council
New Bradwell Parish Council
Newport Pagnell Town Council
Newton Longville Parish Council
Olney Town Council
PCC for Thames Valley
Penn Parish Council
Piddington & Wheeler End Parish Council

Princes Risborough Town Council
Shenley Brook End and Tattenhoe Parish Council
Shenley Church End Parish Council
Stantonbury Parish Council
Stony Stratford Town Council
Taplow Parish Council
Waddesdon Parish Council
Wendover Parish Council
West Bletchley Town Council
West Wycombe Parish Council
Weston Turville Parish Council
Winslow Town Council
Woburn Sands Town Council
Wolverton & Greenleys Town Council
Wooburn & Bourne End Parish Council
Woughton Community Council

Alfriston School
Amersham School
Aspire Schools
Aylesbury College
Aylesbury Grammar School
Aylesbury High School
Aylesbury Vale Academy
Beaconsfield High School
Bedgrove Infant School
Bedgrove Junior School
Beechview Academy
Bourne End Academy
Bourton Meadow Academy
Bridge Academy
Brill CofE Combined School
Brookmead School
Brooksward School
Brushwood Junior School
Buckinghamshire New University
Buckinghamshire University Technical College
Burnham Grammar School
Bushfield School
Castlefield School
Chalfonts Community College
Chalfont St Peter CE Academy
Chalfont Valley E-Act Academy
Charles Warren Academy
Chepping View Primary Academy
Chesham Bois CofE Combined School
Chesham Grammar School
Chestnuts Academy

Pension Fund Accounts

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

Election Fees:
Aylesbury Vale Local
South Bucks Local

Admitted Bodies

Acorn Childcare
Action for Children
Action for Children (Children's Centres)
Adventure Learning Foundation (BCC)
Ambassador Theatre Group
Ashridge Security Management
Aspens Services Ltd
Avalon Cleaning Services (Langland School)
Buckinghamshire Music Trust
Bucks Association of Local Councils
Bucks County Museum Trust
Busy Bee Cleaning Services Ltd (WDC)
C-SALT (Woughton Leisure Centre)
Capita (WDC)
Caterlink Ltd (Buckingham Primary)
Caterlink Ltd (Chiltern Hills Academy)
Chartwells Ltd (Oakgrove School)
Chiltern Rangers CIC
Cleantec Services Limited (MK Academy)
Cleantec Services Limited (Oakgrove School)
Connexions Buckinghamshire
Cucina Restaurants Ltd (Denbigh School)
Cucina Restaurants Ltd (Walton High)
Derwent Facilities Management Ltd
Excelcare
Fujitsu Services Limited
Hayward Services Ltd (Downley School)
Hayward Services Ltd (John Colet)
Heritage Care
Hightown Housing Association Ltd
Innovate Ltd
Kids Play Ltd
Manpower Direct Ltd
Mears Group plc
Mercury Infrastructure Limited
NSL Services Group
Nurture Landscapes (MKC)
Oxfordshire Health NHS Foundation Trust
Paradigm Housing Association
Places for People Leisure (Newport Pagnell TC)
Places for People Leisure (WDC)
Police Superintendents Association Limited
Red Kite Community Housing Ltd
Ridge Crest Cleaning Ltd (Shenley Brook End)
Ridge Crest Cleaning Ltd (Walton High)
Ringway Infrastructure Services
Ringway Jacobs
Serco (MKC)
Serco (MKC Recreation & Maintenance)
Sports Leisure Management

Spurgeons
The Fremantle Trust
Vale of Aylesbury Housing Trust
Wolverton & Watling Way Pools Trust
Wycombe Heritage and Arts Trust

Investment Pooling

Investment Pooling – Brunel Pension Partnership

In 2015 the Government issued LGPS: Investment Reform Criteria and Guidance which set out the criteria the local government pension scheme should meet when developing proposals for pooling assets.

- Benefits of scale
- Strong governance and decision making
- Reduced costs and excellent value for money, and
- An improved capacity and capability to invest in infrastructure

It should be noted that the responsibility for determining asset allocations and the investment strategy remains with the individual pension funds.

As a result of the investment pooling agenda, the Buckinghamshire Fund joined with nine other LGPS administering authorities to set up the Brunel Pension Partnership. Buckinghamshire County Council approved the business case in February 2017, based on an estimated potential fee savings of £550 million over a 20 year period across the ten funds.

The financial model estimated that net cumulative savings of £122.3m could be achieved by 2035/36 for the Buckinghamshire Pension Fund, with a breakeven point during the 2020/21 financial year.

The expected cost and savings for the Buckinghamshire Pension Fund, as per the original business case approved in February 2017, and then submitted to Government, are set out in the following table.

Buckinghamshire Pension Fund Expected Costs and Savings from Pooling
(As per Business Case Submissions)

| | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2025/26 to 2035/36 | Total |
|--------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|-----------------------|-----------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Set up costs | 117 | 1,060 | | | | | | | | | | 1,177 |
| Ongoing Brunel Costs | | | 473 | 617 | 637 | 657 | 679 | 701 | 724 | 747 | 8,952 | 14,185 |
| Clients Savings | | | (385) | (397) | (409) | (421) | (433) | (446) | (460) | (474) | (5,593) | (9,017) |
| Transition costs | | | 1,152 | 1,945 | 10 | | | | | | | 3,108 |
| Fee savings | | | (137) | (1,723) | (3,173) | (3,995) | (4,914) | (5,900) | (6,316) | (6,754) | (98,820) | (131,732) |
| Net costs / (realised savings) | 117 | 1,060 | 1,102 | 443 | (2,935) | (3,758) | (4,668) | (5,646) | (6,053) | (6,481) | (95,461) | (122,279) |

Following approval of the business case, the Brunel Pension Partnership Ltd was established in July 2017, as a company wholly owned by the Administering Authorities (in equal shares) that participate in the pool. The company is authorised by the Financial Conduct Authority (FCA). It is responsible for implementing the detailed Strategic Asset Allocations of the participating funds by investing Funds' assets within defined outcome focussed investment portfolios. In particular, it researches and selects the external managers or pooled funds needed to meet the investment objective of each portfolio.

Now that Brunel is operational, the financial performance of the pool will be monitored to ensure that Brunel is delivering on the key objectives of investment pooling. This includes reporting of the costs associated with the appointment and management of the pool company including set up costs, investment management expenses and the oversight and monitoring of Brunel by the client funds. The set up and transition costs incurred to date are set out in the following table.

Investment Pooling

| Buckinghamshire's Share of the Brunel Pool Set Up Costs | 2018/19 | | | Cumulative To Date £000 |
|---|-------------|---------------|------------|-------------------------|
| | Direct £000 | Indirect £000 | Total £000 | |
| Set up costs | | | | |
| Recruitment | - | - | - | 18 |
| Legal | - | - | - | 133 |
| Consulting, Advisory & Procurement | - | - | - | 82 |
| Other support costs e.g. IT, accommodation | - | - | - | 0 |
| Share Purchase / Subscription Costs | - | - | - | 840 |
| Staff Costs | - | - | - | - |
| Other Costs | - | - | - | 184 |
| Total Set Up Costs | - | - | - | 1,256 |
| Transition Costs | | | | |
| Transition Fee | - | - | - | - |
| Tax | - | 27 | 27 | 27 |
| Other Transition Costs | - | 387 | 387 | 387 |
| Total Transition Costs | - | 414 | 414 | 414 |

The Buckinghamshire Fund transitioned its first assets to Brunel in July 2018, the savings achieved during 2018/19 are set out in the following table.

Investment Fee Savings from Pooling

| Portfolio | Value in Original Business Case (31 March 2016) £000 | Value at 31 March 2019 £000 | Price Variance £000 | Quantity Variance £000 | Total Saving / (Cost) £000 |
|-----------------------------------|--|-----------------------------|---------------------|------------------------|----------------------------|
| Global Developed Passive Equities | 293,699 | 767,145 | 87 | (78) | 9 |

The analysis shows the fee savings achieved for the assets that have transitioned to Brunel portfolios against the fees charged at the time the business case for pooling was prepared in 2016. A summary of the costs and savings to date compared to the original business case is provided in the following table.

Expected Costs compared to Actual Costs / Savings to Date

| | 2017/18 | | | | 2018/19 | | | |
|---------------------------------------|--------------|--------------------|--------------|--------------------|--------------|--------------------|------------|--------------------|
| | Budget | | Actual | | Budget | | Actual | |
| | In Year | Cumulative to date | In Year | Cumulative to date | In Year | Cumulative to date | In Year | Cumulative to date |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Set Up Costs | 1,060 | 1,177 | 1,072 | 1,256 | - | 1,177 | - | 1,256 |
| Ongoing Brunel Costs | - | - | - | - | 473 | 473 | 835 | 835 |
| Buckinghamshire Fund Savings | - | - | - | - | (385) | (385) | (300) | (300) |
| Transition Costs | - | - | - | - | 1,152 | 1,152 | 414 | 414 |
| Fee Savings | - | - | - | - | (137) | (137) | (87) | (87) |
| Net costs / (Realised Savings) | 1,060 | 1,177 | 1,072 | 1,256 | 1,103 | 2,280 | 862 | 2,118 |

Investment Pooling

The previous table includes custodian and performance measurement and reporting costs as ongoing Brunel costs, although they are separated out in Note 7 of the Statement of Accounts. The Buckinghamshire Funds savings included in the original business case comprised custodian costs, based on the custodian costs in 2016/17, as it was envisaged these would be met via Brunel post pooling. The realised saving shown under Buckinghamshire Fund Savings therefore comprise the custodian costs saved as a result of including them within the Brunel ongoing costs line, based on the original business case.

The most significant variances from the original business case can be summarised as follows:

- Fee savings in 2018/19 are lower since the passive listed fixed interest assets will be transitioned later than anticipated in the original business case.
- Transition costs for 2018/19 are lower, partly due to the transition costs for the passive mandates being lower than expected. Transition costs for active equity portfolios were included in 2018/19 in the original business case, whereas these assets will not now transition until 2019/20.
- Additional resources have been required by Brunel over and above those envisaged by the original business case, in order to deliver the service required by their clients. As a result, the ongoing overhead costs of the Brunel company are higher than originally estimated.

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Active Management

A style of investment management where the fund manager aims to out-perform a benchmark by superior asset allocation, market timing or stock selection (or a combination of these). Compare with passive management.

Actuary

A person or firm that analyses the assets and future liabilities of a pension fund and calculates the level of employers' contributions needed to keep the Fund solvent.

Additional Voluntary Contributions (AVCs)

AVCs are paid by a contributor who decides to supplement their pension by paying extra contributions to the Fund's AVC providers.

Admitted Bodies

These are employers who have been allowed into the Fund at the County Council's discretion.

Alternative Investments

These are less traditional investments where risks can be greater but potential returns higher over the long term, e.g. investments in private equity partnerships, hedge funds, commodities, foreign currency and futures.

Asset Allocation

The appointment of a fund's assets between asset classes and/or world markets. The long-term strategic asset allocation of a fund will reflect the fund's investment objectives. In the short term, the fund manager can aim to add value through tactical asset allocation decisions.

Benchmark

A yardstick against which the investment policy or performance of a fund manager can be compared. Asset allocation benchmarks vary from the average fund distribution (as measured by one of the performance surveys) to customised benchmarks tailored to a particular fund's requirements.

Commutation

The conversion of an annual pension entitlement into lump sum on retirement.

Contingent Liability

A possible loss, subject to confirmation by an event after the balance sheet date, where the outcome is uncertain in terms of cost.

Corporate Bonds

Corporate Bonds are debt obligations issued by private corporations to finance a variety of purposes, e.g. business expansion. When a bond is issued, the corporation promises to return the money on a specified date, paying a stated rate of interest. Bonds do not provide ownership interest in the corporation.

Corporate Governance

Issues relating to the way in which a company ensures that it is attaching maximum importance to the interest of its shareholders and how shareholders can influence management. Issues such as executive pay levels and how institutional investors use their votes have been the subject of much debate.

Custody, Custodian

Safekeeping of securities by a financial institution. The custodian keeps a record of client investments and may also collect income, process tax reclaims and provide various other services according to client instructions.

Dividend

The part of a company's after-tax earnings, which is distributed to the shareholders in the form of cash or shares. The directors of the company decide how much dividend is to be paid and when. The dividend is neither automatic nor guaranteed for ordinary shareholders.

Emerging Markets

The financial markets of developing countries.

Equities

Shares in UK and overseas companies.

Fixed Interest

Income that remains constant during the life of the asset, such as income derived from bonds, annuities and preference shares.

FTSE All-Share Index

An arithmetically weighted index of leading UK shares (by market capitalisation) listed on the London Stock Exchange. Updated daily, the FTSE 100 Index ("Footsie") covers only the largest 100 companies.

Gilts, Gilt-edged Securities

The familiar name given to sterling, marketable, fixed interest securities (or bonds) issued by the British Government.

Hedge Fund

A specialist fund that seeks to generate consistent returns in all market conditions by exploiting opportunities resulting from inefficient markets.

Index-linked Gilts

Both the interest payments (coupons) and the value of the eventual capital repayment for index-linked gilts are adjusted in line with the change in inflation, as measured by the retail prices index (RPI). Investors are thus protected against the value of their investments being eroded by inflation.

Mature Scheme

A pension scheme with a high proportion of pensioners and a low proportion of current members. In a mature scheme contributions are normally less than benefits paid out.

Ministry of Housing, Communities and Local Government (MHCLG)

Formerly the Department for Communities and Local Government (DCLG), MHCLG is the government department responsible for the Local Government Pension Scheme.

Myners Report

In 2001, Paul Myners issued a report that had been commissioned by HM Treasury on the subject of Institutional Investment.

Passive Management

A style of investment management that seeks to attain performance equal to market or index returns.

Risk

In its simplest sense, risk is the variability of returns. Investments with greater inherent risk must promise higher expected returns if investors are to invest in them.

Scheduled Bodies

These are organisations that have a right to be in the Fund.

Specialist Management

A fund management arrangement whereby a number of managers each concentrate on a different asset class. A specialist fund manager is concerned primarily with stock selection within the specialist asset class. Asset allocation decisions are taken by the trustees, their consultant or a specialist tactical asset allocation manager.

Stock Selection

The process of deciding which stocks to buy within an asset class.

Style

The philosophy behind the way in which a manager manages the fund.

Tracker Fund

A fund which matches investment performance to a particular stock market index.

Transfer Value

A cash sum representing the value of a member's pension rights.

Unit Trust

A pooled fund in which investors can buy and sell units on an ongoing basis. Known as mutual funds in the US and some other countries.

Unquoted Securities

Shares which are dealt in the market but which are not subject to any listing requirements and are given no official status.

Value Manager

A fund manager who aims to select stocks that he believes to have potential not reflected in the current share price.

