



## Pension Fund Committee agenda

Date: Thursday 2 July 2020

Time: 1.30 pm

Venue: Virtual meeting via MS Teams

### Membership:

C Adams, D Anthony, A Bacon, R Bagge, Mr M Barber (Thames Valley Police), T Butcher, J Chilver, J Gladwin and Mr N Miles (Milton Keynes Council)

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Manager, Buckinghamshire Council.

- |           |   |                  |
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| <b>5</b>  | <b>Governance Compliance Statement</b><br>To be presented by Claire Lewis-Smith, Pensions Administration<br>Manager, Buckinghamshire Council  | <b>17 - 26</b>   |
| <b>6</b>  | <b>External Audit Plan</b><br>To be presented by colleagues from Grant Thornton.  | <b>To Follow</b> |
| <b>7</b>  | <b>Annual Accounts</b><br>To be presented by Rachael Martinig, Pensions & Investments<br>Accountant, Buckinghamshire Council.   | <b>27 - 64</b>   |
| <b>8</b>  | <b>Forward Plan</b><br>Updated Forward Plan for the year ahead.   | <b>65 - 66</b>   |
| <b>9</b>  | <b>Exclusion of Press and Public</b><br><b>To resolve to exclude the press and public as the following item is<br/>exempt by virtue of Paragraph 3 of Part 1 of Schedule 12a of the Local<br/>Government Act 1972 because it contains information relating to the<br/>financial or business affairs of any particular person (including the<br/>authority holding that information)</b> |                  |
| <b>10</b> | <b>Funding Strategy Statement</b><br>To be presented by Julie Edwards, Pensions & Investments Manager,<br>Buckinghamshire Council.  | <b>67 - 92</b>   |
| <b>11</b> | <b>Pension Fund Performance</b><br>To be presented by Julie Edwards, Pensions & Investments Manager,<br>Buckinghamshire Council.  | <b>93 - 150</b>  |
| <b>12</b> | <b>Investment Strategy</b><br>An update from Mercer   | <b>151 - 160</b> |
| <b>13</b> | <b>Date of the next meeting</b><br>24 September 2020, 1.30pm<br>Further details to be confirmed.  |                  |

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 382236, email [democracy@buckinghamshire.gov.uk](mailto:democracy@buckinghamshire.gov.uk).



## Report to Pension Fund Committee

**Date:** 2 July 2020

**Title:** Establishment of Buckinghamshire Pension Board

**Author and/or contact officer:** Claire Lewis-Smith, Pensions Administration Manager

**Recommendations:** The Committee is asked to approve the establishment of the Buckinghamshire Pension Board.

**Reason for decision:** From 1 April 2020 Buckinghamshire Council is the administering authority for the Buckinghamshire Pension Fund. The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 require an administering authority to establish a Local Pension Board.

### Executive summary

- 1.1 The Local Pension Board is responsible for assisting the administering authority to secure compliance with the Local Government Pension Scheme (LGPS) Regulations, any other legislation relating to the governance and administration of the Scheme, or any connected Scheme and any requirements imposed by the Pensions Regulator in relation to the Scheme.

### Content of report

- 1.2 The function of the Board is to assist the administering authority to secure compliance and ensure the effective and efficient governance and administration of the LGPS, including funding and investments.

The Board will consist of four member representatives and four employer representatives, which include the Chairman and Vice-Chairman. Board members can be elected members (councillors) providing they are not responsible for the discharge of any function under the Regulations (apart from any function relating to Local Pension Boards or the Scheme Advisory Board).

A Board member's term of office will be for a period of 3 years, after which time they can seek reappointment. Board members who served on the Local Pension Board for

the predecessor authority will be invited to be appointed to the Board in the first instance. If vacancies arise, the appointment of Board members will be via an open and transparent recruit process, designed to attract people with relevant experience and capacity to undertake the duties of a Board member. On appointment, the Board member will be required to provide a written undertaking that they understand the requirements of the role and will commit to those requirements.

The Board will meet four times per year with member and employer representatives having equal voting rights. The Chairman has a casting vote. A meeting is only quorate when at least 50% of both member and employer representatives are present. Board members are required to attend no less than two ordinary Board meetings per year.

The Chairman and Vice-Chairman will be elected from the Board membership. Their role will be to ensure meetings are properly conducted, that decision making is clear, and any professional advice is followed.

Secretariat services and pension fund information will be provided to the Board by administering authority officers.

The Board's Terms of Reference are attached at Appendix 1 to this report.

## Legal and financial implications

- 1.3 The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 require an administering authority to establish a Local Pension Board.

There are costs in operating the Board. It will need secretariat services and access to a budget for specific purposes such as seeking legal, technical and professional advice, administrative support to conduct its meetings and training, allowances and expenses for Board members. The expenses of the Board are to be regarded as part of the costs of administration of the fund held by the administering authority.

The administering authority will pay allowances for Board members as follows:

- a) Board member allowance of £812 per annum
- b) Chairman's allowance of £4,100 per annum
- c) a) and b) do not apply if the Board member is a councillor member of a local authority or an employee of an organisation participating in the administering authority's pension fund
- d) Allowances will increase on 1 July each year in line with the previous September's increase in the Consumer Prices Index.

## Consultation and communication

1.4 A consultation was not applicable.

1.5 Establishment of the Board and the appointment of Board members will be communicated via our website and employer newsletter.

## Next steps and review

Recruitment of Board members and arrangements made for Board meetings to be held. A review of this decision is not required.

## Background papers

<https://www.legislation.gov.uk/uksi/2015/57/contents/made>

Appendix 1: Buckinghamshire Pension Board's Terms of Reference

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## Introduction

- 1.1. This document sets out the terms of reference of the Local Pension Board of Buckinghamshire Council. Buckinghamshire Council is the administering authority of Buckinghamshire Pension Fund (BPF), a scheme manager as defined under Section 4 of the Public Service Pensions Act 2013. The Buckinghamshire Pension Board (hereafter referred to as 'the Board') is established in accordance with Section 5 of that Act and under regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended).
- 1.2. The Board is established by the administering authority and operates independently of the Committee. Relevant information about its creation and operation are contained in these Terms of Reference.
- 1.3. The Board is not a committee constituted under Section 101 of the Local Government Act 1972 and therefore no general duties, responsibilities or powers assigned to such committees or to any sub-committees or officers under the constitution, standing orders or scheme of delegation of the administering authority apply to the Board unless expressly included in this document.
- 1.4. Except where approval has been granted under regulation 106(2) of the Regulations, the Board shall be constituted separately from any committee or sub-committee constituted under Section 101 of the Local Government Act 1972 with delegated authority to execute the function of the administering authority.

## Interpretation

2. The following terms have the meanings as outlined below:

<b>'the Act'</b>	The Public Service Pensions Act 2013.
<b>'the Code'</b>	means the Pension Regulator's Code of Practice No 14 governance and administration of public service pension schemes.
<b>'the Committee'</b>	means the committee who has delegated decision making powers for the Fund in accordance with Section 101 of the Local Government Act 1972.
<b>'the Fund'</b>	means the fund managed and administered by the administering authority, Buckinghamshire Pension Fund (BPF).
<b>'the Guidance'</b>	means the guidance on the creation and operation of local pension boards issued by The Local Government Pension Scheme Advisory Board.
<b>'the Regulations'</b>	means the Local Government Pension Scheme Regulations 2013 (as amended from time to time), the Local Government Pension Scheme (Transitional

Provisions, Savings and Amendment) Regulations 2014 (as amended from time to time) including any earlier regulations as defined in these regulations to the extent they remain applicable and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended from time to time).

**'Relevant legislation'** means relevant overriding legislation as well as the Pension Regulator's Codes of Practice as they apply to the administering authority and the Board, notwithstanding that the Codes of Practice are not legislation.

**'the Scheme'** means the Local Government Pension Scheme in England and Wales.

## **Statement of purpose**

3. The purpose of the 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 connected scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme and any connected scheme, and
  - to ensure the effective and efficient governance and administration of the Scheme and any connected scheme, and
  - to help the administering authority, including doing work requested by the administering authority.

## **Duties of the Board**

4. The Board should at all times act in a reasonable manner in the conduct of its purpose. In support of this duty Board members should be subject to and abide by the code of conduct for Board members.

## **Establishment**

5. The Board was established on 2 July 2020 by Pension Fund Committee. Subsequent to its establishment, the Board may establish sub-committees. Terms of reference for any sub-committees will be formulated and agreed by the Board as and when any sub-committee is proposed.

## **Membership**

6. The Board shall consist of 8 voting members, as follows:
  - 4 Member Representatives; and
  - 4 Employer Representatives.

There shall be an equal number of Member and Employer Representatives.

## **Member representatives**

- 7.1. Member representatives shall either be scheme members or have capacity to represent scheme members of the Fund.
- 7.2. Member representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meetings, participate in training as required and competently represent members, including providing information to members effectively if requested.
- 7.3. A total of 4 member representatives shall be appointed following a transparent recruitment process which will be open to all Fund members and be approved by the administering authority.

## **Employer representatives**

- 8.1. Employer representatives shall be office holders or senior employees of employers of the Fund or have experience of representing scheme employers in a similar capacity. No officer or elected member of the administering authority who is responsible for the discharge of any function of the administering authority under the Regulations may serve as a member of the Board.
- 8.2. Employer representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meetings, participate in training as required and competently represent employers, including providing information to employers effectively if requested.
- 8.3. A total of 4 employer representatives shall be appointed to the Board following a transparent recruitment process which will be open to all employers in the Fund and be approved by the administering authority.

## **Other members**

9. No other members shall be appointed to the Board by the agreement of both the administering authority and the Board. This will however be kept under review and be revisited should the Board feel it necessary.

## **Election of chair**

10. Subject to the meeting arrangements in paragraphs 18.1 to 18.4 below, a chair shall be elected for the Board by the employer and member representatives of the Board from amongst their own number.

## **Duties of chair**

11. The chair of the Board:
  - Shall ensure the Board delivers its purpose as set out in these Terms of Reference,
  - Shall ensure that meetings are productive and effective, and that opportunity is provided for the views of all members to be expressed and considered, and

- Shall seek to reach consensus and ensure that decisions are properly put to a vote when it cannot be reached. In the event of voting at a Board meeting being equal, the Chairman will have a casting vote.

## **Election of vice-chair**

12. Subject to the meeting arrangements in paragraphs 18.1 to 18.4 below, a vice-chair shall be elected for the Board by the employer and member representatives of the Board from amongst their own number.

## **Duties of vice-chair**

13. To deputise for the chair in their absence.

## **Notification of appointments**

14. When appointments to the Board have been made the administering authority shall publish the name of Board members, the process followed in the appointment together with the way in which the appointments support the effective delivery of the purpose of the Board.

## **Terms of Office**

- 15.1. The term of office for Board members is 3 years.
- 15.2. Extensions to terms of office may be made by the administering authority with the agreement of the Board.
- 15.3. A Board member may be appointed for further terms of office using the methods set out in paragraphs 7.3 and 8.3.
- 15.4. Board membership may be terminated prior to the end of the term of office due to:
  - A member representative appointed on the basis of their membership of the scheme no longer being a scheme member in the Fund.
  - An employer representative no longer holding the office or employment or being a member of the body on which their appointment relied.
  - A Board member no longer being able to demonstrate to the administering authority their capacity to attend and prepare for meetings or to participate in required training. Where this occurs, the Chairman will have responsibility for an initial informal discussion with the member about the concerns. The opportunity to address the issue will be given to the Board member, with the proviso that clear evidence that the issue has been resolved is presented to the administering authority, within 3 months of the date of the Chairman's discussion. Where this is not met, the administering authority will give 1 months' notice of termination to the Board member.
  - A Board member has a conflict of interest which cannot be managed in accordance with the Board's conflict policy.
  - A Board member who is an elected member becomes a member of the Committee.
  - A Board member who is an officer of the administering authority becomes responsible for the discharge of any function of the administering authority under the Regulations.

- A Board member wishes to resign.
- Where a vacancy occurs, a new Board member will be appointed for a 3 year term.

## **Conflicts of interest**

- 16.1. All members of the Board must declare to the administering authority on appointment and at any such time as their circumstances change, any potential conflict of interest arising as a result of their position on the Board.
- 16.2. A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Board. It does not include a financial or other interest arising merely by virtue of that person being a member of the Scheme.
- 16.3. On appointment to the Board and following any subsequent declaration of potential conflict by a Board member, the administering authority shall ensure that any potential conflict is effectively managed in line with both the internal procedures of the Board's conflicts policy and the requirements of the Code.

## **Knowledge and understanding (including training)**

- 17.1. Knowledge and understanding must be considered in light of the role of the Board to assist the administering authority in line with the requirements outlined in paragraph 3 above. The Board shall establish and maintain a Knowledge and Understanding Policy and Framework to address the knowledge and understanding requirements that apply to Board members under the Act. That policy and framework shall set out the degree of knowledge and understanding required as well as how knowledge and understanding is acquired, reviewed and updated.
- 17.2. Board members shall attend and participate in training arranged in order to meet and maintain the requirements set out in the Board's knowledge and understanding policy and framework.
- 17.3. Board members shall participate in such personal training needs analysis or other processes that are put in place in order to ensure that they maintain the required level of knowledge and understanding to carry out their role on the Board.

## **Meetings**

- 18.1. The Board shall as a minimum meet 4 times each year.
- 18.2. Board members are required to attend no less than 2 ordinary Board meetings per year. Board members can attend meetings by conference call.
- 18.3. Failure to meet this requirement will be referred to the Chair and dealt with under paragraph 15.4 of these terms of reference.
- 18.4 The Chair of the Board, with the consent of the Board membership, may call additional meetings. Urgent business of the Board between meetings may, in exceptional circumstances, be conducted via communications between members of the Board including telephone conferencing and e-mails.

## **Quorum**

- 19.1. A meeting is only quorate when at least 50% of both member and employer representatives are present.
- 19.2. If any Board meeting is not quorate, the chair must adjourn the meeting and either arrange it for another date and time or consider any unfinished business at the next ordinary meeting.

## **Board administration**

- 20.1. The Chair shall agree with the Board Secretary an agenda prior to each Board meeting.
- 20.2. The agenda and supporting papers will be issued at least 5 working days in advance of the meeting except in the case of matters of urgency.
- 20.3. Draft minutes of each meeting including all actions and agreements will be recorded and published within 5 working days after the meeting. These draft minutes will be subject to formal agreement by the Board at their next meeting. Any decisions made by the Board should be noted in the minutes and in addition, where the Board was unable to reach a decision, such occasions should also be noted in the minutes.
- 20.4. The minutes may, with the agreement of the Board, be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A (2) of that Act and/or they represent data covered by the Data Protection Act 2018.
- 20.5. The Board Secretary shall ensure that Board members meet and maintain the knowledge and understanding as determined in the Board's Knowledge and Understanding Policy and Framework and other guidance or legislation.
- 20.6. The Board Secretary shall arrange such advice as is required by the Board subject to such conditions as are listed in these Terms of Reference for the use of the budget set for the Board.
- 20.7. The Board Secretary shall ensure an attendance record is maintained along with advising the Administering Authority on allowances and expenses to be paid under these terms.
- 20.8. The Board Secretary shall liaise with the Administering Authority on the requirements of the Board, including advanced notice for officers to attend and arranging dates and times of Board meetings.

## **Public access to Board meetings and information**

- 21.1. Board meetings can be open to the general public (unless there is an exemption under relevant legislation which would preclude part (or all) of the meeting from being open to the general public).
- 21.2. Members of Pension Fund Committee and any person requested to attend by the Board will be entitled to attend Board meetings in an observer capacity. Any such attendees will be permitted to speak at the discretion of the Chairman.

21.3. In accordance with the Act, the Administering Authority shall publish information about the Board to include:

- The names of Board members and their contact details.
- The representation of employers and members on the Board.
- The role of the Board.
- These Terms of Reference.

The Administering Authority shall also publish other information about the Board including:

- Agendas and minutes
- Training and attendance logs
- An annual report on the work of the Board to be included in the Fund's own annual report.

All or some of this information may be published using the following means or other means as considered appropriate from time to time:

- On the Fund's website.
- As part of the Fund's Annual Report.
- As part of the Governance Compliance Statement.

21.4. Information may be excluded on the grounds that it would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.

## **Expenses and allowances**

22. The Administering Authority will pay allowances for Board members as follows:

- a) Board member's allowance of £812 per annum.
- b) Chairman's allowance of £4,100 per annum.
- c) a) and b) do not apply if the Board member is a councillor member of a local authority or an employee of an organisation participating in the BPF.
- d) Allowances will increase on 1 July each year in line with the September increase in the Consumer Prices Index.

## **Budget**

23. The Board is to be provided with adequate resources to fulfil its role. The Administering Authority will allocate an annual budget from the Pension Fund which is managed by and at the discretion of the Board.

## **Core functions**

24.1. The first core function of the Board is to assist the Administering Authority in securing 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. Within this

extent of this core function the Board may determine the areas it wishes to consider including but not restricted to:

- a) Review regular compliance monitoring reports which shall include reports to, and decisions made under the Regulations by the Committee.
- b) Review management, administrative and governance processes and procedures in order to ensure they remain compliant with the Regulations, relevant legislation and in particular the Code.
- c) Review the compliance of scheme employers with their duties under the Regulations and relevant legislation.
- d) Assist with the development of and continually review such documentation as is required by the Regulations including the Governance Compliance Statement, Funding Strategy Statement and Investment Strategy Statement.
- e) Assist with the development of and continually review scheme member and employer communications as required by the Regulations and relevant legislation.
- f) Monitor complaints and performance on the administration and governance of the scheme.
- g) Assist with the application of the Internal Dispute Resolution Process.
- h) Review the complete and proper exercise of Pensions Ombudsman cases.
- i) Review the implementation of revised policies and procedures following changes to the Scheme.
- j) Review the arrangements for the training of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme.
- k) Review the complete and proper exercise of employer and administering authority discretions.
- l) Review the outcome of internal and external audit reports.
- m) Review draft accounts and Fund annual report.
- n) Review the compliance of particular cases, projects or process on request of the Committee.
- o) Any other area within the statement of purpose (i.e. assisting the Administering Authority) the Board deems appropriate.

24.2. The second core function of the Board is to ensure the effective and efficient governance and administration of the Scheme. Within this extent of this core function the Board may determine the areas it wishes to consider including but not restricted to:

- a) Assist with the development of improved customer services.
- b) Monitor performance of administration governance and investments against key performance targets and indicators.
- c) Monitor internal and external audit reports.
- d) Review the risk register as it relates to the scheme manager function of the authority.
- e) Assist with the development of improved management, administration and governance structures and policies.
- f) Review the outcome of actuarial reporting and valuations.
- g) Assist in the development and monitoring of process improvements at the request of the Committee.
- h) Any other area within the statement of purpose (i.e. ensuring effective and efficient governance of the scheme) the Board deems appropriate.

24.3. In support of its core functions the Board may make a request for information to the Committee with regard to any aspect of the Administering Authority's function. Any such request should be reasonably complied with in both scope and timing.

24.4. The Board may make recommendations to the Committee which should be considered, and a response made to the Board on the outcome within a reasonable period of time.

## **Reporting**

- 25.1. The Board should in the first instance report its requests, recommendations or concerns to the Committee. In support of this any member of the Board may attend a Committee meeting as an observer.
- 25.2. Requests and recommendations should be reported under the provisions of paragraphs 24.2 and 24.3 above.
- 25.3. The Board should report any concerns over a decision made by the Committee to the Committee, subject to the agreement of at least 50% of voting Board members, provided that all voting members are present. If all voting members are not present, the agreement should be of all voting members who are present, where the meeting remains quorate.
- 25.4. On receipt of a report under paragraph 25.2 above, the Committee should, within a reasonable period, consider and respond to the Board.
- 25.5. Where the Board is not satisfied with the response received it may request that a notice of its concern be placed on the website and in the Fund's annual report.
- 25.6. Where the Board is satisfied that there has been a breach of regulation which has been reported to the Committee under paragraph 25.2 and has not been rectified within a reasonable period of time, it is under an obligation to escalate the breach.
- 25.7. The appropriate internal route for escalation is to the Monitoring Officer and Audit and Governance Committee.
- 25.8. The Board may report concerns to the LGPS Scheme Advisory Board for consideration subsequent to, but not instead of, using the appropriate internal route for escalation.
- 25.9. Board members are also subject to the requirements to report breaches of law under the Act and the Code (and the whistleblowing provisions set out in the Administering Authority's whistle blowing policy).

## **Review of terms of reference**

These Terms of Reference shall be reviewed on each material change to those parts of the Regulations covering local pension boards and at least annually.

These Terms of Reference were adopted on 23 July 2020.

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## Report to Pension Fund Committee

**Date:** 2 July 2020

**Title:** Governance Compliance Statement

**Author and/or contact officer:** Claire Lewis-Smith, Pensions Administration Manager

**Recommendations:** The Committee is asked to approve the Governance Compliance Statement.

**Reason for decision:** From 1 April 2020 Buckinghamshire Council is the administering authority for the Buckinghamshire Pension Fund. Regulation 55 of the Local Government Pension Scheme (LGPS) Regulations 2013 requires an administering authority to prepare a Governance Compliance Statement.

### Executive summary

- 1.1 The Governance Compliance Statement details whether the administering authority delegates its functions and if so, the terms, structure and operational procedures of the delegation, along with the frequency of meetings and voting rights. It also details the terms, structure and operational procedures of the local pension board. It provides a summary of the Fund's compliance with recommended good practice. The statement is used in conjunction with other statutory documents such as the pension fund annual report and audit report, as evidence that the Fund has robust governance in place.

### Content of report

- 1.2 The attached Governance Compliance Statement was adopted by the predecessor authority in November 2019 after a full review. The only material change to the policy is to update the meeting frequency of Pension Fund Committee to at least 4 per year rather than 5. All other changes are in relation to Buckinghamshire Council branding.

## Legal and financial implications

Regulation 55 of the LGPS Regulations 2013 requires an administering authority to prepare a Governance Compliance Statement and to keep the statement under review.

## Consultation and communication

1.3 A consultation was not applicable.

1.4 The Governance Compliance Statement will be published on our website.

## Next steps and review

The Governance Compliance Statement will be reviewed annually or earlier if a material change has taken place.

## Background papers

<http://www.lgpsregs.org/schemeregs/lgpsregs2013/timeline.php#r55>

Appendix 1: Governance Compliance Statement

## 1. Introduction

- 1.1 This is the governance compliance statement which sets out the Council's arrangements (in its capacity as administering authority of the Buckinghamshire Pension Fund), for discharging its responsibilities in accordance with the Local Government Pension Scheme (LGPS) Regulations 2013.
- 1.2 Regulation 55 of the LGPS Regulations 2013 requires an administering authority to prepare and publish a governance compliance statement. It should cover 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 terms, structure and operational procedures of the delegation
  - the frequency of any committee or sub-committee meetings
  - whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights;
  - the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying; and
  - details of the terms, structure and operational procedures relating to the local pension board.

## Pension Fund Committee

## 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.
- 2.2 The Pension Fund Committee consults within their advisory framework and with the Head of Projects & 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.
- 2.3 The Pension Fund Committee are responsible for administering, investing and managing the Fund. The Terms of Reference for the Pension Fund Committee are to agree and ensure the continual review of:
- 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 to the Fund; and,
  - any other matters relating to the management and investment of the Pension Fund, as requested.

Terms of reference are available on the Council's website at:

<https://www.buckinghamshire.gov.uk/your-council/council-and-democracy/our-constitution/>

- 2.4 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.
- 2.5 The Pension Fund Committee meets at least four times a year. At each meeting the Committee receives a report on the investment performance of the fund in the quarter and the fund's longer term performance. Its members act in a quasi-trustee capacity and consequently, no substitutions are permitted.
- 2.6 The membership of the Pension Fund Committee is:
  - Seven elected members from Buckinghamshire Council
  - One elected member from Milton Keynes Council
  - One elected Police and Crime Commissioner (PCC) or Deputy PCC member from Thames Valley Police

### **3. Functions and Responsibilities**

- 3.1 The Pension Fund Committee approves the Pension Fund's Funding Strategy Statement, the Investment Strategy Statement, the Governance Compliance Statement, Pension Administration Strategy, 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 Statement 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 requires an authority to formulate, publish and maintain an Investment Strategy Statement.
- 3.3 The Investment Strategy Statement required by Regulation 7 must include: -
  - a) a requirement to invest money in a wide variety of investments;
  - b) the authority's assessment of the suitability of particular investments and types of investments;
  - c) the authority's approach to risk, including the ways in which risks are to be measured and managed;
  - d) the authority's approach to pooling investments, including the use of collective investment vehicles and shared services;
  - e) the authority's policy on how social, environmental or corporate governance considerations are considered in the selection, non-selection, retention and realisation of investments; and
  - f) 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 Breaches of Law Policy. 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 <https://www.buckinghamshire.gov.uk/your-council/local-government-pension-scheme/>
- 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 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.

## **Local Pension Board**

### **4. Governance Arrangements**

- 4.1 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.
- 4.2 The Local Pension Board meet four times a year. Substitutions are not permitted.
- 4.3 The membership of the Local Pension Board is:
  - Four Scheme employer representatives
  - Four Scheme member representatives

Details of the Local Pension Board's membership, Terms of Reference, Code of Conduct Policy, Conflicts Policy and Knowledge and Understanding Framework are available on the Council's website at:

<https://www.buckinghamshire.gov.uk/your-council/local-government-pension-scheme/>

### **5. Stakeholder Engagement**

- 5.1 A triennial meeting of the Pension Fund, called the 'Pensions General Meeting', is held in 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 LGPS Technical Officer
- Training Events
- Meetings with the Actuary and the Auditors
- Meetings with Advisors
- Meetings with Brunel Pension Partnership
- Meetings with Finance Directors of Scheme Employers
- The annual report for the Pension Fund
- Scheme member newsletters/updates

## 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.
- 6.2 The Pension Fund is regularly audited, and no material findings have arisen from either our internal or external auditors.
- 6.3 The Council 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.

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.

- 6.4 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 will be reported to the Chairman of the Pension Fund Committee. A summary of our compliance with recommended good practice is outlined below.

Good Practice Requirement	Met/Not Met	Evidence
<b>Structure</b>		
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 at least four times per year and BPB meets four times per year. BPB minutes are on the PFC agenda and vice-versa
<b>Representation</b>		
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
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.
<b>Selection and role of lay members</b>		
That committee or panel members are made fully aware of the status, role and function they are	Met	This is set out in the Committee's terms of reference.

required to perform on either a main or secondary committee.		
<b>Voting</b>		
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	Section 1.17 of the PFC Terms of Reference confirms all 9 members have voting rights. Section 1.18 confirms members have quasi-trustee status and substitutions are not permitted. PFC's Quorum is 3 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.
<b>Training/facility time/expenses</b>		
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 Code of Practice on Public Sector Pensions Finance Knowledge and Skills. Reimbursement of Expenses is defined in the BC 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 BC Constitution.
<b>Meetings (frequency/quorum)</b>		

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 quarterly and is synchronised with the dates when the main committee sits.	Met	BPB Terms of Reference.
<b>Access</b>		
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 Democratic Services.
<b>Scope</b>		
That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Met	PFC forward plan requires Pensions & Investment Team managers to attend meetings to discuss and raise issues outside the usual scope of Pension Fund Investment.
<b>Publicity</b>		
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 Buckinghamshire Council's external website. There is a separate policies section on the website where all governance policies are available.

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## Report to Pension Fund Committee

**Date:** 2<sup>nd</sup> July 2020

**Title:** DRAFT Statement of Accounts for the year ended 31 March 2020

**Author and/or contact officer:** Rachael Martinig, Pensions & Investments Accountant

Telephone (01296) 387883

**Ward(s) affected:** N/A

**Recommendations:** The Committee is asked to review the Draft Statement of Accounts for Buckinghamshire County Council Pension Fund for the year ended 31 March 2020 and to note the timing and requirements for completion and authorisation of the final Statement of Accounts.

**Executive summary –** The draft unaudited Statement of Accounts for the Buckinghamshire County Council Pension Fund for the year ended 31 March 2020 is attached as Appendix 1. The audit of the Pension Fund Accounts commenced on 22<sup>nd</sup> June 2020. The Pension Fund Audit Plan is an agenda item at today's meeting. A further report, incorporating the findings of Grant Thornton will be brought to this Committee at its meeting in September 2020; representatives from Grant Thornton will attend this meeting.

The finalised Statement of Accounts is due to be approved by the Chairman of the Audit and Governance Committee and the Section 151 Officer following the audit and consideration of the Auditors report at the Audit and Governance Committee on the 29<sup>th</sup> July 2020.

The Pension Fund Account and Net Asset Statement show that in the year to 31<sup>st</sup> March 2020 the value of the Pension Fund decreased by £93m to £2.914bn. This is the net result of the contributions made (£129m) including transfers in from other pension schemes, employers and employees contributions; payments out £129m including pensions, commutations, lump sum retirement benefit and death benefits; management expenses £16m plus net losses on investments £77m.

**Content of report -** (see attached report Appendix 1)

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# Buckinghamshire County Council Pension Fund

## Statement of Accounts

For the year ended 31 March 2020

## Pension Fund Accounts

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## Pension Fund Account for the Year Ended 31 March 2020

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 2019 £000	Pension Fund Account	Note	31 March 2020 £000
	<b>Dealings with Members, Employers and Others directly Involved in the Fund</b>		
	<b>Income</b>		
(137,260)	Contributions	3	(116,621)
(11,349)	Transfers in from other pension funds	4	(12,403)
(163)	Other income		(152)
<b>(148,772)</b>			<b>(129,176)</b>
	<b>Benefits</b>	5	
90,860	Pensions		95,975
21,210	Commutation of pensions and lump sums		23,045
	<b>Payments to and on Account of Leavers</b>	6	
804	Refunds of contributions		878
11,736	Transfers out to other pension funds		9,311
<b>124,610</b>			<b>129,209</b>
<b>(24,162)</b>	<b>Net (Additions)/Withdrawals from Dealings with Members</b>		<b>33</b>
<b>16,237</b>	<b>Management expenses</b>	7	<b>16,474</b>
<b>(7,925)</b>	<b>Net (Additions)/Withdrawals including Fund Management Expenses</b>		<b>16,507</b>
	<b>Returns on Investments</b>		
(47,693)	Investment income	8	(40,527)
(129,727)	Profits and losses on disposal of investments and changes in the market value of investments	9	116,993
471	Taxes on income	16	351
<b>(176,949)</b>	<b>Net Returns on Investments</b>		<b>76,817</b>
<b>(184,874)</b>	<b>Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year</b>		<b>93,324</b>

## Pension Fund Accounts

### Net Assets Statement

31 March 2019 £000	Net Assets Statement	Note	31 March 2020 £000
	<b>Investments</b>		
840	Long term investments		840
573,933	Equities - quoted		36,849
428,687	Bonds		421,714
1,690,849	Pooled investment vehicles		2,160,297
214,243	Unit trusts - property		213,484
80,693	Cash deposits		61,856
(34)	Derivative contracts		
10,489	Investment income receivable		7,873
<b>2,999,700</b>	<b>Net Investments</b>	11	<b>2,902,913</b>
<b>21,694</b>	Current assets	15	<b>15,495</b>
<b>(14,370)</b>	Current liabilities	15	<b>(4,708)</b>
<b>3,007,024</b>	<b>Net Assets of the Fund Available to Fund Benefits at 31 March</b>		<b>2,913,700</b>

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

## 1 Description of the Fund

Buckinghamshire County Council Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) and is administered by Buckinghamshire County Council. Organisations participating in the Fund include the County Council, Milton Keynes Council, the district and parish Councils of Buckinghamshire, Thames Valley Police, Buckinghamshire Fire and Rescue Service, and other scheduled and admitted bodies. These are listed in Note 21 to these Financial Statements. Teachers, fire fighters and police officers, for whom separate pension schemes apply, are excluded from the Pension Fund. On the 1<sup>st</sup> April 2020 the administering authority Buckinghamshire County Council ceased to exist due to the County Council and all four District Councils becoming one Unitary Authority, Buckinghamshire Council. Therefore going forward the administering authority is Buckinghamshire Council.

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

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

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

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

In 2015 the government announced that they wanted the 91 Local Government Pension Scheme funds to pool their investments into larger pools in order to achieve savings in investment management costs. Brunel Pension 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 March 2020 the collective assets transitioned to Brunel portfolios were circa £12 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 the end of 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](http://www.brunelpensionpartnership.org)

The following summarises the membership of the Fund:

<b>31 March 2019</b>	<b>Membership of the Fund</b>	<b>31 March 2020</b>
24,141	Contributors	24,489
19,411	Pensioners	20,290
28,991	Deferred pensioners	29,936
<b>72,543</b>	<b>Total Membership of the Fund</b>	<b>74,715</b>

### 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/4515323/2020\\_04\\_01-investment-strategy-statement-final.pdf](https://www.buckscc.gov.uk/media/4515323/2020_04_01-investment-strategy-statement-final.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. <https://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 2019/20 financial year and its position at year end as at 31 March 2020. 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 Balance Sheet. Buckinghamshire Council replaced Buckinghamshire County Council as administering authority of the Fund on 1 April 2020.

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

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#### Accounting Policies

##### Accruals of Income and Expenditure

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

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

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

##### Investment Income

Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis. Investment 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 investment income. 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:

- Investec Asset Management – global equities
- Royal London Asset Management – bonds
- Aberdeen Standard – 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 2019, the funding level of the Fund as a whole increased from 87% to 94% between 31 March 2016 and 31 March 2019. All employers are projected to be fully funded by no later than 31 March 2035. The next valuation will take place as at 31 March 2022.

#### 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 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows.

Item	Uncertainties	Effect if actual results differ from assumptions
<b>Actuarial present value of promised retirement benefits (Note 18)</b>	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance: <ul style="list-style-type: none"><li>a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £95m</li><li>a 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £7m</li><li>a one-year increase in assumed life expectancy would increase the liability by approximately £185m.</li></ul>
<b>Private equity fund of funds (Note 12)</b>	Private equity investments are valued at fair value in accordance with <i>International Private Equity and Venture Capital Valuation Guidelines</i> (2012). These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Private equity investments are valued at £143m in the financial statements. There is a risk that this investment may be under or overstated in the accounts by £38m.

### Events After The Reporting Date

Since 31 March 2020, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, organisations are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of Non-essentials services have triggered significant disruptions to organisations worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions.

There is potential for a reduction in the Council's income, in all forms (Business Rates, Council Tax, Service Income from fees, charges and investment returns of all types) and an increase in expenditure in the form of additional costs in response to the pandemic, growth in demand, increases in the price from suppliers, as well as less tangible items such as delays to proposed savings plans as a result of staff being diverted to responding to immediate needs. The Council has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and performance of operations as of and for the year ended 31 March 2020 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remain unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and performance of the Council for future periods.

### 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 2020 have been included in these accounts, there were no augmented employers' contributions received during 2018/19 or 2019/20.

2018/19 £000	Contributions by Category	2019/20 £000
	<b>Employers' Contributions</b>	
(87,302)	Normal Contributions	(64,063)
(19,829)	Deficit Recovery Contributions	(20,524)
<u>(107,131)</u>	<b>Total Employers' Contributions</b>	<u>(84,587)</u>
<u>(30,129)</u>	<b>Members' Contributions</b>	<u>(32,034)</u>
<u>(137,260)</u>	<b>Total Contributions</b>	<u>(116,621)</u>
	<b>Contributions by Authority</b>	
(40,308)	Administering authority	(42,780)
(92,413)	Scheduled bodies	(69,752)
(4,539)	Admitted bodies	(4,089)
<u>(137,260)</u>	<b>Total Contributions</b>	<u>(116,621)</u>

## Pension Fund Accounts

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### 4. Transfer Values

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2018/19 £000	Transfers in from other pension funds	2019/20 £000
(2,159)	Group transfers	(2,059)
(9,190)	Individual transfers	(10,344)
<b>(11,349)</b>	<b>Total Transfers in from other pension funds</b>	<b>(12,403)</b>

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 2020 there were 7 outstanding transfer values receivable greater than £50k, for which £1,211k had not been received. (On 31 March 2019 there were two outstanding transfer values receivable greater than £50k, for which £196k had not been received.)

On 31 March 2020 there were 3 group transfer to the Fund being negotiated with other Funds (one on the 31 March 2019), the value of the transfers to the Fund is £2,059k and has been accrued.

### 5. Benefits

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

2018/19 £000	Benefits Payable by Category	2019/20 £000
90,860	Pensions	95,975
19,321	Commutations of pensions and lump sum retirement benefits	20,532
1,889	Lump sum death benefits	2,513
<b>112,070</b>	<b>Total Benefits</b>	<b>119,020</b>

2018/19 £000	Benefits Payable by Authority	2019/20 £000
40,227	Administering authority	41,916
63,044	Scheduled bodies	67,587
8,799	Admitted bodies	9,517
<b>112,070</b>	<b>Total Benefits</b>	<b>119,020</b>

## 6. Payments to and on Account of Leavers

2018/19 £000	Payments to and on Account of Leavers	2019/20 £000
761	Refunds to members leaving service	903
43	Payments for members joining the state scheme	(24)
0	Group transfers to other pension funds	0
11,736	Individual transfers to other pension funds	9,311
<b>12,540</b>	<b>Total Payments to and on Account of Leavers</b>	<b>10,190</b>

The individual transfer values relate to transfers, which have been paid during the financial year i.e. included on a cash basis. On 31 March 2020 there were 0 outstanding individual transfer values payable greater than £50k. 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 2020 there was 1 group transfer from the Fund being negotiated with other Funds (one on the 31 March 2019); 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.

## 7. Management Expenses

2018/19 £000	Management Expenses	2019/20 £000
2,177	Administrative costs	2,203
13,501	Investment management expenses	13,538
559	Oversight and governance costs	733
<b>16,237</b>	<b>Total Management Expenses</b>	<b>16,474</b>

The analysis of the cost of managing the Pension Fund during the period has been prepared in accordance with CIPFA guidance. Management expenses have been categorised as administrative costs, investment management expenses and oversight / governance costs. Included in the oversight and governance costs are the external audit fees, £19k in 2019/20 (£19k in 2018/19).

Management fees for pooled funds and transaction costs have been included in the investment management expenses. The investment management expenses include £0.89m (£3.03m in the 2018/19 financial year) in respect of performance related fees payable to the fund's investment managers. It also includes £4.030m in respect of transaction costs (£2.621m in the 2018/19 financial year).

## 8. Investment Income

2018/19 £000	Investment Income	2019/20 £000
(23,026)	Dividends from equities	(15,072)
(14,315)	Income from bonds	(16,137)
(162)	Income from pooled investments	(541)
(7,420)	Income from property unit trusts	(7,262)
(903)	Interest on cash deposits	(770)
(1,867)	Other	(744)
<b>(47,693)</b>	<b>Total Investment Income</b>	<b>(40,526)</b>

## Pension Fund Accounts

### 9. Investments

All investments are valued on a fair value basis and where there is an active market the bid price is the appropriate quoted market price. The investment accounting information is provided by State Street, the Fund's custodian. During 2019/20 realised profit of £131.975m and unrealised loss of £238.093m combined to report a decrease in the market value of investments of £106.118m.

Investments (All values are shown £000)	Value at 31 March 2019 £000	Reclassification of Assets £000	Purchases at Cost £000	Sales Proceeds £000	Realised Profit / (Loss) £000	Unrealised Profit / (Loss) £000	Value at 31 March 2020 £000
Long term investments	840	-	-	-	-	-	840
Equities - quoted	573,933	-	347,507	(870,319)	22,920	(37,191)	36,850
Bonds	428,687	-	110,978	(110,343)	4,595	(12,204)	421,713
Pooled investment vehicles	1,690,849	-	737,308	(170,102)	58,630	(156,387)	2,160,297
Unit Trusts - property funds	214,243	-	11,057	(6,381)	1,424	(6,859)	213,484
Derivative contracts	(34)	-	326	(376)	50	34	
Cash deposits	80,693	-	(757,468)	719,760	44,356	(25,486)	61,856
	<b>2,989,211</b>	<b>-</b>	<b>449,708</b>	<b>(437,761)</b>	<b>131,975</b>	<b>(238,093)</b>	<b>2,895,041</b>
Investment income due	10,489						7,873
	<b>2,999,700</b>						<b>2,902,913</b>

During 2018/19 realised profit of £324m and unrealised loss of £195m are combined to report an increase in the market value of investments of £129m.

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	-	-	(44,837)	-	4,122	80,693
	<b>2,803,495</b>	<b>-</b>	<b>1,988,489</b>	<b>(1,932,500)</b>	<b>324,268</b>	<b>(194,541)</b>	<b>2,989,211</b>
Investment income due	9,504						10,489
	<b>2,812,999</b>						<b>2,999,700</b>

Pooled investment vehicles are funds where the Pension Fund is not the named owner of specific investments such as shares or bonds, but owns a proportion of a pooled fund. The Code requires that pooled investments are analysed between unit trusts, unitised insurance policies and other managed funds. The pooled investment vehicles in the tables above are other managed funds. These funds include the following types of investments:

- Equities
- Fixed interest securities
- Index linked securities
- Hedge fund of funds
- Diversified growth funds
- Private equity fund of funds

The change in the fair value of investments during the year comprises all increases and decreases in the fair value of investments held at any time during the year, including profits and losses realised on sales of investments during the 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.

Assets which exceed 5% of the total value of the net assets of the Fund are shown in the table below:

Fund Manager / Mandate	Proportion of Fund				
	31 March 2019		31 March 2020		
	£000	%	£000	%	
<b>Investments managed by Brunel Pension Partnership Ltd</b>					
World Developed Equities	767,145	26	725,922	25	
Global Equities			401,912	14	
<b>Investments managed by the Fund</b>					
LaSalle	Property	221,066	7	222,898	8
Legal & General Investment Management	Passive index-tracker	444,420	15	362,721	12
Royal London Asset Management	Core plus bonds	464,444	15	469,468	16

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

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 2019		31 March 2020		
	£000	%	£000	%	
<b>Investments managed by Brunel Pension Partnership Ltd</b>					
Low Volatility Equities			110,593	4	
Passive Developed Equities	767,145	26	725,922	25	
Emerging Markets Equities			123,402	4	
Global Equities			401,912	14	
Infrastructure	5,883	0	11,451	0	
Private Equity	1,565	0	14,105	0	
<b>Investments managed by the Fund</b>					
LaSalle	Property	221,066	7	222,898	8
BlackRock	Cash / inflation plus	139,122	5	135,425	5
Blackstone Alternative Asset Management	Hedge fund of funds	156,310	5	146,881	5
Investec Asset Management	Less constrained global equities	258,633	9	1,122	0
Legal & General Investment Management	Passive index-tracker	444,420	15	362,721	12
Mirabaud Investment Management Limited	UK equities	218	0	217	0
Pantheon Private Equity	Private equity	119,040	4	106,965	4
Partners Group	Private equity	24,867	1	21,042	1
Royal London Asset Management	Core plus bonds	464,444	15	469,468	16
Schroders	Less constrained global equities	219,222	7	3,180	0
Aberdeen Standard Investments	Less constrained UK equities	121,985	4	964	0
GTP		884		908	0
Fidelity		588		600	0
<b>Total</b>		<b>2,945,392</b>	<b>98</b>	<b>2,859,776</b>	<b>99</b>

## 11. Analysis of the Value of Investments

31 March 2019	Analysis of the Value of Investments	31 March 2020
£000		£000
840	Long Term Investments	840
	<b>Bonds</b>	
	<b>Fixed Interest Securities</b>	
0	Overseas public sector	0
279,600	UK other	286,003
86,759	Overseas other	73,474
<b>366,359</b>	<b>Total Fixed Interest Securities</b>	<b>359,477</b>
	<b>Index-Linked Securities</b>	
51,742	UK Index-linked securities public sector	51,806
10,586	UK Index-linked securities other	10,431
<b>62,328</b>	<b>Total Index-Linked Securities</b>	<b>62,237</b>
<b>428,687</b>	<b>Total Bonds</b>	<b>421,714</b>
	<b>Equities</b>	
144,069	UK quoted	129
429,864	Overseas quoted	36,720
<b>573,933</b>	<b>Total Equities</b>	<b>36,849</b>
	<b>Pooled Investment Vehicles</b>	
0	UK Equities	0
379,310	UK Bonds	362,721
864,319	Overseas Equities	1,361,829
139,122	Overseas Diversified Growth Fund	135,421
156,310	Overseas Hedge Fund of Funds	146,881
5,883	Overseas Infrastructure	22,828
145,909	Overseas Private Equities	130,617
<b>1,690,849</b>	<b>Total Pooled Investment vehicles</b>	<b>2,160,297</b>
	<b>Other</b>	
214,243	Unit Trusts - property funds	213,484
(34)	Derivatives	0
80,693	Cash deposits – sterling and foreign cash	61,856
10,489	Investment Income receivable	7,873
<b>305,391</b>	<b>Total Other</b>	<b>283,213</b>
<b>2,999,700</b>	<b>Total Value of Investments</b>	<b>2,902,913</b>

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 2019			31 March 2020		
Fair value through profit and loss £000	Loans And Receivables £000	Financial Liabilities At amortised cost £000	Fair value through profit and loss £000	Loans And Receivables £000	Financial Liabilities At amortised cost £000
<b>Financial Assets</b>					
840	-	-	840	-	-
366,359	-	-	359,477	-	-
573,931	-	-	36,849	-	-
62,329	-	-	62,237	-	-
214,243	-	-	213,484	-	-
-	-	-	135,421	-	-
-	-	-	362,721	-	-
-	-	-	1,361,829	-	-
1,690,875	-	-	-	-	-
-	-	-	22,828	-	-
-	-	-	146,881	-	-
-	-	-	130,618	-	-
10,489	-	-	7,873	-	-
-	80,693	-	-	61,856	-
-	11,585	-	-	5,182	-
<b>2,919,041</b>	<b>92,278</b>	<b>-</b>	<b>2,841,057</b>	<b>67,038</b>	<b>-</b>
<b>Financial Liabilities</b>					
(34)	-	-	-	-	-
-	-	(13,367)	-	-	(3,721)
-	-	<b>(13,367)</b>	-	-	<b>(3,721)</b>
<b>2,919,007</b>	<b>92,278</b>	<b>(13,367)</b>	<b>2,841,057</b>	<b>67,038</b>	<b>(3,721)</b>
		<u><b>2,997,918</b></u>			<u><b>2,904,373</b></u>

Reconciliation to Net Investments in the Net Assets Statement		31 March 2020 £000
<b>31 March 2019 £000</b>		
3,007,024	Net Investments	2,913,700
(10,109)	Less contributions due current assets	(10,313)
1,003	Add HMRC current liabilities	986
2,997,918	Valuation of Financial Instruments carried at fair value	2,904,373

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

31 March 2019		31 March 2020
£000		£000
	<b>Financial Assets</b>	
175,424	Fair value through profit and loss	80,568
2,227	Loans and receivables	1,925
	- Financial liabilities measured at amortised cost	-
	<b>Financial Liabilities</b>	
	- Fair value through profit and loss	-
(9,177)	Loans and receivables	(9,646)
	- Financial liabilities measured at amortised cost	-
<b>168,474</b>	<b>Total</b>	<b>72,847</b>

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

#### Valuation of Financial Instruments Carried at Fair Value

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

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

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

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

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

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

## Pension Fund Accounts

Value at 31 March 2020	Quoted	Using	With	Total
	Market	Observable	Significant	
	Price	Inputs	Unobservable	
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Long term investments	-	-	840	840
Equities	129	36,720	-	36,849
Bonds	-	421,714	-	421,714
Diversified Growth Fun	-	135,421	-	135,421
Hedge Fund	-	146,881	-	146,881
Infrastructure	-	-	22,828	22,828
Pooled Bonds	-	362,721	-	362,721
Pooled Equities	-	1,361,829	-	1,361,829
Private Equities	-	-	130,618	130,618
Property – unit trusts	-	213,484	-	213,484
<b>Total</b>	<b>129</b>	<b>2,678,770</b>	<b>154,286</b>	<b>2,833,182</b>

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 31 March 2020 Net Assets Statement	£000
Net Investments	2,902,913
Less Cash deposits	(61,856)
Less investment income receivable	(7,873)
Valuation of Financial Instruments carried at fair value	2,833,182

Value at 31 March 2019	Quoted	Using	With	Total
	Market	Observable	Significant	
	Price	Inputs	Unobservable	
	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)
<b>Total</b>	<b>573,933</b>	<b>2,181,953</b>	<b>152,632</b>	<b>2,908,518</b>

Reconciliation to Net Investments in the 31 March 2019 Net Assets Statement	£000
Net Investments	2,999,700
Less Cash deposits	(80,693)
Less investment income receivable	(10,489)
Valuation of Financial Instruments carried at fair value	2,908,518

## 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 2020 and 31 March 2019.

	Assessed valuation range (+/-)	Value at 31 March 2020 £000	Value on increase £000	Value on decrease £000
Pooled investment vehicles - infrastructure	16.4%	22,828	26,572	19,084
Pooled investment vehicles – private equity	26.4%	130,617	165,100	96,134
<b>Total</b>		<b>153,445</b>	<b>191,672</b>	<b>115,218</b>
	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%	145,909	167,795	124,023
<b>Total</b>		<b>151,792</b>	<b>174,560</b>	<b>129,024</b>

## Reconciliation of Fair Value Measurements Within Level 3

	Value at 31 March 2019 £000	Purchases £000	Sales £000	Realised profit/(loss) £000	Unrealised profit/loss £000	Value at 31 March 2020 £000
Pooled investment vehicles – private equity	135,939	15,974	(35,441)	28,443	(14,297)	130,617
Pooled investment vehicles – infrastructure	15,853	8,861	(2,974)	1,116	(27)	22,828
<b>Total</b>	<b>151,792</b>	<b>24,834</b>	<b>(38,415)</b>	<b>29,559</b>	<b>(14,324)</b>	<b>153,445</b>

Restated	Value at 31 March 2018 £000	Purchases £000	Sales £000	Realised profit/(loss) £000	Unrealised profit/loss £000	Value at 31 March 2019 £000
Pooled investment vehicles – private equity	165,584	8,853	(36,719)	30,912	(21,916)	135,939
Pooled investment vehicles – infrastructure	0	6,154	(833)	833	(1,077)	15,853
<b>Total</b>	<b>165,584</b>	<b>15,007</b>	<b>(37,552)</b>	<b>31,745</b>	<b>(22,992)</b>	<b>151,792</b>

## Pension Fund Accounts

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The Fund's fund managers provided the following commentary on the valuation methods they use:

### **Blackstone – Fund of Hedge Funds**

Blackstone's direct securities and derivative investments made through Blackstone's fund of hedge fund vehicles, such as Securities, Options, Futures are valued using prices quoted on the relevant exchanges. Forward currency contracts are valued at the current forward market prices obtained from brokers. Total return swaps are valued using the last reported public closing price of the underlying index.

### **Partners Group – Private Equity**

Partners Group performs independent valuations of its underlying investments through a fair market valuation process, which is in accordance with International Financial Reporting Standards (IFRS) and United States Generally Accepted Accounting Principles (US GAAP).

Partners Group gathers the valuation-relevant information by systematically screening a broad set of sources for valuation-relevant information about portfolio companies which are held directly or indirectly by Partners Group's programs and mandates. This includes information supplied by the firm's due diligence and monitoring professionals, underlying fund managers and information published in industry journals and/or other publications.

### **LGIM – Passive Tracker Fund**

The method used to value units is the same at every valuation date throughout the year. All holdings of the appropriate Pooled Fund Sections are valued at the close of business valuation point using a recognised pricing service. These values are then adjusted to allow for outstanding dividends, tax payable or recoverable and any relevant expenses (this creates the "Mid Value").

### **Brunel – Global Equity, High Alpha Equity, Emerging Markets Equity, Low Volatility Equity ACS Funds**

Weekly prices each Wednesday valued at close of business valuation point. These values are then adjusted to allow for outstanding dividends, tax payable or recoverable and any relevant expenses (this creates "Mid Value").

### **Brunel – Private Equity**

Brunel selects managers who apply a fair value process, which is in accordance with International Financial Reporting Standards (IFRS) and United States Generally Accepted Accounting Principles (US GAAP). Systematically Brunel ensures valuations are driven by IPEV guidelines and that this process is annually appraised by 3<sup>rd</sup> parties for appropriateness.

### **Brunel – Infrastructure**

Brunel selects managers who apply a fair value process, which is in accordance with International Financial Reporting Standards (IFRS) and United States Generally Accepted Accounting Principles (US GAAP). Systematically Brunel ensures valuations are driven by IPEV guidelines and that this process is annually appraised by 3<sup>rd</sup> parties for appropriateness.

### **LaSalle – Property Fund**

LaSalle 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 LaSalle'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.

## Pension Fund Accounts

### 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 2020/21. Assuming that all other variables, in particular foreign exchange rates and interest rates, remain constant. 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.

<b>Asset Type</b>	<b>31 March 2020 £000</b>	<b>Percentage Change %</b>	<b>Value on increase £000</b>	<b>Value on decrease £000</b>
Long term investments	840	20.6	1,013	667
Equities – quoted	36,849	20.6	44,440	29,258
Bonds	421,714	4.84	442,117	401,311
Pooled investment vehicles	2,160,297	16.93	2,526,137	1,794,457
Property - unit trusts	213,484	15.6	246,788	180,180
Derivative contracts	0	12.2	0	0
Cash deposits	61,856	1.0	62,475	61,237
Investment income receivable	7,873	20.6	9,495	6,251
<b>Total</b>	<b>2,473,361</b>		<b>3,332,465</b>	<b>2,273,361</b>

In consultation with Mercer, the Fund's investment consultant, the Fund determined that the following movements in market price risk were reasonably possible for 2019/20. Assuming that all other variables, in particular foreign exchange rates and interest rates, remain constant. If the market price of the Fund's investments did 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.

<b>Asset Type</b>	<b>31 March 2019 £000</b>	<b>Percentage Change %</b>	<b>Value on increase £000</b>	<b>Value on decrease £000</b>
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 receivable	10,489	20.0	12,587	8,391
<b>Total</b>	<b>2,999,700</b>		<b>3,416,461</b>	<b>2,582,939</b>

**Interest Rate Risk**

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

**Interest Rate – Sensitivity Analysis**

The Pension Fund recognises that interest rates vary and can impact income to the fund and the fair value of the assets, 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. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

**31 March 2020****Exposure to interest rate risk**

Cash and cash equivalents

Fixed interest bonds

Variable rate bonds

**Total**

<b>Asset Value</b>	<b>Impact of 1% increase</b>	<b>Impact of 1% decrease</b>
<b>£000</b>	<b>£000</b>	<b>£000</b>
64,862	64,862	64,862
359,477	363,072	355,882
62,237	62,237	62,237
<b>486,576</b>	<b>490,171</b>	<b>482,981</b>

**31 March 2019****Exposure to interest rate risk**

Cash and cash equivalents

Fixed interest bonds

Variable rate bonds

**Total**

<b>Asset Value</b>	<b>Impact of 1% increase</b>	<b>Impact of 1% decrease</b>
<b>£000</b>	<b>£000</b>	<b>£000</b>
90,575	90,575	90,575
366,359	370,023	362,695
62,328	62,328	62,328
<b>519,262</b>	<b>522,926</b>	<b>515,598</b>

**2019/20****Exposure to interest rate risk**

Cash and cash equivalents

Fixed interest bonds

Variable rate bonds

**Total**

<b>Interest receivable</b>	<b>Impact of 1% increase</b>	<b>Impact of 1% decrease</b>
<b>£000</b>	<b>£000</b>	<b>£000</b>
770	778	762
9,830	9,928	9,732
6,307	6,370	6,244
<b>16,907</b>	<b>17,076</b>	<b>16,738</b>

**2018/19****Exposure to interest rate risk**

Cash and cash equivalents

Fixed interest bonds

Variable rate bonds

**Total**

<b>Interest receivable</b>	<b>Impact of 1% increase</b>	<b>Impact of 1% decrease</b>
<b>£000</b>	<b>£000</b>	<b>£000</b>
903	912	894
8,721	8,721	8,721
5,595	5,651	5,539
<b>15,219</b>	<b>15,284</b>	<b>15,154</b>

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

## Pension Fund Accounts

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### 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.

### Currency Risk – Sensitivity Analysis

The sensitivity of the Fund's investments to changes in foreign currency rates have been analysed using a 7.64% movement in exchange rates in either direction for 31 March 2020. This analysis assumes that all variables, in particular interest rates, remain constant. Based on the composition of the Fund's currency exposure a 7.64% fluctuation in the currency is considered reasonable. A 7.64% weakening or strengthening of Sterling against the various currencies at 31 March 2020 would have increased or decreased the net assets by the amount shown below.

Currency Exposure by Asset Type	31 March 2020	Value on increase	Value on decrease
	£000	£000 +7.64%	£000 -7.64%
Equities – quoted	1,276,253	1,373,759	1,178,747
Infrastructure	19,227	20,696	17,758
Private Equities	130,617	140,596	120,638
Property - unit trusts	29	31	27
Cash deposits	43,923	47,279	40,567
<b>Total</b>	<b>1,470,049</b>	<b>1,582,361</b>	<b>1,357,737</b>

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 +9.36%	£000 -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
<b>Total</b>	<b>631,769</b>	<b>690,902</b>	<b>572,636</b>

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

### Currency Exposure by Significant Currency

The Fund's most significant currency exposures are to US Dollars and EUROS, using data on currency risk of 7.73% for the US Dollar and 6.72% for the EURO. Weakening or strengthening of Sterling against US Dollars and EUROS at 31 March 2020 would have increased or decreased the net assets by the amounts shown in the following table.

Asset Type	31 March 2020 £000	Percentage Change %	Value on increase £000	Value on decrease £000
US Dollars	869,526	7.73	936,740	802,312
EUROs	196,309	6.72	209,501	183,117
<b>Total</b>	<b>1,065,835</b>		<b>1,146,241</b>	<b>985,429</b>

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 £000	Percentage Change %	Value on increase £000	Value on decrease £000
US Dollars	388,278	9.40	424,776	351,780
EUROs	113,438	7.99	122,502	104,374
<b>Total</b>	<b>501,716</b>		<b>547,278</b>	<b>456,154</b>

### Credit Risk

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

A source of credit risk is the cash balances held internally or by managers. The Pension Fund's bank account is held at Lloyds, which holds an "A+" long term credit rating. The management of the cash held in this account is managed by the Council's Treasury Management Team in line with the Council's Treasury Management Strategy which sets out the permitted counterparties and limits. The value of the Fund invested by the Treasury Management Team at 31 March 2020 was £1.109m in an instant access Lloyds account and £2.000m invested in Federated's money market fund. (On 31 March 2019 £0.691m 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.

## Pension Fund Accounts

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31 March 2019		31 March 2020
	<b>£000</b>	<b>£000</b>
156,310	Blackstone	146,881
5,883	Brunel Infrastructure	11,451
1,565	Brunel Private Equity	14,105
221,066	LaSalle	222,898
119,040	Pantheon Private Equity	106,965
24,867	Partners Group	21,042
588	Hg Capital	600
<b>529,319</b>		<b>523,942</b>

### 14. Related Parties

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

The County Council was reimbursed £2.35m (£2.2m in the 2018/19 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 £45.3m to the Fund in 2019/20 (£45.1m in the 2018/19 year).

The Pension Fund's surplus cash held for day to day cash flow purposes is invested on the money markets by Buckinghamshire County Council's treasury management team, through a service level agreement. During the year to 31 March 2020, the Fund had an average investment balance of £8.1m (£7.7m in the 2018/19 year), earning interest of £53k (£55k in the 2018/19 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 were pensioner members of the Fund on 31 March 2020 (on 31 March 2019 no pensioner members and one deferred member). The Service Director – Corporate Finance (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 (Brunel) (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 Brunel. During the year to 31 March 2020 Brunel provided services costing £1,144k (£835k in the year to 31 March 2019).

## 15. Current Assets and Liabilities

31 March 2019 £000	Current Assets and Liabilities	31 March 2020 £000
	<b>Current Assets</b>	
10,109	Contributions due from employers 31 March	10,313
9,882	Cash balances (not forming part of the investment assets)	3,006
1,703	Other current assets	2,176
<b>21,694</b>	<b>Total Current Assets</b>	<b>15,495</b>
	<b>Current Liabilities</b>	
(1,170)	Management charges	(727)
(1,003)	HM Revenue and Customs	(986)
(692)	Unpaid benefits	(673)
(11,505)	Other current liabilities	(2,321)
<b>(14,370)</b>	<b>Total Current Liabilities</b>	<b>(4,707)</b>
<b>7,324</b>	<b>Net Current Assets</b>	<b>10,788</b>

## 16. Taxes on Income

2018/19 £000	Taxes on Income	2019/20 £000
-	Withholding tax - fixed interest securities	-
471	Withholding tax - equities	351
<b>471</b>	<b>Total Taxes on Income</b>	<b>351</b>

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 2019. The next valuation will take place as at 31 March 2022.

On 31 March 2019, the market value of the assets held were £3,007.020m, sufficient to cover 94% of the accrued liabilities assessed on an ongoing basis. All employers are projected to be fully funded by no later than 31 March 2035. The primary rate of contribution is the employers' share of the cost of benefits accruing in each of the three years beginning 1 April 2020 and is 18.2% 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 3.9% in 2020/21, 4.0% in 2021/22 and 4.1% in 2021/22.

The results of the valuation are that the past service funding level of the Fund as a whole has increased from 87% to 94% between 31 March 2016 and 31 March 2019. The improvement of the funding position since the previous valuation is mainly due to good investment returns and employer contributions. To produce the future cashflows or liabilities and their present value Barnett-Waddingham formulate assumptions about the factors affecting the Fund's future finances such as inflation, salary increases, investment returns, rates of mortality, early retirement and staff turnover etc.

The main assumptions used in the valuation were:

#### Financial assumptions

▪ Discount rate	4.8%
▪ Pension increases	2.4%
▪ CPI inflation	2.6%
▪ Salary increases	3.6%

#### Demographic assumptions

#### Male / Female

▪ Post retirement mortality	
Member base tables	S3PA
Member mortality multiplier	110% / 95%
Dependant base tables	S3DA
Dependant mortality multiplier	95% / 80%
Projection model	CMI 2018
Long-term rate of improvement	1.25% per annum
Smoothing parameter	7.5
In addition to improvements	0.5% per annum
▪ Retirement assumption	Weighted average of each tranche retirement
▪ Pre-retirement decrements	GAD 2016 scheme valuation with no salary scale, 50% ill-health decrement, 105% pre-retirement
▪ 50:50 assumption	Member data
▪ Commutation	50% of maximum
% members with qualifying dependant	75% / 70%
▪ Age difference	Males are 3 years older

## 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 2019. On an IAS 19 basis the Actuary estimates that the net liability as at 31 March 2020 is £1,647m (31 March 2019 £1,792m), but figures calculated on an IAS 19 basis are not relevant for calculations undertaken for funding purposes or for other statutory purposes undertaken under UK pensions legislation. The Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

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

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

<b>31 March 2019</b>		<b>31 March 2020</b>
<b>£000</b>		<b>£000</b>
4,791,251	Present value of funded obligation	4,549,742
(2,998,856)	Fair value of scheme assets	(2,902,913)
<b>1,792,395</b>	<b>Net Liability</b>	<b>1,646,829</b>

The Present Value of Funded Obligation consists of £4,446m (£4,628m at 31 March 2019) in respect of Vested Obligation and £104m (£163m at 31 March 2019) in respect of Non-Vested Obligation. Vested benefits are the benefits that employees have a right to receive even if they do not render services to the employer. In other words, the employees will receive their vested benefits even if they stop working for the employer. Thus, non-vested benefits are the benefits an employee can receive in the future if he or she continues providing services to the employer. The liabilities above are calculated on an IAS19 basis and therefore differ from the results of the triennial funding valuation (see Note 17) because IAS19 stipulates a discount rate rather than a rate that reflects market rates. The main assumptions used were:

<b>31 March 2019</b>		<b>31 March 2020</b>
3.4%	RPI increases	2.65%
2.4%	CPI increases	1.85%
3.9%	Salary increases	2.85%
2.4%	Pension increases	1.85%
2.4%	Discount rate	2.35%

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 22 years. An estimate of the Fund's future cashflows is made using notional cashflows based on the estimated duration above. These estimated cashflows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cashflows, discounted at this single rate, equates to the net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point). This is consistent with the approach used at the previous accounting date.

## Pension Fund Accounts

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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 0.8% below RPI i.e. 1.85%.

Salaries are assumed to increase at 1.0% above CPI. This differs from the salary increase assumption at the previous accounting date and has been updated in line with the most recent funding valuation. The liabilities include an allowance for the Court of Appeal judgement in relation to the McCloud & Sargeant cases which related to age discrimination within the Judicial & Fire Pension schemes respectively.

### 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 2019. The post retirement mortality tables adopted are the S2PA tables with a multiplier of 110% for males and 95% for females. These base tables are then projected using the CMI 2018 Model, allowing for a long-term rate of improvement of 1.25% p.a, smoothing parameter of 7.5 and an initial addition to improvements of 0.5% pa. The assumed life expectations from age 65 are:

<b>Life expectancy from age 65 (years)</b>	<b>31 March 2019</b>	<b>31 March 2020</b>
<b>Retiring today</b>		
Males	22.9	21.8
Females	24.8	25.1
<b>Retiring in 20 years</b>		
Males	24.6	23.2
Females	26.6	26.5

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.
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## 19. Contingent Liabilities and Contractual Commitments

Outstanding contractual commitments at 31 March 2020 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 2019	31 March 2020
	£000	£000
Brunel Infrastructure Cycle 2	0	250,000
Brunel Private Debt Cycle 2	0	130,000
Brunel Private Equity Cycle 2	0	120,000
Brunel Infrastructure Cycle 1	68,846	61,095
Brunel Private Equity Cycle 1	73,570	64,240
Pantheon Asia Fund V LP	715	1,587
Pantheon Asia Fund VI LP	6,369	18,506
Pantheon USA Fund VII Limited	1,244	1,168
Pantheon USA Fund VIII Feeder LP	5,803	4,517
Pantheon Global Secondary Fund IV Feeder LP	3,465	4,063
Partners Group Global Resources 2009, LP	3,271	3,435
Pantheon Europe Fund V "A" LP	982	854
Pantheon Europe Fund VI LP	3,578	3,061
Partners Group Global Real Estate 2008 SICAR	1,722	1,781
Partners Group Global Infrastructure 2009 SICAR	2,715	2,806
	<b>172,280</b>	<b>667,114</b>

On 31 March 2020 there were 3 group transfers to the Fund being negotiated with other Funds (one on the 31 March 2019), the value of the transfers to the Fund is £2,059k and has been accrued. On 31 March 2020 there was one group transfer from the Fund being negotiated with other Funds (one on the 31 March 2019), 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.

## Pension Fund Accounts

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### 20. Additional Voluntary Contributions (AVCs)

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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. 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 accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of funds) Regulations 2016.

<b>2018/19</b>	<b>Prudential</b>	<b>2019/20</b>
<b>£000</b>		<b>£000</b>
3,869	Value of AVC fund at beginning of year	4,740
860	Correction opening value	0
543	Employees' contributions and transfers in	622
79	Investment income and change in market value	160
(611)	Benefits paid and transfers out	(795)
<b>4,740</b>	<b>Value of AVC fund at year end</b>	<b>4,727</b>

<b>2018/19</b>	<b>Scottish Widows</b>	<b>2019/20</b>
<b>£000</b>		<b>£000</b>
3,321	Value of AVC fund at beginning of year	2,838
(437)	Correction opening value	0
119	Employees' contributions	44
(46)	Investment income and change in market value	(2,066)
(119)	Benefits paid and transfers out	(69)
<b>2,838</b>	<b>Value of AVC fund at year end</b>	<b>747</b>

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## 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	Abbey View Primary School
Campbell Park Parish Council	Alfriston School
Chalfont St Giles Parish Council	Amersham School
Chalfont St Peter Parish Council	Ashbrook School
Chepping Wycombe Parish Council	Aspire Schools
Chesham Bois Parish Council	Aylesbury College
Chesham Town Council	Aylesbury Grammar School
Chiltern Crematorium	Aylesbury High School
Chilterns Conservation Board	Aylesbury Vale Academy
Coldharbour Parish Council	Beaconsfield High School
Coleshill Parish Council	Bearbrook Combined & Pre-school
Gerrards Cross Parish Council	Bedgrove Infant School
Great Missenden Parish Council	Bedgrove Junior School
Hambleden Parish Council	Beechview Academy
Hazlemere Parish Council	Bourne End Academy
Iver Parish Council	Bourton Meadow Academy
Ivinghoe Parish Council	Bridge Academy
Kents Hill & Monkston Parish Council	Brill CofE Combined School
Lacey Green Parish Council	Brookmead School
Lane End Parish Council	Brookward School
Little Marlow Parish Council	Brushwood Junior School
Longwick-cum-Ilmer Parish Council	Buckinghamshire New University
Marlow Town Council	Buckinghamshire University Technical College
Mentmore Parish Council	Burnham Grammar School
New Bradwell Parish Council	Bushfield School
Newport Pagnell Town Council	Castlefield School
Newton Longville Parish Council	Chalfonts Community College
Olney Town Council	Chalfont St Peter CE Academy
PCC for Thames Valley	Chalfont Valley E-Act Academy
Penn Parish Council	Charles Warren Academy
Piddington & Wheeler End Parish Council	Chepping View Primary Academy

## Pension Fund Accounts

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

Wooburn Green Primary Academy  
 Woodside Junior School  
 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

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## PENSION FUND COMMITTEE FORWARD PLAN

2 July 2020		
Agenda Item	Author	Cyclical Item?
Election of Chairman / Appointment of Vice-Chairman		
Apologies	--	Every meeting
Declarations of interest	--	Every meeting
Buckinghamshire Pension Board	Claire Lewis-Smith	Ad hoc
Governance Compliance Statement	Claire Lewis-Smith	Annually
Pension Fund Committee Responsibilities	Julie Edwards	Ad hoc
External Audit Plan	Grant Thornton	Annual
Annual Accounts	Rachael Martinig	Annual
Forward Plan	Julie Edwards	Every meeting
Exclusion of Press and Public		
Confidential Minutes		
Funding Strategy Statement	Julie Edwards	Ad hoc
Pension Fund Performance	Julie Edwards	Quarterly
Investment Strategy	Mercer	Ad hoc
Date of next meeting / AOB	--	

24 September 2020		
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
Breaches of the Law	Claire Lewis-Smith	Annually
Annual Accounts Audit 2019/20	Rachael Martinig /Grant Thornton	Annually
Pension Fund Annual Report 2019/20	Rachael Martinig	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
Pension Fund Performance	Julie Edwards	No
Brunel Pension Partnership Update		
Date of next meeting / AOB	--	

## PENSION FUND COMMITTEE FORWARD PLAN

19 November 2020

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
Governance Compliance Statement	Claire Lewis-Smith	Annually
Forward Plan	Julie Edwards	Every meeting
Exclusion of Press and Public		
Confidential Minutes		
Buckinghamshire Pension Board Confidential Minutes	Steve Mason	4 monthly
Pension Fund Performance	Julie Edwards	Quarterly
Brunel Pension Partnership Update		Quarterly
Date of next meeting / AOB	--	

25 February 2021

Agenda Item	Author	Cyclical Item?
Apologies	--	Every meeting
Declarations of interest	--	Every meeting
Minutes	--	Every meeting
Treasury Management Service Level Agreement	Rachael Martinig	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
		3 Yearly
Date of next meeting / AOB	--	

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of the Local Government Act 1972.

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