

Pension Fund Annual Report

for the year ending 31 March 2013

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Who's Who

Administering Authority:	Buckinghamshire County Council (BCC)
Pension Fund Committee: (BCC unless stated)	Cllr Frank Downes (Chairman) Cllr Richard Scott (Vice Chairman) Cllr Peter Cartwright Cllr Trevor Egleton Cllr Chester Jones Cllr David Watson Cllr John Gladwin (representing the District Councils in Buckinghamshire) Cllr Edith Bald (Milton Keynes Council) Cllr David Carroll (Thames Valley Police)
Advisers:	Mercer Investment Consulting Carolann Dobson
Fund Managers:	Aviva Investors BlackRock Blackstone Alternative Asset Management DB Advisors Investec Asset Management Legal & General Investment Management Mirabaud Investment Management Pantheon Private Equity Partners Group Royal London Asset Management Schroders Standard Life Investments
AVC Providers:	Clerical Medical Prudential
Custodian:	BNY Mellon
Actuary:	Barnett Waddingham LLP
Auditor:	Grant Thornton UK LLP

Introduction from the Service Director (Finance and Commercial Services)

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

LGPS Reform

In 2010, Lord Hutton was appointed to chair the Independent Public Service Pensions Commission in order to look into how public service pensions could be made sustainable and affordable in the long term, while being fair to both the public service workforce and the taxpayer. In March 2011, the Commission's final report was published. It made a number of recommendations which were considered by all interested parties.

In December 2011, following the acceptance by Government of a principles document submitted by the Local Government Association (LGA), UNISON and GMB on how to take forward the reform of the LGPS in England and Wales, the LGPS 2014 project was set up to reach agreement on the elements of the new scheme, together with the management and governance of the scheme going forward.

On 31 May 2012 the Local Government Association (LGA) and trade unions announced the outcome of their negotiations on new LGPS proposals (for England and Wales). The new Scheme will take effect from 1 April 2014; the main features of which are shown in the table below.

Feature	LGPS 2008	LGPS 2014
Basis of Pension	Final Salary	Career Average Revalued Earnings (CARE)
Accrual Rate	1/60th	1/49th
Revaluation Rate	Benefits based on final salary	Consumer Price Index
Pensionable Pay	Pay excluding non-contractual overtime and non-pensionable additional hours	Pay including non-contractual overtime and additional hours for part time staff
Contribution Flexibility	No	Yes, members can pay 50% contributions for 50% of the pension benefit
Normal Pension Age	65	Equal to the individual member's State Pension Age (minimum age 65)
Lump Sum Option	Trade £1 of pension for £12 lump sum	Trade £1 of pension for £12 lump sum
Death in Service Lump Sum	3 x pensionable pay	3 x pensionable pay
Death in Service Survivor Benefits	1/160th accrual based on Tier 1 ill health pension enhancement	1/160th accrual based on Tier 1 ill health pension enhancement
Ill Health Provision	Tier 1 - immediate payment with service enhanced to Normal Pension Age (age 65) Tier 2 - immediate payment of pension with 25% service enhancement to Normal Pension age (age 65) Tier 3 - temporary payment of pension for up to 3 years	Tier 1 - immediate payment with service enhanced to Normal Pension Age (State Pension Age) Tier 2 - immediate payment of pension with 25% service enhancement to Normal Pension age (State Pension Age) Tier 3 - temporary payment of pension for up to 3 years
Indexation of Pension in Payment	Consumer Price Index (Retail Price Index was used for pre 2011 increases)	Consumer Price Index
Qualifying Period for benefits	3 months	2 years

Introduction from the Service Director (Finance and Commercial Services)

Unions have now consulted their members, the LGA has consulted employers over these proposals and the Government has begun a statutory consultation process prior to the development of the LGPS 2014 Regulations. The proposed changes are currently being communicated to scheme members, employers, funds and other interested parties.

Pension Fund Management

The market value of the Pension Fund was £1,773m at 31 March 2013. The Fund achieved a return of 14.2%, outperforming its benchmark return of 12.7% by 1.5% in the year to 31 March 2013. In the three years to 31 March 2013, the Fund achieved a return of 7.8% per annum, an outperformance of 0.5% compared to its benchmark for that period.

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

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



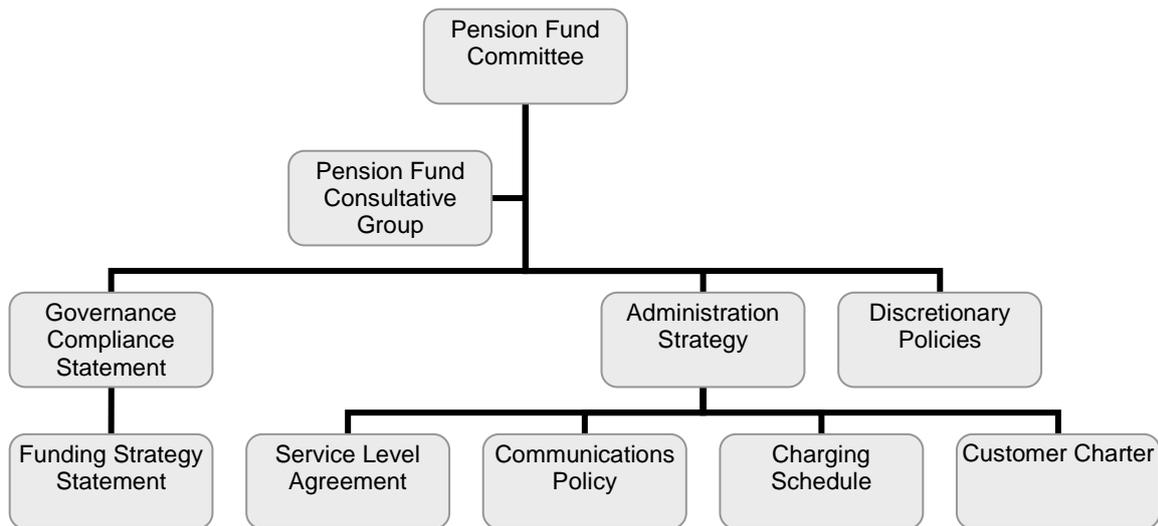
Richard Ambrose
Service Director (Finance and Commercial Services)
27 September 2013

Governance Statements

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

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

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



The BCC Pension Fund Governance Statements and Pension Administration Strategy are available for download at www.buckscc.gov.uk/bcc/pensions/governance_policy.page

Governance Policy Statement

The Governance Policy Statement sets out the County Council's arrangements for discharging its responsibilities for the Pension Fund.

The policy statement details the governance of the Buckinghamshire pension fund, reporting, membership of the Pension Fund Committee and operational procedures.

Governance Compliance Statement

The Governance Compliance Statement contains an assessment of how the Pension Fund's governance arrangements compare to nine best practice principles set by the Government.

These principles are:

- Structure
- Representation
- Selection and role of lay members
- Voting
- Training/facility time/expenses
- Meetings (frequency/quorum)
- Access
- Scope
- Publicity

Pension Administration Strategy

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

Services to Employing Authorities

The main services that we provide to employers are:

- We provide each Employer with contact details for a named Employer Liaison Officer whose role it is to ensure efficient processing and communication.
- When deemed necessary we schedule meetings to discuss issues related to pensions administration and regulatory changes. We also meet with our Employers, on request or when mutually agreed, to discuss all aspects of LGPS administration. In 2012/13 we conducted 24 such Employer meetings.
- Our Service Level Agreement (SLA) serves as an Employers' guide to the administration of the Fund. This is sent to our Employers by email and is also available from our website.
- We publish an Employer newsletter in March, June, September and December of each year to advise Employers of Fund and Scheme developments.
- The Pension Fund Consultative Group monitors the Pensions Administration performance; twice yearly the Group receives a report on the volume of work undertaken and the percentage of work that is completed within prescribed time limits. The report also provides a contextual commentary for work that has not been completed within prescribed timescales. The following figures are taken from the most recent report.

Month	Tasks Completed Within Target	Over Target	Total	% over target
April 2012	11276	252	11528	2.19%
May	10859	267	11126	2.40%
June	6971	360	7331	4.91%
July	12436	385	12821	3.00%
August	12545	388	12933	3.00%
September	9496	194	9690	2.00%
October	10315	524	10839	4.83%
November	9571	296	9867	3.00%
December	5935	312	6247	5.00%
January 2013	10790	493	11283	4.37%
February	11821	660	12481	5.29%
March	11274	755	12029	6.28%

An update on the items discussed at the Pension Fund Consultative Group is reported to the Pension Fund Committee. Where Employers have consistently not provided information as required by the SLA, transgressions are tracked so that their performance can be discussed with them to improve levels of performance. The committee details of the Pension Fund Consultative Group are available at:

<http://democracy.buckscc.gov.uk/mgCommitteeDetails.aspx?ID=520>

The Pension Administration Strategy of Buckinghamshire County Council, the associated Service Level Agreement (SLA) between participating employers and third party payroll providers and the administering authority Buckinghamshire County Council and Charging Schedule are available at:

www.buckscc.gov.uk/bcc/pensions/governance_policy.page

Communications Policy Statement

With over 55,000 Scheme members the BCC Pension Fund has a responsibility to provide timely and accurate information to all stakeholders. To ensure the information reaches all interested parties, different media and methods of communication will be used.

The Communications Policy Statement is available at www.bucksc.gov.uk/bcc/pensions/comms_policy.page and outlines the Fund's position on:

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

The format, frequency and methods of distributing Fund information and publicity are detailed below.

Communication Material	Formats Available	Available To	When Published	When Reviewed
Scheme Guide	Online, Paper	All members, prospective members, members representatives, employing authorities, Fund staff	Starter booklet available from our website	As required, usually annually
Forms and Fact Sheets	Online, Paper	All members, prospective members, members representatives, employing authorities, Fund staff	Available from our website	As required
Scheme Update Newsletter	Online, Paper	All Active members Deferred and Pensioner members where necessary	As needed	As required
Pensioner Newsletter	Online, Paper	Pensioner members	Annually	Annually
Technical Employer Newsletter	Online, Paper	Employing authorities	Quarterly or more often as required	Quarterly or more often as required
Annual Benefit Statements and supporting notes	Paper (notes also available online)	All Active, Deferred and Pension Credit members	Annually	Annually
Retirement Pack	Online, Paper	Pensioner members	On retirement	Annually
Annual Report and Accounts	Online, Paper	Employing authorities	Annually	Annually
Fund Valuation Report	Online, Paper	Employing authorities	Every three years	Every three years
Presentations	Powerpoint Presentations	New starters, employees & Employing authorities Courses include Induction, Planning for the Future and Pre-retirement	On request	As required
Press Releases	Electronic	All BCC staff and Employing authorities	As needed	As required
FRS17 Report	Print, Electronic	Employing authorities	Annually	Annually

Access to Communications

We can provide large print versions of all our printed literature and our website is designed to work with assistive technologies e.g. screen readers for visually impaired users.

The Pensions Team

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

Benefits Administration Team

We deal with over 20,500 active employees, 19,500 ex-employees and 14,500 pensioners on behalf of the Buckinghamshire County Council Pension Fund. The Benefits Administration Team deals with all aspects of benefits work, from new entrants to the scheme, through to retirement and death. The team's work also includes the processing and issuing of refunds and pension estimates, responding to pensioner queries, issues relating to pension sharing on divorce and transfers of previous pension rights in and out of the scheme.

Governance & Employer Liaison Team

The Governance & Employer Liaison Team deals with pension enquiries from scheme members, members' representatives and employing authorities, as well as other outside bodies, such as HM Revenue and Customs and other pension schemes. The team deals with pension fund year-end procedures and supports the benefits administration team where possible. Our employers include scheduled bodies (major and smaller), admitted bodies and independent schools in Buckinghamshire.

Systems Team

The Systems Team is responsible for the specialist computer systems within the Pensions Team, including the management of ALTAIR (our pensions administration system), document imaging, pensioner payroll and workflow management. ALTAIR enables us to store our members' paperwork electronically by scanning all correspondence to the individual's record. All work is recorded and monitored on our workflow system.

Treasury Team

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

This organisation adopts the key recommendations of the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills. This organisation recognises that effective financial administration, scheme governance and decision-making can only be achieved where those involved have the requisite knowledge and skills. Accordingly this organisation will ensure that it has adequate resources, formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of the relevant public sector pension scheme finance knowledge and skills for those in the organisation responsible for financial administration, scheme governance and decision-making.

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

Scheme Administration Data

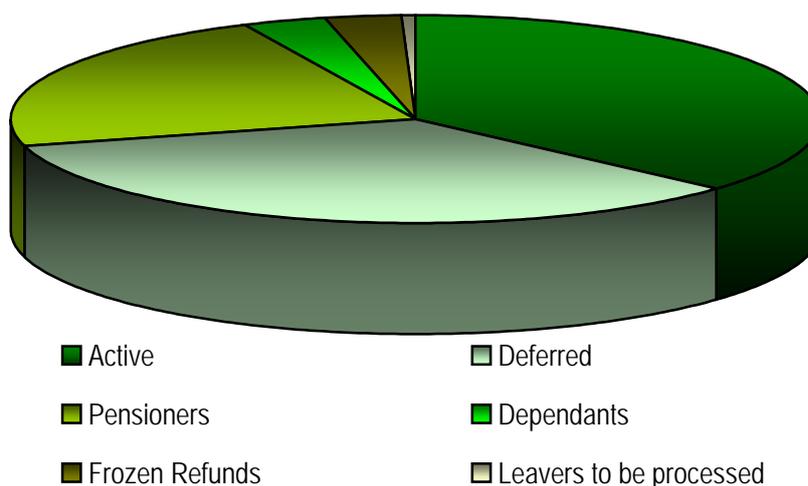
Buckinghamshire County Council LGPS Pensions Administration participates in the CIPFA Benchmarking Club. Data is submitted annually and the Council is measured against the other Administering Authorities that participate.

Annually data is supplied on cost measures, workload measures, staff related measures and Industry Standard Performance Indicators. Data supplied includes the number of entrants to the scheme, early leavers, retirements and deaths; details of how calculations are processed and staffing experience such as salary and pensions experience.

Key findings from the 2012/13 report are as follows:

Measure	Buckinghamshire County Council	Club Average
Total cost per member	£19.07	£21.42
Scheme members per Benefit Administration team member	5,057	3,863
Total number of LGPS Employers	220	163

Composition of Membership 2012/13



Internal Dispute Resolution Procedure

Part 6 of the Local Government Pension Scheme (Administration) Regulations 2008 provides the mechanism by which disputes are resolved within the LGPS.

The appeal process is a two stage process. Stage 1 appeals are dealt with by the employing authority where the decision that is being appealed against was made. In cases where the appeal is a decision made by the Pensions Team, first stage appeals are dealt with by the Principal Pensions Officers.

If the appeal is unresolved at stage 1, the member or their representatives can invoke stage 2. Stage 2 appeals are dealt with by the Legal Service of Buckinghamshire County Council.

In 2012/13, 9 new appeals were received. Of the 9 cases, 1 case was found in favour of the applicant. Of the other 8 appeals received, 3 were rejected at stage 1 and 5 progressed to stage 2. 4 of these were again rejected and 1 is still ongoing.

Benefits

The Local Government Pension Scheme (LGPS) is a statutory funded pension scheme. Its benefits are defined, guaranteed in law and provide significant benefits to its members. The scheme will change on 1 April 2014; the current benefits are detailed below.

Highlights of the benefits provided by the LGPS are:

- Guaranteed benefits based on the member's final pay
- Flexible lump sum options, available at retirement
- Ability to increase retirement benefits by paying extra contributions
- Voluntary retirement from age 60
- Retirement from age 55 with the employer's consent
- Ill health benefits from any age
- Redundancy cover from age 55
- Death in service lump sum of three times actual pay
- Surviving spouse's/civil partner's/nominated cohabiting partner's pensions
- Dependant child's pension
- Index-linking of benefits to ensure that they keep pace with inflation

Contributions

Employee contributions are between 5.5% and 7.5%, deducted from the pay received from contractual hours. The rate paid depends on which pay band the member falls into. Band ranges increase each April.

Band	Whole Time Equivalent pay rate as at 1 April 2012	Contribution rate
1	£0 - £13,500	5.5%
2	More than £13,501 - £15,800	5.8%
3	More than £15,801 - £20,400	5.9%
4	More than £20,401 - £34,000	6.5%
5	More than £34,001 - £45,500	6.8%
6	More than £45,501 - £85,300	7.2%
7	More than £85,300	7.5%

The employer also contributes to the Fund, covering the full cost of providing the benefits. Membership of the scheme entitles the employee to receive tax relief on contributions and because the scheme is contracted out of the State Second Pension (S2P), contributors pay reduced National Insurance.

Retirement

The scheme is funded on the basis that the benefits will become available at age 65 (normal scheme retirement age), though members can remain in the scheme up to age 75. Employees retain the right to voluntarily retire from age 60.

Payment of pensions will be made in the following circumstances:

- Aged 65
- Aged 60+ with 25 years membership (for protected older workers)
- Aged 55+ if the employer retires the member on the grounds of redundancy or efficiency (after three months membership)
- Aged 55+ and the member requests early payment of benefits (subject to employer's consent)

Benefits

Pensions are calculated based on the member's total years of membership and final pay. Benefits on any membership up to 31 March 2008 will be calculated as follows:

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

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

Benefits on membership after 1 April 2008 will be calculated as follows:

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

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

Ill Health Retirement

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

First Tier

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

Second Tier

- 25% of prospective membership between leaving and age 65 where the member is unlikely to be capable of obtaining gainful employment within a reasonable period of time, but is likely to be able to be capable of obtaining gainful employment before age 65.

Third Tier

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

Death in Service

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

Death in Retirement

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

Funding Strategy Statement

The BCC Pension Fund's Funding Strategy Statement (FSS) is available at www.buckscc.gov.uk/bcc/pensions/investments/funding_strategy_statement.page

The purpose of this FSS in policy terms is:

- To establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward
- To support the regulatory requirement to maintain as nearly constant employer contribution rates as possible; and
- To take a prudent long-term view of funding those liabilities

The intention is for this strategy to be both cohesive and comprehensive for the Fund as a whole, recognising that there will be conflicting objectives that need to be balanced and reconciled. Whilst the position of individual employers must be reflected in the FSS, it must remain a single strategy for the Administering Authority to implement and maintain.

The FSS details:

- Aims and purpose of the Pension Fund
- Responsibilities of the key parties
- Solvency issues and target funding levels
- Links to investment policy set out in the Statement of Investment Principles (SIP)
- Identification of risks and counter measures
- Monitoring and review

1 Introduction

- 1.1 This is the Statement of Investment Principles (SIP) adopted by Buckinghamshire County Council (the Council) in relation to the investment of assets of the Council's Pension Fund (the Fund). The County Council is the Administering Authority of the Fund and, in that role, it has responsibility to ensure the proper management of the Fund.
- 1.2 This SIP results from the implementation of The Local Government Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 2009 (Statutory Instrument 2009 No. 3093).
- 1.3 The Pension Fund Committee monitors investment performance on a quarterly basis. Advice is received as required from professional advisers. In addition, the Pension Fund Committee formally reviews the performance of investments compared to other LGPS Funds on an annual basis.
- 1.4 The LGPS is established by statute. The Pension Fund is a legally distinct account with contributions made by employees (fixed percentage of earnings) and employers. The primary objective of the Fund is to minimise the level of employer contributions in order to meet the cost of pension benefits as required by statute. A related objective is to minimise the volatility of employer contribution rates as investment returns vary from year to year.

2 Investment Objectives

- 2.1 It is the Council's current policy that external fund managers are employed to administer the Fund's assets. Currently, the Council employs twelve external fund managers. The approach, however, may vary from time to time. Cash balances arising from the receipt of employer and employee contributions are invested in accordance with the agreement between the administering authority and the Pension Fund Committee.
- 2.2 The investment objective of the Fund is to achieve a return that is sufficient to meet the primary objective as set out above in paragraph 1.4, subject to an appropriate level of risk (implicit in the target) and liquidity.
- 2.3 This SIP will be revised within 6 months of any material change in policy relating to the investment principles.

3 Types of investment to be held

- 3.1 A management agreement is in place for each fund manager, setting out the relevant benchmark, performance target, asset allocation ranges and any statutory restrictions or other restrictions determined by the Pension Fund Committee.
- 3.2 The types of investment which the fund managers may hold are as follows:
 - UK Equities
 - Foreign Equities
 - UK Fixed Interest Bonds
 - Overseas Fixed Interest Bonds
 - UK Index-linked Investments
 - Overseas Index-linked Investments
 - Property Unit Trusts
 - Hedge Fund of Funds
 - Private Equity Fund of Funds
 - Cash Instruments

Statement of Investment Principles

- 3.3 The administering authority has decided to increase limits under regulation 14(3) in compliance with The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (Statutory Instrument 2009 No. 3093) effective as from 1 January 2010. The limit on the amount of investments in units or shares managed by one body is 35%. The limit on contributions to partnerships is 12% and the limit on contributions to any single partnership is 5%.

4 Approach to managing the Fund

- 4.1 At the current time, the Council uses twelve fund managers. This method of asset management is kept under review. Periodically and normally every three to four years, the Pension Fund Committee gives consideration to new managers taking over part of the Fund.

5 Balance between different types of investment

- 5.1 Local Government Pension Scheme (LGPS) regulations require that funds achieve 'proper diversification'. This may be considered in terms of ensuring that investments are spread through a number of investment types whose movements are not closely correlated.
- 5.2 Active fund managers are given wide discretion over asset allocation, subject to regular review, and are required to report on a quarterly basis their current asset allocation position against their strategy, and seek approval for variations to their strategies.

6 Risk

- 6.1 The constant monitoring of performance relative to a performance target constrains fund managers from deviating significantly from the intended approach, whilst permitting flexibility to manage the Fund in such a way as to enhance returns. The appointment of more than one fund manager introduces a level of diversification of manager risk.
- 6.2 Fund managers are instructed to diversify between investment types and within each investment type so that the prospects of potential losses are reduced. Fund managers are also instructed to observe the Council's constraints in such areas as property, derivatives, stock lending, overseas investment, non-income producing investments and unquoted securities.
- 6.3 Fund managers will bias their portfolios towards stocks which are expected to out-perform in rising or falling markets but not take such contrarian positions that major under-performance occurs if they are incorrect in their strategies. They are required to operate in such a way that the possibility of under-performance against the target is kept within an acceptable limit. Managers will use and report on the risk measures employed on a regular basis.

7 Expected return on investments

- 7.1 The Fund is expected to produce a return over the long term in excess of the investment return assumed in the actuarial valuation. The majority of the Fund's assets are managed on an active basis and, overall, the fund is expected to out-perform its benchmarks over the long term.

8 The realisation of investments

- 8.1 Some fund managers are required to maintain portfolios that consist of assets that are readily realisable. The majority of the Fund's investments is quoted on major stock markets and thus may be realised relatively quickly if required. Property investments, private equity fund of funds and hedge fund of funds, which are relatively illiquid, make up a small proportion of the Fund's assets.

Statement of Investment Principles

8.2 The Pension Fund Committee has delegated to the fund managers responsibility for the selection, retention and realisation of assets.

9 Extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments

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

10 Exercise of the rights (including voting rights) attaching to investments

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

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

11 Policy on Stock Lending

11.1 The Fund's current policy is not to participate in stock lending.

12 Myners Principles

12.1 Local authorities are required to set out in their Statement of Investment Principles the extent to which they comply with these principles, this is set out below.

Principle	Examples of Compliance	
<p>Principle 1: Effective Decision Making</p> <p>Administering authorities should ensure that: Decisions are taken by persons or organisations with the skills, knowledge, advice and resources to make them effectively and monitor their implementation;</p> <p>Those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.</p>	<p>The Fund's Governance Compliance Statement sets out the Fund's governance arrangements, including its Terms of Reference, structure, representation and delegations. The Governance Compliance Statement and the Committee keeps under review whether a formal assessment of its structure should be undertaken following any changes in government policy.</p> <p>All members and officers of the Committee undertake a periodic training needs analysis. Two training days per year are arranged for the Committee members to deliver training on training needs identified through the analysis. Ad hoc training needs are met through Hot Topic sessions at Committee meetings.</p> <p>The Fund contracts an actuary and an investment consultant. The investment consultant attends all Committee meetings and other expert advisors attend on an ad hoc basis when appropriate. The Fund has an Independent Committee Advisor who attends all Committee meetings and provides advice to the Committee members.</p>	Comply
<p>Principle 2: Clear Objectives</p> <p>An overall investment objective should be set out for the fund that takes account of the scheme's liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers, and these should</p>	<p>The asset allocation and investment strategy are set out in the Fund's Statement of Investment Principles (SIP) and Funding Strategy Statement (FSS).</p> <p>The Actuary takes account of a range of factors including the scheme's liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers in setting contributions rates as part of the valuation process. These are all included in the FSS.</p> <p>The Committee considered the split between equities and bonds in light of the Fund's forecast liabilities before considering any other asset class. The Committee considered its appetite for risk and that of the employers in the Fund when considering the mix of asset classes. In setting the asset allocation the Committee considered many of the asset classes currently available to investors.</p> <p>The Committee has set a scheme specific benchmark and understands the risks associated with its investment strategy.</p> <p>All external procurement of advisors, investment managers and other services is conducted within the EU procurement regulations and the administering authority's own procurement rules.</p>	Comply

Statement of Investment Principles

Principle	Examples of Compliance	
be clearly communicated to advisors and investment managers.	The Fund is aware of the investment management fees charged by the investment managers and other transaction related costs. The investment managers disclose their commission costs half yearly via their Level II reports in line with industry best practice.	
<p>Principle 3: Risk and Liabilities</p> <p>In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities.</p> <p>These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk.</p>	<p>In setting the overall investment objective, the Committee has considered the appropriate risk and return profile given the Fund's views on its liabilities, financial risk and employers' ongoing ability to pay contributions.</p> <p>The triennial valuation sets out the liability profile for each individual employer within the Fund. The strength of the covenant of each employing body and risk of default is taken into consideration when setting the employer contribution rate and period over which any deficit will be recovered. The Fund's liabilities are long term in nature and the investment strategy reflects this liability profile by investing in long term return generating assets.</p> <p>The Fund maintains a Risk Register which consolidates the significant risks to the Fund; it is updated on a regular basis and reviewed by the Pension Fund Committee every six months.</p> <p>The Committee annually receives the external auditor's Annual Governance Report which states their assessment of the risk management process.</p>	Comply
<p>Principle 4: Performance assessment</p> <p>Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisors.</p> <p>Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to the scheme members.</p>	<p>The Fund's performance against its investment objective is reviewed by the Pension Fund Committee quarterly. The Fund's performance is reported six monthly to the Pension Fund Consultative Group. The Committee in consultation with its investment advisors assesses whether any action is required. Annually the Committee reviews the Fund's activities against the WM local authority universe for comparative information only.</p> <p>The fund managers attend the Pension Fund Committee periodically. The Committee arranges manager attendance on a risk basis. Officers meet with fund managers on a more regular basis and this is reported to the Pension Fund Committee.</p> <p>Services provided by advisors are market tested periodically. A more formal arrangement for assessments could be developed for advisors to measure cost, quality and consistency of advice received.</p> <p>An Annual Report is presented to the Cabinet on the Pension Fund's activities and decisions taking during the previous year.</p> <p>Over the longer term Fund performance against benchmark is attributable to investment manager appointments made by Committee. The Committee's effectiveness is ultimately measured by the level of success achieved in minimising and stabilising the level of contributions paid into the Fund by employing bodies to ensure its solvency.</p> <p>A Pensions Administration Strategy was approved by the Committee in May 2009 that outlines the administrative service standards expected from both the Fund and employers.</p>	Comply
<p>Principle 5: Responsible ownership</p> <p>Administering authorities should: Adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents, include a statement of their policy on responsible ownership in the statement of investment principles.</p> <p>Report periodically to scheme members on the discharge of such responsibilities.</p>	<p>All of the Fund's investment managers have adopted the Institutional Shareholders' Committee Statement of Principles.</p> <p>The Pension Fund Committee expects that the extent to which social, environmental and ethical issues may have a financial impact on the portfolio will be taken into account by the fund managers in the exercise of their delegated duties and reviewed by the Committee from time to time. The Fund's policy on responsible ownership is set out in its Statement of Investment Principles. The extent to which social, environmental and ethical considerations are taken into account in the selection, retention and realisation of investments is left to the discretion of the fund managers.</p> <p>The outcomes of any significant issues arising over the course of the year in the areas of responsible investment are reported as part of the newsletter or annual report (as appropriate) to scheme members.</p>	Comply
<p>Principle 6: Transparency and reporting</p> <p>Administering authorities should: Act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives.</p> <p>Provide regular communication to scheme members in the form they consider most appropriate.</p>	<p>The Fund publishes the following statements: a Governance Policy Statement, a Communications Strategy, a Funding Strategy Statement, a Statement of Investment Principles and a Pensions Administration Strategy. These statements are reviewed and updated regularly; they are approved by the Pension Fund Committee and included in the published Annual Report and Accounts.</p> <p>Fund Manager performance data is available through review of the Pension Fund Committee minutes.</p> <p>The published Annual Report and Accounts includes a review of the Fund's performance and activities during the year. It provides scheme members and employers information about the Fund, its investment and administration strategies and its performance as well as its financial statements and auditors opinion. A copy of the Annual Report is on the Fund's website at http://www.buckscc.gov.uk/bcc/pensions/investments/accounts.page and hard copies are available on request.</p> <p>The Fund's employers receive a quarterly newsletter updating them on LGP bulletins and circulars, investment performance and policy updates. The Pension Fund Consultative Group is a forum for employers and employee representatives for communication and consultation about the activities and governance of the Pension Fund, and to make recommendations to the Pension Fund Committee on matters of note, the Group meets twice a year. Other employers within the Fund are consulted with on an ad hoc basis.</p> <p>Active and deferred members receive an Annual Benefits Statement with a Guide to the content of the Statement and an update on any changes to the LGPS benefits. Pensioner members receive one newsletter per year detailing any information affecting pensions in payment as well as their annual P60 statement.</p>	Comply

Market Background

In the last 12 months equity markets recovered strongly, many reaching an all-time high, as risk assets returned to favour. UK equities returned 18%, with funds outperforming the index for the third consecutive year. Overseas markets also performed strongly. Europe was the best performing at over 20% whilst North America and Pacific were just behind at 19%. Japan delivered 15% whilst emerging markets lagged at 10%.

Sterling fell against both the US dollar and the euro, meaning that currency hedging had a detrimental impact on returns for the minority of funds that hedge any part of their currency risk. Bond performance was more muted but, with investors favouring risk assets, corporate bonds with a return of 13% outperformed government issues at 6%. Index-Linked performed well, returning 11% for the year.

Property returns were disappointing at 3% as values continued downward. Alternative assets delivered almost 10% for the year, the highest return since fiscal 2005/06. However, these returns were still well below those provided by equities.

Table 1: Annual Returns 2008/09 to 2012/13

	2008/09 %	2009/10 %	2010/11 %	2011/12 %	2012/13 %	2008/09 to 2012/13 %
UK Equities	-29.1	51.9	9.7	2.2	18.0	7.3
Overseas Equities:	-22.4	49.4	8.9	-2.1	17.5	7.7
North America	-16.6	42.9	9.8	5.7	19.0	10.5
Continental Europe	-30.0	47.4	8.6	-9.2	20.4	4.1
Japan	-14.0	32.6	-0.1	1.3	15.4	5.9
Pacific ex Japan	-20.5	64.8	13.2	-3.1	19.2	11.4
Other International	-25.6	65.8	11.6	-6.6	11.4	7.5
UK Bonds	-1.7	16.9	5.9	11.1	10.6	8.4
Overseas Bonds	9.2	13.6	2.7	7.3	10.0	8.5
Index-Linked	-1.5	11.6	6.4	19.8	11.2	9.3
Cash	3.0	2.0	2.2	0.8	2.8	2.1
Alternatives	-7.8	4.3	7.5	2.0	9.5	2.9
Property	-27.1	9.9	9.7	5.5	2.8	-1.0
Total Assets	-19.9	35.2	8.2	2.6	13.8	6.5

BCC Pension Fund Performance in 2012/2013

In the year to 31 March 2013 the annual return was 14.2% compared to its benchmark return of 12.7%, an outperformance of 1.5%. In the three years to 31 March, the Fund achieved a return of 7.8% per annum, an outperformance of 0.5% compared to its benchmark for that period.

Throughout 2012, there were ongoing concerns about global growth and European sovereign debt. In the first quarter of 2013 the aversion of a US fiscal cliff, coupled with improved risk appetite, saw growing optimism for the global economy. Blackrock, Blackstone, Investec, RLAM, Schroders and Standard Life report outperformance relative to the benchmark for the year. Aviva, GTP and Mirabaud are showing annual underperformance. Legal & General, in accordance with their passive tracker manager, marginally underperform their benchmark following the deduction of fees from their performance.

All of the Fund's investment managers have been employed for a full three year period (three years is a pension industry standard timescale for performance comparisons). Over the three years Blackrock, Blackstone, Investec, Mirabaud, RLAM, Schroders and Standard Life have outperformed their benchmarks. Legal & General, in accordance with their passive tracker manager, marginally underperformed following the deduction of fees from their performance. Aviva and GTP have underperformed against their benchmarks. The committee agreed to retain Aviva for the ongoing management of the Fund's property mandate, the pooled funds that Aviva invests in are relatively illiquid; the costs of liquidating and investing with a new property manager are significant.

Table 2: Fund Managers' Annual & Three Year Performance

Fund Manager & Mandate	Annual Performance			Three Year Performance		
	Net Performance %	Benchmark	Net Relative Return %	Net Performance %	Benchmark	Net Relative Return %
Aviva Investors	-0.1	0.3	-0.4	3.3	4.9	-1.6
Blackrock	6.4	0.7	5.7	4.9	0.8	4.1
Blackstone	8.7	0.7	8.0	5.1	0.8	4.3
GTP	14.7	16.3	-1.6	6.0	7.7	-1.7
Investec	19.8	16.3	3.5	9.7	7.4	2.3
Legal & General	16.7	16.8	-0.1	7.6	7.7	-0.1
Mirabaud	16.6	16.8	-0.2	9.8	8.8	1.0
RLAM	12.6	10.7	1.9	11.3	10.0	1.3
Schroders	16.8	16.3	0.5	7.9	7.6	0.3
Standard Life	21.3	16.8	4.5	11.0	8.8	2.2
Fund Total	14.2	12.7	1.5	7.8	7.3	0.5

The performance of the Fund's private equity investments has been excluded from the above table. This is common practice for many LGPS Funds due to the problematic nature of calculating private equity returns on a quarter-by-quarter basis, the issue of which reference benchmark to put in place, the valuations are quarterly in arrears and adjusted for cash contributions / distributions made during the quarter. Due to the long term nature of these investments where there is underperformance the Committee would not be able to terminate the contracts with these managers if they were to underperform. The Pension Fund Committee is monitoring the portfolio based on the investment manager reports for Pantheon and Partners and a separate table is included in the performance monitoring reports to the Committee.

Table 3: Asset Allocation 2012/13

	BCC Fund % 31 Mar 2012	BCC Fund % 31 Mar 2013	Average LGPS Fund % 31 Mar 2012	Average LGPS Fund % 31 Mar 2013
UK Equities	22.1	20.7	25.4	24.4
Overseas Equities	36.0	39.7	37.1	38.4
UK Bonds	12.9	10.3	11.3	11.3
Overseas Bonds	0.0	0.0	1.9	2.3
UK Index-Linked Gilts	3.2	3.4	4.8	4.1
Cash	1.6	1.0	3.5	3.2
Alternatives	16.7	17.4	8.7	9.5
Property	7.5	7.5	7.3	6.8
Total	100	100	100	100

Long Term Performance

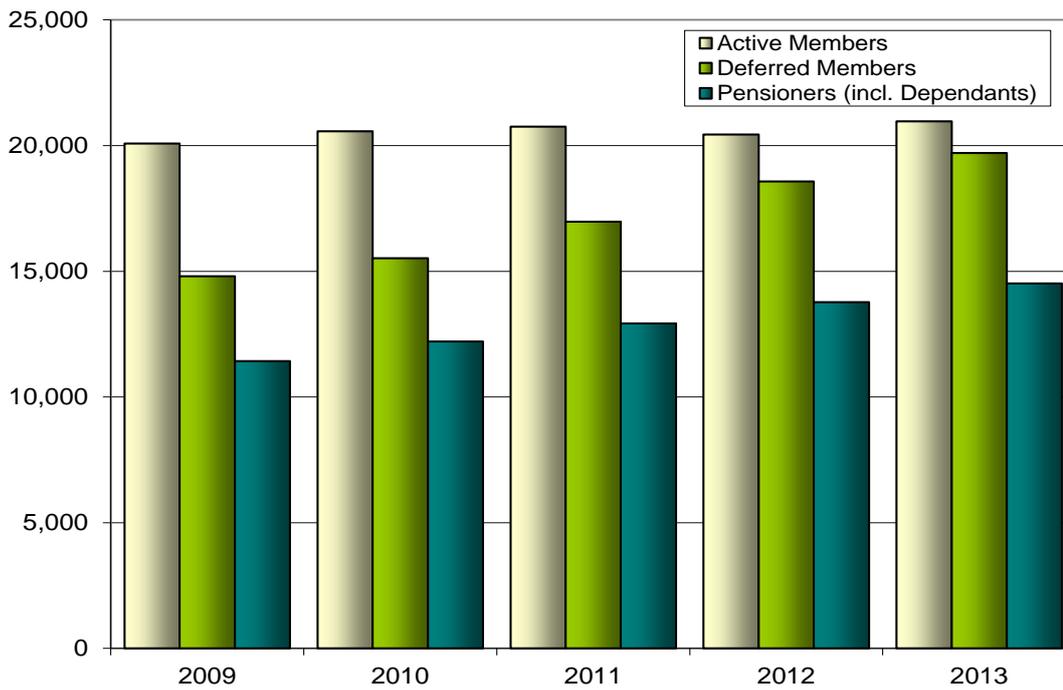
The WM Company monitors the performance of the Fund and Table 4 illustrates the relative performance of the Fund over five, three and one year periods.

Table 4: Investment Performance

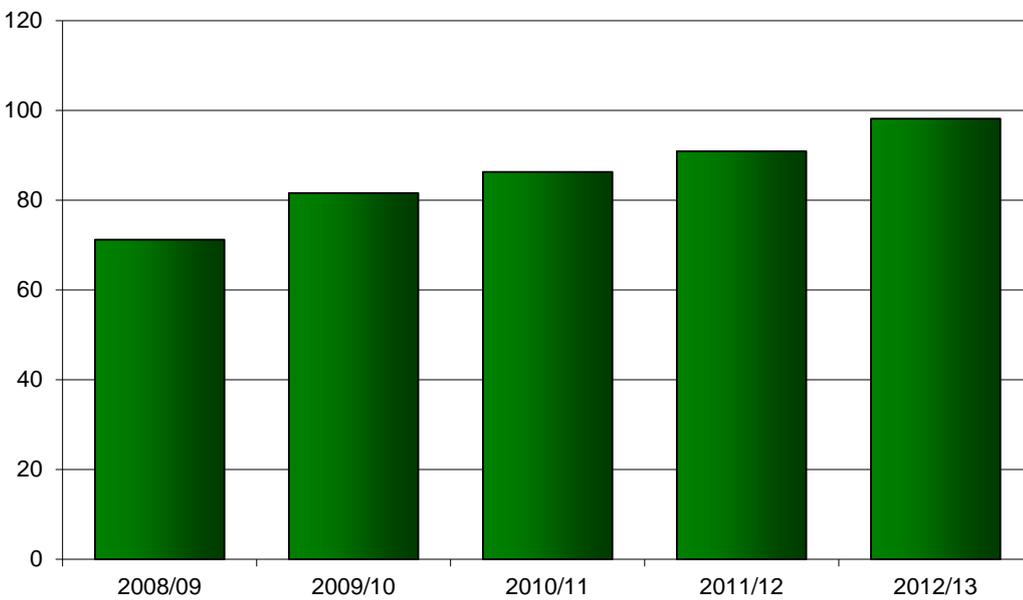
	5 years %	3 years %	1 year %
WM Local Authority Average	6.5	8.1	13.8
BCC Fund	6.4	7.8	14.2
Relative	-0.1	-0.3	0.4
Percentile	51	59	41

History of the Fund

Membership Profile

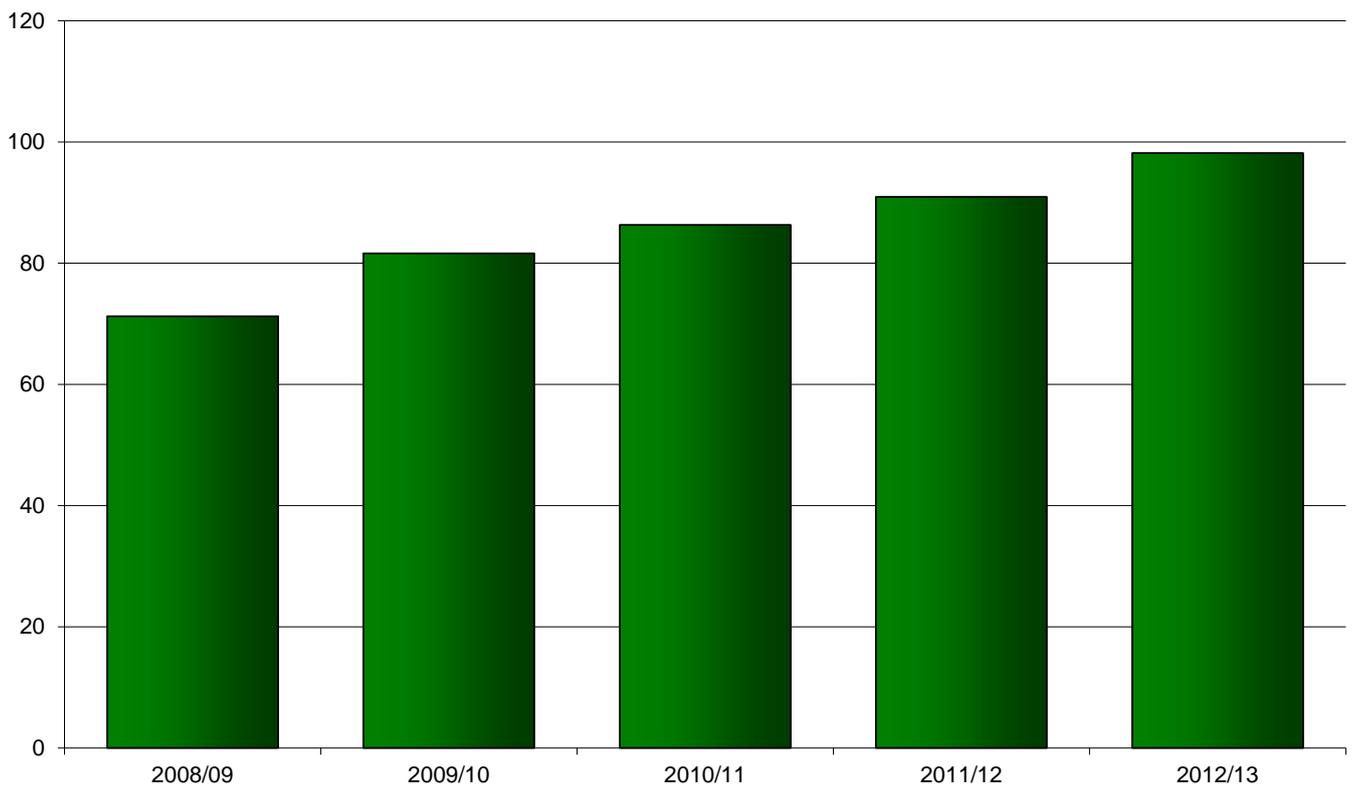


Contributions Received £m

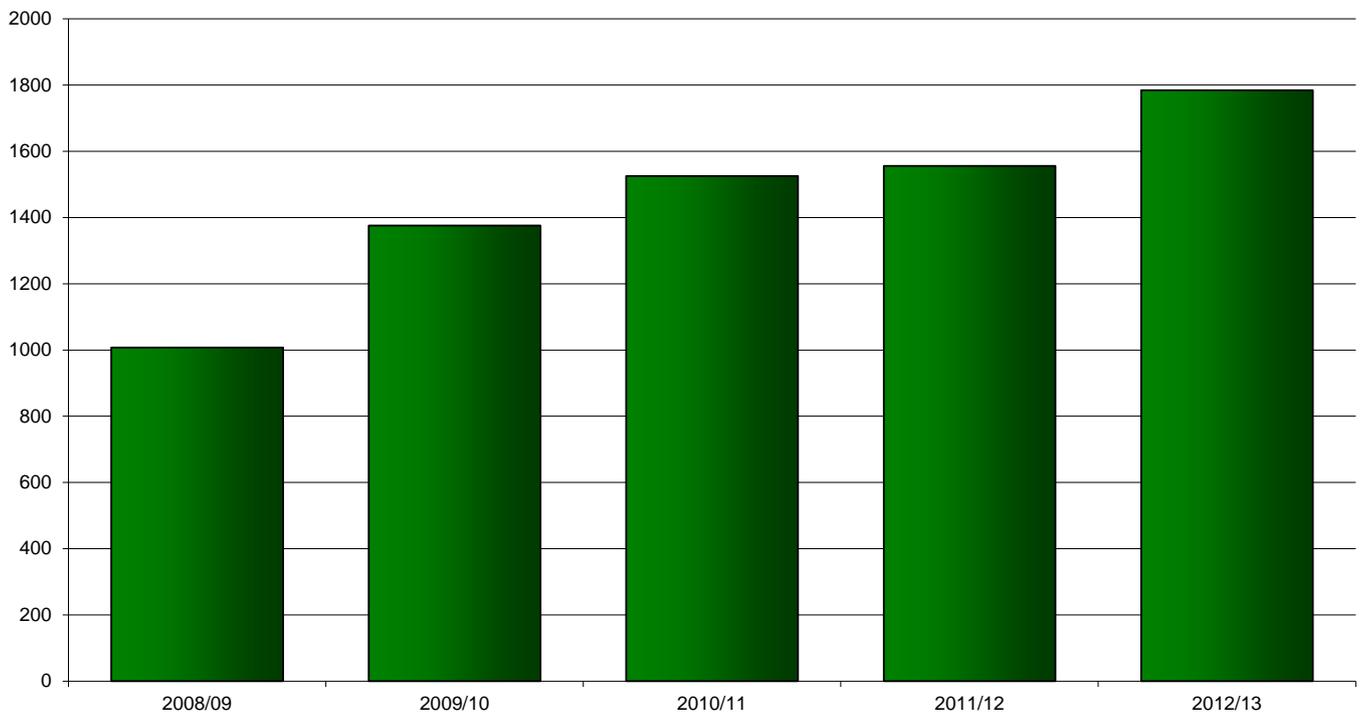


History of the Fund

Benefits Paid £m



Value of the Fund as at 31 March £m



Introduction

The last full triennial valuation of the Buckinghamshire County Pension Fund was carried out by Barnett Waddingham LLP as at 31 March 2010 in accordance with the Local Government Pension Scheme (Administration) Regulations 2008 ("the Regulations") as amended. The results were published in our report dated March 2011.

2010 Valuation

The 2010 valuation certified a common contribution rate of 19.0% of pensionable pay to be paid by each employing body participating in the Buckinghamshire County Pension Fund. In addition to this each employing body has to pay an individual adjustment to reflect its own particular circumstances and funding position within the Fund. Details of each employer's contribution rate are contained in the Rates and Adjustment Certificate in the triennial valuation report. The results for the Fund were as follows

- The funding level was determined to be 79%, i.e. the value of the accumulated assets represented 79% of the value of the accrued liabilities of Fund as at the valuation date.
- The common contribution rate was set at 19% of payroll assuming the funding level was to be restored over a 20 year period.
- In addition, adjustments were made, where appropriate, to individual Employers' contribution rates as set out in the Rates and Adjustments Certificate.

The funding level of the Fund had decreased from 81% at the 2007 triennial valuation.

Employer Contribution Rates

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

- The ongoing annual accrual of benefits for active members in respect of each employer that build up each year within the Fund, allowing for future pay increases and increases to pension in payment when these fall due.
- Plus an amount to fund the difference between each participating employer's notional share of value of the Fund's assets compared with 100% of their liabilities in the Fund.

Asset Value and Funding Level

The value of the Fund's assets as at 31 March 2010 for valuation purposes was taken as £1,322m.

The liabilities were valued allowing for expected future investment returns and increases to benefits as determined by market levels at the valuation date as follows:

- | | |
|---|----------------|
| • Rate of return on investments | 6.8% per annum |
| • Rate of increase in pay | 5.0% per annum |
| • Rate of increase to pensions in payment | 3.0% per annum |

In addition, it was assumed that there would be zero pay increase for 2 years from 31 March 2010 for those earning over £21,000. The rate of increases to pensions in payment is based on CPI rather than RPI.

Post Valuation Events – Changes in the market conditions

Since March 2010, investment returns have been better than expected. This will have a positive effect on the financial position of the Fund but we expect that the funding level may be slightly lower than at 31 March 2010, when measured on consistent assumptions.

It is likely that a greater allowance for future mortality improvements will be made at the 2013 valuation which will lower the funding level compared to adopting the mortality assumptions adopted in 2010. There may also be other changes to the assumptions and methodology reflecting more recent experience and data that has become available.

The contribution rates resulting from the 2013 valuation will take effect from 1 April 2014 and will allow for any changes to the benefits in the LGPS from that date.

Anna Short FFA, Associate, Barnett Waddingham LLP
5 September 2013

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

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

The Service Director (Finance & Commercial Services)' Responsibilities

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

In preparing this Statement of Accounts, the Service Director (Finance & Commercial Services) has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the local authority Code

The Service Director (Finance & Commercial Services) has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities

Certificate of the Service Director (Finance & Commercial Services)

I certify that this Statement of Accounts for the year ended 31 March 2013 gives a true and fair view of the financial position of the Council as at 31 March 2013 and its income and expenditure for the year ended 31 March 2013.



Richard Ambrose

Service Director (Finance & Commercial Services)

27 September 2013

Opinion on the pension fund financial statements

We have audited the pension fund financial statements of Buckinghamshire County Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13. This report is made solely to the members of Buckinghamshire County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Service Director (Finance & Commercial Services) and auditor

As explained more fully in the Statement of the Service Director (Finance & Commercial Services) Responsibilities, the Service Director (Finance & Commercial Services) is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the pension fund financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Service Director (Finance & Commercial Services); and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the pension fund annual report to identify material inconsistencies with the audited financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Opinion on the pension fund financial statements

In our opinion the pension fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2013 and the amount and disposition of the fund's assets and liabilities as at 31 March 2013; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Paul Creasey, Director

for and on behalf of Grant Thornton UK LLP

Appointed Auditor, 1020 Eskdale Road, Winnersh, Wokingham, Berkshire RG41 5TS

27 September 2013

Pension Fund Accounts

Description of the Fund

Buckinghamshire County Council Pension Fund (the Fund) is part of the Local Government Pension Scheme 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 Authority, Buckinghamshire Fire and Rescue Service, and other scheduled and admitted bodies. These are listed in Note 21 to these Financial Statements. There have been no major changes to the Fund during 2012/13. Teachers, fire fighters and police officers, for whom separate pension schemes apply, are excluded from the Pension Fund.

The purpose of the Pension Fund is to provide defined benefits for employees and their widows, widowers and children, based on pay and past service. A new Scheme is to be introduced in April 2014.

Membership of Fund

The following summarises the membership of the Fund:

31 March 2012	Membership of the Fund	31 March 2013
20,437	Contributors	20,965
13,774	Pensioners	14,522
18,575	Deferred Pensioners	19,708
<u>52,786</u>	Total Membership of the Fund	<u>55,195</u>

Pension Fund Account for the Year Ended 31 March 2013

31 March 2012 £000	Pension Fund Account	Note	31 March 2013 £000
	Contributions	3	
79,085	Employer contributions		81,657
23,920	Member contributions		25,503
7,267	Transfers in from other pension funds	4	5,594
-	Other income		105
<u>110,272</u>			<u>112,859</u>
	Benefits	5	
(60,490)	Pensions		(66,732)
(24,169)	Commutation of pensions and lump sums		(22,848)
	Payments to and on Account of Leavers	6	
(318)	Refunds of contributions		(13)
(4,351)	Transfers out		(6,797)
(1,555)	Administrative expenses	7	(1,757)
<u>(90,883)</u>			<u>(98,147)</u>
<u>19,389</u>	Net Additions from Dealings with Members		<u>14,712</u>
	Returns on Investments		
31,503	Investment income	8	30,646
(16,241)	Profits and losses on disposal of investments and changes in value of investments	9	187,598

Pension Fund Accounts

(1,401)	Taxes on Income	16	(1,296)
(2,772)	Investment management expenses	10	(2,964)
11,089	Net Return on Investments		213,984
30,478	Net Increase/(Decrease) in the Net Assets Available for Benefits During the Year		228,696
1,525,034	Net Assets of the Fund available to fund benefits at 1 April 2012		1,555,512
1,555,512	Net Assets of the Fund available to fund benefits at 31 March 2013		1,784,208

Net Assets Statement

31 March 2012	Net Assets Statement	Note	31 March 2013
£000			£000
	Investments	11	
	Fixed Interest Securities		
14,687	■ Public Sector		22,259
101,252	■ Other		113,974
545,035	Equities - quoted		647,380
39,373	Index-linked Securities		31,943
687,427	Pooled Investment Vehicles		792,727
128,366	Unit Trusts - Property		130,920
23,464	Cash Deposits		28,992
199	Derivative Contracts		(125)
5,429	Dividend income receivable		5,208
1,545,232	Net Investments		1,773,278
-	Borrowings - Sterling		
12,990	Current Assets	15	21,205
(2,710)	Current Liabilities	15	(10,275)
1,555,512	Net Assets of the Fund available to fund benefits at 31 March		1,784,208

1. Basis of Preparation

The accounts summarise the fund's transactions for the 2012/13 financial year and its position at year end as at 31 March 2013. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting (the Code), which is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

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

2. Accounting Policies and Critical Judgements in Applying Accounting Policies

Accounting Policies

Accruals of Income and Expenditure

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

Pension Fund Accounts

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, and then recharged to the Pension Fund at the year end. 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 Asset Statement. Some additional payments are made to beneficiaries on behalf of certain employers. These payments are subsequently reimbursed by those employers. The figures contained in the accounts are shown exclusive of both payments and reimbursements.

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

Investment Income

Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as dividend income receivable. Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits / losses during the year.

Benefits Payable

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

Investment Management Expenses

All investment 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:

DB Advisors – global equities
Investec Asset Management – global equities
Royal London Asset Management – bonds
Schroders – global equities
Standard Life – UK equities

Financial Instruments

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

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

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

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

Pension Fund Accounts

The value of market quoted investments is determined by the bid market price ruling on the final day of the accounting period. Fixed interest securities are recorded at net market value based on their current yields. Pooled investments in property funds, equity funds, fixed interest funds, private equity funds and hedge fund of funds are valued by the fund manager in accordance with industry guidelines.

Foreign Currency Transactions

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

Derivatives

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

Cash and Cash Equivalents

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

Contingent Assets and Liabilities

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

Critical Judgements in Applying Accounting Policies

Unquoted Private Equity Investments

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward looking estimates and judgements involving many factors. Private equities are valued by the investment managers using guidelines set out by the British Venture Capital Association.

Pension Fund Liability

The Fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS19.

Pension Fund Accounts

3. Contributions

Contributions relating to wages and salaries paid up to 31 March 2013 have been included in these accounts.

2011/12	Contributions	2012/13
£000		£000
	Employers	
27,986	Administering Authority	24,822
46,107	Scheduled Bodies	49,195
4,992	Admitted Bodies	7,634
	Employers Augmentation Costs	
-	Administering Authority	-
-	Scheduled Bodies	6
-	Admitted Bodies	-
	Members	
7,431	Administering Authority	6,872
15,696	Scheduled Bodies	16,330
793	Admitted Bodies	2,301
103,005	Total Contributions	107,160

4. Transfer Values

2011/12	Transfers in from other pension funds	2012/13
£000		£000
815	Group transfers from other schemes	-
6,452	Individual transfers from other schemes	5,594
7,267	Total Transfers in from other pension funds	5,594

The individual transfer values relate to transfers, which have been received and paid during the financial year i.e. included on a cash basis. On 31 March 2013 there were 3 (3 on 31 March 2012) transfer values out greater than £50k, for which £202k (£352k on 31 March 2012) had not been paid; there were no outstanding transfer values in greater than £50k on 31 March 2013. There was 1 on 31 March 2012, where £118k had not been received.

On 31 March 2013 there were 4 group transfers to the Fund being negotiated with other Funds, the value of the transfers in is being negotiated between the Funds' actuaries. The income due to the Fund has not been accrued since negotiations are at too early a stage for an estimate of the value to be available.

5. Benefits

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

2011/12	Benefits	2012/13
£000		£000
	Pensions	
24,703	Administering Authority	26,903
31,845	Scheduled Bodies	35,330
3,942	Admitted Bodies	4,499
21,184	Commutations of pensions and lump sum retirement benefits	21,177
2,985	Lump sum death benefits	1,671
84,659	Total Benefits	89,580

Pension Fund Accounts

6. Payments to and on Account of Leavers

2011/12	Payments to and on Account of Leavers	2012/13
£000		£000
23	Refunds to members leaving service	15
295	Payments for members joining the state scheme	(2)
-	Group transfers to other schemes	769
4,351	Individual transfers to other schemes	6,028
<u>4,669</u>	Total Payments to and on Account of Leavers	<u>6,810</u>

7. Administrative Expenses

2011/12	Administrative Expenses	2012/13
£000		£000
1,299	Administration of benefits	1,547
130	Actuarial fees	110
55	External Audit Fees	16
71	Legal and performance measurement fees	84
<u>1,555</u>	Total Administrative Expenses	<u>1,757</u>

8. Investment Income

2011/12	Investment Income	2012/13
£000		£000
5,818	Interest from fixed interest securities	6,752
19,064	Dividends from equities	17,768
1,029	Income from index-linked securities	737
(622)	Interest on cash deposits	(671)
5,664	Income from property unit trusts	6,150
550	Other	(90)
<u>31,503</u>	Total Investment Income	<u>30,646</u>

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 BNY Mellon, the Fund's custodian bank.

Investments (All values are shown £000)	Value at 31 March 2012	Reclassification of Assets	Purchases at Cost	Sales Proceeds	Change in Market Value	Value at 31 March 2013
	£000	£000	£000	£000	£000	£000
Fixed interest securities	115,939	-	123,142	(112,312)	9,464	136,233
Equities - quoted	545,035	-	358,123	(339,549)	83,771	647,380
Index-linked securities	39,373	-	293,540	(303,955)	2,985	31,943
Pooled investment vehicles	687,427	-	59,829	(51,201)	96,672	792,727
Unit Trusts - Property Funds	128,366	-	10,812	(3,053)	(5,205)	130,920
Derivative contracts	199	-	1,245	(1,606)	37	(125)
Cash deposits	23,464	-	-	5,654	(126)	28,992
	1,539,803	-	846,691	(806,022)	187,598	1,768,070
Investment income due	5,429					5,208
	1,545,232					1,773,278

Investments (All values are shown £000)	Value at 31 March 2011	Reclassification of Assets	Purchases at Cost	Sales Proceeds	Change in Market Value	Value at 31 March 2012
	£000	£000	£000	£000	£000	£000
Fixed Interest Securities	108,352	-	97,729	(96,879)	6,737	115,939
Equities - quoted	592,974	-	392,375	(416,329)	(23,985)	545,035
Index-linked securities	28,759	-	394,696	(390,239)	6,157	39,373
Pooled investment vehicles	638,405	-	183,160	(130,209)	(3,929)	687,427
Unit Trusts - Property	125,492	-	8,984	(4,150)	(1,960)	128,366
Derivative contracts	8	(25)	177	(160)	199	199
Cash Deposits	19,177	25	-	3,722	540	23,464
	1,513,167	-	1,077,121	(1,034,244)	(16,241)	1,539,803
Investment income due	4,413					5,429
	1,517,580					1,545,232

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. The funds include the following types of investments:

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

Pension Fund Accounts

The change in the fair value of investments during the year comprises all increases and decreases in the fair value of investments held at any time during the year, including profits and losses realised on sales of investments during the year. The Fund's investments in derivatives are not material and therefore further disclosures are not included in the accounts.

Transaction costs are included in the cost of purchases and in sale proceeds. These include transaction costs, brokerage commission and other fees incurred in the acquisition of investments. Indirect costs are also incurred through the bid-offer spread on investments within pooled investments.

The Fund does not participate in a stock lending programme.

On 31 March 2013 the only asset which exceeds 5% of the total value of the net assets of the Fund is a £167.5m investment in Legal & General's Europe (ex UK) Equity Index (£110.2m as at 31 March 2012).

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; the hedge disclosure is not applicable to this type of investment.

10. Investment Management Expenses

The value of the Fund with the fund managers as at 31 March 2013 was £1,769m (£1,543m at 31 March 2012). The Fund paid £2.964m investment management expenses in the year to 31 March 2013 (£2.772m in the year to 31 March 2012). Fund manager fees have been calculated according to the specific mandate and the associated contract agreement as follows:

Fund Manager	Mandate	Negotiated Fee Basis	Proportion of Fund 31 March 2012	Proportion of Fund 31 March 2013
Aviva Investors	Property	Percentage of fund	9%	8%
BlackRock	Cash / inflation plus	Percentage of fund	5%	4%
Blackstone Alternative Asset Management	Hedge fund of funds	Percentage of fund	4%	4%
DB Advisors	Less constrained global equities	Performance related fee	7%	7%
Investec Asset Management	Less constrained global equities	Performance related fee	7%	7%
Legal & General Investment Management	Passive index-tracker	Percentage of fund	27%	27%
Mirabaud Investment Management Limited	UK equities	Percentage of fund	9%	9%
Pantheon Private Equity	Private Equity	Percentage of Funds Committed & Incentive Fee	5%	6%
Partners Group	Private Equity	Percentage of fund	3%	3%
Royal London Asset Management	Core Plus Bonds	Performance related fee	10%	10%
Schroders	Less constrained global equities	Performance related fee	7%	7%
Standard Life Investments	Less constrained UK equities	Performance related fee	7%	8%

Pension Fund Accounts

11. Analysis of the Value of Investments

2011/12 £000	Analysis of the Value of Investments	2012/13 £000
	Fixed Interest Securities	
13,871	UK public sector	21,452
816	Overseas public sector	807
98,634	UK other	113,508
2,618	Overseas other	466
115,939	Total Fixed Interest Securities	136,233
	Equities	
221,808	UK quoted	269,286
323,227	Overseas quoted	378,094
545,035	Total Equities	647,380
	Other	
39,373	Index-linked securities public sector	31,943
-	Index-linked securities other	-
687,427	Pooled Investment vehicles	792,727
128,366	Unit Trusts - Property Funds	130,920
5,429	Investment income due	5,208
199	Derivatives	(125)
23,464	Cash deposits - sterling and foreign cash	28,992
884,258	Total Other	989,665
1,545,232	Total Value of Investments	1,773,278

Pension Fund Accounts

12. Financial Instruments

The Net Assets of the Fund disclosed in the Net Asset Statement are made up of the following categories of financial instruments:

31 March 2012			31 March 2013		
Fair value through profit and loss £000	Loans And Receivables £000	Financial Liabilities At amortised cost £000	Fair value through profit and loss £000	Loans And Receivables £000	Financial Liabilities At amortised cost £000
Financial Assets					
115,939	-	-	Fixed Interest Securities	136,233	-
545,035	-	-	Equities - quoted	647,380	-
39,373	-	-	Index-linked Securities	31,943	-
687,427	-	-	Pooled investment vehicles	792,727	-
128,366	-	-	Property – Unit Trusts	130,920	-
199	-	-	Derivatives	-	-
5,429	-	-	Dividend Income Receivable	5,208	-
-	23,464	-	Cash Deposits	-	28,992
-	340	-	Current Assets	-	11,708
1,521,768	23,804	-		1,744,411	40,700
Financial Liabilities					
-	-	-	Derivatives	(125)	-
-	-	-	Borrowings	-	-
-	-	(1,972)	Current Liabilities	-	(9,413)
-	-	(1,972)		(125)	(9,413)
1,521,768	23,804	(1,972)	Total	1,744,286	40,700
					(9,413)

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

31 March 2012 £000		31 March 2013 £000
Financial Assets		
13,502	Fair value through profit and loss	217,947
(548)	Loans and receivables	(819)
-	Financial liabilities measured at amortised cost	-
Financial Liabilities		
-	Fair value through profit and loss	-
-	Loans and receivables	-
-	Financial liabilities measured at amortised cost	-
12,954	Total	217,128

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. Products classified as level 1 include quoted equities, quoted index linked securities and unit trusts. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

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

Level 3: Financial instruments at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions. The values of the investment in private equity are based on valuations provided by the general partners to the private equity fund of funds in which the Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS. Valuations are audited annually as at 31 December, 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 table below 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 2013	Quoted	Using	With	Total
	Market Price	Observable	Significant	
		Inputs	Unobservable	
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Fixed Interest Securities	-	136,233	-	136,233
UK Equities - quoted	269,286	-	-	269,286
Overseas Equities - quoted	378,094	-	-	378,094
Index-linked Securities	-	31,943	-	31,943
Pooled investment vehicles	7,673	-	785,054	792,727
Property – Unit Trusts	27,645	-	103,275	130,920
Derivatives	-	(125)	-	(125)
Dividend Income Receivable	5,208	-	-	5,208
Cash Deposits	28,992	-	-	28,992
Borrowings	-	-	-	-
Current Assets	11,708	-	-	11,708
Current Liabilities	(9,413)	-	-	(9,413)
Total	719,193	168,051	888,329	1,775,573

Value at 31 March 2012	Quoted	Using	With	Total
	Market Price	Observable	Significant	
		Inputs	Unobservable	
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Fixed Interest Securities	-	115,939	-	115,939
UK Equities - quoted	221,808	-	-	221,808
Overseas Equities - quoted	323,227	-	-	323,227
Index-linked Securities	-	39,373	-	39,373
Pooled investment vehicles	4,833	-	682,594	687,427
Property – Unit Trusts	26,662	-	101,704	128,366
Derivatives	-	199	-	199
Dividend Income Receivable	5,429	-	-	5,429
Cash Deposits	23,414	50	-	23,464
Borrowings	-	-	-	-
Current Assets	340	-	-	340
Current Liabilities	(1,972)	-	-	(1,972)
Total	603,741	155,561	784,298	1,543,600

13. Additional Financial Risk Management Disclosures

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

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

Market Risk

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

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

Market Price Risk

Market price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting the market in general. By diversifying investments across asset classes and managers, the Fund aim to reduce the exposure to price risk. Diversification of asset classes seeks to reduce correlation of price movements, whilst the appointment of specialist managers enables the Fund to gain from their investment expertise.

Market Price - Sensitivity Analysis

Whilst the value of the Fund's assets is sensitive to changes in market conditions and the Fund's assets are diversified across fund managers and asset classes to mitigate the risks. The Fund's liability to pay future benefits is equally sensitive, particularly to interest rate changes. The Fund's investment consultant undertakes triennial strategy reviews following the triennial actuarial valuation to ensure that the asset allocation of the Fund remains appropriate to expectations for its liabilities both in the short term and in the long term. The latest review, carried out in June 2011, showed an overall risk factor (standard deviation) for the Fund of 15.2% had increased compared to the previous review due to volatility in the financial markets. The next review is due in early 2014; interim strategy reviews can be undertaken if required. Following analysis of historical data and expected investment return movement during the financial year, State Street Investment Analytics have determined that the following movements in market price risk are reasonably possible for the 2013/14 reporting period.

Pension Fund Accounts

Asset Type	Percentage Change 31 March 2013 %
Fixed interest securities	4.50
UK equities – quoted	14.03
Overseas equities - quoted	13.65
Index-linked securities	7.31
Pooled Investment vehicles	15.22
Unit Trusts – Property Funds	1.93
Alternatives	4.27
Derivative contracts	4.27
Cash deposits	0.01
Investment income due	15.22

If the market price of the Fund's investments does in/decrease in line with the above, the change in the market price of net assets available to pay benefits would be as follows.

Asset Type	31 March 2013 £000	Percentage Change %	Value on increase £000	Value on decrease £000
Fixed interest securities	136,233	4.50	142,363	130,103
UK equities – quoted	269,286	14.03	307,067	231,505
Overseas equities – quoted	378,094	13.65	429,704	326,484
Index-linked securities	31,943	7.31	34,278	29,608
Pooled Investment vehicles	349,391	15.22	402,568	296,214
Unit Trusts – Property Funds	130,920	1.93	133,447	128,393
Alternatives	443,336	4.27	462,267	424,406
Derivative contracts	(125)	4.27	(120)	(130)
Cash deposits	28,992	0.01	28,995	28,989
Investment income due	5,208	15.22	6,001	4,415
Total	1,773,278		1,946,570	1,599,987

Following analysis of historical data and expected investment return movement during the financial year, State Street Investment Analytics have determined that the following movements in market price risk are reasonably possible for the 2012/13 reporting period.

Asset Type	Percentage Change 31 March 2012 %
Fixed interest securities	4.83
UK equities – quoted	15.97
Overseas equities - quoted	15.83
Index-linked securities	6.13
Pooled Investment vehicles	17.24
Unit Trusts – Property Funds	6.07
Alternatives	4.32
Derivative contracts	4.32
Cash deposits	0.02
Investment income due	17.24

Pension Fund Accounts

If the market price of the Fund's investments had in/decreased in line with the above, the change in the market price of net assets available to pay benefits would have been as follows.

Asset Type	31 March 2012 £000	Percentage Change %	Value on increase £000	Value on decrease £000
Fixed interest securities	115,939	4.83	121,539	110,339
UK equities – quoted	221,808	15.97	257,231	186,385
Overseas equities – quoted	323,227	15.83	374,394	272,060
Index-linked securities	39,373	6.13	41,787	36,959
Pooled Investment vehicles	426,186	17.24	499,660	352,711
Unit Trusts – Property Funds	128,366	6.07	136,158	120,574
Alternatives	261,241	4.32	272,527	249,956
Derivative contracts	199	4.32	208	190
Cash deposits	23,464	0.02	23,469	23,459
Investment income due	5,429	17.24	6,365	4,493
Total	1,545,232		1,733,338	1,357,126

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.

The Fund's exposure to interest rate movements from its investments in cash and fixed interest investments at 31 March 2012 and 31 March 2013 is provided below.

	31 March 2012 £000	31 March 2013 £000
Cash deposits	23,464	28,992
Cash balances (not forming part of the investment assets)	1,295	10,318
Fixed interest securities	115,939	136,233
Total	140,698	175,543

Interest Rate – Sensitivity Analysis

The Pension Fund recognises that interest rates vary and can impact on the fair value of the assets. The sensitivity of the Fund's investments to changes in interest rates has been analysed by showing the impact of a 1% change in interest rates. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	Value £000	Change for the year in net assets available to pay benefits	
		1%	-1%
As at 31 March 2013	£000	£000	£000
Cash deposits	28,992	290	(290)
Cash balances (not forming part of the investment assets)	10,318	103	(103)
Fixed interest securities	136,233	1,362	(1,362)
Total	175,543	1,755	(1,755)

	Value	Change for the year in net assets available to pay benefits	
		1%	-1%
As at 31 March 2012	£000	£000	£000
Cash deposits	23,464	235	(235)
Cash balances (not forming part of the investment assets)	1,295	13	(13)
Fixed interest securities	115,939	1,159	(1,159)
Total	140,698	1,407	(1,407)

A 1% increase in interest rates will reduce the fair value of the relevant net assets and vice versa.

Currency Risk

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

The following table summarises the Fund's currency exposure as at 31 March 2012 and 31 March 2013.

Currency Exposure by Asset Type	31 March 2012	31 March 2013
	£000	£000
Fixed interest securities	468	-
Equities – quoted	291,424	345,433
Index-linked securities	-	-
Pooled Investment vehicles	122,655	156,758
Unit Trusts – Property Funds	17,307	16,568
Cash deposits	7,264	2,428
Total	439,118	521,187

Currency Risk – Sensitivity Analysis

The sensitivity of the Fund's investments to changes in foreign currency rates have been analysed using a 5.47% movement in exchange rates in either direction for 31 March 2013. This analysis assumes that all variables, in particular interest rates, remain constant. State Street Investment Analytics provided data on currency risk for various currencies, based on the Fund's make up of the Fund's currency exposure a 5.47% fluctuation in the currency is considered reasonable.

A 5.5% strengthening or weakening of Sterling against the various currencies at 31 March 2013 would have increased or decreased the net assets by the amount shown below.

Pension Fund Accounts

Currency Exposure by Asset Type	31 March 2013	Value on increase	Value on decrease
	£000	£000	£000
		+5.47%	-5.47%
Fixed interest securities	-	-	-
Equities – quoted	345,433	364,328	326,538
Index-linked securities	-	-	-
Pooled Investment vehicles	156,758	165,333	148,183
Unit Trusts – Property Funds	16,568	17,474	15,662
Cash deposits	2,428	2,561	2,295
Total	521,187	549,696	492,678

The sensitivity of the Fund's investments to changes in foreign currency rates have been analysed using a 9.6% movement in exchange rates in either direction for 31 March 2012. This analysis assumes that all variables, in particular interest rates, remain constant. A 9.6% strengthening or weakening of Sterling against the various currencies at 31 March 2012 would have increased or decreased the net assets by the amount shown below.

Currency Exposure by Asset Type	31 March 2012	Value on increase	Value on decrease
	£000	£000	£000
		+9.6%	-9.6%
Fixed interest securities	468	513	423
Equities – quoted	291,424	319,378	263,470
Index-linked securities	-	-	-
Pooled Investment vehicles	122,655	134,420	110,890
Unit Trusts – Property Funds	17,307	18,967	15,647
Cash deposits	7,264	7,961	6,567
Total	439,118	481,239	396,997

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.

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 TSB, 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 2013 was £3.389m in an instant access Lloyds TSB account (£1.285m at 31 March 2012 in an instant access Santander UK call account which has an A long term credit rating). Cash held by investment managers is invested with the global custodian, BNY Mellon, in a diversified money market fund rated AAAM.

Pension Fund Accounts

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 set out the strategic asset allocation of the Fund. Liquidity risk is mitigated by investing a proportion of the Fund in actively traded instruments in particular equities and fixed income investments. The Fund maintains a cash balance to meet operational requirements.

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

31 March 2012		31 March 2013
£000		£000
134,088	Aviva	134,015
63,675	Blackstone	69,216
84,271	Pantheon Private Equity	113,988
38,050	Partners Group	46,104
342	Hg Capital	344
320,426		363,667

14. Related Parties

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

The County Council was reimbursed £1.4m (£1.2m in 2011/12) for administration costs incurred by the County Council on behalf of the Pension Fund. The Council is also the single largest employer of members of the Pension Fund and contributed £31.7m to the Fund in 2012/13 (£35.4m in 2011/12).

The Pension Fund's surplus cash held for day to day cash flow purposes is invested on the money markets by the treasury management function of Buckinghamshire County Council, through a service level agreement. During the year to 31 March 2013, the Fund had an average investment balance of £5.4m (year to 31 March 2012, £4.4m), earning interest of £39k (£35k year to 31 March 2012). In recent years the average cash balances have been lower due to an increase in the value and frequency of cash drawdowns requested by the Fund's private equity managers resulting in the Fund carrying lower average cash balances. The Pension Fund cash balances are replenished when the Fund receives contributions from the Fund's employers. In order to reduce the requirement to hold excess working cash balances the Pension Fund Committee agreed that since there is no external market that will lend cash to the Fund, the Fund could borrow temporarily from the County Council to meet ad hoc unexpected expenditure. There was one (four in 2011/12) instance when the Pension Fund cash balances were low resulting in the Fund borrowing £525k overnight from the County Council in order to pay pension benefits due or to meet its investment commitments.

There are three members of the Pension Fund Committee who are active members of the Fund and one who is a deferred member. There are three employees who hold key positions in the financial management of the Fund who are active members. A proportion of their role is in respect of the Fund, the cost of that proportion of their work is lower than the value required for further detailed disclosure. The remuneration paid to the County Council's senior officers is published in the County Council's accounts.

Paragraph 3.9.4.3 of the Code exempts local authorities from the key management personnel disclosure requirements of IAS 24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in section 3.4 of the Code (which are derived from the requirements of Regulation 7(2) – (4) of the Accounts and Audit (England) Regulations 2011) satisfy the key management personnel disclosure requirements of paragraph 16 of IAS 24. This applies in equal measure to the Buckinghamshire County Council Pension Fund.

The disclosures required by Regulation 7(2)–(4) of the Accounts and Audit (England) Regulations can be found in the main accounts of Buckinghamshire County Council.

Pension Fund Accounts

15. Current Assets and Liabilities

2011/12 £000	Current Assets and Liabilities	2012/13 £000
	Current Assets	
7,074	Contributions due from employers 31 March	7,453
1,295	Cash Balances (not forming part of the investment assets)	10,318
4,621	Other Current Assets	3,434
12,990	Total Current Assets	21,205
	Current Liabilities	
(794)	Management charges	(891)
(738)	HM Revenue and Customs	(862)
(498)	Unpaid benefits	(1,131)
(680)	Other Current Liabilities	(7,391)
(2,710)	Total Current Liabilities	(10,275)
10,280	Net Current Assets	10,930

2011/12 £000	Current Assets and Liabilities	2012/13 £000
	Current Assets	
2,439	Central Government Bodies	2,610
7,705	Other Local Authorities	5,872
7	NHS Bodies	8
1,772	Public Corporations and Trading Funds	10,362
1,067	All Other Bodies	2,353
12,990	Total Current Assets	21,205
	Current Liabilities	
(745)	Central Government Bodies	(862)
(571)	Other Local Authorities	(296)
-	NHS Bodies	-
(610)	Public Corporations and Trading Funds	(688)
(784)	All Other Bodies	(8,429)
(2,710)	Total Current Liabilities	(10,275)
10,280	Net Current Assets	10,930

Pension Fund Accounts

16. Taxes on Income

2011/12	Taxes on Income	2012/13
£000		£000
0	Withholding tax – fixed interest securities	0
1,401	Withholding tax - equities	1,296
1,401	Total Taxes on Income	1,296

The Fund is unable to reclaim Advance Corporation Tax (ACT). However, 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 Income Taxes Act 1988 and is therefore not liable to UK income tax or capital gains tax.
- Income earned from investments overseas in the United States and certain other countries is exempt from national taxation and therefore not subject to withholding tax.

17. Actuarial Position of the Fund

In accordance with the Local Government Pension Scheme Regulations 2008 as amended, actuarial valuations are currently made at three-yearly intervals.

The main purposes of actuarial valuations are:

- to assess the contributions required to provide for benefits currently accruing to active members;
- to assess whether the funds in hand are sufficient to meet the existing commitments.

If funds are not sufficient, additional employers' contributions are payable, whereas if the funds are more than sufficient these may be reduced.

The Fund's Actuary, Barnett Waddingham LLP, undertook a valuation of the Fund as at 31 March 2010 in accordance with Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 as amended. On that date the market value of the assets held were £1,376m, sufficient to cover 79% of the accrued liabilities assessed on an ongoing basis. The funding policy is set to recover the deficit over a twenty-year period; average contributions required are 19%. The revised employers' contribution arrangements were effective from 1 April 2011; employer contribution rates range from 14.0% to 27.6%, with Buckinghamshire County Council paying 22.8%.

The main assumptions used in the valuation were:

- | | | |
|--|------|-----------|
| ▪ Investment return – equities / absolute return funds | 7.5% | per annum |
| ▪ Investment return - gilts | 4.5% | per annum |
| ▪ Investment return - bonds and property | 5.6% | per annum |
| ▪ Investment return - discount rate | 7.1% | per annum |
| ▪ Investment return – risk adjusted discount rate | 6.8% | per annum |
| ▪ Pay increases | 5.0% | per annum |
| ▪ Price inflation | 3.5% | per annum |
| ▪ Pension increases | 3.0% | per annum |

The outcome of the next triennial valuation as at 31 March 2013 will be published towards the end of 2013. The most recent interim valuation took place as at 31 March 2012 which showed that the funding level had decreased to 75%.

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 2010. On an IAS 19 basis the Actuary estimates that the net liability as at 31 March 2013 is £532m (31 March 2012 £643m), 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 to borrowing costs, and so different amounts are required. This manifests itself in different discount rates being used in each type of valuation, and so different values are placed on the same liabilities.

31 March 2012		31 March 2013
£000		£000
2,100,889	Present Value of Funded Obligation	2,316,281
1,457,774	Fair Value of Scheme Assets	1,784,200
643,115	Net Liability	532,081

The Present Value of Funded Obligation consists of £1,863m (£1,721m at 31 March 2012) in respect of Vested Obligation and £453m (£379m at 31 March 2012) in respect of Non-Vested Obligation. Vested benefits are the benefits that employees have a right to receive even if they do not render services to the employer. In other words, the employees will receive their vested benefits even if they stop working for the employer. Thus, non-vested benefits are the benefits an employee can receive in the future if he or she continues providing services to the employer. The liabilities above are calculated on an IAS19 basis and therefore differ from the results of the triennial funding valuation (see Note 17) because IAS19 stipulates a discount rate rather than a rate that reflects market rates. The main assumptions used were:

31 March 2012		31 March 2013
3.3%	RPI Increases	3.4%
2.5%	CPI Increases	2.6%
4.7%	Salary Increases	4.8%
2.5%	Pension Increases	2.6%
4.6%	Discount Rate	4.5%

These assumptions are set with reference to market conditions at 31 March. The Actuary's estimate of the duration of the Fund's liabilities is 22 years. The discount rate is the annualised yield at the 22 year point on the Merrill Lynch AA rated corporate bond curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the Fund's liabilities. This approach has been updated from previous disclosures when the yield on the iBoxx AA rated over 15 year corporate bond index was used as a standard assumption for most employers in the Fund.

The RPI increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England, specifically the 22 year point on the Bank

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of England spot inflation curve. Previously the 20 year point was used and so this has been updated. This measure has historically overestimated future increases in the RPI and so the Actuary made a deduction of 0.25% to get the RPI assumption of 3.4%. As future pension increases are expected to be based on CPI rather than RPI, the Actuary made a further assumption about CPI which is that it will be 0.8% below RPI i.e. 2.6%.

Salary increases are then assumed to be 1.4% above RPI in addition to a promotional scale.

19. Contingent Liabilities and Contractual Commitments

Contractual commitments that the Fund has entered into by 31 March 2013 are:

Contractual Commitments	Amount Paid as at 31 March 2012 \$000	Amount Paid as at 31 March 2013 \$000	Total Contractual Commitment \$000
Pantheon Asia Fund V LP	15,875	19,375	25,000
Pantheon Asia Fund VI LP	-	9,400	47,000
Pantheon USA Fund VII Limited	13,961	15,555	21,250
Pantheon USA Fund VIII Feeder LP	37,875	45,075	75,000
Pantheon Global Secondary Fund IV Feeder LP	3,990	7,065	15,000
Partners Group Global Resources 2009, LP	18,919	21,523	35,000
	90,620	117,993	218,250
	€000	€000	€000
Pantheon Europe Fund V "A" LP	12,325	13,956	18,125
Pantheon Europe Fund VI LP	30,550	39,000	65,000
Partners Group Global Real Estate 2008 SICAR	19,291	21,411	25,000
Partners Group Global Infrastructure 2009 SICAR	12,047	14,552	25,000
	74,213	88,919	133,125

These contractual commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity, resources, global real estate and infrastructure parts of the portfolio. The amounts "called" by the funds are irregular in both size and timing over several years from the date of each original commitment. The total contractual commitment at 31 March 2013 includes a \$47m commitment to Pantheon Asia Fund VI; this is the only difference in the total contractual commitment at 31 March 2013 compared to 31 March 2012.

On 31 March 2013 there were 4 group transfers to the Fund under discussion with other Funds; the value of the transfers is being negotiated between the Funds' actuaries.

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20. Additional Voluntary Contributions (AVCs)

AVC providers secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. The AVC providers to the Fund are Prudential and Clerical Medical. Prudential invests in several funds including a with profits accumulation fund, a deposit fund and a discretionary fund. Clerical Medical invests in with profits and unit-linked funds, the financial year for this fund is 1 November to 31 October and the financial information included is for this period. These amounts are not included in the Pension Fund Net Asset Statement in accordance with regulation 5(2)c of the Pension Scheme (Management and Investment of Funds) Regulations 1998 (SI 1998 No 1831).

2011/12	Prudential	2012/13
£000		£000
4,480	Value of AVC fund at beginning of year	4,168
650	Employee contributions	698
296	Investment income	198
(1,258)	Benefits paid and transfers out	(825)
4,168	Value of AVC fund at year end	4,239

1.11.2010 - 31.10.2011	Clerical Medical	1.11.2011 - 31.10.2012
£000		£000
3,803	Value of AVC fund at beginning of year	3,642
276	Employee contributions	265
469	Investment income	298
(906)	Benefits paid and transfers out	(681)
3,642	Value of AVC fund at year end	3,524

21. List of Scheduled and Admitted Bodies

Scheduled Bodies

Buckinghamshire County Council	Woburn Sands Town Council
Buckinghamshire Fire and Rescue Service	Wolverton & Greenleys Town Council
Thames Valley Police	Wooburn & Bourne End Parish Council
Aylesbury Vale District Council	Woughton Community Council
Chiltern District Council	Alfriston School
Milton Keynes Council	Amersham School
South Bucks District Council	Amersham & Wycombe College
Wycombe District Council	Aylesbury College
	Aylesbury Grammar School
Amersham Town Council	Aylesbury High School
Aston Clinton Parish Council	Aylesbury Vale Academy
Aylesbury Town Council	Beaconsfield High School
Bletchley & Fenny Stratford Town Council	Beechview Middle School
Buckingham Town Council	Bedgrove Infant School
Burnham Parish Council	Bedgrove Junior School
Campbell Park Parish Council	Bourton Meadow Academy
Chalfont St Giles Parish Council	Brookmead School
Chalfont St Peter Parish Council	Brooksward School
Chepping Wycombe Parish Council	Brushwood Middle School
Chesham Bois Parish Council	Buckinghamshire New University
Chesham Town Council	Burnham Grammar School
Chiltern Crematorium	Burnham Park E-Act Academy
Chilterns Conservation Board	Castlefield School
Denham Parish Council	Chalfonts Community College
Farnham Royal Parish Council	Chalfont St Peter CE Academy
Gerrards Cross Parish Council	Chalfont Valley E-Act Academy
Great Missenden Parish Council	Chepping View Primary Academy
Hambleden Parish Council	Chesham Grammar School
Hazlemere Parish Council	Chiltern Hills Academy
Iver Parish Council	Cottesloe School
Lane End Parish Council	Danesfield School
Little Marlow Parish Council	Denbigh School
Loughton Parish Council	Dr Challoner's Grammar School
Marlow Town Council	Dr Challoner's High School
Newport Pagnell Town Council	Germander Park School
Newton Longville Parish Council	Gerrards Cross C E School
Olney Town Council	Glastonbury Thorn First School
Piddington & Wheeler End Parish Council	Great Marlow School
Princes Risborough Town Council	Green Park School
Shenley Brook End and Tattenhoe Parish Council	Hamilton Primary School
Shenley Church End Parish Council	Hazeley School
Stantonbury Parish Council	Highcrest Academy
Stony Stratford Town Council	Holmer Green Senior School
Wendover Parish Council	John Colet School
West Bletchley Town Council	John Hampden Grammar School
West Wycombe Parish Council	Lord Grey School
Winslow Town Council	Loudwater Combined School

Loughton Middle School
 Milton Keynes Academy
 Milton Keynes College
 New Bradwell Combined School
 Oakgrove School
 Olney Infant School
 Ousedale School
 Overstone Combined School
 Oxley Park Academy
 Portfields Combined School
 Princes Risborough School
 Radcliffe School
 Royal Grammar School, Wycombe
 Royal Latin School
 St Nicholas' CoE Combined School
 St Paul's RC School
 Seer Green CofE School
 Shenley Brook End School
 Sir Henry Floyd Grammar School
 Sir Herbert Leon Academy
 Sir William Borlase's Grammar School
 Sir William Ramsay School

Southwood Middle School
 Stanton Middle School
 Stantonbury Campus
 Stephenson Academy
 The Premier Academy
 Tickford Park School
 Two Mile Ash School
 Waddesdon C E School
 Walton High School
 Wycombe High School

Election Fees:
 Aylesbury Vale Local
 Aylesbury Vale Parliamentary
 Chiltern Local
 Chiltern Parliamentary
 Milton Keynes Local
 Milton Keynes Parliamentary
 Wycombe Local
 Wycombe Parliamentary
 South Bucks Local
 South Bucks Parliamentary

Admitted Bodies

Acorn Childcare
 Action for Children
 Ambassadors Theatre Group
 AMEY plc
 Archgate Cleaning
 Aylesbury Vale Advantage
 Aylesbury Vale Community Trust
 Aylesbury Vale Dial-a-Ride
 Beacon Housing Association
 Braybourne Cleaning Services
 Bucks Association of Local Councils
 Bucks Vision
 Community Impact Bucks
 Connection FS
 Connexions
 Cygnet Foods
 Excelcare
 Fremantle Trust
 Hays Specialist Recruitment
 Heritage Care
 Hertsmere Leisure Trust
 Hightown Praetorian & Churches Housing Association
 MK Dons
 Mouchel
 NorthgateArinso
 NSL Services Group

Oxfordshire Health NHS Foundation Trust
 Paradigm Housing Association
 Penn School
 Pitney Bowes
 Police Superintendents Association
 Race Equality Council
 Red Kite Community Housing Ltd
 Ringway Jacobs
 Risk Management Security Services
 SDK (Environmental)
 Vale of Aylesbury Housing Trust
 Wolverton & Watling Way Pools Trust
 Wycombe Dial-A-Ride

Glossary of Terms and Acronyms Used

Active Management

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

Actuary

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

Additional Voluntary Contributions (AVCs)

AVCs are paid by a contributor who decides to supplement their pension by paying extra contributions to the Scheme's AVC providers (Clerical Medical and Prudential).

Admitted Bodies

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

Alternative Investments

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

Asset Allocation

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

Benchmark

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

Communities and Local Government (CLG)

Formerly the Office of the Deputy Prime Minister (ODPM), CLG is the government department responsible for the Local Government Pension Scheme.

Commutation

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

Contingent Liability

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

Corporate Bonds

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

Corporate Governance

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

Custody, Custodian

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

Dividend

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

Emerging Markets

The financial markets of developing countries.

Equities

Shares in UK and overseas companies.

Fixed Interest

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

FTSE All-Share Index

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

Gilts, Gilt-edged Securities

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

Hedge Fund

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

Index-linked Gilts

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

Mature Scheme

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

Myners Report

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

Passive Management

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

Risk

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

Scheduled Bodies

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

Specialist Management

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

Stock Selection

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

Style

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

Tracker Fund

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

Transfer Value

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

Unit Trust

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

Unquoted Securities

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

Value Manager

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

WM Company

The company that provides the Fund's performance measurement information.