

Agenda

PENSION FUND COMMITTEE

Date: Friday 26 July 2019
Time: 11.00 am
Venue: Large Dining Room, Judges Lodgings,
Aylesbury

Agenda Item	Page No
1 APOLOGIES FOR ABSENCE / CHANGES IN MEMBERSHIP	
2 DECLARATIONS OF INTEREST To disclose any Personal or Disclosable Pecuniary Interests	
3 APPOINTMENT OF VICE-CHAIRMAN	
4 MINUTES For the Committee to agree the minutes of the meeting held on 30 th May 2019	3 - 6
5 ANNUAL ACCOUNTS AUDIT Item to follow	
6 ANNUAL REPORT 2018/19	7 - 140
7 EXIT PAYMENT CAP	141 - 180
8 EMPLOYER COST CAP AND MCCLOUD	181 - 184
9 CHANGES TO THE LOCAL VALUATION CYCLE AND THE MANAGEMENT OF EMPLOYER RISK POLICY	185 - 220
10 FORWARD PLAN For the Committee to note the forward plan items	221 - 224
11 EXCLUSION OF THE PRESS AND PUBLIC To resolve to exclude the press and public as the following item is exempt by virtue of Paragraph 3 of Part 1 of Schedule 12a of the Local	

Government Act 1972 because it contains information relating to the financial or business affairs of any particular person (including the authority holding that information)

- | | | |
|-----------|--|------------------|
| 12 | CONFIDENTIAL MINUTES | 225 - 230 |
| | For the Committee to agree the confidential minutes of the meeting held on 30 th May 2019 | |
| 13 | EMPLOYER RISK ANALYSIS | 231 - 262 |
| 14 | DATE OF NEXT MEETING | |
| | The next meeting will be held on Friday 13 th September 2019 at 2pm, in Mezz 2, County Hall, Aylesbury. | |

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

For further information please contact: Anne-Marie Kenward on 01296 387006, email: kicollier@buckscc.gov.uk

Members

Mr J Chilver (C)
Mr R Bagge
Mr T Butcher
Mr C Harriss
Mr N Hussain
Mr D Martin (VC)
Mr M Barber, Thames Valley Police
Mr J Gladwin, District Council representative
Mr N Miles, Milton Keynes Council

Minutes

PENSION FUND COMMITTEE

**MINUTES OF THE MEETING OF THE PENSION FUND COMMITTEE HELD ON THURSDAY
30 MAY 2019, IN MEZZANINE ROOM 1, COUNTY HALL, AYLESBURY, COMMENCING AT
2.10 PM AND CONCLUDING AT 4.08 PM.**

MEMBERS PRESENT

Mr C Harriss, Mr D Martin (Vice-Chairman), Mr M Barber, Mr J Gladwin and Mr N Miles

OTHERS PRESENT

Carolan Dobson, Independent Adviser
Julie Edwards, Pensions and Investments Manager
Mark Preston, Head of Finance, Resources & Pensions
Matthew Passey, Investment Consultant, Mercer
Steve Mason, Pension Fund Board
Katie-Louise Collier, Committee and Governance Adviser
Thomas Ball, Grant Thornton
Tony English, Investment Consultant, Mercer

AGENDA ITEM

1 ELECTION OF CHAIRMAN / APPOINTMENT OF VICE-CHAIRMAN

RESOLVED

That Mr John Chilver be elected Chairman of the Committee for the ensuing year.

As Mr Chilver was absent, the nomination and appointment of Vice-Chairman would be moved to item 1 of the next PFC meeting agenda. Mr Martin chaired the meeting in his absence.

2 APOLOGIES FOR ABSENCE / CHANGES IN MEMBERSHIP

Apologies were received from Mr Bagge, Mr Butcher and Mr Chilver.
Mr Hussain is no longer a Member of the Committee and has been replaced by Mr Bagge.

3 DECLARATIONS OF INTEREST



Ms Dobson stated that she was a Non-Executive Director for Aberdeen Standard Investments. Her company also has a hiring relationship with BlackRock Latin American Investment Trust which didn't cause a conflict, but she wanted to make Committee aware of it.

4 MINUTES

The minutes of the Pension Fund Committee (PFC) meeting held on 18th March 2019 were agreed. The Chairman informed the Committee that, due to the legal department restructure and services coming back in-house, the item 'appointment of new adjudicator for LGPS' would be likely to come back to the September Committee.

The Chairman welcomed Mr Mason, Chairman of the Pension Fund Board (PFB) and invited his comments. Mr Mason stressed that the PFB minutes were in draft form as they had not yet gone back for PFB approval. The Committee noted the minutes from the PFB held on 14th March 2019.

5 EXTERNAL AUDIT PLAN

The Chairman welcomed Mr Ball, representative of Grant Thornton. The Committee were advised that the external audit plan had already been presented to the Regulatory and Audit Committee (RAC) on 4th April 2019.

Mr Ball discussed key aspects of the audit and the areas of focus for 2019. Risks had been identified and where possible they had been rebutted. Where this hadn't been possible presumed risks had been listed and addressed. No significant risk was thought to remain. They would audit all level 3 investments, predominantly private equity since there is a high degree of estimation uncertainty and they would also be auditing the transition of assets into Brunel, as this had been classed as an unusual transaction. It was expected that the audit would take 4-6 weeks, and findings would be presented at the PFC on 23rd July and at the RAC on 30th July.

In response to questioning, Mr Ball told the Committee that:

- Grant Thornton would seek information for valuations directly from Brunel and additional work would be required to ensure the correct amounts were transferred to Brunel.
- Grant Thornton hadn't experienced the same negative consequences brought about by the downward pressure on fees or challenges which other suppliers had been facing. They had been aware of what they were tendering for when they had tendered for the work and had no concerns about delivery or impacts on timing or quality of their work.
- They were currently on target for auditing the accounts by 31st July 2019.
- Grant Thornton had updated their methodology and software, in line with other suppliers, to provide improved quality and to be closer aligned to auditing standards. Particular risks, which had been mentioned previously, may no longer be recorded

- under the new system and they had refined the way they communicated risks.
- Councils had a statutory responsibility to allow elector questions about financial statements within a particular period. Draft accounts had been placed on the BCC website with clear instructions for the public to be able to raise concerns, so Grant Thornton had been satisfied that BCC had fulfilled its duties.

The Chairman thanked Mr Ball for his attendance.

RESOLVED: The Committee NOTED the audit plan

6 ANNUAL ACCOUNTS

The Chairman welcomed Ms Edwards, Pensions and Investments Manager. Ms Edwards informed the Committee that the draft statement of accounts had already been placed before the RAC on 21st May 2019 and the final accounts would be coming back to the PFC on 23rd July following the audit. She directed the Committee's attention to the fact that the value of the pension fund had increased with a net return of £177 million in investments. The pooled investment vehicles in the net assets statement had also increased following the transfer of some assets to the Brunel pool. Ms Edwards anticipated future savings due to economies of scale and the pooling of assets with Brunel. Ms Edwards told the Committee that p41 contained a reconciliation of the financial instruments total to the net investments, in the net assets statement. This had been requested by the Committee in the July 2018 meeting.

RESOLVED: The Committee NOTED the accounts and timings contained within the report

7 FORWARD PLAN

Ms Edwards updated the Committee about the topics which would be coming to future meetings

RESOLVED: The Committee NOTED the forward plan

8 EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED

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

9 CONFIDENTIAL MINUTES

10 BRUNEL UPDATE

11 PENSION FUND PERFORMANCE

12 INVESTMENT STRATEGY

13 DATE OF NEXT MEETING

The next Pension Fund Committee will be held on 23rd July 2019 at 2pm, in Mezzanine 3, County Hall, Aylesbury.

CHAIRMAN

Pension Fund Committee

Title: Pension Fund Annual Report and Account 2018/19

Date: 26 July 2019

Author: Head of Finance (Pensions, Investments & Projects)

Contact officer: Cheryl Platts 01296 383407

Electoral divisions affected: N/A

Summary

To present, for approval, the Pension Fund Annual Report and Accounts for 2018/19.

Recommendation

The Committee is asked to **APPROVE** the annual report, subject to the accounts element being signed off by Regulatory and Audit Committee.

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

Resource implications

1. There are none arising directly from this report.

Legal implications

2. There are none arising directly from this report.

Other implications/issues

3. The Pension Fund's Annual Report and Accounts 2018/19 is attached as appendix 1.
4. The annual report has been prepared in accordance with 2019 edition of the CIPFA statutory "Guidance for Local Government Pension Scheme Funds: Preparing the Annual Report".
5. There have been significant changes in the CIPFA guidance, resulting in a lengthier and more detailed annual report in comparison to previous years.

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

6. Not applicable

Background Papers

BCC Pension Fund Annual Report and Accounts 2018/19 (draft)

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	1/160 th 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

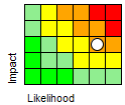

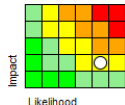
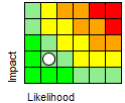

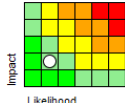
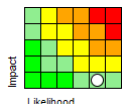

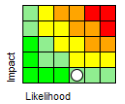
Scoring colour code	
	1-3
	4-6
	7-12
	13-20
	21-30

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

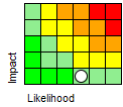

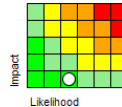
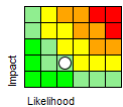

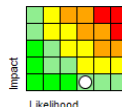
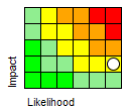

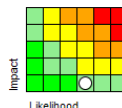
Scale	Likelihood
1-6	Scores from

Risk Management

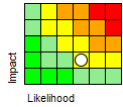

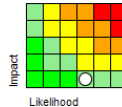
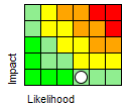

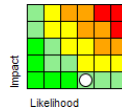
Pensions & Investments Team – Administration risk register

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

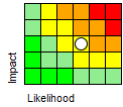

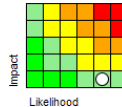
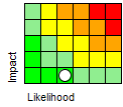

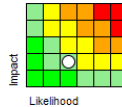
Risk Management

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

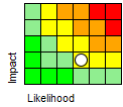

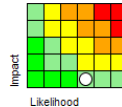
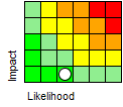

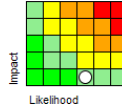
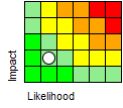

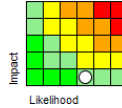
Risk Management

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

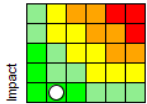

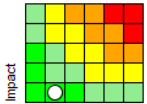

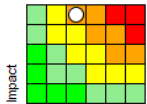

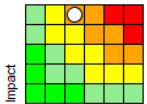

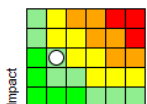

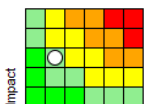

Pensions & Investments Team – BCC Pension Fund risk register

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.				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.		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.				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.		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

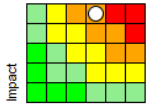

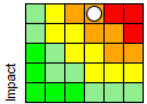

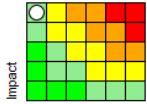

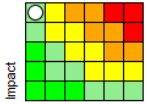

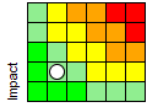

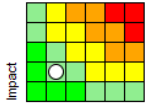

Risk Management

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.	 Likelihood		 Likelihood	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.	 Likelihood		 Likelihood	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.	 Likelihood		 Likelihood	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

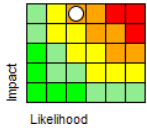

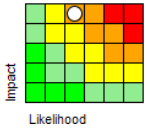
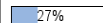
Risk Management

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:

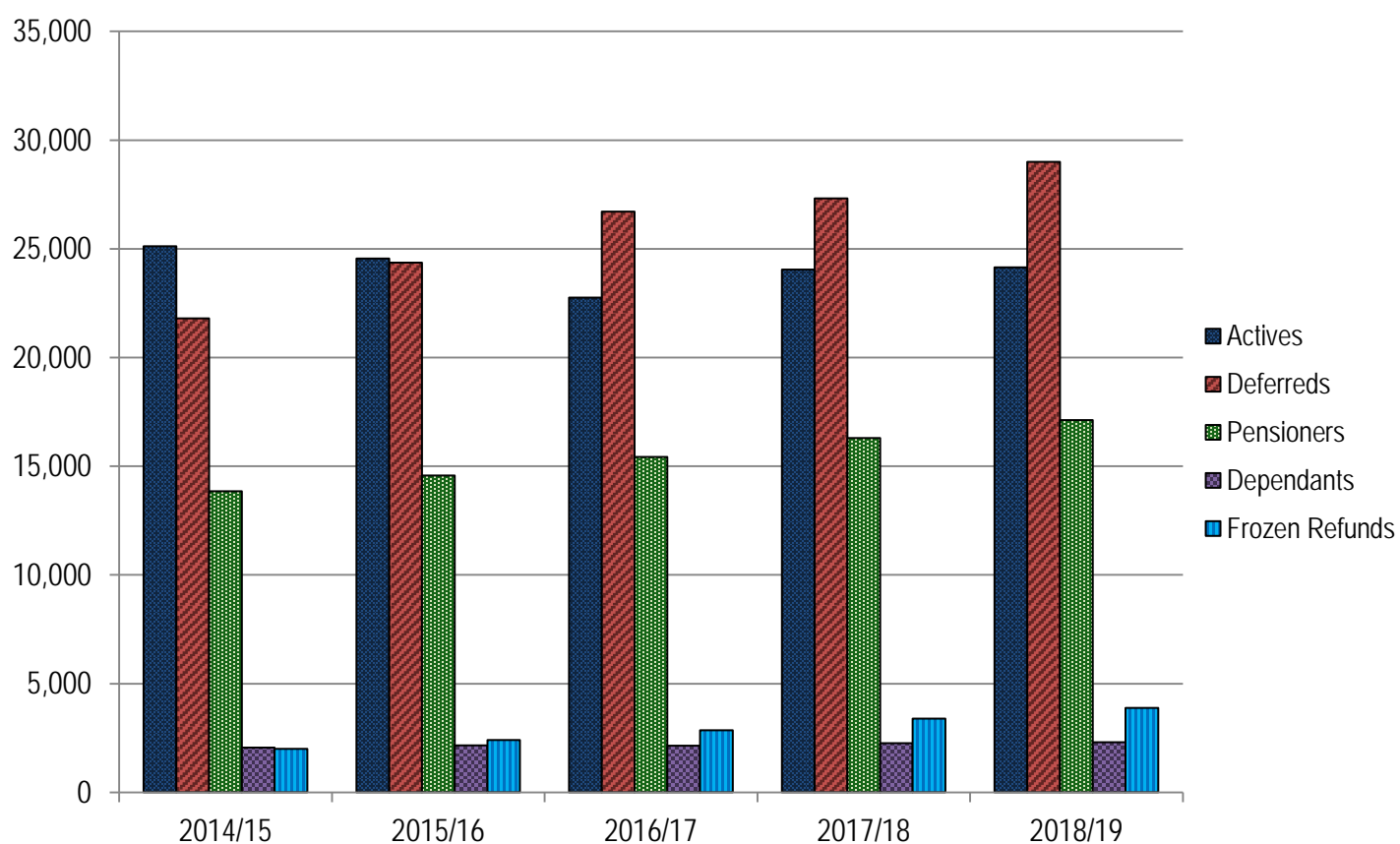
1. Whether to waive upon the voluntary early payment of benefits, any actuarial reduction on compassionate grounds or otherwise
2. Whether, as the 85 year rule does not (other than on flexible retirement) automatically fully apply to members who would otherwise be subject to it and who choose to voluntarily 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**

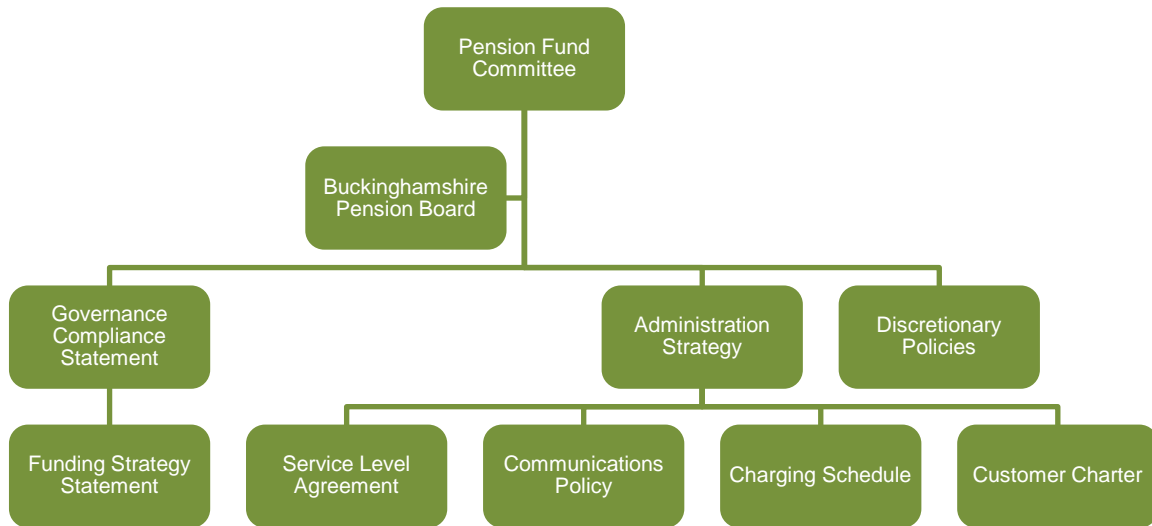
Total value of Employer contributions received **1 April 2018 to 31 March 2019: £ 107.131m**

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:

- 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.

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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.

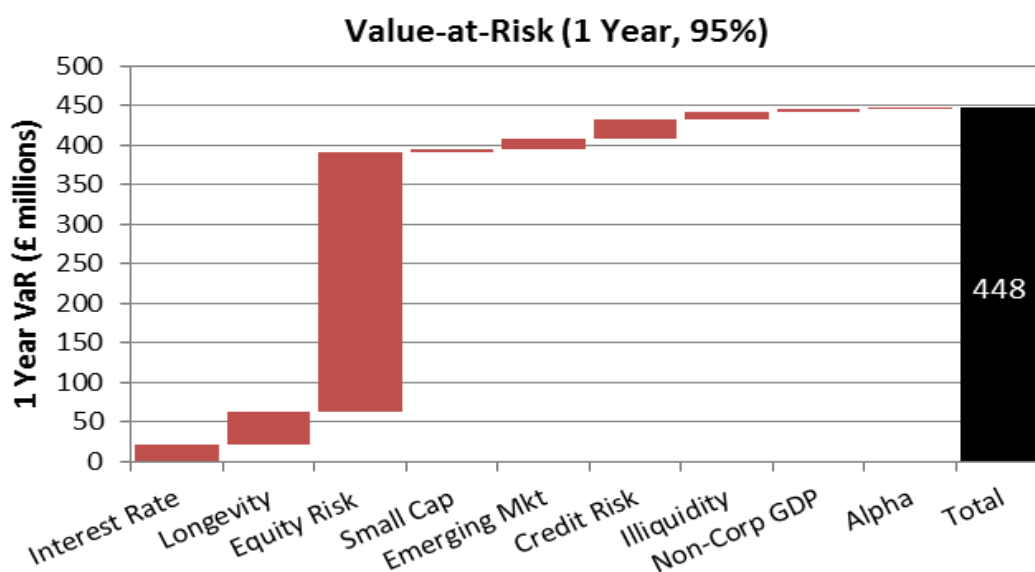
Following the latest investment strategy review, the Committee are considering a number of revisions to the long term investment strategy. These proposals include increasing diversification within the equity and bond holdings and increasing the allocation to "alternative" assets, in order to maintain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

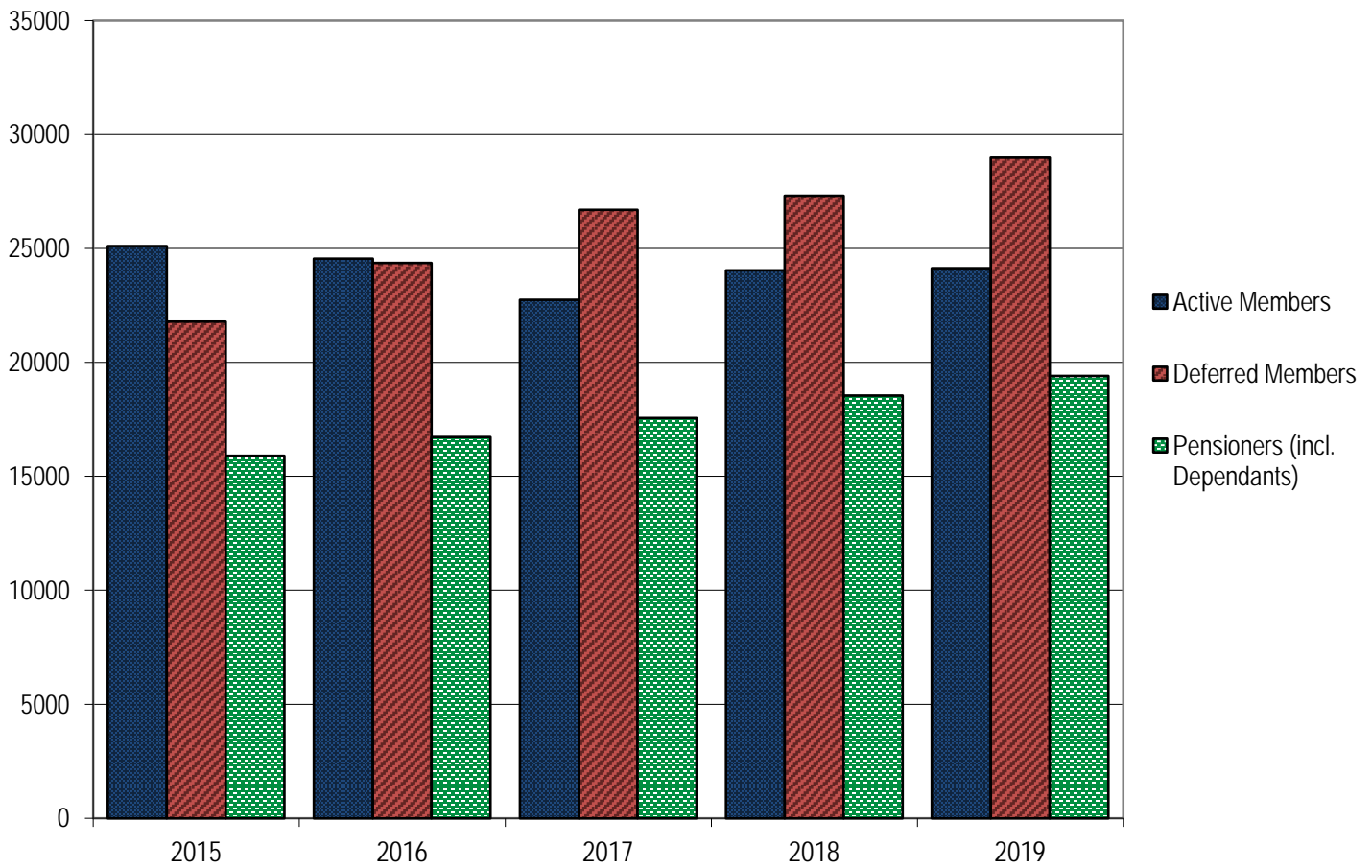
Once established and fully operational the BPP Ltd will deliver best practice standards in responsible investment and stewardship as outlined in the BPP Ltd Investment Principles.

Advice Taken

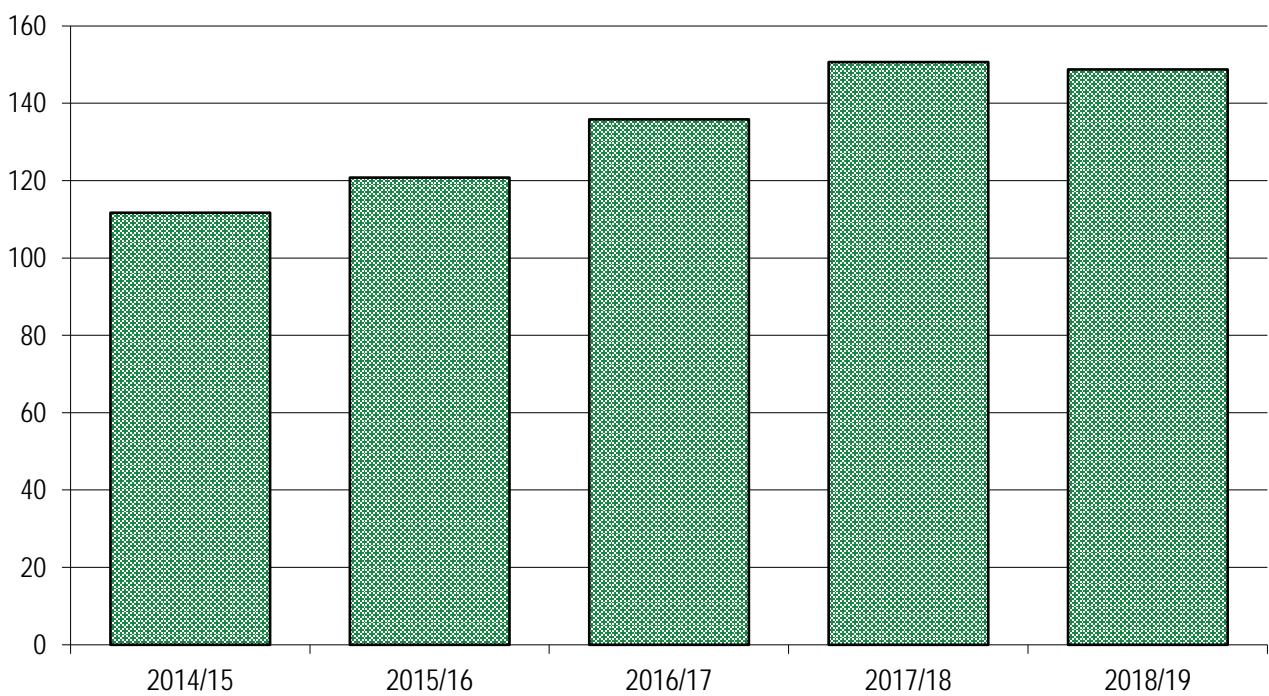
In preparing this statement, the Committee has taken advice from Fund Officers, the Fund's appointed investment consultant and the Client Group at the Brunel Pension Partnership Ltd.

History of the Fund

Membership Profile

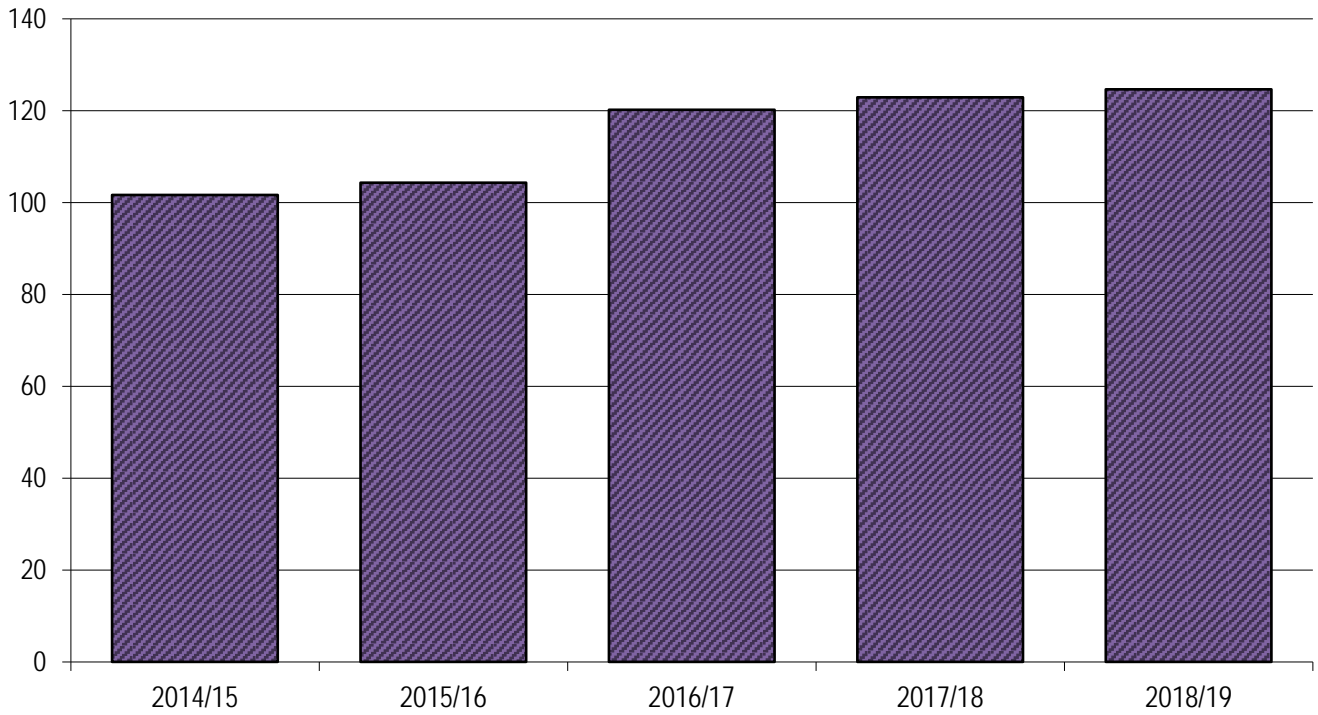


Contributions Received £m

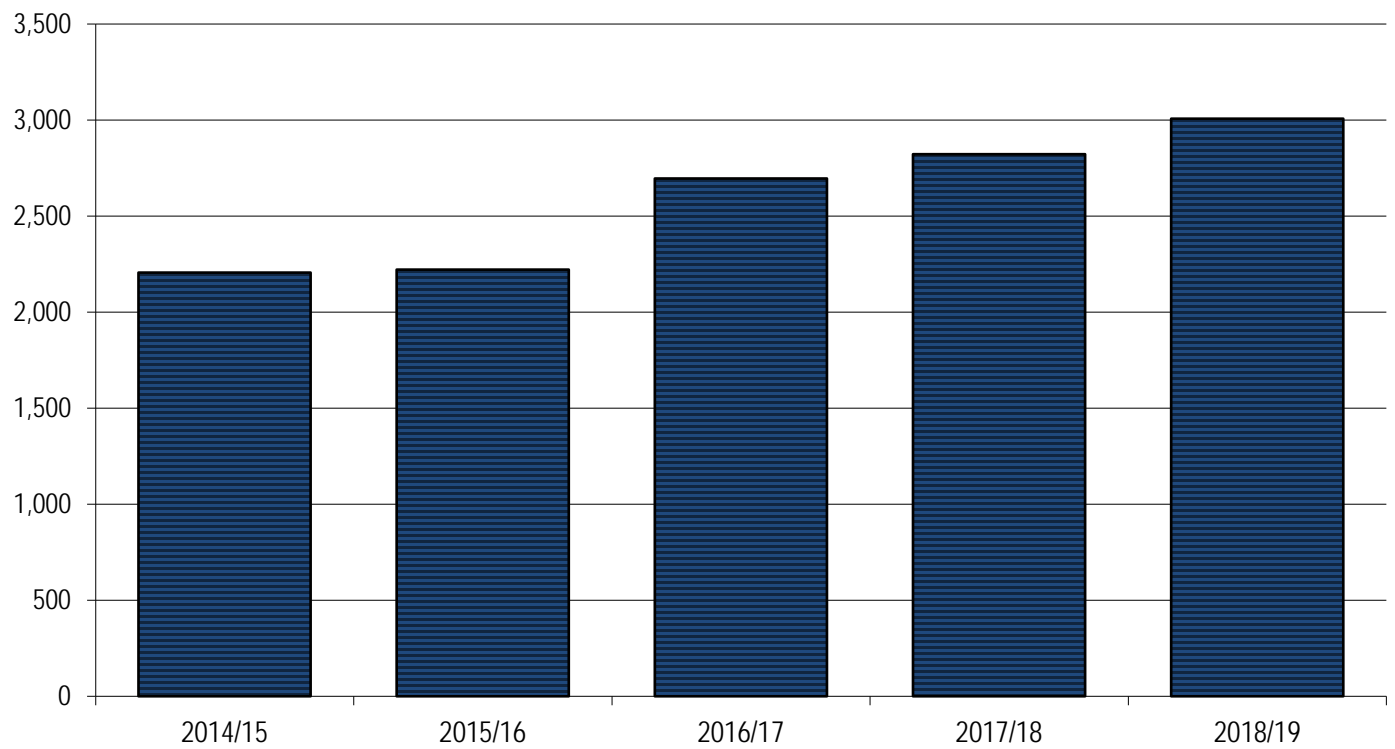


History of the Fund

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

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 £000	Pension Fund Account	Note	31 March 2019 £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)
(150,680)			(148,772)
	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
122,873			124,610
(27,807)	Net Additions from Dealings with Members		(24,162)
19,239	Management expenses	7	16,237
(8,568)	Net (Additions)/Withdrawals including Fund Management Expenses		(7,925)
	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
(117,997)	Net Returns on Investments		(176,949)
(126,565)	Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year		(184,874)

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

Pension Fund Accounts

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

Pension Fund Accounts

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

Pension Fund Accounts

Reconciliation of Fair Value Measurements Within Level 3

	Value at 31 March 2018	Purchases	Sales	Realised profit/(loss)	Unrealised profit/loss	Value at 31 March 2019
	£000	£000	£000	£000	£000	£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	Purchases	Sales	Realised profit/(loss)	Unrealised profit/loss	Value at 31 March 2018
	£000	£000	£000	£000	£000	£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.

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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

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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 -	Scottish Widows	2018/19
31.03.2018		
£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	Princes Risborough Town Council
Buckinghamshire Fire and Rescue Service	Shenley Brook End and Tattenhoe Parish Council
Thames Valley Police	Shenley Church End Parish Council
Aylesbury Vale District Council	Stantonbury Parish Council
Chiltern District Council	Stony Stratford Town Council
Milton Keynes Council	Taplow Parish Council
South Bucks District Council	Waddesdon Parish Council
Wycombe District Council	Wendover Parish Council
	West Bletchley Town Council
Amersham Town Council	West Wycombe Parish Council
Aston Clinton Parish Council	Weston Turville Parish Council
Aylesbury Town Council	Winslow Town Council
Beaconsfield Town Council	Woburn Sands Town Council
Bletchley & Fenny Stratford Town Council	Wolverton & Greenleys Town Council
Bradwell Parish Council	Wooburn & Bourne End Parish Council
Broughton & Milton Keynes Parish Council	Woughton Community Council
Buckingham Town Council	
Burnham Parish Council	Alfriston School
Campbell Park Parish Council	Amersham School
Chalfont St Giles Parish Council	Aspire Schools
Chalfont St Peter Parish Council	Aylesbury College
Chepping Wycombe Parish Council	Aylesbury Grammar School
Chesham Bois Parish Council	Aylesbury High School
Chesham Town Council	Aylesbury Vale Academy
Chiltern Crematorium	Beaconsfield High School
Chilterns Conservation Board	Bedgrove Infant School
Coldharbour Parish Council	Bedgrove Junior School
Coleshill Parish Council	Beechview Academy
Gerrards Cross Parish Council	Bourne End Academy
Great Missenden Parish Council	Bourton Meadow Academy
Hambleden Parish Council	Bridge Academy
Hazlemere Parish Council	Brill CofE Combined School
Iver Parish Council	Brookmead School
Ivinghoe Parish Council	Brooksward School
Kents Hill & Monkston Parish Council	Brushwood Junior School
Lacey Green Parish Council	Buckinghamshire New University
Lane End Parish Council	Buckinghamshire University Technical College
Little Marlow Parish Council	Burnham Grammar School
Longwick-cum-Ilmer Parish Council	Bushfield School
Marlow Town Council	Castlefield School
Mentmore Parish Council	Chalfonts Community College
New Bradwell Parish Council	Chalfont St Peter CE Academy
Newport Pagnell Town Council	Chalfont Valley E-Act Academy
Newton Longville Parish Council	Charles Warren Academy
Olney Town Council	Chepping View Primary Academy
PCC for Thames Valley	Chesham Bois CofE Combined School
Penn Parish Council	Chesham Grammar School
Piddington & Wheeler End Parish Council	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 – 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.

Contact Us

If you would like further information on the contents of this annual report, please contact:

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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.

Pension Fund Committee

Title:	Exit payment cap
Date:	Friday 26 July 2019
Author:	Head of Finance – Pensions, Investments & Projects
Contact officer:	Claire Lewis-Smith, 01296 383424
Local members affected:	N/A

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

Summary

In 2015 the government announced plans to cap exit payments in the public sector. On 10 April 2019 HM Treasury (HMT) launched a consultation on draft regulations, guidance and Directions to implement the cap, which closed on 3 July 2019. The cap will apply to all public sector employers and will be implemented in two stages. Local government employers will be included in the first stage. The consultation document is attached as Appendix 1 to this report.

The proposal is to set the exit payment cap at £95,000. Redundancy payments (including statutory redundancy payments), severance payments, pension strain costs (the cost of paying unreduced benefits to LGPS members before their normal pension age) and other payments made as a result of termination of employment are also included.

Statutory redundancy payments cannot be reduced so if the cap is exceeded, other elements that make up the exit payment must be reduced. Policy intent is for member's benefits to be reduced so that the cap is not breached, with the member having the option to buy-out some or all of the reduction. LGPS Regulations would need to be amended to facilitate this change along with guidance from the Government Actuary's Department (GAD) on calculating the pension reduction and operating the buy-out process.

There are circumstances where the cap must be (mandatory cases) or may be (discretionary cases) relaxed by the 'Decision Maker' which in the case of a local authority is full council. Mandatory cases relate to TUPE regulations or exits that would otherwise be considered by an Employment Tribunal under whistleblowing or discrimination legislation. Discretionary cases are those to avoid undue hardship, to effect workforce reforms or exits agreed before the regulations take effect.

Buckinghamshire County Council Pension Fund's response, submitted on 3 July 2019, is attached at Appendix 2.

Recommendation

The Committee are asked to NOTE the response submitted to the consultation.

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

Resource implications

N/A

Legal implications

N/A

Other implications/issues

Concern regarding the implementation period has been raised in the Fund's consultation response. The proposal is to implement the cap the day after the date the Regulations are passed. With the transition to the new Buckinghamshire Council underway, the Fund's preference would be for a nine month implementation period to enable guidance and Regulations to be enacted and to give employers within the Fund sufficient time to comply with them.

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

N/A

Background Papers

Appendix 1 – Restricting exit payments in the public sector consultation document

Appendix 2 – BCCPF's response to the consultation

Restricting exit payments in the public sector: consultation on implementation of regulations

Published 10 April 2019

Contents

1. [1. Introduction](#)
2. [2. Proposed scope of draft regulations](#)
3. [3. Guidance and directions](#)
4. [4. Devolution summary and equalities impacts](#)
5. [5. Summary of questions](#)

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This publication is available at <https://www.gov.uk/government/consultations/restricting-exit-payments-in-the-public-sector/restricting-exit-payments-in-the-public-sector-consultation-on-implementation-of-regulations>

0.1 Executive summary

Exit payments to employees leaving the public sector workforce in 2016-2017 cost the taxpayer £1.2 billion¹, with payments at and above £100,000 amounting to £0.2 billion. Exit payments can be important to employers' ability to reform and react to new circumstances, whilst providing support for employees as they find new employment or as a bridge until retirement age. However, public sector employers have a responsibility to demonstrate that they are using public money efficiently and responsibly, and to ensure that pay and terms are always proportionate, justifiable and fair to the taxpayers who fund them.

The government does not believe that the majority of six figure exit payments, which are far in excess of those available to most workers in the public sector or wider economy, are proportionate or provide value for money for taxpayers.

The government therefore introduced powers to cap exit payments in the public sector at £95,000 in the Small Business, Enterprise and Employment Act 2015. This consultation sets out the proposed method of implementing that cap, including which bodies should be in scope.

These regulations will help public sector employers to ensure exit payments represent value for money to the taxpayer who funds them.

1. Introduction

1.1 Policy background

Exit payments associated with loss of employment, including redundancy, are important to employers' ability to reform, and an important source of support for employees as they find new employment, or as a bridge until retirement age. However, it is also important that exit payments are proportionate and fair to the taxpayer and the government is concerned about the number of exit payments made to public sector workers that exceed or come close to £100,000.

Such payments can exceed three times the average annual earnings in the public sector², and are far higher than the value of exit payments made to the majority of public sector workers³. The government does not believe that such payments often provide value for money or are fair to the taxpayers who fund them.

The government legislated for a cap of £95,000 on exit payments (the cap) in the public sector in the Small Business Enterprise and Employment Act 2015 (the 2015 act) as amended by the Enterprise Act 2016 (the 2016 act). The 2015 act sets out the duty to implement the cap through secondary legislation.

This consultation sets out the proposed draft regulations, schedule to the regulations, accompanying guidance and directions. The government welcomes comments on the draft regulations.

The draft schedule 1 sets out in detail the proposed scope of the regulations for this first stage of implementation. The government will expand the bodies in scope to the whole of the public sector in due course, with exemptions for certain bodies. Exemptions will be considered on a case by case basis, taking into account the nature of and functions undertaken by the employer.

1.2 Policy intention

Sections 153A to 153C of the 2015 act enable HM Treasury to make regulations restricting public sector exit payments to a maximum of £95,000. The draft regulations define the types of payments intended to be subject to the cap, how the proposed cap is intended to operate, and the scope of the regulations. The bodies in scope of the draft regulations are set out in schedule 1 of the draft regulations. It is the government's intention to extend the scope of the regulations to the whole public sector in due course.

1.3 Aim and scope of the consultation

The government will consider the consultation responses and decide on how best to achieve its aims in relation to the questions and proposals set out in this document. Responses are particularly welcomed from:

- employing bodies within the scope of the draft regulations as well as employing bodies within the wider public sector but not included in schedule 1 at present
- bodies representing public sector employers
- employees and their representative bodies
- members of the academic community with expertise in this area
- pay, pension, remuneration and HR professionals in both the private and public sectors
- anyone else who may be impacted by this consultation

1.4 How to respond

This consultation will run for twelve weeks and will close on 3 July. Responses can be [submitted online](#) or sent by email to: ExitPaymentCap@hmtreasury.gov.uk with the subject heading 'Consultation on Exit Payment Cap'.

Alternatively please send responses by post to:

Workforce, Pay & Pensions Team,
HM Treasury,
1 Horse Guards Road,
London
SW1A 2HQ

When responding please say if you are a business, individual or representative body. In the case of representative bodies, please provide information on the number and nature of people you represent.

1.5 Consultation principles

This consultation is being run in accordance with the government's [consultation principles](#).

1.6 Privacy notice

This notice sets out how HM Treasury will use your personal data for the purposes of the 'public sector exit payment' and explains how your rights under the General Data Protection Regulation (GDPR) and the Data Protection Act 2018 (DPA).

Your data (data subject categories)

The personal information relates to you as either a member of the public, parliamentarians, and representatives of organisations or companies.

The data we collect (data categories)

Information may include your name, address, email address, job title, and employer of the correspondent, as well as your opinions. It is possible that you will volunteer additional identifying information about themselves or third parties.

Legal basis of processing

The processing is necessary for the performance of a task carried out in the public interest or in the exercise of official authority vested in HM Treasury. For the purpose of this consultation the task is consulting on departmental policies or proposals or obtaining opinion data in order to develop good effective government policies.

Special categories data

Any of the categories of special category data may be processed if such data is volunteered by the respondent.

Legal basis for processing special category data

Where special category data is volunteered by you (the data subject), the legal basis relied upon for processing it is: the processing is necessary for reasons of substantial public interest for the exercise of a function of the Crown, a Minister of the Crown, or a government department.

This function is consulting on departmental policies or proposals, or obtaining opinion data, to develop good effective policies.

Purpose

The personal information is processed for the purpose of obtaining the opinions of members of the public and representatives of organisations and companies, about departmental policies, proposals, or generally to obtain public opinion data on an issue of public interest.

Who we share your responses with

Information provided in response to a consultation may be published or disclosed in accordance with the access to information regimes. These are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 2018 (DPA) and the Environmental Information Regulations 2004 (EIR).

If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals with, amongst other things, obligations of confidence.

In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an

assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on HM Treasury. Where someone submits special category personal data or personal data about third parties, we will endeavour to delete that data before publication takes place.

Where information about respondents is not published, it may be shared with officials within other public bodies involved in this consultation process to assist us in developing the policies to which it relates. [Examples of these public bodies](#).

As the personal information is stored on our IT infrastructure, it will be accessible to our IT contractor, NTT. NTT will only process this data for our purposes and in fulfilment with the contractual obligations they have with us.

How long we will hold your data (Retention)

Personal information in responses to consultations will generally be published and therefore retained indefinitely as a historic record under the Public Records Act 1958.

Personal information in responses that is not published will be retained for three calendar years after the consultation has concluded.

Your rights

- you have the right to request information about how your personal data are processed and to request a copy of that personal data
- you have the right to request that any inaccuracies in your personal data are rectified without delay
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- you have the right, in certain circumstances (for example, where accuracy is contested), to request that the processing of your personal data is restricted
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1 Horse Guards Road
London
SW1A 2HQ

dsar@hmtreasury.gov.uk

Complaints

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If we are unable to address your concerns to your satisfaction, you can make a complaint to the Information Commissioner, the UK's independent regulator for data protection. The Information Commissioner can be contacted at:

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Water Lane
Wilmslow
Cheshire
SK9 5AF

0303 123 1113

casework@ico.org.uk

Any complaint to the Information Commissioner is without prejudice to your right to seek redress through the courts.

Contact details

The data controller for any personal data collected as part of this consultation is HM Treasury, the contact details for which are:

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The Data Protection Officer
Corporate Governance and Risk Assurance Team
Area 2/15
1 Horse Guards Road
London
SW1A 2HQ

privacy@hmtreasury.gov.uk

2. Proposed scope of draft regulations

Employers in the whole of the public sector have a responsibility to demonstrate that they are using public money efficiently and responsibly, and to ensure that pay and terms are always proportionate, justifiable and fair to taxpayers.

In order to determine the scope of the cap, HM Treasury will be guided by the Office for National Statistics (for National Account purposes) classification of bodies within the central and local government, and non-financial public corporation sectors. There will be a limited number of exemptions.

The government is proposing a staged process of implementation across the public sector. The first stage will capture most public sector employees, before extending the cap to the rest of the public sector in the second stage. Prioritising in this way will ensure most exit payments in the public sector are limited to £95,000 without further delay, while work continues on expanding the scope of the regulations.

2.1 Bodies in scope of the current draft regulations

The draft regulations apply to payments made by public sector authorities to employees and by public sector offices to office holders. However, they do not apply to the following payments:

A. Payments made by a relevant Scottish authority, as defined in s 153B(5) of the 2015 act (see section 4.1 below)

B. A relevant Welsh exit payment, as defined in s 153B(6) of the 2015 act

C. Payments made by Northern Irish authorities which wholly or mainly exercise devolved functions

The following categories of public sector employer are within scope of these regulations where they fall within the responsibility of the UK government, regarding their employment:

- the UK Civil Service, its executive agencies, non-ministerial departments and non-departmental public bodies (including Crown non-departmental public bodies and Her Majesty's Prison and Probation Service)
- the NHS in England and Wales⁴
- academy schools
- local government including fire authorities' employees and maintained schools
- police forces, including civilian and uniformed officers

Some bodies have more than one classification. For example, if an executive agency is also classified as a type of body not currently in scope of the cap, such as a trading fund, it should not be captured during this round of implementation.

The full list of proposed public sector bodies in scope of the draft regulations are listed in draft schedule 1. The categories of final employers which will be included in schedule 1 is subject to responses to the consultation.

All public sector employers should make value for money decisions on exit payments, and spend public money responsibly. It is the government's strong expectation that bodies not in the proposed scope of these regulations will come forward with their own, commensurate cap on exit payments.

2.2 Bodies and payments exempt in the draft regulations

The government proposes that the Secret Intelligence Service, the Security Service, the Government Communications Headquarters and the Armed Forces should be exempt from the cap. Therefore, these employers are not listed in draft schedule 1 to the regulations.

Careers in these organisations have unique features, and the special requirements made of individuals – including the transition to civilian life – are reflected in the range and level of compensation payments for these workforces. Compensation and resettlement payments make up a core part of the overall remuneration and reward package for those working in these fields, and payments are sometimes required in order to ensure that individuals are properly compensated for what can be lifelong impacts, felt at relatively early ages. The government believes it is right that – in general – these employers have flexible and responsive remuneration practices which may fall outside of the scope of the draft regulations.

As a general rule accrued pension rights, including rights to pension commutation lump sums, are not within scope of the draft regulations because they do not normally involve any cost to the employer. However, in some cases pension payments do involve an additional employer cost relating to an exit and often represent a significant amount of an individual's exit payment. For this reason they are within scope of the draft regulations unless an exemption applies. These payments arise when an employer has to make a 'pension strain' payment, for example to provide the pension scheme member with an immediate unreduced pension before the member's Normal Pension Age or when an employer has to make a pension commutation related payment.

Fire and Rescue Authorities (FRAs) have discretion to remove the current commutation lump sum restriction (of 2.25 x pension) that applies to firefighter members of the 1992 Firefighters' Pension Scheme who are under age 55 and have less than 30 years' service. Where a FRA exercises this discretion, this results in an employer related cost because it is required to make a payment equivalent to the additional amount to the member's pension fund account. It is proposed that these payments should be exempt from the scope of the regulations as they do not fund an increase in the actuarial value of the firefighter's pension.

Therefore, regulation 7(c)(i) exempts payments made by a FRA to their pension fund account, where the FRA exercises its discretion to allow a firefighter (who is subject to the above 2.25 times pension commutation lump sum restriction) to commute up to a maximum of 25% of their annual pension for a pension lump sum. Effectively, this discretion aligns with the commutation entitlement available to firefighters who are aged 55 or over, or who have accrued the maximum 30 years' service.

The government is also considering an exemption for payments made by FRAs to their pension fund account in respect of firefighters who are unable to maintain operational fitness through no fault of their own and where the FRA has agreed to put into payment an authority initiated early retirement pension. This will honour the government's [previous commitment](#) that firefighter members of the 2006 and 2015 Firefighters' Pension Schemes in these circumstances should be awarded an unreduced pension if they cannot be redeployed.

Question 1

Does draft schedule 1 to the regulations capture the bodies intended (described in section 2.1 above)? If not, please provide details.

Question 2

Do you agree with the current list of bodies in scope, for the first round of implementation? If not, please provide reasons.

Question 3

Do you agree with the exemptions outlined? If not, please provide evidence.

3. Guidance and directions

The government welcomes comment on the attached guidance and directions.

The guidance aims to explain, in plain English, how the draft regulations should be applied. In particular, the guidance details the circumstances in which the cap may and must be relaxed, and which actors have the power to relax the cap.

Section 5 of the guidance and the separate mandatory HMT directions are intended to ensure that the cap must be relaxed in specific mandatory cases, for example where a settlement agreement is entered into following a whistleblowing or discrimination complaint, and where it may be relaxed in specific discretionary cases, for example where imposing the cap would cause undue hardship.

This reflects the government's position – and the position reflected in the draft regulations – that the public sector exit payment cap is not designed to discourage workers from making disclosures covered by whistleblowing law or to prevent such people from receiving an appropriate remedy from an employment tribunal.

Question 4

Does the guidance adequately support employers and individuals to apply the draft regulations as they stand? If not, please provide information on how the guidance could be enhanced.

Question 5

Is the guidance sufficiently clear on how to apply the mandatory and discretionary relaxation of the regulations, especially in the case of whistleblowers?

Question 6

Is there further information or explanation of how the regulations should be applied which you consider should be included in the guidance? If so, please provide details.

4. Devolution summary and equalities impacts

4.1 Devolution

The cap policy extends to all the bodies where employment terms are subject to approval by the UK government (subject to exemptions set out in the remaining paragraphs of section 4.1).

Payments made by authorities which wholly or mainly exercise functions that could be devolved to Northern Ireland are not covered by the draft regulations.

Payments made by a relevant Scottish authority, namely the Scottish Parliamentary Corporate authority or any authority which wholly or mainly exercises functions devolved to Scotland are also not covered by these regulations, with the exception of payments made by the Scottish Administration to holders of non-ministerial offices in the administration or to staff of the administration, which are covered by these regulations.

Relevant Welsh exit payments, namely payments made to the holders of the offices specified in s 153B(6) of the Enterprise Act 2016 are not covered by these regulations.

The regulations contain a power in regulation 12 to relax the exit payment cap following compliance with HMT directions or with consent of HMT, however this power does not apply to exit payments made by a devolved Welsh authority.

4.2 Equalities

An [equalities impact assessment of the cap](#) was conducted in the previous consultation, ahead of legislation on the policy.

If, following consultation, the government decides to implement a two stage implementation process, it will do so on the basis of a further assessment of the equalities impact.

Question 7

Are there other impacts not covered above which you would highlight in relation to the proposals in this consultation document?

Question 8

Are you able to provide information and data in relation to the impacts set out above?

5. Summary of questions

Question 1

Does draft schedule 1 to the regulations capture the bodies intended (described in section 2.1 above)? If not, please provide details.

Question 2

Do you agree with the current list of bodies in scope, for the first round of implementation? If not, please provide reasons.

Question 3

Do you agree with the exemptions outlined? If not, please provide evidence.

Question 4

Does the guidance adequately support employers and individuals to apply the draft regulations as they stand? If not, please provide information on how the guidance could be enhanced.

Question 5

Is the guidance sufficiently clear on how to apply the mandatory and discretionary relaxation of the regulations, especially in the case of whistleblowers?

Question 6

Is there further information or explanation of how the regulations should be applied which you consider should be included in the guidance? If so, please provide details.

Question 7

Are there other impacts not covered above which you would highlight in relation to the proposals in this consultation document?

Question 8

Are you able to provide information and data in relation to the impacts set out above?

Draft Regulations laid before Parliament under section 161(4) of the Small Business, Enterprise and Employment Act 2015, for approval by resolution of each House of Parliament.

DRAFT STATUTORY INSTRUMENTS

2019 No. 000

EMPLOYMENT

The Restriction of Public Sector Exit Payments Regulations 2019

Made - - - -

Coming into force in accordance with regulation 1(2)

The Treasury makes the following Regulations in exercise of the powers conferred by sections 153A(1), (2), (4) and (8)(a), 153B(1)(c) and (4)(a), 153C(1), (5) and 8(a) and 161(2) of the Small Business, Enterprise and Employment Act 2015(a).

(a) 2015 c.26. Sections 153A, 153B and 153C were inserted by section 41(1) of the Enterprise Act 2016 (c.12).

(b) For the definition of “an exit payment” see regulation 3.

(c) S.I. 2004/753.

A draft of these Regulations has been laid before Parliament and has been approved by a resolution of each House of Parliament in accordance with section 161(4) of that Act.

Citation and commencement

1. These Regulations may be cited as the Restriction of Public Sector Exit Payments Regulations 2019. (1) These Regulations come into force on the day after the day on which they are made.

Application

2. These Regulations apply where an exit payment(b) is made– (a) by a public sector authority listed in Part 1 of the Schedule; or

(b) to a holder or former holder of an office listed in Part 2 of the Schedule.

Interpretation

3. In these Regulations–

“the Act” means the Small Business, Enterprise and Employment Act 2015;

“ACAS” means the Advisory, Conciliation and Arbitration Service;

“ACAS arbitration scheme” means the arbitration scheme set out in the Schedule to the ACAS Arbitration (Great Britain) Order 2004(c); 2

“Conciliation agreement” means any agreement to refrain from instituting or continuing legal proceedings where an ACAS conciliation officer has taken any action under any of sections 18A to 18C of the Employment Tribunals Act 1996(a);

(a) 1996 c.17. Sections 18A to 18C were added by the Enterprise and Regulatory Reform Act 2013 c.24 Pt 2s.7(1).

(b) 2006 c.31. Section 157A was added by the Wales Act 2017 c.4 Pt. 1 s. 4(1).

(c) 2004 c.21. S.1 is moved under a new heading entitled “Fire and rescue authorities” by Policing and Crime Act 2017 c.3 Sch.1(1) para 2.

(d) S.I. 2002/2034;

(e) 1996 c.18. Section 139 was amended by paragraph 31 of Schedule 21 to the Education Act 2002 (c.32) and paragraph 41(4) of Schedule 2(2) to the Local Education Authorities and Children’s Service Authorities (Integration of Functions) Order 2010 S.I. 2010/1158.

(f) 1996 c.18.

(a) a county council;

(b) in relation to Wales only, a county borough council;

(c) a district council;

(d) a London borough council;

(e) the Common Council of the City of London in its capacity as a local authority; or

(f) the Council of the Isles of Scilly; (a) a Minister of the Crown; or

(b) in relation to a relevant Welsh exit payment, the Welsh Ministers;

(a) a body listed in Part 1 of the Schedule; or

(b) a body responsible for determining the level of remuneration payable to the holder of a public sector office listed in Part 2 of the Schedule;

(a) an employee leaves the employment of a public sector authority listed in Part 1 of the Schedule; or

(b) a holder of a public sector office listed in Part 2 of the Schedule leaves office;

(a) a payment to a person of statutory redundancy pay to which the person is entitled under section 135 of the Employment Rights Act 1996(f); or

(b) in a case where a person is not, solely as a result of section 159 of that Act, entitled to statutory redundancy pay, a payment to the person of an amount equivalent to the statutory redundancy pay to which the person would have been entitled but for section 159 of that Act;

“Devolved Welsh authority” has the meaning in section 157A of the Government of Wales Act 2006 (b);

“exit payment” means a payment of a description prescribed in regulation 6(1);

“exit payment cap” means either the amount specified in section 153A(1) of the Act or the substituted amount referred to in section 153A(9) of that Act;

“fire and rescue authority” has the meaning in section 1 of the Fire and Rescue Services Act 2004(c);

“fixed term contract” has the meaning in regulation 1(2) of the Fixed-term Employees (Prevention of Less Favourable Treatment) Regulations 2002(d);

“hours worked” by a person means the basic hours the person is required to work under the terms of a contract in respect of their employment or office;

“local authority” means—

“redundancy” has the meaning in section 139 of the Employment Rights Act 1996(e);

“relevant Minister” means either—

“relevant public sector authority” means—

“relevant public sector exit” occurs when—

“relevant redundancy payment” means— 3

“relevant Welsh exit payment” has the meaning in section 153B(6) of the Act;

“salary” in respect of any employment or service in an office means the annual value of remuneration, including any benefit in kind, a person was entitled to receive under the terms of a contract in respect of the employment or office on the date that the person left the employment or ceased to hold the office;

“settlement agreement” means any agreement to refrain from instituting or continuing legal proceedings which satisfies the conditions in section 203(3) of the Employment Rights Act 1996(a);

(a) 1996 c 18.

(b) 1996 c. 18. Section 162 was amended by section 1(2)(a) of the Employment Rights (Dispute Resolution) Act 1998 (c.8), paragraph 1 of Schedule 9 to the Employment Relations Act 1999 (c.26) and S.I. 2006/1031.

“statutory redundancy pay” means an amount calculated in accordance with section 162 of the Employment Rights Act 1996(b);

“the Schedule” means the schedule to these Regulations.

Restrictions on exit payments

4. Subject to regulations 6, 7 and 8— (a) a relevant public sector authority must not make an exit payment exceeding the exit payment cap in respect of a relevant public sector exit;

(b) where two or more relevant public sector exits occur in respect of the same person within any period of 28 consecutive days, the total amount of the exit payments made to that person in respect of those exits shall not exceed the exit payment cap.

5. For the purposes of regulation 4(b), the exit payments will be treated as having been paid in the following sequence— (a) where the relevant public sector exits do not occur on the same day, in chronological order;

☐ (b) in any other case, in the following order— (i) in descending order of salary;

☐ (ii) where the salaries are equal, in the descending order of hours worked;

☐ (iii) where the salaries and hours worked are equal, in descending order of the person’s length of the service in the employment or as holder of the office; or

☐ (iv) where the salaries, hours worked and length of service in the employment or as holder of the office are equal, in the order determined by the relevant Minister.

☐

Exit payments

6. In this regulation a reference to an exit payment made to a person includes a reference to an exit payment made in respect of that person to another person. (1) The following descriptions of payment are exit payments paid to a person, unless the payment falls within regulation 7— (a) subject to regulation 8, any payment on account of dismissal by reason of redundancy;

(b) any payment made to reduce or eliminate an actuarial reduction to a pension on early retirement or in respect to the cost of a pension scheme of such a reduction not being made;

(c) any payment made pursuant to an award of compensation under the ACAS arbitration scheme or a settlement or conciliation agreement;

(d) any severance payment or ex gratia payment;

(e) any payment in the form of shares or share options;

(f) any payment on voluntary exit;

(g) any payment in lieu of notice due under a contract of employment;

(h) any payment made to extinguish any liability to pay money under a fixed term contract;

(i) any other payment made, whether under a contract of employment or otherwise, in consequence of termination of employment or loss of office.

Payments exempt from restriction.

7. The following descriptions of payment are not exit payments— (a) any payment made in respect of death in service;

(b) any payment made in respect of incapacity as a result of accident, injury or illness (not including injury to feelings);

☐ (c) any payment made under— (i) rule B7(5A), Schedule 2 of the Firemen's Pension Scheme Order 1992(a) where the relevant fire and rescue authority has determined that an individual be paid a lump sum;

☐ (ii) rule 6, Part 3, Schedule 1 of the Firefighters' Pension Scheme (England) Order 2006(b) where the relevant fire and rescue authority has determined that an individual should be retired with an early retirement pension initiated by that authority in accordance with the Addendum to the Fire and Rescue National Framework for England on firefighters' fitness prepared in accordance with section 21 of the Fire and Rescue Services Act 2004(c);

☐ (iii) rule 6, Part 3, Schedule 1 of the Firefighters' Pension Scheme (Wales) Order 2007(d) where the relevant fire and rescue authority has determined that an individual should be retired with an early retirement pension;

☐ (iv) regulation 62 of the Firefighters' Pension Scheme (England) Regulations 2014(e) where the relevant fire and rescue authority has determined that an individual should be retired with an early retirement pension initiated by that authority in accordance with the Addendum to the Fire and Rescue National Framework for England on firefighters' fitness prepared in accordance with section 21 of the Fire and Rescue Services Act 2004(f);

☐ (v) regulation 71 of the Firefighters' Pension Scheme (Wales) Regulations 2015 (employer initiated retirement) (g) where the relevant fire and rescue authority has determined that an individual should be retired with an early retirement pension initiated by the authority;

☐

☐ (d) a service award paid to a member of the judiciary in accordance with the determination of the Lord Chancellor dated 31 March 2006(h);

☐ (e) a service payment made in respect of annual leave due under a contract of employment but not taken;

☐ (f) any payment made in compliance with an order of any court or tribunal;

☐ (g) a payment in lieu of notice due under a contract of employment that does not exceed one quarter of the relevant person's salary.

☐

(a) SI 1992/129. Rule B7(5A), Schedule 2 was amended by the Firefighters' Pension Scheme (Amendment) (No.2) (England) Order 2013/1392 Sch. 1 para.2(i).

- (b) Order 2006/3432. Pt 3 rule 6(4) inserted by the Firefighters' Pensions Scheme (England) (Transitional and Consequential Provisions) Regulations 2015/589 Sch.2 para.3(f).
- (c) 2004 c.21. Section 21 was added by the Policing and Crime Act 2017 c. 3 Sch.1(1) para.9.
- (d) Order 2007/1072. Pt 3 rule 6(4) inserted by the Firefighters' Pension Scheme (Wales) (Transitional and Consequential Provisions) Regulations 2015/1016 Sch.2 para.3(f).
- (e) S.I. 2014/2848. Regulation 62(3) added by the Firefighters' Pension Scheme (England) (Transitional and Consequential Provisions) Regulations 2015/589 Sch.1 para.5(b).
- (f) 2004 c.21. Section 21 was added by the Policing and Crime Act 2017 c.3 Sch.1(1) para.9.
- (g) S.I. 2015/622. Regulation 71(3) added by the Firefighters' Pension Scheme (Wales) (Transitional and Consequential Provisions) Regulations 2015/1016 Sch.1 para.5(b).
- (h) A copy of the determination can be found at:
https://jac.judiciary.gov.uk/sites/default/files/sync/basic_page/moj_jupra_1993_scheme_guide_nov2014_web_3.pdf.

Prohibition on reduction of statutory redundancy pay or equivalent

8. A relevant public sector authority must not reduce the amount of a relevant redundancy payment in respect of a relevant public sector exit. (1) Accordingly, if— (a) a person is entitled to a relevant redundancy payment and one or more other exit payments in respect of a relevant public sector exit; and

(b) the total amount of the exit payments in respect of the exit would exceed the exit payment cap;

(2) Where this regulation applies, a payment of a relevant redundancy payment by a relevant public sector authority may cause the total amount of exit payments payable to the person to exceed the exit payment cap, but only if all other exit payments by the relevant public sector authority to which the person is entitled to have been reduced to zero.

Non-cash exit payments

9. Where these regulations prevent a relevant public sector authority from making an exit payment of the type described in regulation 6(1)(b) the relevant public sector authority must, as an alternative, make a cash payment of an amount not exceeding the amount of that exit payment. (1) This regulation is subject to regulation 4(a).

Requirement to inform

10. This regulation applies to a person— (a) who has left employment or office in circumstances amounting to a relevant public sector exit; and

(b) who is entitled to receive an exit payment in respect of that relevant public sector exit.

(2) The person must as soon as reasonably practicable on or after the day on which the exit occurs inform in writing all other relevant public sector authorities which the person is an employee of or which are responsible for determining the level of remuneration payable to the person as a holder of a public sector office listed in Part 2 of the Schedule— (a) that the person is entitled to an exit payment;

(b) the type of exit payment;

(c) the amount of the exit payment;

(d) the date that the person left the employment or office to which the exit payment relates; and

(e) the identity of the relevant public sector authority that is obliged to make the exit payment.

Relaxation of the restriction on exit payments

11. The power in section 153C(1) of the Act (relaxation of restriction) is exercisable, in relation to exit payments made by— (a) a devolved Welsh authority, by the Welsh Ministers instead of by a Minister of the Crown;

(b) a local authority in England, by the full council of that local authority;

(c) a fire and rescue authority, by the fire and rescue authority; and

(d) the Greater London Authority, by the London Assembly.

Power to relax to be exercised following compliance with Treasury directions or with consent

12. The power in section 153C(1) of the Act must not, unless it is exercised with the consent of the Treasury, be exercised without compliance with any directions given by the Treasury applicable to the exercise of the power. (1) This regulation does not apply in relation to payments made by a devolved Welsh authority.

Duties to keep records in respect of relaxation of the restriction

13.—(1) A person who exercises the power in section 153C(1) of the Act must keep a written record of— (a) the fact the power has been exercised;

- (b) the name of the person in respect of whom the power was exercised;
- (c) the amount and type of the exit payment in respect of which the power was exercised;
- (d) the date on which the power was exercised; and
- (e) the reasons why the power was exercised.

(2) A record under paragraph (1) must be kept for 3 years beginning with the day on which the decision is taken to exercise the power in section 153C(1) of the Act.

(3) At the end of each financial year in which the power in section 153C(1) of the Act was exercised, each relevant public sector authority must publish a list detailing— (a) the amounts and types of exit payments made by the relevant public sector authority in respect of which the power was exercised;

- (b) the dates on which the power was exercised; and
- (c) the reasons why the power was exercised.

Name

Name

Date Two of the Lords Commissioners of Her Majesty's Treasury

Annex C: Restriction of public sector exit payments: guidance on the 2019 regulations

Published 10 April 2019

Contents

1. Introduction
2. Public sector bodies in scope of the regulations
3. Payments
4. Employers' and employees' responsibilities
5. Relaxation of the cap

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This publication is available at <https://www.gov.uk/government/consultations/restricting-exitpayments-in-the-public-sector/annex-c-restriction-of-public-sector-exit-payments-guidance-on-the-2019-regulations>

1. Introduction

This document (the guidance) is designed to be read alongside the 'Public Sector Exit Payment Cap Regulations 2019' (the regulations). The guidance sets out how relevant public sector employers are expected to implement the legislation, and should be used in conjunction with the separate mandatory HM Treasury directions which must be followed if relaxing the £95,000 cap on exit payments (the cap). Where there is any discrepancy between the regulations and the guidance, the regulations prevail.

The guidance and regulations do not replace existing regulations applying to the organisation's exit payments where these apply more stringent conditions than the regulations. However, the regulations do take precedence over existing contractual agreements, regulations and other exit schemes where they make more generous provision than allowed by these regulations, unless these arrangements are exempt in the regulations.

Definitions of relevant terms are set out in the Small Business, Enterprise and Employment Act 2015 (the 2015 act), as amended by the Enterprise Act 2016 (the 2016 act) and in regulation 3 of the regulations.

1.1 Intended audience

The main audience for this guidance are public sector employers in scope of the regulations and their employees.

1.2 Background

Exit payments are important to an employer's ability to reform and react to new circumstances. They are also an important source of support for employees as they find new employment or as a bridge until retirement age. However, these payments must be value for money and fair to the taxpayer.

In line with other decisions on financial management and pay policy, it is the responsibility of individual employers and departments to ensure that their exit payment arrangements are fair, proportionate and lawful.

The government enacted framework powers in the 2015 act (as amended by the 2016 act) to allow for a cap of £95,000 on exit payments in the public sector. Read the primary legislation in full (<http://www.legislation.gov.uk/ukpga/2016/12/contents/enacted/data.htm>).

The regulations set out the detail of the obligations on individuals and employers. The regulations also provide a list of the public sector authorities currently in scope of the policy.

This guidance may be updated from time to time, including if there are any amendments to the policy and legislation.

1.3 How to respond

This consultation will run for twelve weeks and will close on 3 July. Responses can be submitted online or sent by email to: ExitPaymentCap@hmtreasury.gov.uk with the subject heading 'Consultation on Exit Payment Cap'. Alternatively please send responses by post to:

Workforce, Pay and Pensions
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

2. Public sector bodies in scope of the regulations

The cap will apply to the whole of the public sector. In order to determine whether a body is 'public sector' for the purposes of the cap, HM Treasury will be guided by the Office for National Statistics (for National Account purposes) classification of bodies.

The government is undertaking a staged process of implementation across the public sector. The regulations are the first stage, capturing the majority of public sector employees. The regulations will be extended to the whole public sector in due course, subject to a limited number of exemptions.

The full list of bodies in scope of the regulations can be found in Schedule 1 to the regulations.

The following categories of public sector employer are within scope of the regulations where they fall within the responsibility of the UK government regarding their employment:

- the UK Civil Service, its executive agencies, non-ministerial departments and non-departmental public bodies (including Crown non-departmental public bodies and Her Majesty's Prison and Probation Service)
- the NHS in England and Wales¹
- academy schools
- local government including fire authorities' employees and maintained schools
- police forces including civilian and uniformed officers

Some bodies have more than one classification. For example, if an executive agency is also classified as a type of body not currently in scope of the cap such as a trading fund, it should not be captured during this round of implementation.

Where a body or office is not included in the schedule, there will be no legal obligation under the regulations to apply the cap to an exit payment. However, the government expects public sector authorities which are not currently listed to apply commensurate arrangements voluntarily, including relevant aspects of this guidance. The Armed Forces, the Secret Intelligence Service, the Security Service and the Government Communications Headquarters are exempt from this expectation, but must continue to make exit payments that are value for money and fair to the taxpayer.

The regulations cover exit payments made by English, Welsh and Scottish bodies except for payments made by a relevant Scottish authority as defined in section 153B(5) of the act (excluding payments made to non-Ministerial office holders and staff of the Scottish Administration, which are covered by the regulations) and relevant Welsh exit payments as defined in section 153B(6) of the 2015 act. Separate regulations and guidance may be issued by the appropriate devolved administration.

Machinery of Government changes sometimes involve the dissolution of a body and the transfer of its functions to a successor body or the merger of one body with another. At times new bodies may be created to deliver new services or perform new functions.

A newly created public sector body will not be in scope of the regulations until it is added to schedule 1. This is the case even where the new body is carrying out employment functions which used to be the responsibility of a body which was in scope of the regulations. However, it is the government's expectation that such bodies will apply their own commensurate arrangements voluntarily. It is the responsibility of government departments to inform HM Treasury of bodies which should be added to or removed from the regulations.

3. Payments

3.1 Payments in scope of the regulations

An exit payment is subject to the cap if it is the type of payment described in regulation 6(1) which is made in consequence of termination of employment or office whether or not a contract of employment applied. Regulation 6(1) lists the types of specific payment which are in scope of the regulations.

Under the regulations, 'salary' means the annual value of remuneration that the person was contractually entitled to receive for the salaried employment or office on the date they left. This includes any benefit in kind.

If there is any doubt about whether a payment falls within scope of the regulations, departments should consult their legal advisers.

HM Treasury's expectation is that an exit payment should be considered to have been received in full on the date the recipient's employment ended, or that person ceased to hold the office.

3.2 Calculating the capped amount

The regulations provide a standard legal underpin in respect of exit payments made by relevant authorities. However, they do not prevent those authorities from applying alternative contractual capping arrangements where those provisions go further than the regulations.

The exit payment cap applies to the total cost for the public sector employer, as calculated under normal processes. For example, in the case of a pension top-up payment, the capped amount may be the amount as calculated by the scheme actuary.

3.3 Payments out of scope of the regulations

Types of exit payments which are specifically excluded from the scope of the public sector exit payment cap are set out in regulation 7.

The exit payment cap only applies where there is an extra cost to the employer in relation to that exit. As such, payments – or elements within payments - that result from an individual's accrued right to a pension, including additional pension purchased with the individual's own monies, are not exit payments for purposes of the cap. For example, if an individual retires and receives a lump sum from their pension scheme, that lump sum is outside the scope of the cap if it is based on the pension entitlement that the individual had accrued in respect of their employment up to the time of their exit or that had otherwise been paid for by the individual.

However, pension 'strain' payments are within the scope of the cap. These are payments made by an employer as an additional contribution to a pension scheme in respect of an individual's exit, so that the individual receives a greater pension than they would otherwise be entitled to, that payment (sometimes referred to as a 'pension strain' payment) is within the scope of the cap.

Fire and Rescue Authorities (FRA) have discretion that allows them to remove the current commutation lump sum restriction of 2.25 x pension, which applies to firefighter members of the 1992 Firefighters' Pension Scheme who are under 55 years of age and have less than 30 years' service. Where a FRA exercises this discretion, it is required to make a payment equivalent to the additional amount to their pension fund account. These payments are to be exempt from the scope of the regulations as they do not fund an increase in the actuarial value of the firefighter's pension.

Therefore, regulation 7(c)(i) exempts payments made by a FRA to their pension fund account, where the FRA exercises its discretion to allow a firefighter (who is subject to the above 2.25 times pension commutation lump sum restriction) to commute up to a maximum of 25% of their annual pension for a pension lump sum. Effectively, this discretion aligns the commutation entitlement available to firefighters who are aged 55 or over, or who have accrued the maximum 30 years' service.

Payments made by FRAs to their pension fund account in respect of firefighters who are unable to maintain operational fitness through no fault of their own, and where the FRA has agreed to put into payment an authority initiated early retirement pension are also exempt. This will honour the government's previous commitment that firefighter members of the 2006 and 2015 Firefighters' Pension Schemes in these circumstances should be awarded an unreduced pension if they cannot be redeployed.

4. Employers' and employees' responsibilities

4.1 Public sector employers' responsibilities

A public sector employer subject to the regulations has a legal obligation to cap public sector exit payments at £95,000. However, as noted above, there are some payments outside the scope of the cap and there are some circumstances where the cap may be relaxed to allow payments that would otherwise be within scope. Further details on relaxing the cap are at section 5.

Exit payments often comprise a variety of payments, including elements such as payment in lieu of notice and pension top-up payments. The total value of the exit payments need to be calculated (measured in terms of current costs, for example when considering the value of extra continuing pension). Where the total would exceed the exit payment cap, the regulations prescribe the sequence in which exit payments will have been paid for the purpose of applying the cap (reg 5) - see 'Multiple exit payments' in section 4.2 below.

The government's expectation is that employment contracts, compensation schemes and pension schemes will be amended to reflect the introduction of the cap. For example, the pension strain cost for an employer required to fully buy out an actuarial reduction (that normally arises when a pension is taken before normal pension age, see section 3.3 above) may be capped. In such circumstances, the expectation is that pension schemes will provide members with options to use their own monies to make up any shortfall or to take a partially reduced pension.

Where the application of the cap would result in a relevant authority being unable to make a pension strain payment because of pension scheme rules (for example, the scheme has not yet been amended to allow for partial buyouts), it may instead pay the pension scheme member an equivalent cash sum. The aggregate of that cash sum and any other exit payments must not exceed the cap.

Employers must keep a record of exit payments made to an employee or office holder. Further detail on this is set out in section 4.3 below.

4.2 Multiple exit payments

When calculating whether an individual's exit payment should be subject to the £95,000 cap, employers must take into account all payments related to exit received by the individual within a 28 day period.

Where two or more relevant exits take place on separate days in any period of 28 consecutive days, the exit payments are treated as having been paid in chronological order for the purpose of calculating the cap. For example, where an individual leaves employment with authority A with an exit payment of £50,000, then leaves employment with authority B within 28 days, authority B should not make an exit payment in excess of £45,000. Section 4.6 sets out the individuals' responsibilities for informing employers.

Relevant authorities must ensure that an individual receives a redundancy payment that is at least equal to their minimum statutory entitlement under the Employment Rights Act 1996 (ERA 1996).

Alternatively, if they are not eligible for statutory redundancy, then in certain circumstances, the relevant authorities must ensure an individual receives the equivalent of that entitlement as if the ERA 1996 provisions had applied.

As such, the regulations provide that an individual can receive a statutory redundancy payment or, where appropriate, its equivalent from a second relevant authority. This is even where the total received by the individual from the first and second authority exceeds £95,000.

Regulation 5 sets out the order in which exit payments will be treated as having been paid for the purpose of calculating the cap, where an individual leaves the employment or office of two or more qualifying public sector authorities simultaneously and the total employer funded exit payments exceed the cap.

Where a capped exit payment comprises several elements such as a contractual redundancy lump sum and a pension top up payment, it is for the responsible authority to establish how the elements are subject to the cap. However, individuals are entitled to receive the full sum of their statutory redundancy entitlement. HM Treasury's general assumption is that, where possible, employers will cap the contractual redundancy lump-sum, and allow individuals to receive the pension top up payment in full. However, the pension top up payment must be reduced if otherwise the total exit payment would be over £95,000.

4.3 Records and reporting

Whole of Government Accounts returns may request information relating to the exit payment cap, or any exit payments made by the relevant body, for later publication. Public sector employers are expected to cooperate in providing such information.

When a responsible authority caps an exit payment, it may wish to keep a record of that payment for public accountability purposes, however this is not required by the regulations. The regulations require records on relaxation of the cap to be maintained for public accountability purposes, and to provide the government or auditors with the information required to evaluate the operation of the policy.

Where the cap is relaxed in accordance with the separate HMT directions, the responsible body must keep a separate record of the exercise of the power. This record must be kept for a minimum of three years from the date the power is exercised, showing:

- the name of the payee in respect of whom the cap was relaxed
- the amount and type of the qualifying exit payment for which the cap was relaxed
- the date on which the power to relax the cap was exercised
- and the reason why the power was exercised (this should refer to the guidance and be sufficiently detailed to enable HM Treasury to assess if it has been appropriately applied)

4.4 Compliance

The relevant public sector employer is responsible for ensuring any exit payment made by their authority does not exceed the public sector exit payment cap. Any payment that exceeds the cap and is not compliant with the relaxation directions is considered to be a payment beyond the organisation's legal competence, which may result in sanctions on the organisation or, if appropriate, sponsoring department by HM Treasury.

Authorities that make payments in excess of the cap which are not compliant with the provisions in the direction must make a value for money assessment on whether to pursue civil repayment through the courts. This assessment must be agreed by the relevant Accounting Officer in line with their Accounting Officer responsibilities.

4.5 Transparency

Public sector bodies must publish information about any decisions to relax the cap. The government strongly recommends that public sector authorities publish such information in their annual accounts. At the end of the financial year, the responsible authority must publish a list of:

- the amounts and types of qualifying exit payments made by the responsible authority in respect of which the relaxation power was exercised in that financial year
- the dates on which that power was exercised
- and the reasons why that power was exercised

The reasons for exercising a power to relax the cap should relate directly to a relaxation category (see section 5 and the separate mandatory HMT directions). For example, 'personal hardship' would be considered a sufficient explanation for this purpose.

As in previous years, employers will be required to disclose in their annual accounts information about exit payments paid during the financial year. This disclosure includes details about the number of exit payments paid in bands from £0 to over £100,000.

Departments are expected to assure themselves that their arm's length bodies (ALBs) and non-departmental public bodies (NDPBs) are properly recording and holding information according to the requirements set out in this guidance.

4.6 Individuals' responsibilities

When an individual has two or more public sector employments or offices that are in scope of the exit payment cap they must inform all other relevant authorities:

- that they are entitled to receive an exit payment
- the amount and type of that exit payment
- the date that they left employment or office
- the identity of the relevant authority that made the exit payment

5. Relaxation of the cap

The government accepts that there will be some circumstances where it is necessary or desirable to relax the restrictions imposed by the regulations. Therefore, the regulations allow for relaxation of the cap in appropriate circumstances. This safeguard is in place for use in exceptional situations, including where imposing the cap would cause genuine hardship.

The power to relax restrictions in relation to exit payments may be exercised by a Minister of the Crown² unless the payment is:

- (a) a relevant Welsh exit payment (see below)
- (b) made by a relevant Scottish authority (see below)
- (c) made by a devolved Welsh authority³ (see section 5.1 below)
- (d) made by a local authority in England or the Greater London Council (see section 5.1 below)
- (e) made by a FRA

The regulations do not cover relevant Welsh exit payments, meaning payments to the offices listed in section 153B of the act⁴. Any power to relax restrictions in relation to these payments may only be made by Welsh ministers.

The regulations do not cover payments made by a relevant Scottish authority, namely the Scottish Parliamentary Corporate authority or any authority which exercises functions devolved to Scotland. Scottish Ministers may relax restrictions in relation to these payments except where payments are made to non-ministerial office holders and staff of the Scottish Administration, which will be covered by the regulations.

This section sets out the circumstances under the regulations where the cap can and must be relaxed, and explains the process for doing so. The separate mandatory HMT directions set down the legal framework for relaxation.

5.1 Process for relaxation of the cap under the regulations

Where the exit payment is made by a devolved Welsh authority, the power to relax restrictions is conferred upon Welsh ministers.

The Minister of the Crown's power to relax a restriction is delegated to the following delegated authorities:

- (a) The full council of a local authority in respect of exit payments made by local government bodies for which it has responsibility,
- (b) The London Assembly in respect of exit payments made by the Greater London Authority
- (c) The FRA in respect of exit payments made by that authority

The Minister of the Crown's power referred to in the second paragraph of this section including where that power has been delegated can be only be exercised either in compliance with the conditions set out in HMT directions (see below and separate HMT directions) or with the consent of HM Treasury (see below) with the exception of payments made by a devolved Welsh authority (see below).

HMT directions set out circumstances where the power to relax restrictions must be exercised ("mandatory cases") and may be exercised ("discretionary cases"). In discretionary cases, the relevant delegated authority must submit a business case to the sponsoring department for approval of the Principal Accounting Officer and the relevant minister before submitting the business case to HMT for approval. In mandatory cases, there is no requirement to send a business case to HMT for approval.

The Minister of the Crown or a delegated authority can relax the cap outside of the circumstances outlined in HMT directions only with HMT consent. In these exceptional cases, the relevant delegated authority must submit a business case to the sponsoring department for approval of the Principal Accounting Officer and the relevant minister before submitting the business case to HMT for approval.

As explained above, a Welsh minister has the power to relax the cap in relation to exit payments made by a devolved Welsh authority. This power is not subject to the requirement to relax only in compliance with conditions set out in HMT directions or with HMT consent.

Departments are expected to put in place and comply with relevant processes and procedures in relation to relaxation of the cap. These processes are expected to ensure decisions are made in a reasonable and timely fashion. Local authorities will be expected to follow any relevant guidance issued by the Ministry of Housing, Communities and Local Government which puts in place such processes and procedures, and which will ensure accountability and transparency.

5.2 Scope of relaxation powers

The power to relax restrictions imposed by the regulations may be exercised in respect of individuals, or in very exceptional circumstances, in respect of a group of employees for example, where redundancies occur as a result of specific workforce reforms. This could include a relaxation to cover an entire organisation where, for example, that organisation is dissolved and an exit package is offered to its employees to incentivise individuals to stay with the organisation during the wind-down period.

Any relaxation of the cap for a group of individuals must be appropriate to the circumstances, in line with Managing Public Money requirements and follow the process set out above.

Relaxation is expected to be granted only in exceptional circumstances which meet the criteria in this guidance. All decisions should be supported by appropriate evidence, with an explanation of the business interests and a value for money

assessment, and should be disclosed in the organisation's annual accounts as in section 4 of this guidance.

5.3 Mandatory relaxation

There are situations in which the power to relax the restrictions imposed by the regulations must be exercised. These are set out in the separate HMT directions.

- (a) Where a payment is made as a result of TUPE applying
- (b) Where a payment is made to avoid employment tribunal litigation in relation to a complaint that someone has suffered a detriment or been dismissed as a result of whistleblowing
- (c) Where a payment is made to avoid employment tribunal litigation in relation to a complaint of discrimination under the Equality Act 2010
- (d) Certain payments made by the Nuclear Decommissioning Authority

A. TUPE

Where an obligation to pay an exit payment arises as a result of the Transfer of Undertakings (Protection of Employment) Regulations 2006.

B. Payment made (for example as part of a settlement agreement) in order to settle a grievance or employment tribunal litigation involving a whistleblowing complaint.

Whistleblowing is the term used when a worker passes on information concerning wrongdoing. The government believes that genuine whistleblowers are carrying out a service in the public interest, and that victimisation of a whistleblower is not acceptable. The government's guidance on whistleblowing emphasises that any instances of wrongdoing must be taken seriously and managed appropriately.

However, the government accepts that given the number and diversity of organisations in the public sector, there may be occasions where employers do not meet the standard expected of them. In such cases the Employment Rights Act 1996 (as amended by the Public Interest Disclosure Act 1998) provides for the right for a worker to take a case to an employment tribunal if they have been subjected to a detriment at work or they have lost their job because they have 'blown the whistle'.

To be covered by whistleblowing law, a worker who makes a disclosure must reasonably believe two things. The first is that they are acting in the public interest. This means that personal grievances and complaints are not usually covered by whistleblowing law. The second is that the disclosure tends to show past, present or likely future wrongdoing falling into one or more of the following categories:

- criminal offences (this may include, for example, types of financial impropriety such as fraud)
- failure to comply with a legal obligation
- miscarriages of justice

- endangering someone's health and safety
- damage to the environment
- covering up wrongdoing in the above categories

The cap is not intended to inhibit protected disclosures, or to prevent such people from receiving an appropriate remedy from an employment tribunal; that is why awards from courts and tribunals are outside the scope of the cap.

In cases where an individual makes a disclosure covered by whistleblowing law, and has subsequently made a complaint that they have been dismissed or subjected to a detriment as a result of that disclosure, an employer must consider whether the employer and complainant should avoid litigation. In such cases, it may be appropriate to enter into a settlement or conciliation agreement involving an exit payment with the complainant rather than have the matter considered by an employment tribunal. Where a settlement agreement is entered into on the basis that the employer is satisfied that an employment tribunal would find in the complainant's favour, then the power to relax the restrictions imposed by the regulations must be exercised if the amount payable under the settlement agreement would otherwise lead to the cap being breached.

It is expected that an employer will make legal advice available to the person exercising the power to relax the restrictions that demonstrates that, on the balance of probabilities, the individual has made a disclosure covered by whistleblowing law and that an employment tribunal would find that they had been dismissed or subjected to a detriment as a result of that disclosure.

Read further information about whistleblowing

(<https://www.gov.uk/government/publications/whistleblowing-guidance-and-code-of-practice-for-employers>).

C. Payment made (for example as part of a settlement agreement) in order to settle a grievance or employment tribunal litigation involving a discrimination complaint.

Discrimination occurs where an individual is treated less favourably owing to:

- age
- gender reassignment
- being married or in a civil partnership
- pregnancy and maternity
- disability
- race including colour, nationality, ethnic or national origin
- religion, belief or lack of religion/belief
- sex
- sexual orientation

The government is committed to avoiding discrimination, but as with whistleblowing, acknowledges that with the number of organisations and people employed in the public sector that there may be occasions when discrimination occurs.

In cases where an individual makes a complaint that they have been subjected to a detriment or dismissed on discriminatory grounds, an employer must consider whether in their view the complaint is valid. As above, in such cases, it may be appropriate to enter into a settlement or conciliation agreement with the complainant rather than have the matter considered by an employment tribunal. Where a settlement agreement involving an exit payment is entered into on the basis that the employer is satisfied that an employment tribunal would find in the complainant's favour then the power to relax the restrictions imposed by the regulations must be exercised as if the amount payable under the settlement agreement would otherwise lead to the cap being breached.

It is expected that an employer will make legal advice available to the person exercising the power to relax the restrictions that demonstrates that, on the balance of probabilities, that an employment tribunal would find that they had been a victim of discrimination.

D. Nuclear Decommissioning Authority (NDA): pension related payments paid upon redundancy

These payments arise from an obligation arising from a NDA group pension scheme and which satisfy the conditions outlined in paragraph 3.3 of HMT directions.

5.4 Discretionary relaxation

There are also situations where the power to relax the restrictions imposed by the regulations may be exercised at the discretion of the minister or delegated authority referred to above (in the second paragraph of section 5) where he/she is satisfied that it is appropriate to exercise the power on the basis of one or more of the following conditions:

- (a) there are compassionate grounds owing to genuine hardship
- (b) it is necessary to exit an individual to give effect to urgent workplace reforms
- (c) an arrangement to exit was entered into before the regulations came into force, but the exit was delayed until after that date and the delay was not attributable to the employee or office holder concerned

Where the Minister of the Crown or a delegated authority wishes to exercise this discretionary power, it must submit to HM Treasury for approval a business case approved by the relevant minister or the delegated authority.

A. Compassionate grounds owing to genuine hardship

The government believes that an exit payment of £95,000 should mean that there are few, if any, circumstances where the operation of the cap should lead to genuine hardship. However, where the person exercising the power to relax the cap is satisfied that there are exceptional circumstances, then it may be appropriate for the restrictions to be relaxed.

The circumstances that may be considered are not limited to the employee's own circumstances, and it may be appropriate to consider the position of family members. For example, where an individual is exiting the workforce and is not able to seek re-employment due to caring responsibilities.

B. To give effect to urgent workplace reforms

The government accepts that there may be instances where it is in the interests of urgent workforce reform to relax the restrictions imposed by the regulations. However, cases where it is appropriate to use the power in this way will be exceptional and a detailed business case will need to be prepared in support of any request for a relaxation on this basis.

C. An arrangement to exit before the regulations came into force

The regulations apply to any exit after the date that the regulations come into force, regardless of when any agreement to exit, or on the terms of an exit, were agreed. However, where an agreement between an employer and an employee was entered into in good faith with the intention that the employee would exit before the regulations came into force, and the exit is delayed for reasons outside the employee's control, it may be appropriate for the restrictions imposed by the regulations to be relaxed. Circumstances where this is may be appropriate include where the employer asks the employee to remain in post for a longer period in order to complete a business critical project.

1. The 2015 act confers power to cap exit payments in the NHS in Wales, because the compensation schemes are not devolved to Welsh ministers.
2. The definition of a Minister includes Secretaries of State, the Lord Chancellor, Ministers of State, Parliamentary Under Secretaries of State and Parliamentary Secretaries: section 8(1) of the Ministers of the Crown Act 1975.
3. As defined in section 157A of the Government of Wales Act 2006.
4. The offices are: member of the National Assembly for Wales; the First Minister for Wales; Welsh Minister appointed under section 48 of the Government of Wales Act 2006; Counsel General to the Welsh Government; Deputy Welsh Minister; member of a county council or a county borough council in Wales; member of a National Park Authority in Wales; member of a Fire and Rescue Authority in Wales.

Mandatory HM Treasury Directions

HM Treasury, in exercise of the powers conferred on them by section 153C(1) and (5) of the Small Business, Enterprise and Employment Act 2015, make the following Directions.

1. These Directions may be cited as the Exit Payment Cap Directions 2019 and come into force on the same day as the Restriction on Exit Payment Regulations 2019 (“the Regulations”).

2. In these Directions “Decision Maker” means the person who exercises the power under section 153C(1) of the Small Business, Enterprise and Employment Act or under regulation 11(b), 11(c) or 11(d) of the Regulations.

Mandatory exercise of the power

3. The Decision Maker must exercise the power to relax restrictions imposed by the Regulations on payments of a type described in regulation 6(1) of the Regulations and which are made in respect of a relevant public sector exit in the following circumstances:

Transfer of Undertakings (TUPE)

3.1 Where the obligation to make that payment arises as a result of the application of the Transfer of Undertakings (Protection of Employment) Regulations 2006 (SI 2006/246).

Employment tribunal claims: discrimination and whistleblowing.

3.2 Where –

(a) the payment relates to a complaint that an employment tribunal has the jurisdiction to consider under s48(1A) of the Employment Rights Act 1996 or s120(1) of the Equality Act 2010; and

(b) the Decision Maker is satisfied on the balance of probabilities that an Employment Tribunal would make an award or order of compensation under s49(1)(b) or s118(1) of the Employment Rights Act 1996 or s124(2)(b) of the Equality Act 2010 if it considered the complaint.

Nuclear Decommissioning Authority (NDA): pension related payments paid upon redundancy.

3.3 Where –

3.3.1 the obligation to make the payment arises from a NDA group pension scheme, and

3.3.2 the payment is –

(a) of a type described in para 3.3.3 below, and

(b) made to or on behalf of an employee –

(i) who is employed –

- by a company or other body holding a site licence granted under the Nuclear Installations Act 1965 for one or more nuclear-licensed sites (“the employer”), and
- on a site that is subject of a decommissioning programme agreed between the NDA and the BEIS Secretary of State, and

(ii) whose employment is terminated –

- as result of the decommissioning programme, and
- for a reason which amounts to a redundancy as defined by section 139(1) of the Employment Rights Act 1996, and
 - a. that not exercising the power would cause undue hardship;
 - b. that not exercising the power would significantly inhibit workforce reform;
 - c. (i) that an agreement to exit was made before the coming into force of the Regulations;

(iii) for whom there is no suitable alternative employment within the employer's business, business within the employer's group of companies, or any other employer with the NDA estate.

3.3.3 The following types of payments are a payment for the purposes of para 3.3.2 (a) –

(a) any payment made to reduce or eliminate an actuarial reduction to a pension on early retirement or in respect to the cost of a pension scheme of such a reduction not being made;

(b) any payment made to the pension fund for additional years' pension in lieu of service, or

(c) any payment made in lieu of an enhanced and/or unreduced pension which may be paid by means of a capitalised lump sum or continuing annual payments between the date of termination of employment and normal retirement age.

Discretionary exercise of the power

4. Subject to para 4.1, the Decision Maker may exercise the power to relax restrictions imposed by the Regulations ("the power") in relation to payments of a type described in regulation 6(1) of the Regulations and which are made in respect of a relevant public sector exit where the Decision Maker is satisfied—

(a) that it was the intention of both parties that the exit would occur before that date; and

(b) that any delay to the date of exit was not attributable to the employee or office holder as applicable.

4.1 Where the Decision Maker is exercising the power pursuant to regulations 11 (b), 11(c) or 11 (d) of the Regulations, the Decision Maker must seek consent of HM Treasury before exercising the power.

General

5. The power to relax restrictions imposed by the Regulations must only be exercised to the extent necessary to give effect to one or more of the criteria set out in sections 3 and 4 of this document.

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Date: 3 July 2019
Ref: Exit Cap/CLS

Dear Sir/Madam

Restricting exit payments in the public sector

Thank you for the Department's consultation seeking views on the proposed draft regulations.

I am responding on behalf of Buckinghamshire County Council in its capacity as administering authority of Buckinghamshire County Council Pension Fund in relation to the Local Government Pension Scheme (LGPS).

Guidance and directions

We are concerned that there is no implementation period set out in the guidance and directions section of the consultation. On 1 April 2020, Buckinghamshire County Council, Aylesbury Vale District Council, Chiltern District Council, South Bucks District Council and Wycombe District Council will be abolished and a new unitary authority, Buckinghamshire Council will be established. The councils are in the process of transitioning over to the new council and there will be significant changes to the workforce and redundancies are to be expected. We would propose that a minimum implementation period of nine months from the date the Regulations are passed is necessary to enable guidance and Regulations to be enacted efficiently and to also provide the actuaries, software providers, payroll providers and employers with sufficient time to comply with the guidance and Regulations.

There is an area of inconsistency that exists within the LGPS regarding the calculation of pension strain costs. Currently the calculation of pension strain costs is set locally by the fund actuary. When assessing strain costs, we would support the introduction of a standard approach to the calculation to ensure fairness across the Scheme.

We would also seek an amendment to the LGPS Regulations to provide Scheme members with a fair choice between accepting a reduced pension and the cash alternative referred to in the Regulations. We do not believe fairness will be achieved under the current LGPS

Regulations whereby it is mandatory for Scheme members to receive immediate reduced benefits if they are over the age of 55 and leave on grounds of redundancy or business efficiency. An option to defer if they do not wish to suffer an actuarial reduction should be introduced.

The consultation is silent as to whether the figure of £95,000 will be subject to indexation. This figure was set out in an earlier consultation which ran from 31 July to 27 August 2015. This figure has not increased four years on and there is no provision within the proposed guidance and directions to increase this figure once implemented, resulting in more employees being subject to the cap going forward. We would suggest the inclusion of some form of indexation.

Comments on the Regulations proposed

Regulation 1 – in accordance with our previous comments, we do not consider an implementation date of the day after the day on which the Regulations are made will provide adequate time for changes to be implemented and for appropriate communication to Scheme members to take place. Software providers will need sufficient time to configure systems to comply with the new requirements. If systems are not configured in time, manual calculations will be required which will delay payment of benefits to Scheme members and add significantly to administration workloads. A reasonable implementation period as suggested of nine months would ensure that the cap can be applied consistently and correctly in the LGPS.

Regulation 4 – (a) does not specify that individual exit payments are aggregated.

Regulation 6 – (b) is difficult under existing provisions for the calculation of pension strain costs. As already stated in this response, a standard calculation method is not currently applied across the LGPS. If this situation prevails, the effect of the cap would be based upon the Scheme member's location and would lead to inconsistent practice across a national Scheme which is locally administered.

Regulation 7 – (e) the word 'service' has no relevance to a period of annual leave that is not taken.

Regulation 7 – (g) clarity is required regarding pay in lieu of notice. It is not clear whether only pay in lieu of notice that is less than one quarter of a member's salary is excluded from the cap, or in cases where a quarter is exceeded, the amount up to the limit of one quarter is excluded and the excess over and above the quarter is included.

Regulation 9 – states that where Scheme Regulations do not permit the making of an exit payment an alternative cash payment **must** be made. This is contrary to section 4.1 of the guidance which states that an equivalent cash sum **may** be made.

Comments on LGPS Regulation changes required

The LGPS Regulations 2013 do not currently facilitate the operation of the exit payment cap so amendments to the LGPS Regulations would be required. If changes are made after the

introduction of the exit payment cap, there would be a period of time where members of the LGPS would be treated differently under the cap, dependent on the date of exit.

LGPS Regulation 68(2) allows an administering authority to require a Scheme employer to make additional payments to the fund in respect of any extra charge resulting from retirement benefits becoming immediately payable to a member on grounds of early retirement (Regulation 30(5)), flexible retirement (Regulation 30(6)), or on grounds of redundancy or business efficiency (Regulation 30(8)). Not all administering authorities insist on additional payments and instead, choose to increase the employer's contribution rate, or apply a combination of both. Confirmation is sought as to whether the alternative arrangement of increasing an employer's contribution rate can still apply once the exit cap is introduced.

As previously stated, to ensure consistency across the LGPS, a standard method to calculate pension strain costs would be welcomed. If implemented, an amendment to Regulation 68(2) would be required, specifying that the pension strain costs must be calculated in accordance with GAD guidance, rather than calculated by an actuary appointed by the administering authority. The guidance would also need to ensure that the costs reflect the different tranches of membership accrued in the LGPS and the various protected retirement ages and tapered protections that can apply. Guidance will also need to set out how divorce debits or Scheme Pays debits are accounted for in relation to an annual allowance tax charge that occurred in a year prior to leaving.

Within the LGPS, members can be awarded additional pension by an employer up to six months from their leaving date if the reason for leaving was redundancy or business efficiency. There are also members who are purchasing additional years of scheme membership who if made redundant, have up to three months (or such longer period as their employer allows) to pay a lump sum equal to the capital value due to complete the contract. Both of these will result in benefits changing after the date of leaving which in turn, would result in the pension strain cost changing.

Other considerations

On 27 June 2019, the Supreme Court refused the Government permission to appeal against the decision reached by the Court of Appeal in the McCloud case. Scheme reforms were due to take effect from 1 April 2019 due to the cost cap mechanism exercise and these have been on hold pending the leave to appeal decision. The case will now be referred back to an employment tribunal for remedy. If the exit payment cap is introduced before the required changes in respect of the McCloud ruling are implemented, there is a risk that subsequent backdated changes to member benefits can affect how the exit cap has been applied to members in the interim period. Guidance would be welcome on the action administering authorities would need to take where the cap was applied but the cost of that exit increases, where the exit cap was not exceeded at date of leaving but due to the application of backdated changes, the member now exceeds the cap and where approval to relax the cap was given but due to backdated changes the costs have increased.

The introduction of the cap will present additional complexity to what is already an increasingly complicated scheme to administer. The options to be made by Scheme members will need to

be explained, these include but are not limited to decisions on whether to claim a reduced/partially reduced pension immediately or defer payment to a later date, whether to apply the partial reduction to their pension or lump sum, whether to pay extra to buy out all/part of the partial reduction, whether to pay an annual allowance charge directly to HMRC or to elect for the Scheme Pays option and whether to opt for a reduced pension or lump sum in order to pay a lifetime allowance tax charge.

We would welcome changes to the Regulations and guidance prior to the introduction of the exit payment cap as detailed in this response.

Yours faithfully



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Pension Fund Committee

Title: Employer cost cap and McCloud
Date: Friday 26 July 2019
Author: Head of Finance – Pensions, Investments & Projects
Contact officer: Claire Lewis-Smith, 01296 383424

Local members affected:

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

Summary

This report is to provide the Committee with an update on the current position in relation to the cost cap mechanism and the McCloud Ruling.

Recommendation

The Committee are asked to NOTE the contents of this report.

Background

Following reports from the Independent Public Services Pension Commission, government legislated in the Public Services Pensions Act 2013 for a new framework from 2014 for the LGPS (2015 for all other public service pension schemes). It was designed to manage some of the costs and risks to the Exchequer of providing public service pensions. In the LGPS in England & Wales, two mechanisms were introduced to do this.

- the employer cost cap (ECC) process as operated by HM Treasury, and
- the future service cost cap (FSC) process as operated by the LGPS Scheme Advisory Board.

The target cost for the ECC process is 14.6% of employer contributions.

The target cost for the FSC is 19.5% as a total of employer and scheme member contributions at a 2:1 ratio (13% employers: 6.5% scheme members).

If there is movement of +/-1% from the target cost, action should be taken. If +/-2% from the target cost, action must be taken. These could be changes to the design of member benefits or to member contribution rates.

Current position

In September 2018, government announced that public service employers would have to pay more towards their employee's pensions from April 2019 and those public sector workers would get improved pension benefits. The two mechanisms behind this are a reduction in the Superannuation Contributions Adjusted for Past Experience (SCAPE) discount rate and the cost cap mechanisms implemented in 2014.

All public sector pension schemes are subject to valuations so that contributions are set at a level that reflects the costs of benefits accruing. These are undertaken by HM Treasury and are based on assumptions, including the SCAPE discount rate. A reduction in the rate will increase employer contributions and it reduced from 2.8% to 2.4% on 6 September 2018. At the same time, the first cost cap mechanism exercise was undertaken since the reforms were introduced and this showed that the cost of public sector schemes had fallen below the target cost. As a result of this, public sector workers would receive improved pension benefits over the period from April 2019 to March 2023.

The LGPS has the additional FCS process which must also be completed before any changes can be made. On 10 October 2018 the LGPS Scheme Advisory Board (SAB) announced that the total cost of the LGPS was 19% and as such, improvements equal to 0.5% were proposed from April 2019. The proposals were:

- removal of tier 3 ill-health retirements costed on the assumption tier 2 would be awarded instead
- a minimum death in service lump sum of £75,000
- enhanced early retirement factors
- changes to employee contribution rates

On 30 January 2019, before any changes could be implemented, government announced a pause in the cost cap process for all public sector schemes due to the uncertainty caused by the December 2018 ruling of the Court of Appeal in the McCloud case.

The McCloud case

The case concerns the transitional protections given to scheme members as part of the public service pension scheme reforms, who in 2012 were within 10 years of their normal retirement age, in the judges and firefighters schemes. The Court of Appeal found these protections were unlawful on the grounds of age discrimination.

Although the ruling is in relation to only two of the public sector pension schemes, protections were applied during the reforms, albeit in different ways, to all members of public sector pension schemes who were within 10 years of retirement. It is anticipated that the principles of the outcome will apply to all public sector pension schemes.

The government applied to the Supreme Court for permission to appeal this decision and on 27 June 2019, the application was refused. The case will now be referred back to an employment tribunal for a remedy hearing which could take 12 months or longer to be held. Appropriate measures will need to be put in place by the tribunal to ensure scheme members who were found to be discriminated against, are placed in an equal position to protected members. Measures will need to raise the benefits of unprotected members rather than the benefits of protected members being reduced. Depending on the cost of these measures, there could be a material impact on the outcome of the cost cap mechanism.

Once the outcome of the employment tribunal is known, schemes would be amended and the cost cap process will be re-run. Any protection amendments to the LGPS will be backdated to 2014.

Resource implications

The full implications are unknown until the outcome of the employment tribunal is announced. The expectation is that there will be a requirement to revisit benefits calculated for scheme members who left after 1 April 2014 who have retrospective protections applied.

Legal implications

N/A

Other implications/issues

Once the employment tribunal remedy is announced, calculation of the additional costs of the backdated protections can be assessed. If they do not make good the shortfall against the target cost of the scheme, benefit improvements will need to be implemented.

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

N/A

Background Papers

Pension Fund Committee

Title: Changes to the local valuation cycle and the management of employer risk policy

Date: Friday 26 July 2019

Author: Head of Service – Pensions, Investments & Projects

Contact officer: Claire Lewis-Smith, 01296 383424

Local members affected:

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

Summary

On 8 May 2019 the Ministry of Housing, Communities and Local Government opened a 12 week policy consultation called 'LGPS: Changes to the Local Valuation Cycle and the Management of Employer Risk.' The consultation closes on 31 July 2019 and covers the following areas:

- amendments to local fund valuations from the current 3 year (triennial) to a 4 year (quadrennial) cycle
- a number of measures aimed at mitigating the risks of moving from a triennial to a quadrennial cycle
- proposals for flexibility on exit payments
- proposals for further policy changes to exit credits
- proposals for changes to the employers required to offer local government pension scheme membership

The full consultation document is attached at Appendix 1. The proposed response from Buckinghamshire County Council Pension Fund is attached at Appendix 2.

Recommendation

The Committee are asked to REVIEW the proposed consultation response and instruct officers to make any necessary amendments.

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



Resource implications

N/A

Legal implications

N/A

Other implications/issues

N/A

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

N/A

Background Papers

Appendix 1 – LGPS: Changes to the Local Valuation Cycle and the Management of Employer Risk consultation document.

Appendix 2 – BCCPF proposed response to MHCLG consultation.



Ministry of Housing,
Communities &
Local Government

Local Government Pension Scheme: Changes to the Local Valuation Cycle and the Management of Employer Risk

Policy consultation



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Scope of the consultation

<p>Topic of this consultation:</p>	<p>This consultation seeks views on policy proposals to amend the rules of the Local Government Pension Scheme 2013 in England and Wales.</p> <p>It covers the following areas:</p> <ol style="list-style-type: none"> 1. Amendments to the local fund valuations from the current three year (triennial) to a four-year (quadrennial) cycle 2. A number of measures aimed at mitigating the risks of moving from triennial to quadrennial cycles 3. Proposals for flexibility on exit payments 4. Proposals for further policy changes to exit credits 5. Proposals for policy changes to employers required to offer LGPS membership
<p>Scope of this consultation:</p>	<p>MHCLG is consulting on changes to the regulations governing the Local Government Pension Scheme (LGPS).</p>
<p>Geographical scope:</p>	<p>These proposals relate to the Local Government Pension Scheme in England and Wales only.</p>
<p>Impact Assessment:</p>	<p>The Ministry's policies, guidance and procedures aim to ensure that any decisions, new policies or policy changes do not cause disproportionate negative impacts on particular groups with protected characteristics, and that in formulating them, the Ministry has taken due regard to its obligations under the Equality Act 2010 and the Public Sector Equality Duty. We have made an initial assessment under the duty and do not believe there are equality impacts on protected groups from the proposals in sections 1 to 4 which set out changes to valuations, flexibilities on exit payments and in relation to exit credits payable under the scheme, as there will be no change to member contributions or benefits as a result.</p> <p>Our proposals in section 5 to remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer new employees access to the LGPS may result in a difference in treatment between the staff of an institution who are already in the LGPS when the change comes into force (who would have a protected right to membership of the LGPS) and new employees (who would not). It will be up to each institution to consider the potential equalities impacts when making a decision on which, if any, new employees should be given access to the scheme.</p> <p>Question 19 asks for views from respondents on equalities impacts and on any particular groups with protected characteristics who would be disadvantaged by the proposals contained in this consultation.</p>

When we bring forward legislation, a fuller analysis will include the equality impacts of any final policy proposals.

Basic Information

To:	Any changes to the LGPS rules are likely to be of interest to a wide range of stakeholders, such as local pension funds, administering authorities, those who advise them, LGPS employers and local taxpayers.
Body/bodies responsible for the consultation:	Local Government Finance Reform and Pensions, Ministry of Housing, Communities and Local Government
Duration:	This consultation will last for 12 weeks from 8 May 2019 to 31 July 2019
Enquiries:	For any enquiries about the consultation please contact: LGpensions@communities.gov.uk
How to respond:	<p>Please respond by email to:</p> <p>LGpensions@communities.gov.uk</p> <p>Alternatively, please send postal responses to: LGF Reform and Pensions Team Ministry of Housing, Communities and Local Government 2nd Floor, Fry Building 2 Marsham Street London SW1P 4DF</p> <p>When you reply, it would be very useful if you could make it clear which questions you are responding to.</p> <p>Additionally, please confirm whether you are replying as an individual or submitting an official response on behalf of an organisation and include:</p> <ul style="list-style-type: none"> - your name, - your position (if applicable), - the name of organisation (if applicable), - an address (including post-code), - an email address, and - a contact telephone number.

Introduction

This consultation contains proposals on a number of matters relating to the Local Government Pension Scheme (LGPS) in England and Wales.

Amongst these, it is proposed to amend the local fund valuation cycle of the LGPS from the current three year (triennial) cycle to a four year (quadrennial) one. The Government has moved the LGPS scheme valuation to a quadrennial cycle¹, and our consultation is intended to ensure that scheme and local valuations are aligned. Views are sought on whether this is the right approach and the best way of transitioning the LGPS to a quadrennial local valuation cycle.

The LGPS is a locally administered funded pension scheme, established primarily to provide retirement benefits to individuals working in local government in England and Wales. Local fund valuations are used to set employer contribution rates and to assess whether funds are on target to meet their pension liabilities as they fall due in the years ahead. In making our proposals, we aim to ensure that a lengthening of the valuation cycle would not materially increase the risks that pension funds and their employers face. We are therefore proposing mitigation measures that would allow LGPS funds to act between valuations and address any issues as they arise, specifically:

- We propose the introduction of a power for LGPS funds to undertake interim valuations. This would allow LGPS administering authorities to act when circumstances change between valuations and undertake full or partial valuations of their funds.
- We also propose the widening of a power that allows LGPS administering authorities to amend an employer's contribution rate in between valuations, so that contribution rates can be adjusted following the outcome of a covenant check or where liabilities are estimated to have significantly reduced.

Views are sought on the detail of these measures and what LGPS funds should put in their funding strategy statements regarding these matters.

These measures are intended to help funds manage their liabilities and ensure that employer contributions are set at an appropriate level. However, for some employers, a significant issue is the cost of exiting the scheme which can be prohibitive. Current regulations require that when the last active member of an employer leaves the scheme, the employer must pay a lump sum exit payment calculated on a full buy-out basis. We are seeking views on two alternative approaches that would reduce the cliff-edge faced by employers:

- To introduce a 'deferred employer' status that would allow funds to defer the triggering of an exit payment for certain employers who have a sufficiently strong

¹ <https://www.gov.uk/government/publications/public-service-pensions-actuarial-valuations>

covenant. Whilst this arrangement remains in place, deferred employers would continue to pay contributions to the fund on an ongoing basis:

- To allow an exit payment calculated on a full buy-out basis to be recovered flexibly – i.e. over a period of time. This may be of use where an administering authority does not feel that granting deemed employer status would be appropriate but that some level of flexibility is in the interests of the fund and other employers.

We also seek views on an issue that has come to light in recent months. In 2018, the LGPS Regulations 2013 were amended² to allow the payment of ‘exit credits’ to scheme employers who are in surplus at the time their last active member leaves the scheme. This followed a consultation on the introduction of exit credits undertaken by the Department in 2016³. However, it has since been highlighted that the amendments can cause issues where an LGPS employer has outsourced a service and used contractual arrangements to share risk with their contractor. Views are sought on a mechanism via which we can address this issue.

And finally, given the LGPS’s funded nature, with liabilities potentially falling back on local authorities and other public bodies in a particular area in the event an employer cannot meet its obligations, the Government is conscious of the need to ensure that scheme participation requirements remain appropriate. Changes in the higher education and further education sectors have taken place in recent years and we are consulting on proposals that would remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer membership of the LGPS to their non-teaching staff. Instead, reflecting their status as non-public sector, autonomous organisations, we propose it will be for each institution to determine whether to offer the LGPS to new employees or not.

Under our proposals, current active LGPS members and those eligible for active membership in an employment with a further education corporation, sixth form college corporation or higher education corporation in England would have a protected right to membership of the scheme.

Your comments are invited on the questions contained in sections 1 to 5. **The closing date for responses is 31 July 2019.**

² S.I. 2018/493

³ <https://www.gov.uk/government/consultations/local-government-pension-scheme-regulations>

Changes to the Local Government Pension Scheme (LGPS) valuation cycle

1.1 Changes to the local fund valuation cycle

The Government has brought the LGPS scheme valuation onto the same quadrennial cycle as the other public service schemes⁴.

Aligning the LGPS scheme valuation with other public sector schemes allows for outcomes of each valuation to be looked at in parallel and for Government to make consistent decisions for the public sector as a whole.

Each LGPS fund also carries out a local valuation which is used to assess its financial health and to determine local employer contributions. Currently the valuation cycle of the scheme and of individual funds align. This will no longer be the case as the scheme nationally has moved to a quadrennial cycle. We therefore propose that LGPS funds should also move from triennial to quadrennial valuation cycles.

Moving the LGPS local fund valuations to quadrennial cycles would deliver greater stability in employer contribution rates and reduce costs. The Scheme Actuary's review of local valuations under s13 of the Public Service Pensions Act 2013 would also move to a quadrennial cycle.

However, we recognise that there are potential risks that changes in employer contribution rates may be greater as a result of longer valuation periods and that longer valuation periods could also lead to reduced monitoring of any risks and costs. Section 2 of this consultation sets out proposals to mitigate these matters.

If we move to quadrennial local fund valuations, we propose to produce draft regulations making the necessary amendments to the LGPS Regulations 2013, amending regulation 62(2), 62(3) and other consequential regulations in due course.

Question 1 – As the Government has brought the LGPS scheme valuation onto the same quadrennial cycle as the other public service schemes, do you agree that LGPS fund valuations should also move from a triennial to a quadrennial valuation cycle?

Question 2 - Are there any other risks or matters you think need to be considered, in addition to those identified above, before moving funds to a quadrennial cycle?

Question 3 - Do you agree the local fund valuation should be carried out at the same date as the scheme valuation?

⁴ <https://www.gov.uk/government/publications/public-service-pensions-actuarial-valuations>

1.3 Transition to a new LGPS valuation cycle

Given that LGPS funds and the other public sector schemes have carried out a valuation as at 1 April 2016, now is the best opportunity to achieve consistency. If missed, it would be 2028 before valuations of all the schemes align again. On the assumption that scheme and fund valuations are carried out at the same date, potential approaches are as follows:

- a) For the next fund valuation to complete as anticipated, using data as at 31 March 2019, giving rates and adjustment certificates for the **coming five years** (i.e. from 1 April 2020-2025) but with the administering authority having the option to perform an interim valuation if circumstances require changes to contribution rates. Further fund valuations would be done using data as at 31 March 2024 and every four years thereafter.
- b) For the next fund valuation to complete as anticipated, using data as at 31 March 2019, giving rates and adjustment certificates for the **coming three years** (i.e. from 1 April 2020-2023). The following valuation would be done with fund data as at 31 March 2022 but giving new rates and adjustments certificates for **only two years**. Further fund valuations would be done using data as at 31 March 2024 and every four years thereafter.

Our proposal is to adopt approach b) as it provides continuity and potentially gives LGPS funds greater funding certainty than a five-year cycle would provide.

Question 4 - Do you agree with our preferred approach to transition to a new LGPS valuation cycle?

Dealing with changes in circumstances between valuations

2.1. Ability to conduct an interim valuation of local funds

With a longer valuation period of four years, there is greater scope for changes in assets and liabilities between valuations with a consequent potential increase in risks. In relation to the value of assets, this might include a significant downturn in value or increased volatility in returns. In relation to liabilities, this could be due to a sustained lower level of interest rates. The Government Actuary considered the potential impact of volatility of asset returns and changes in economic conditions on funds in their report on the 2016 local valuations⁵. The results showed that funds could face significant pressure on employer contributions in some future scenarios.

As part of a package of mitigation measures, we are proposing to introduce a new power to enable funds to conduct an interim valuation to reassess their position and, where appropriate, adjust the level of contributions outside of the regular cycle. This would not affect the timing of the next quadrennial fund valuation or the scheme valuation. It would, however, allow administering authorities to manage risk and avoid the need for very sharp corrections if maintaining the longer review cycle. This is consistent with the aim of the current regulations in preserving as much stability as possible in contribution rates across valuations (see Reg 66(2)(b) of the 2013 LGPS Regulations).

Depending on the trigger for the interim valuation, different levels of actuarial advice might be needed. For example, it may not be necessary to revisit all of the demographic assumptions and scheme experience where the trigger is a major financial down-turn shortly after the last valuation was completed. Funds will want to assure themselves that they have access to such data and analysis as is proportionate to the nature of the trigger and the time elapsed since the previous valuation.

Allowing an interim valuation gives greater adaptability should longer-term trends emerge that it would be prudent to address ahead of the next scheduled valuation.

To limit the risk that interim valuations could be timed to take advantage of short-term market conditions and undermine the cost and administrative advantages of a longer valuation cycle, we propose that interim valuations may take place only for the reasons set out in an authority's Funding Strategy Statement. In exceptional circumstances not envisaged in the Funding Strategy Statement, a fund could apply for a direction from the Secretary of State to carry out an interim valuation. The Secretary of State would also have a power to require interim valuations of funds either on representation from funds, scheme employers or of his own motion.

We propose to include in the regulations, supported by statutory guidance, certain protections so that decisions on whether to undertake an interim valuation should only be

⁵ <https://www.gov.uk/government/publications/local-government-pension-scheme-review-of-the-actuarial-valuations-of-funds-as-at-31-march-2016>

made by the administering authority having due regard to the views of their actuary and following consultation with the Local Pension Board. Where an administering authority undertakes an interim valuation it would also be obliged to notify the Secretary of State of the reasons for it and the conclusions reached. The costs of the valuation would be recovered in the usual way from all employers. As interim valuations should not be necessary frequently, the cost is likely to be more than offset by the move to four-yearly valuations.

Question 5 - Do you agree that funds should have the power to carry out an interim valuation in addition to the normal valuation cycle?

Question 6 - Do you agree with the safeguards proposed?

2.2. Review of employer contributions

A four-year valuation cycle would also mean fewer opportunities to respond to changes in the financial health of scheme employers. This means that the assessment made at the time of the valuation about that employer being able to meet all of its obligations to the fund, most importantly to make contributions (often referred to as an employer's "covenant strength"), might be out of date.

CIPFA's guidance on maintaining a Funding Strategy Statement⁶ requires funds to identify the employer risks that inevitably arise from managing a large and often changing group of scheme employers. In their related guidance on *Managing Risk in the Local Government Pension Scheme* (2018) they emphasise the importance of maintaining a knowledge base to track and identify risk levels for each employer. It further suggests that employers be categorised into groups depending on the level of risk they present to the fund as a whole.

We understand that some funds already carry out frequent reviews of their employers' covenant strength. Currently, the LGPS regulations provide funds with a limited number of tools to manage or reduce any risks identified. These tools include:

- At each valuation specifying secondary rate contributions that target a funding level that has been set with regard to the covenant strength of that employer (as allowed by Regulation 62(7) of the 2013 LGPS Regulations);
- Requiring adequate security for new admission bodies (as required in Part 3 of Schedule 2 to the 2013 LGPS Regulations);
- Increasing the security where existing admitted bodies wish to make changes to their admission agreement (as allowed for in Part 3 of Schedule 2 to the 2013 LGPS Regulations);
- Reviewing employer contributions where there is evidence that the employer is likely to exit the scheme (Regulation 64(4) of the 2013 LGPS Regulations);

⁶ Preparing and Maintaining a Funding Strategy Statement, published September 2016

- Reviewing employer contributions where there is evidence that the liabilities of that employer have increased substantially (see Regulations 64(6)(b) of the 2013 LGPS Regulations).

Whilst a four-yearly review of employer contributions would be sufficient for statutory or tax-payer backed employers, we recognise that for some scheme employers, and in particular admitted bodies, it may be prudent to allow funds to amend contribution rates more frequently. That would be driven by a change in the deficit recovery period and/or funding target level for a single employer, or group of employers, where this was felt necessary to protect other employers in the scheme or the solvency of the fund itself.

This would include giving funds the ability to offer employers a reduction in their contribution rate if they were able to make a one-off deficit reduction payment or there was a significant change in the composition of their workforce following a merger. We propose to introduce the ability for an employer to request a reassessment of its contribution rate where it believes that its liabilities have reduced.

We propose that funds would need to specify in their Funding Strategy Statement those employers (generally statutory or tax-raising employers) for whom the regular assessment of employer contributions through valuations is sufficient and what events would trigger reassessment through covenant reviews for other employers.

As these reassessments of employer contributions are designed to protect the interest of all employers and the scheme as a whole, the costs of conducting them anticipated in the Funding Strategy Statement, or triggered by a particular event or concern over covenant, would normally be met by the fund as a whole. However, where a scheme employer requested a reassessment because it believed that this would lead to a reduction in its contribution rate, then this would be paid for by the employer concerned.

Question 7 – Do you agree with the proposed changes to allow a more flexible review of employer contributions between valuations?

2.3. Guidance on setting a policy

As set out above we are proposing that the regulations would require funds to include their policy on interim valuations and reviews of employer contributions in their Funding Strategy Statement. We would also anticipate that CIPFA would want to reflect these new tools to manage risk in the guidance which it offers to funds on drafting an Funding Strategy Statement and in managing risk. However, to help ensure consistency of approach between funds, we also propose that in setting their policy they would also be required to have regard to advice that we would invite the Scheme Advisory Board to provide. This would include advice in the following areas:

- The exceptional circumstances where the case for an interim valuation could be made to the Secretary of State;
- The process for triggering and timescale for completing interim valuations;

- Best practice in working with scheme employers and other interested parties where an interim valuation is undertaken;
- What level of professional advice is appropriate to deliver the interim valuation.

In relation to action being taken to review employer contributions we would similarly ask the Scheme Advisory Board to consider guidance on the following areas:

- How to work with employers when a request is made for a review of its employer contributions;
- The process for carrying out employer covenant reviews and how to work with employers where the fund feels that further action is needed;
- Communicating with all scheme employers on how risk is being managed and how the cost of reviews will be met;
- What comprises a proportionate level of actuarial and other professional advice.

Question 8 – Do you agree that Scheme Advisory Board guidance would be helpful and appropriate to provide some consistency of treatment for scheme employers between funds in using these new tools?

Question 9 – Are there other or additional areas on which guidance would be needed? Who do you think is best placed to offer that guidance?

Flexibility on exit payments

3.1 Introduction

We know that some smaller and less financially robust employers are finding the current exit payment regime in LGPS onerous. Rather than protecting the interests of members, it may mean employers continue to accrue liabilities that they cannot afford. It can also create the risk that some employers could be driven out of business as a result of inability to meet a substantial exit payment when they finally come to leave. This can have implications for other jobs, the delivery of local services and future support for the scheme.

These problems arise because employer debt is calculated at full buy-out basis⁷ on the employer's total accrued liabilities to the scheme, and the amount due up-front or in a short period of time if the last active member leaves an employer can be significantly higher than their on-going contributions. If an employer does not have a source of capital available with which to pay the employer debt, they can effectively find themselves tied to the scheme indefinitely, even if this is not the most prudent way to proceed for all those concerned.

The current regime is designed to protect those scheme employers who remain in the scheme when one or more other employers have ceased to employ active members and who may be left with orphan liabilities. Any changes to the employer debt regime would have to be carefully considered to ensure that they would not result in an increased risk to members or remaining scheme employers.

In recognition of these and other issues, the Scheme Advisory Board has commissioned AON to look at the potential funding, legal and administrative issues presented by the participation of what it calls Tier 3 employers⁸ in the scheme, and to identify options to improve the situation. A working group has been established by the Scheme Advisory Board with a view to making recommendations to the Secretary of State later in the year. It is hoped that the Scheme Advisory Board working group will be able to include this consultation in its deliberations.

We have also heard from many in the sector that the time is right to bring LGPS more in line with wider practice in the private pensions sector. Deferred debt arrangements in the private sector enable an employer in a multi-employer pension scheme, who fulfils certain conditions, to defer their obligation to pay an employer debt on ceasing to employ an active scheme member. The arrangement requires the employer to retain all their previous responsibilities to the scheme and continue to be treated as if they were the employer in

⁷ Exit payments are currently based on that employer's share of the deficit in the scheme calculated on a 'full-buy out basis' (i.e. the amount that would need to be paid to an insurer to take on the pension scheme's liabilities).

⁸ Scheme Advisory Board defines Tier 3 bodies as being those which are not tax-payer backed ("Tier 1"), academies ("Tier 2") or admitted bodies performing services under contract to local authorities ("Tier4")

relation to that scheme. A key consideration in considering whether to introduce a similar arrangement into LGPS will be how to ensure that employers wanting to take advantage of this option have sufficient and appropriate assets to cover their liabilities and that the arrangement will not adversely affect other employers.

We therefore propose to grant funds more flexibility to manage an employer's liabilities in this situation, by spreading exit payments over a period or by allowing an employer with no active members to defer exit payments in return for an ongoing commitment to meet their existing liabilities.

3.2 Flexibility in recovering exit payments

This proposal aims to enable scheme employers which are ceasing to employ any active members with the flexibility, in agreement with the administering authority, to spread exit payments over a period, where this would also be in the interests of the fund and other employers.

This option would be available in situations where an administering authority considered that some flexibility over the repayment programme would be in the best interests of the fund and other employers. We understand that some funds have been attempting to achieve a similar objective through side-agreements with employers at the time of exit. However, we feel that it would be more appropriate to regularise this approach and put it on a firm legislative footing.

In order to implement this new flexibility we have considered the model implemented by the Scottish Public Pensions Agency. This allows administering authorities to adjust an exiting employer's contributions to ensure that the exit payment due is made by the expected exit date or spread over such a period as the fund considers reasonable. This is set out in their Regulation 61(6)⁹:

“(6) Where in the opinion of an administering authority there are circumstances which make it likely that a Scheme employer (including an admission body) will become an exiting employer, the administering authority may obtain from an actuary a certificate specifying the percentage or amount by which, in the actuary's opinion—

(a) the contribution at the primary rate should be adjusted; or

(b) any prior secondary rate adjustment should be increased or reduced,

with a view to providing that assets equivalent to the exit payment that will be due from the Scheme employer are provided to the fund by the likely exit date or, where the Scheme employer is unable to meet that liability by that date, over such period of time thereafter as the administering authority considers reasonable.”

⁹ In the Local Government Pension Scheme (Scotland) Regulations 2018

This is a permissive model that gives administering authorities considerable flexibility to use their judgement and local knowledge in balancing the competing interests involved.

We propose to follow this approach but would welcome views from consultees on whether some additional protections are required, such as a maximum time limit over which exit payments could be spread (perhaps three years).

For the avoidance of doubt, we propose that the exit payment in these circumstances would continue to be calculated as now on a full buy-out basis.

Question 10 – Do you agree that funds should have the flexibility to spread repayments made on a full buy-out basis and do you consider that further protections are required ?

3.3 Deferred employer status and deferred employer debt arrangements

These proposals aim to enable scheme employers who are ceasing to employ any active members to defer exit payments in return for an ongoing commitment to meet their existing liabilities, in agreement with the fund. This commitment would protect the fund and other employers. This will be of particular help to smaller employers (such as charities) in managing their obligation to make an exit payment when they cease to employ an active member of the scheme.

Drawing on the model of the S75 approach that was recently introduced by DWP for private sector¹⁰ defined benefit multi-employer funds, we have set out a possible model for the LGPS. We would welcome views from consultees on how to develop the model to best reflect the needs of all parties participating in LGPS.

i) Definition of deferred employer status

Employers taking advantage of this ability to maintain a link with the scheme, despite no longer having active members, would become “deferred employers”. A deferred employer is defined as an employer who, at the point that their last active member leaves the scheme, enters into a deferred employer debt arrangement with the administering authority, and that arrangement has not been terminated by a ‘relevant event’ (see section iii below).

ii) Basis on which a deferred employer debt arrangement would be offered

To enter into a deferred employer debt arrangement, the fund would need to be satisfied that the employer has just, or is about to, become an exiting employer as defined in LGPS regulations and has a sufficient covenant not to place the fund under undue risk. When DWP consulted on the equivalent provisions for private sector schemes (referred to earlier) they considered the introduction of a test whereby employers could only be eligible

¹⁰ These are the employer debt arrangements made under S75 of the Pensions Act 1995. More information is available here: <https://www.gov.uk/government/consultations/the-draft-occupational-pension-schemes-employer-debt-amendment-regulations-2017>

for the equivalent of a deferred employer debt arrangement if they were already funded above a prescribed level. In line with the decision DWP took in relation to private sector DB schemes, we have considered and rejected the option of setting such a minimum level of funding. We believe that this will be a relevant factor in scheme managers' assessment of covenant and risk and therefore needs to be weighed alongside all the other evidence available.

iii) Termination of a deferred employer debt arrangement

In order to protect the fund, we would expect any deferred employer debt arrangement to set out in the following circumstances which would trigger termination, to be known as "relevant events":

- the employer has new active members;
- the employer and scheme manager both agree to terminate the agreement and an exit payment falls due;
- the scheme manager assesses that the covenant has significantly deteriorated and a relevant event occurs (insolvency, voluntary winding up, CVA);
- the employer restructures and the covenant value is significantly affected in the view of the scheme manager. Restructuring for these purposes occurs where the employer's corporate assets, liabilities or employees pass to another employer;
- the fund serves notice that the employer has failed to comply with any of its duties under LGPS regulations or other statutory provisions governing the operation of a pension fund.

iv) Responsibilities of the deferred employer

An employer in a deferred employer debt arrangement would still be an employer for scheme funding and scheme administration purposes. Funds will continue to carry out regular actuarial valuations to establish whether or not their funding position is on track according to the funding strategy they have adopted, and to put in place a recovery plan where any shortfalls are identified. Deferred employers will be required to make secondary contributions as part of this plan and this requirement will apply to any employer who has entered into a deferred debt arrangement.

We will expect administering authorities to adopt a robust policy to be set out in their Funding Strategy Statement, following consultation with employers and their Local Pension Board and having regard to any guidance issued by CIPFA or the Secretary of State. Our intention is to give funds some flexibility to use their judgement and local knowledge to reach suitable arrangements that balances the competing interests involved.

We would expect administering authorities to offer deferred employer debt arrangements when this is in the interests of the other fund employers and where there is not expected to be a significant weakening of the employer covenant within the coming 12 months.

Question 11 – Do you agree with the introduction of deferred employer status into LGPS?

Question 12 – Do you agree with the approach to deferred employer debt arrangements set out above? Are there ways in which it could be improved for the LGPS?

3.4 Proposed approach to implementation of deferred employer debt arrangements

We do not intend to legislate for every aspect of the model above. Our starting point is that the key obligations and entitlements of parties should be in the regulations. Statutory guidance can be helpful in putting more flesh on the bones and ensuring that there is consistency in application. On the assessment of risk and in balancing competing interests of scheme stakeholders we consider that the Scheme Advisory Board is better placed to offer real-world, credible guidance to funds. We would welcome views from consultees about the appropriate balance to be struck between legal requirements to be set out in regulations, statutory guidance issued under regulation 2(3A) of the 2013 Regulations, and guidance from the Scheme Advisory Board.

Question 13 – Do you agree with the above approach to what matters are most appropriate for regulation, which for statutory guidance and which for fund discretion?

3.5 Summary of options for management of employer exits

Implementing the proposals above on exit payments would make the following set of options available to administering authorities when dealing with employer exits:

1. Calculate and recover an exit payment as currently for employers ready and able to leave and make a clean break;
2. Agree a repayment schedule for an exit payment with employers who wish to leave the scheme but need to be able to spread the payment;
3. Agree a deferred employer debt arrangement with an employer to enable them to continue paying deficit contributions without any active members where the scheme manager was confident that it would fully meet its obligations.

We expect that employers will want to see a level of transparency and consistency in the use which administering authorities make of this new power. We expect that that statutory or Scheme Advisory Board guidance will be necessary in addition to a change to regulations and welcome views on which type of guidance would be appropriate for which aspects of the proposals.

Question 14 – Do you agree options 2 and 3 should be available as an alternative to current rules on exit payments?

Question 15 – Do you consider that statutory or Scheme Advisory Board guidance will be needed and which type of guidance would be appropriate for which aspects of these proposals?

Exit credits under the LGPS Regulations 2013

4.1 Introduction of exit credits in May 2018

In April 2018, the Government made changes¹¹ to the LGPS Regulations 2013 allowing exit credits to be paid from the Scheme for the first time. Following the amendments, which were effective from 14 May 2018, where the last active member of a scheme employer leaves the LGPS, an exit credit may be payable if an actuarial assessment shows that the employer is in surplus on a full buy-out basis at the time of their exit. Prior to the changes, the 2013 Regulations had only provided that a scheme employer would be responsible for any shortfall and where such a shortfall occurred they would be responsible for paying an exit payment.

The amendments to allow exit credits to be paid from the Scheme were intended to address this imbalance. They also followed prior concerns that the lack of such a provision meant some scheme employers who were nearing their exit were reluctant to pre-fund their deficit out of concern that, if they contributed too much, they would not receive their excess contributions back. Accordingly, the government consulted on addressing this via the introduction of exit credits in May 2016¹², as part of a wider consultation exercise.

Feedback from the consultation exercise was broadly supportive of this change. Responses focussed on two technical issues:

- Some respondents suggested that our proposed timescales for payment of an exit credit were too tight (at one month).
- Some also suggested that we should include a clarifying provision noting that where an exit credit had been paid there could be no further claim on the fund.

Both concerns were addressed in the final regulations, which provided that funds would have three months to pay an exit credit and that no further payment could be made to a scheme employer from an administering authority after an exit credit had been paid.

4.2 Exit credits and pass-through

In the period since the 2013 Regulations were amended, some concerns have been raised about a consequential impact of the introduction of exit credits, specifically where a scheme employer has outsourced a service or function to a service provider. In such

¹¹ S.I. 2018/493

¹² <https://www.gov.uk/government/consultations/local-government-pension-scheme-regulations>

situations, scheme employers often use a 'pass-through' approach to limit the service provider's exposure to pensions risk to obtain a better contract price. Where pass-through is used, service contracts, or side agreements to service contracts between LGPS employers and their service providers will often be used to set out the terms that apply.

It has been drawn to our attention that where LGPS employers entered into a contract with a service provider before the introduction of exit credits, the terms of the pass-through agreement may cause unforeseen issues to arise. This may occur where an employer has entered into a side agreement with a service provider which includes pass-through provisions, and under this side agreement, the authority has agreed to pay the service provider's LGPS employer contributions for the life of the contract as well as meet any exit payment at the end of the contract. When the contract ceases, the service provider (as the scheme employer) may be significantly in surplus and entitled to an exit credit, even though the employer has borne the costs and the risk in relation to the service provider's liabilities through the life of the contract.

This situation would clearly not have been what was intended when the contract was agreed. It would be unfair for a service provider to receive an exit credit in such a situation and it is our intention to make changes that would mean that service providers cannot receive the benefit of exit credits in such cases.

4.3 Proposal to amend LGPS Regulations 2013

We therefore propose to amend the 2013 Regulations to provide that an administering authority must take into account a scheme employer's exposure to risk in calculating the value of an exit credit. There would be an obligation on the administering authority to satisfy itself if risk sharing between the contracting employer and the service provider has taken place (for example, via a side agreement which the administering authority would not usually have access to). If the administering authority is satisfied that the service provider has not borne any risk, the exit credit may be calculated as nil.

We also intend that such a change would be retrospective to the date that the LGPS Regulations 2013 were first amended to provide for the introduction of exit credits – i.e. to 14 May 2018. This would ensure that where a service provider has not borne pensions risk but has become entitled to an exit credit, they should not receive the benefit of that exit credit.

By making this change retrospective, the revised exit credit provisions would apply in relation to all scheme employers who exit the scheme on or after 14 May 2018.

In the event of any dispute or disagreement on the level of risk a service provider has borne, the appeals and adjudication provisions contained in the LGPS Regulations 2013 would apply.

It should also be noted that the government is consulting on the introduction of a new way for service providers to participate in the LGPS¹³. Use of the deemed employer approach,

¹³ <https://www.gov.uk/government/consultations/local-government-pension-scheme-fair-deal-strengthening-pension-protection>

if introduced, would also prevent exit credits becoming payable to service providers where they have not borne contribution or funding risks.

Question 16 – Do you agree that we should amend the LGPS Regulations 2013 to provide that administering authorities must take into account a scheme employer’s exposure to risk in calculating the value of an exit credit?

Question 17 – Are there other factors that should be taken into account in considering a solution?

Employers required to offer LGPS membership

5.1 Further education corporations, sixth form college corporations and higher education corporations

Under the LGPS Regulations 2013, further education corporations, sixth form college corporations and higher education corporations in England and Wales are required to offer membership of the LGPS to their non-teaching staff.

In recent years, a number of changes have taken place in the further education and higher education sectors.

- In 2012, the Office for National Statistics took further education and sixth form college corporations in England out of the General Government sector, reflecting changes introduced by the Education Act 2011 which, in the view of the ONS, took public control away from such organisations.
- The Technical and Further Education Act 2017 provided for the introduction of a new statutory insolvency regime for further education and sixth form college corporations in England and Wales meaning, for the first time, it will be possible for such bodies to become legally insolvent. The Government expects cases of insolvency to be rare.
- The Higher Education and Research Act 2017 established a new regulatory framework and a new single regulator of higher education in England, the Office for Students (the OfS). The OfS adopts a proportionate, risk-based approach to regulating registered higher education providers consistent with its regulatory framework.

Reflecting the independent, non-public sector status, of further education, sixth form colleges, and the autonomous, non-public sector status of higher education corporations, these bodies are responsible for determining their own business models and for ensuring that their financial positions are sound. As such, these bodies may value greater flexibility in determining their own pension arrangements for their own workforces. Indeed, some respondents to the Department for Education consultation '[Insolvency regime for further education and sixth form colleges](#)', held in 2017-18, requested that the obligation to offer LGPS to all eligible staff be removed.

The LGPS is, unlike many public service pension schemes, a “funded scheme”. This means that employee and employer contributions are set aside for the payment of pensions and are invested to maximise returns. It is a statutory scheme, with liabilities potentially falling back on other LGPS employers in the event of an employer becoming insolvent. The costs associated with meeting the liabilities of a failed organisation could therefore fall back on local authorities and other scheme employers, meaning there may be a direct impact on the finances of public bodies in a particular area if an organisation fails.

Given the nature of the LGPS and the changes in the further education and higher education sectors, it is right to consider whether it is still appropriate for LGPS regulations to require that these employers offer the LGPS for all eligible staff.

We propose to remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer new employees access to the LGPS.

Under our proposals each corporation would have the flexibility to decide whether to offer the LGPS to all or some eligible new employees. We recognise that corporations will continue to view offering LGPS as a valuable and important tool in recruitment and retention strategies, but the flexibility as to when to use the tool should be for the corporations themselves.

We also propose that those already in employment with a further education, sixth form college or a higher education corporation in England and who are eligible to be a member of the LGPS before the regulations come into force have a protected right to membership of the scheme. These employees would retain an entitlement to membership of the scheme for so long as they remain in continuous employment with the body employing them when the regulations come into force. These employees would also retain an entitlement to membership of the scheme following a compulsory transfer to a successor body, for example, following the merger of two corporations.

Further and higher education policy is devolved to the Welsh Government. Whilst some of the changes in the sectors highlighted here apply to bodies in Wales as well as in England, at the moment, the Welsh Government does not propose to change the requirements of the LGPS Regulations 2013 in relation to further education corporations and higher education corporations in Wales. These bodies will continue to be required to offer membership of the LGPS to their non-teaching staff.

Question 18 – Do you agree with our proposed approach?

Public sector equality duty

6.1 Consideration of equalities impacts

The Ministry's policies, guidance and procedures aim to ensure that any decisions, new policies or policy changes do not cause disproportionate negative impacts on particular groups with protected characteristics, and that in formulating them the Ministry has taken due regard to its obligations under the Equality Act 2010 and the Public Sector Equality Duty. We have made an initial assessment under the duty and do not believe there are equality impacts on protected groups from the proposals in sections 1 to 4 which set out changes to valuations, flexibilities on exit payments and in relation to exit credits payable under the scheme, as there will be no change to member contributions or benefits as a result.

Our proposals in section 5 to remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer new employees access to the LGPS may result in a difference in treatment between the staff of an institution who are already in the LGPS when the change comes into force (who would have a protected right to membership of the LGPS), and new employees (who would not). It will be up to each institution to consider the potential equalities impacts when making their decision on which, if any, new employees should be given access to the scheme.

Question 19 – Are you aware of any other equalities impacts or of any particular groups with protected characteristics who would be disadvantaged by the proposals contained in this consultation?

Summary of consultation questions

Question 1 – As the Government has brought the LGPS scheme valuation onto the same quadrennial cycle as the other public service schemes, do you agree that LGPS fund valuations should also move from a triennial to a quadrennial valuation cycle?

Question 2 - Are there any other risks or matters you think need to be considered, in addition to those identified above, before moving funds to a quadrennial cycle?

Question 3 - Do you agree the local fund valuation should be carried out at the same date as the scheme valuation?

Question 4 - Do you agree with our preferred approach to transition to a new LGPS valuation cycle?

Question 5 - Do you agree that funds should have the power to carry out an interim valuation in addition to the normal valuation cycle?

Question 6 - Do you agree with the safeguards proposed?

Question 7 – Do you agree with the proposed changes to allow a more flexible review of employer contributions between valuations?

Question 8 – Do you agree that Scheme Advisory Board guidance would be helpful and appropriate to provide some consistency of treatment for scheme employers between funds in using these new tools?

Question 9 – Are there other or additional areas on which guidance would be needed? Who do you think is best placed to offer that guidance?

Question 10 – Do you agree that funds should have the flexibility to spread repayments made on a full buy-out basis and do you consider that further protections are required?

Question 11 – Do you agree with the introduction of deferred employer status into LGPS?

Question 12 – Do you agree with the approach to deferred employer debt arrangements set out above? Are there ways in which it could be improved for the LGPS?

Question 13 – Do you agree with the above approach to what matters are most appropriate for regulation, which for statutory guidance and which for fund discretion?

Question 14 – Do you agree options 2 and 3 should be available as an alternative to current rules on exit payments?

Question 15 – Do you consider that statutory or Scheme Advisory Board guidance will be needed and which type of guidance would be appropriate for which aspects of these proposals?

Question 16 – Do you agree that we should amend the LGPS Regulations 2013 to provide that administering authorities must take into account a scheme employer's exposure to risk in calculating the value of an exit credit?

Question 17 – Are there other factors that should be taken into account in considering a solution?

Question 18 – Do you agree with our proposed approach?

Question 19 – Are you aware of any other equalities impacts or of any particular groups with protected characteristics who would be disadvantaged by the proposals contained in this consultation?

About this consultation

This consultation document and consultation process have been planned to adhere to the Consultation Principles issued by the Cabinet Office.

Representative groups are asked to give a summary of the people and organisations they represent, and where relevant who else they have consulted in reaching their conclusions when they respond.

Information provided in response to this consultation, including personal data, may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 2018 (DPA), the General Data Protection Regulation, and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential, please be aware that, as a public authority, the Department is bound by the Freedom of Information Act and may therefore be obliged to disclose all or some of the information you provide. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

The Ministry of Housing, Communities and Local Government will process your personal data in accordance with the law and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties. A full privacy notice is included at Annex A.

Individual responses will not be acknowledged unless specifically requested.

Your opinions are valuable to us. Thank you for taking the time to read this document and respond.

Are you satisfied that this consultation has followed the Consultation Principles? If not or you have any other observations about how we can improve the process please contact us via the [complaints procedure](#).

Annex A

Personal data

The following is to explain your rights and give you the information you are be entitled to under the Data Protection Act 2018.

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

1. The identity of the data controller and contact details of our Data Protection Officer

The Ministry of Housing, Communities and Local Government (MHCLG) is the data controller. The Data Protection Officer can be contacted at dataprotection@communities.gov.uk

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. Our legal basis for processing your personal data

The Data Protection Act 2018 states that, as a government department, MHCLG may process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

Section 21 of the Public Service Pension Act 2013 requires the responsible authority, in this case the Secretary of State, to consult such persons as he believes are going to be affected before making any regulations for the Local Government Pension Scheme. MHCLG will process personal data only as necessary for the effective performance of that duty

3. With whom we will be sharing your personal data

We do not anticipate sharing personal data with any third party.

4. For how long we will keep your personal data, or criteria used to determine the retention period.

Your personal data will be held for two years from the closure of the consultation.

5. Your rights, e.g. access, rectification, erasure

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right:

- a. to see what data we have about you
- b. to ask us to stop using your data, but keep it on record
- c. to ask to have all or some of your data deleted or corrected

d. to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

- 6. Your personal data will not be sent overseas**
- 7. Your personal data will not be used for any automated decision making.**
- 8. Your personal data will be stored in a secure government IT system.**

Resources & Pensions

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Pensions & Investments Team
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Pensions, Investments & Projects
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Date: 31 July 2019
Ref: Val Cycle/CLS

Dear Sir/Madam

Local Government Pension Scheme (LGPS): Changes to the Local Valuation Cycle and the Management of Employer Risk

Thank you for the Department's Policy Consultation seeking views on policy proposals to amend the Local Government Pension Scheme Regulations 2013 in England and Wales.

I am responding on behalf of Buckinghamshire County Council in its capacity as administering authority of Buckinghamshire County Council Pension Fund.

Changes to the local fund valuation cycle

We do not agree with the proposal to bring the local triennial fund valuations in line with the public sector pension scheme valuations quadrennial cycle. The LGPS is unique within the public sector, in that it is locally administered and has a huge number of diverse employers who participate in the Scheme. These employers have their own funding position, contribution rate and funding strategy. Many of these employers are admitted to the LGPS under admission agreements, the mechanism whereby employees of a Scheme employer are eligible to remain in the LGPS if their service/function is let via a contract by the Scheme employer. Often the period of the contract they are undertaking on behalf of the Scheme employer is very short. Changing to a four year valuation cycle would increase the risk of an employer's contribution rate rising considerably and the longer period would reduce the ability to monitor the risks and costs associated with each employer.

One matter to take into consideration is the cost of implementing the four yearly cycle. Over a 12 year period, a fund will save one valuation fee however; there is the potential to have interim valuations as set out by criteria in the Funding Strategy Statement. If circumstances arise whereby the criteria set out triggers an interim valuation, the cost saving of one valuation would be removed. If no interim valuations were triggered, we are of the view that saving the

cost saving of one valuation does not outweigh the risk to the fund that may arise due to the less frequent valuations. A move to a quadrennial valuation cycle would lead the Pension Fund to us include more prudence in the actuarial basis used to value liabilities and the assessment of employer contribution rates as a result. This could lead to higher ongoing costs in order to protect the fund from uncertainty and exposure to risk.

However, if the proposal to move to quadrennial valuations were approved, we agree with option b) in the consultation document (valuations at 31 March 2019, 31 March 2022 and 31 March 2024).

Dealing with changes in circumstances between valuations

We welcome the ability to undertake an interim fund valuation irrespective of the valuation period. We would also welcome the flexibility to undertake an interim valuation on some employers and not all. We agree with the requirement to set out, within the Funding Strategy Statement, the conditions that must be met which would permit an interim valuation. It will however be difficult for funds to balance having conditions that will permit an interim valuation to be triggered but avoid having to carry out interim valuations too frequently at the request of employers who may be trying to take advantage of market conditions at a particular time. We would appreciate guidance to assist funds with managing this along with the inclusion of a requirement within the guidance to consult with the fund's actuary on such matters.

We agree with the proposal to review employer contributions but would highlight that there are a high number of employers within our fund that are not statutory or tax raising employers. In line with the proposal, there is an expectation that funds would undertake covenant reviews for these employers which will incur additional costs and time spent on administering these, dependent on the frequency adopted.

We would strongly support having Scheme Advisory Board guidance to assist with dealing with employers when a request is made for a contribution review and when action is required as a result of the outcome of a covenant review. We are of the view that this guidance should also include discussions at local level with fund actuaries.

Flexibility on exit payments

We agree that funds should have the flexibility to spread repayments. We do not support the implementation of a maximum time limit. The period of repayment and the basis for determining the exit payment are decisions that should be made locally by the fund, after consultation with the relevant employer and the fund actuary. This will ensure the period of repayment offered is sufficient to guarantee the fund receives the amount due without forcing the employer into insolvency.

We agree with the proposal to introduce deferred employer status and deferred employer debt arrangements. We agree that key obligations and entitlements should be regulated for, with guidance from the Scheme Advisory Board to ensure consistency nationally when operating within the regulations. The proposed alternative methods to deal with exit payments will give

funds additional flexibility when dealing with the diverse nature of employers within the LGPS and enable the fund to choose the right method for each individual employer.

Exit credits under the LGPS Regulations 2013

We agree with the proposal to amend the LGPS Regulations 2013 to require administering authorities to account for the level of risk an employer has been exposed to when assessing the amount of exit credit due. To assist with this, there should be a regulatory requirement for an employer to provide the fund with details of any risk sharing or side agreements that have been entered into.

Employers required to offer LGPS membership

We do not agree with the proposal to remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer eligible new employees access to the LGPS. These employers have high numbers of eligible employees within funds and if they were to exercise the right not to offer LGPS membership to eligible new employees, the active membership for these employers would decline over time, resulting in an ever increasing employer contribution rate to ensure the funding level required to meet the future payment of benefits. When the last active members leave, the exit payment required from these employers could be significant and would place funds in the position of seeking repayment of substantial sums and place these employers in a difficult position financially.

The proposal will also create a two tier workforce within these employers and will also add complexity to mergers should one of the colleges not offer the LGPS.

We would encourage the Department to nationally research the demographic of employees who work at these establishments to consider the potential equalities impact. Our experience is that the LGPS members of these employers are predominantly female and part time. If this was found to be the case nationally, further consideration should be given to the equalities impact of this proposal.

Yours faithfully



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PENSION FUND COMMITTEE FORWARD PLAN

Updated	17-Jul-19
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26 July 2019		Aylesbury, County Hall	
	Agenda Item	Author	Cyclical Item?
	Apologies	--	Every meeting
	Declarations of interest	--	Every meeting
	Minutes	--	Every meeting
	Annual Accounts Audit	Julie Edwards /Grant Thornton	Annually
	Annual Report 2018/19	Cheryl Platts	Annually
	Exit Payment Cap	Claire Lewis-Smith	
	Employer Cost Cap and McCloud	Claire Lewis-Smith	
	Changes to the local valuation cycle and the management of employer risk policy	Claire Lewis-Smith	
	Forward Plan	Julie Edwards	Every meeting
	Exclusion of Press and Public		
	Confidential Minutes		
	Employer Risk Analysis	Claire Lewis-Smith	
	Date of next meeting / AOB	--	

23 September 2019		Aylesbury, County Hall	
	Agenda Item	Author	Cyclical Item?
	Apologies	--	Every meeting
	Declarations of interest	--	Every meeting
	Minutes	--	Every meeting
	Appointment of an Adjudicator - LGPS disputes	Jamie Hollis	
	Buckinghamshire Pension Board Draft Minutes	Steve Mason	4 monthly
	Breaches of the Law	Claire Lewis-Smith	Annually
	Pension Fund Risk Register	Julie Edwards	6 monthly
	Forward Plan	Julie Edwards	Every meeting
	Exclusion of Press and Public		
	Confidential Minutes		
	Buckinghamshire Pension Board Confidential Minutes	Steve Mason	4 monthly
	Brunel Pension Partnership Update - Private Markets	Brunel Pension Partnership	Quarterly
	Pension Fund Performance	Julie Edwards	No
	Low Volatility Equities, Small Cap Equities, Diversified Growth Funds and Stock	Mercer	No
	Lending		
	Date of next meeting / AOB	--	

25 November 2019		Aylesbury, County Hall	
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PENSION FUND COMMITTEE FORWARD PLAN

Updated

17-Jul-19

Agenda Item	Author	Cyclical Item?
Apologies	--	Every meeting
Declarations of interest	--	Every meeting
Minutes	--	Every meeting
Buckinghamshire Pension Board Draft Minutes	Steve Mason	4 monthly
Forward Plan	Julie Edwards	Every meeting
Exclusion of Press and Public		
Confidential Minutes		
Buckinghamshire Pension Board Confidential Minutes	Steve Mason	4 monthly
Triennial Valuation	Barnett-Waddingham	3 Yearly
Brunel Pension Partnership Update		Quarterly
Pension Fund Performance	Julie Edwards	No
Private Markets	Mercer	No
Multi-Asset Credit	Mercer	
Date of next meeting / AOB	--	

March 2020	Aylesbury, County Hall	
Agenda Item	Author	Cyclical Item?
Apologies	--	Every meeting
Declarations of interest	--	Every meeting
Minutes	--	Every meeting
Treasury Management Service Level Agreement	Julie Edwards	Annual
Pension Fund Risk Register	Julie Edwards	6 monthly
Forward Plan	Julie Edwards	Every meeting
Exclusion of Press and Public		
Confidential Minutes		
Pension Fund Performance	Julie Edwards	No
Investment Strategy Review and Investment Strategy Statement	Mercer	
Brunel Pension Partnership Update		Quarterly
Date of next meeting / AOB	--	

May 2020	Aylesbury, County Hall	
Agenda Item	Author	Cyclical Item?
Election of Chairman / Appointment of Vice-Chairman		
Apologies	--	Every meeting
Declarations of interest	--	Every meeting
Minutes	--	Every meeting

PENSION FUND COMMITTEE FORWARD PLAN

Updated	17-Jul-19
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Buckinghamshire Pension Board Draft Minutes	Steve Mason	4-monthly
External Audit Plan	Grant Thornton	Annual
Annual Accounts	Julie Edwards	Annual
Forward Plan	Julie Edwards	Every meeting
Exclusion of Press and Public		
Confidential Minutes		
Confidential Buckinghamshire Pension Board Draft Minutes	Steve Mason	4 monthly
Pension Fund Performance	Julie Edwards	Quarterly
Brunel Pension Partnership Update		Quarterly
Date of next meeting / AOB	--	

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