

**Pension Fund Annual Report**  
for the year ended 31 March 2014

COUNTY OFFICES

## Contents

---

<b>Who's Who</b> .....	1
<b>Introduction from the Service Director (Finance and Commercial Services)</b> .....	2
<b>Governance Statements</b> .....	3
Governance Policy Statement.....	3
Governance Compliance Statement .....	3
<b>Pension Administration Strategy</b> .....	4
<b>Communications Policy Statement</b> .....	5
<b>The Pensions Team</b> .....	6
<b>Scheme Administration Report</b> .....	7
<b>Benefits</b> .....	8
<b>Funding Strategy Statement</b> .....	11
<b>Statement of Investment Principles</b> .....	12
<b>Market Background</b> .....	18
<b>BCC Pension Fund Performance in 2013/14</b> .....	19
<b>History of the Fund</b> .....	21
<b>Actuary's Statement as at 31 March 2014</b> .....	23
<b>Statement of Responsibilities for the Statement of Accounts</b> .....	24
<b>Independent Auditor's Report to the Members of Buckinghamshire County Council</b> .....	25
Description of the Fund .....	26
Membership of the Fund .....	26
<b>Pension Fund Account for the Year Ended 31 March 2014</b> .....	26
Net Assets Statement .....	27
1. Basis of Preparation .....	27
2. Accounting Policies and Critical Judgements in Applying Accounting Policies.....	27
3. Contributions .....	30
4. Transfer Values .....	30
5. Benefits .....	31
6. Payments to and on Account of Leavers .....	31
7. Administrative Expenses .....	31
8. Investment Income .....	31
9. Investments .....	32
10. Investment Management Expenses .....	33
11. Analysis of the Value of Investments.....	34
12. Financial Instruments .....	35
13. Additional Financial Risk Management Disclosures .....	39
14. Related Parties.....	44
15. Current Assets and Liabilities .....	45
16. Taxes on Income .....	45
17. Actuarial Position of the Fund.....	46
18. Actuarial Present Value of Promised Retirement Benefits.....	47
19. Contingent Liabilities and Contractual Commitments .....	48
20. Additional Voluntary Contributions (AVCs).....	49
21. List of Scheduled and Admitted Bodies .....	50
<b>Glossary of Terms and Acronyms Used</b> .....	53

---

## Who's Who

---

<b>Administering Authority:</b>	Buckinghamshire County Council (BCC)
<b>Pension Fund Committee:</b> (BCC unless stated)	Cllr Peter Hardy (Chairman) Cllr Richard Scott (Vice Chairman) Cllr Trevor Egleton Cllr David Watson Cllr Darren Hayday Cllr Chaudhary Ditta Cllr John Gladwin (representing the District Councils in Buckinghamshire) Cllr Peter McDonald (Milton Keynes Council) Cllr David Carroll (Thames Valley Police)
<b>Advisers:</b>	Mercer Investment Consulting Carolyn Dobson
<b>Fund Managers:</b>	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
<b>AVC Providers:</b>	Clerical Medical Prudential
<b>Custodian:</b>	BNY Mellon
<b>Actuary:</b>	Barnett Waddingham LLP
<b>Auditor:</b>	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 2014

The 1st of April 2014 saw the introduction of a new career average pension scheme. All members of the Scheme on the 31 March 2014 automatically joined the new scheme and continue to build up benefits in the LGPS.

The scheme remains a defined benefit scheme but for service from 1 April 2014 the method of accruing pension in the LGPS is different. Pensions are calculated on a Career Average basis, using the member's pay (which now also includes non-contractual overtime) each scheme year, rather than their final salary.

There is more flexibility about when members can take their pension, with the option to take it at any age from 55 to 75. In the new scheme Normal Pension Age (NPA) is linked to State Pension Age (SPA). If the pension is taken before NPA it will normally be reduced and if taken after NPA it will be increased. There is also more flexibility about the amount paid to be a member of the Scheme with the introduction of a new '50/50 option' in the scheme. The 50/50 option allows members to pay half their contributions and build up half of their normal pension during the period of time they are in that section.

All benefits accrued in the Scheme before 1 April 2014 is protected. Membership built up before 1 April 2014 will continue to be based on the final year's pay when the member leaves the Scheme and these benefits retain their Normal Pension Age under the rules of the final salary scheme, which for almost all members is age 65. Also retained is the life cover element of a lump sum payment (of three times annual pensionable pay), if the member dies while an active member of the Scheme, as well as pensions for their dependants.

More details on the new scheme are yet to be finalised, include details on the pensions protections of TUPE'd members, scheme governance and cost management of the LGPS.

The LGPS continues to be one of the best public sector schemes available, with excellent benefits for members.

### Pension Fund Management

The market value of the Pension Fund was £1,919m at 31 March 2014. The Fund, excluding private equity investments, achieved a return of 8.2%, outperforming its benchmark return of 5.9% by 2.3% in the year to 31 March 2014. In the three years to 31 March 2014, the Fund achieved a return of 7.5%, an outperformance of 0.8% 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](http://www.buckscc.gov.uk/pensions), or within our newsletters.



### Richard Ambrose

Service Director (Finance and Commercial Services)

15 July 2014

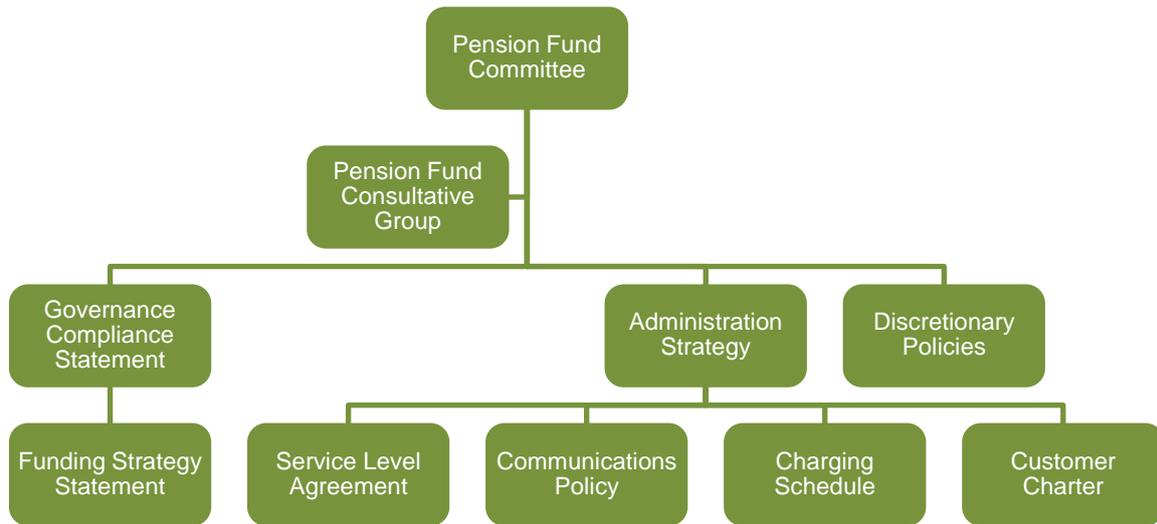
## Governance Statements

---

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](http://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.
- Our Service Level Agreement (SLA) serves as an Employers' guide to the administration of the Fund. Links to the SLA are sent to our Employers by email. The full SLA is 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	Within target	Over Target	Total	% over target
April 2013	9620	718	10338	6.95
May 2013	14318	526	14844	4.54
June 2013	9992	764	10756	7.10
July 2013	10270	727	10997	6.61
August 2013	15229	453	15682	2.89
September 2013	14253	612	14865	4.12
October 2013	13703	632	14335	5.00
November 2013	9880	564	10444	5.40
December 2013	9827	708	9119	6.20
January 2014	12001	539	12540	4.30
February 2014	8009	475	8484	5.60
March 2014	7035	516	7551	6.83

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](http://www.buckscc.gov.uk/bcc/pensions/governance_policy.page)

## Communications Policy Statement

With over 57,000 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](http://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 Guides	Online	All members, prospective members, members representatives, employing authorities, Fund staff	Brief & full guides are available from our website	As required, usually annually
Forms and Fact Sheets	Online	All members, prospective members, members representatives, employing authorities, Fund staff	Available from our website	As required
Scheme Update Newsletter	Online	All Active members Deferred and Pensioner members where necessary	As required	As required
Pensioner Newsletter	Online, Paper	Pensioner members	Annually	Annually
Technical Employer Newsletter	Online	Employers	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	Pensioner members	On retirement	Annually
Annual Report and Accounts	Online	Employers	Annually	Annually
Fund Valuation Report	Online	Employers	Every three years	Every three years
Presentations	Powerpoint Presentations	New starters, employees & Employers Courses include Induction, Planning for the Future and Pre-retirement	On request	As required
Press Releases	Electronic	Employers	As required	As required
FRS17 Report	Electronic	Employers	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 & Investments Team**

---

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

### **Benefits Administration Team**

We deal with over 21,500 active employees, 20,500 ex-employees and 15,000 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 employers, 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 & Investments 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.

### **Knowledge and Skills Policy Statement**

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

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

## Scheme Administration Report

### Scheme Administration Data

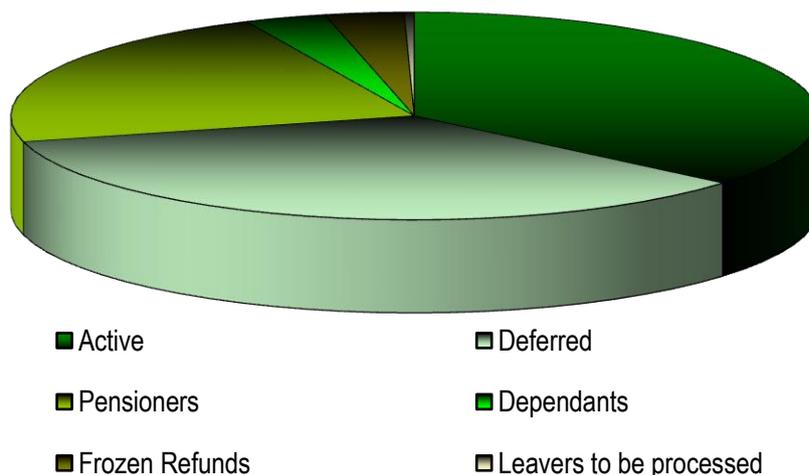
Buckinghamshire County Council LGPS Pensions Administration participates in the CIPFA Benchmarking Club. Data is submitted annually and the Council is measured against the other Administering Authorities that participate.

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 2013/14 report are as follows:

Measure	Buckinghamshire County Council	Club Average
Total cost per member	£20.91	£20.75
Scheme members per Benefit Administration team member	5,084	4,160
Total number of LGPS Employers	233	180

### Composition of Membership 2013/14



### 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 2013/14, 11 new appeals were received. Of the 11 cases, 6 of the appeals were rejected at stage 1 and the remaining 5 progressed to a stage 2 appeal. 2 of these were rejected at stage 2 and 3 appeals were still ongoing at the end of March 2014.

## Benefits

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

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

## Contributions

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

Band	Pay Bands: Actual Pensionable Pay	Contribution Rate
1	Up to £13,500	5.5%
2	£13,501 - £21,000	5.8%
3	£21,001 - £34,000	6.5%
4	£34,001 - £43,000	6.8%
5	£43,001 - £60,000	8.5%
6	£60,001 - £85,000	9.9%
7	£85,001 - £100,000	10.5%
8	£100,001 - £150,000	11.4%
9	More than £150,000	12.5%

## Benefits

---

The Employer also contributes to the Fund, covering the full cost of providing the benefits. Membership of the scheme entitles the employee to receive tax relief on contributions 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 the member's State Pension Age (minimum age 65), though members can remain in the scheme up to age 75. Employees can voluntarily retire from age 55.

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

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

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

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

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

### Calculation of benefits for Scheme Members

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

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

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

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

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

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

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

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

### III Health Retirement

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

#### First Tier

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

#### Second Tier

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

#### Third Tier

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

### Death in Service

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

### Death in Retirement

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

## 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](http://www.buckscc.gov.uk/bcc/pensions/investments/funding_strategy_statement.page)

### Purpose of the Funding Strategy Statement

The purpose of this Funding Strategy Statement is to explain the funding objectives of the Fund and in particular:

- How the costs of the benefits provided under the Local Government Pension Scheme (the "Scheme") are met through the Fund
- The objectives in setting employer contribution rates; and
- The funding strategy that is adopted to meet these objectives.

### Purpose of the Fund

- The purpose of the Fund is to:
- Pay pensions, lump sums and other benefits provided under the Regulations;
- Meet the costs associated in administering the Fund; and
- Receive contributions, transfer values and investment income.

### Funding Objectives

- Contributions are paid to the Fund by Scheme members and the employing bodies to provide for the benefits which will become payable to Scheme members when they fall due.
- The funding objectives are to:
- Set levels of employer contribution that will build up a fund of assets that will be sufficient to meet all future benefit payments from the Fund.
- Build up the required assets in such a way that employer contribution rates are kept as low and stable as possible.

## Statement of Investment Principles

---

### 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 funding 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 six months on 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

## Statement of Investment Principles

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.

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 in Appendix 1 to the SIP.

Principle	Examples of Compliance	
<p><b>Principle 1: Effective Decision Making</b></p> <p>Administering authorities should ensure that:</p> <p>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</p>	<p>The Fund's Governance Compliance Statement sets out the Fund's governance arrangements, including its Terms of Reference, structure, representation and delegations.</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

## Statement of Investment Principles

Principle	Examples of Compliance	
and challenge the advice they receive, and manage conflicts of interest.		
<p><b>Principle 2: Clear Objectives</b></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 be clearly communicated to advisors and investment managers.</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> <p>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>	Comply
<p><b>Principle 3: Risk and Liabilities</b></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><b>Principle 4: Performance assessment</b></p> <p>Arrangements should</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>	Comply

## Statement of Investment Principles

Principle	Examples of Compliance	
<p>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 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>The Pensions Administration Strategy, approved by the Committee, outlines the administrative service standards expected from both the Fund and employers.</p>	
<p><b>Principle 5: Responsible ownership</b></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><b>Principle 6: Transparency and reporting</b></p> <p>Administering authorities should:</p> <p>Act in a transparent manner, communicating with stakeholders on</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</p>	Comply

## Statement of Investment Principles

Principle	Examples of Compliance	
<p>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><a href="http://www.buckscc.gov.uk/bcc/pensions/investments/accounts.page">http://www.buckscc.gov.uk/bcc/pensions/investments/accounts.page</a> 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>	

## Market Background

The average local authority pension fund returned 6% in 2013/14. Equity markets continued to perform strongly, with most developed markets producing returns in the high teens in local currency. However, much of this return was eroded for UK investors in the US and Japan by the strength of Sterling which gained 9% against the US Dollar and 17% against the Yen over the year. UK equities were below the overseas average but returned 11% for the year. Active managers continued to add value relative to the FTSE All-share index, the fourth consecutive year that this has now occurred.

UK bonds posted only their third year of negative results in the last twenty, giving up some of the extremely strong results of the recent past. Index-linked gilts, likewise produced a small negative for the year. The performance of alternative investments was disappointing. Private equity returned 5%, whilst hedge funds averaged only 4%. Pooled multi-asset (diversified growth) investments returned only 3% for the year.

Property returned 11% for the year, an excellent result in absolute terms, but below the IPD index. The range of results has stabilised. This 90% of fund returns were within a range of 6% which is in line with both the previous 12 months and the longer-term norm. The range is driven by the return differential between equities and bonds.

Equity returns were 8% on average with the range of results increasing markedly on the previous year as developed and developing markets diverged significantly in terms of return outcomes. Sterling investors gave up most of their Japan return as a result of the steep fall in the value of the Yen.

The range of results from bonds, although it continued to reduce, was still almost as wide as that of equities. The large disparities between government and corporate debt that we had seen in 2012/13 were substantially reduced but overseas investment tended to drag down performance over the period. As is almost always the case, alternative assets delivered the largest range of results. Most funds that invest in alternatives now have exposure to more than one of the subgroups. Those who invested principally in private equity were at the top end of the range, whilst those with a high commitment to hedge funds were at the lower end.

The range of property returns narrowed as the differential performance between direct and indirect investment reduced. 85% of local authority funds continue to be cash flow positive. The net investment into the universe as a whole was up almost 50% from last year at £2.3 billion. This represented less than the level of income generated over the period, of £2.9 billion.

**Table 1: Annual Returns 2009/10 to 2013/14**

	2009/10 %	2010/11 %	2011/12 %	2012/13 %	2013/14 %	2009/10 to 2013/14 %
UK Equities	51.9	9.7	2.2	18.0	-0.51	17.5
Overseas Equities:	49.4	8.9	-2.1	17.5	1.05	14.8
North America	42.9	9.8	5.7	19.0	1.16	17.2
Continental Europe	47.4	8.6	-9.2	20.4	3.23	15.0
Japan	32.6	-0.1	1.3	15.4	-6.40	9.3
Pacific ex Japan	64.8	13.2	-3.1	19.2	-0.58	14.9
Other International	65.8	11.6	-6.6	11.4	-0.44	12.6
UK Bonds	16.9	5.9	11.1	10.6	2.82	8.8
Overseas Bonds	13.6	2.7	7.3	10.0	-5.89	5.3
Index-Linked	11.6	6.4	19.8	11.2	3.49	8.6
Cash	2.0	2.2	0.8	2.8	0.43	1.8
Alternatives	4.3	7.5	2.0	9.5	1.61	5.4
Property	9.9	9.7	5.5	2.8	1.41	7.7
<b>Total Assets</b>	<b>35.2</b>	<b>8.2</b>	<b>2.6</b>	<b>13.8</b>	<b>1.03</b>	<b>12.7</b>

## BCC Pension Fund Performance in 2013/2014

In the year to 31 March 2014 the annual return was 8.15% compared to its benchmark return of 5.88%, an outperformance of 2.27%. In the three years to 31 March, the Fund achieved a return of 7.56% per annum, an outperformance of 0.84% compared to its benchmark for that period.

The FTSE 350 increased by 4.9% for the year to 31 March 2014. With the exception of Aviva and Legal & General, all of the Fund's fund managers reported outperformance relative to the benchmark for the year. Aviva showed annual underperformance of 2.6%. Legal & General, in accordance with their passive tracker mandate, marginally underperformed 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, Schrodgers and Standard Life have outperformed their benchmarks. Legal & General, in accordance with their passive tracker mandate, marginally underperformed their benchmark following the deduction of fees to calculate their net performance. Aviva and GTP have underperformed against their benchmarks.

Following detailed reviews in 2011 and 2012, the Pension Fund Committee ("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. At the earliest, the Committee will review Aviva's performance in 2015, reflecting the long-term nature of the investment.

**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	9.32	11.88	-2.56	3.85	5.85	-2.01
Blackrock	6.09	0.51	5.57	4.38	0.72	3.66
Blackstone	7.79	0.51	7.27	5.56	0.72	4.85
GTP	8.17	6.16	2.01	5.55	7.14	-1.59
Investec	10.25	6.16	4.09	9.80	7.14	2.66
Legal & General	6.46	6.49	-0.03	6.97	7.05	-0.08
Mirabaud	9.20	8.81	0.39	8.92	8.81	0.11
RLAM	1.53	-0.49	2.01	9.28	7.87	1.40
Schrodgers	10.12	6.16	3.96	7.78	7.22	0.57
Standard Life	18.82	8.81	10.01	13.84	8.81	5.03
<b>Fund Total</b>	<b>8.15</b>	<b>5.88</b>	<b>2.27</b>	<b>7.56</b>	<b>6.73</b>	<b>0.84</b>

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

Table 3: Asset Allocation 2013/14

	BCC Fund % 31 Mar 2013	BCC Fund % 31 Mar 2014	Average LGPS Fund % 31 Mar 2013	Average LGPS Fund % 31 Mar 2014
UK Equities	20.7	23.65	24.4	23.9
Overseas Equities	39.7	42.19	38.4	38.7
UK Bonds	10.3	12.48	11.3	10.3
Overseas Bonds	0.0	0.10	2.3	2.5
UK Index-Linked Gilts	3.4	3.50	4.1	3.7
Cash	1.0	1.58	3.2	3.0
Alternatives	17.4	9.12	9.5	10.3
Property	7.5	7.39	6.8	7.5
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

### Long Term Performance

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

Table 4: Investment Performance

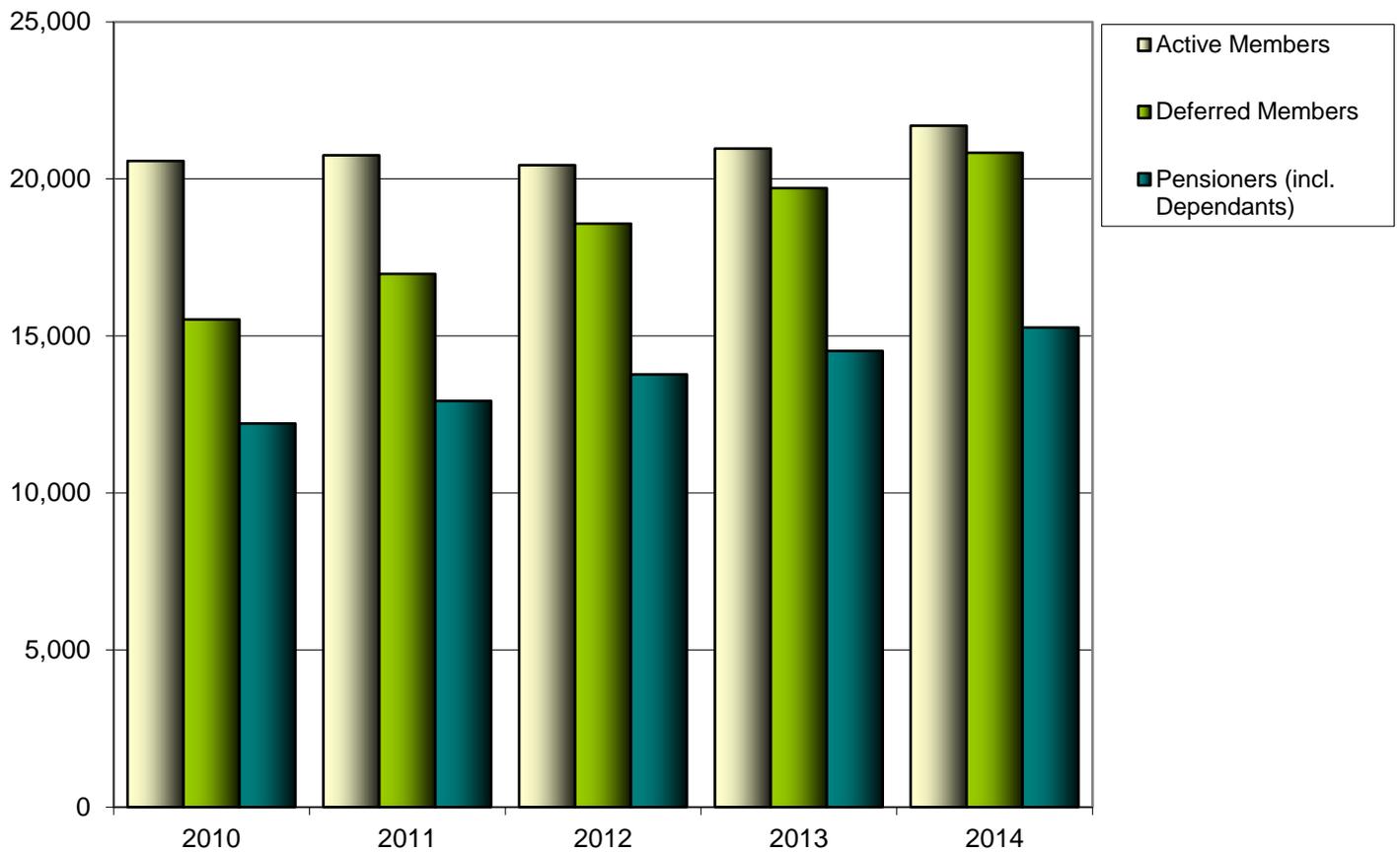
	3 years %	1 year %
WM Local Authority Average	7.5	6.4
BCC Fund	7.8	8.3
Relative	-0.3	-1.9
Percentile	41	16

## History of the Fund

---

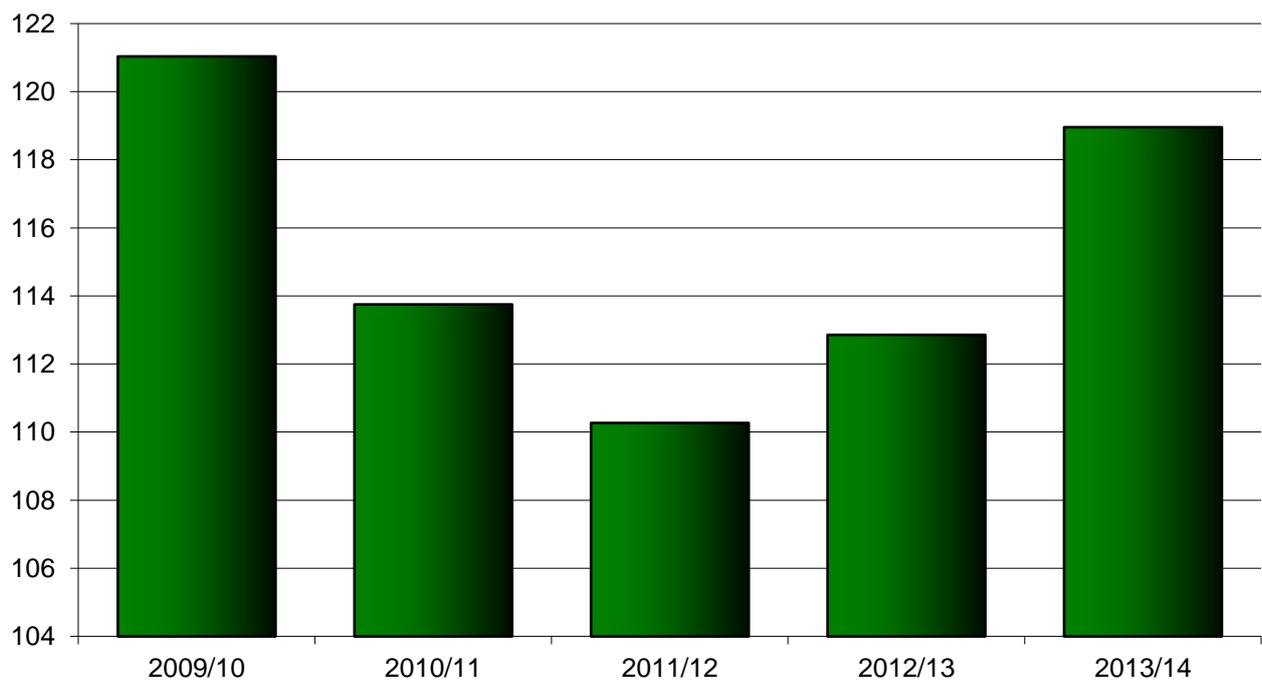
### Membership Profile

---



### Contributions Received £m

---

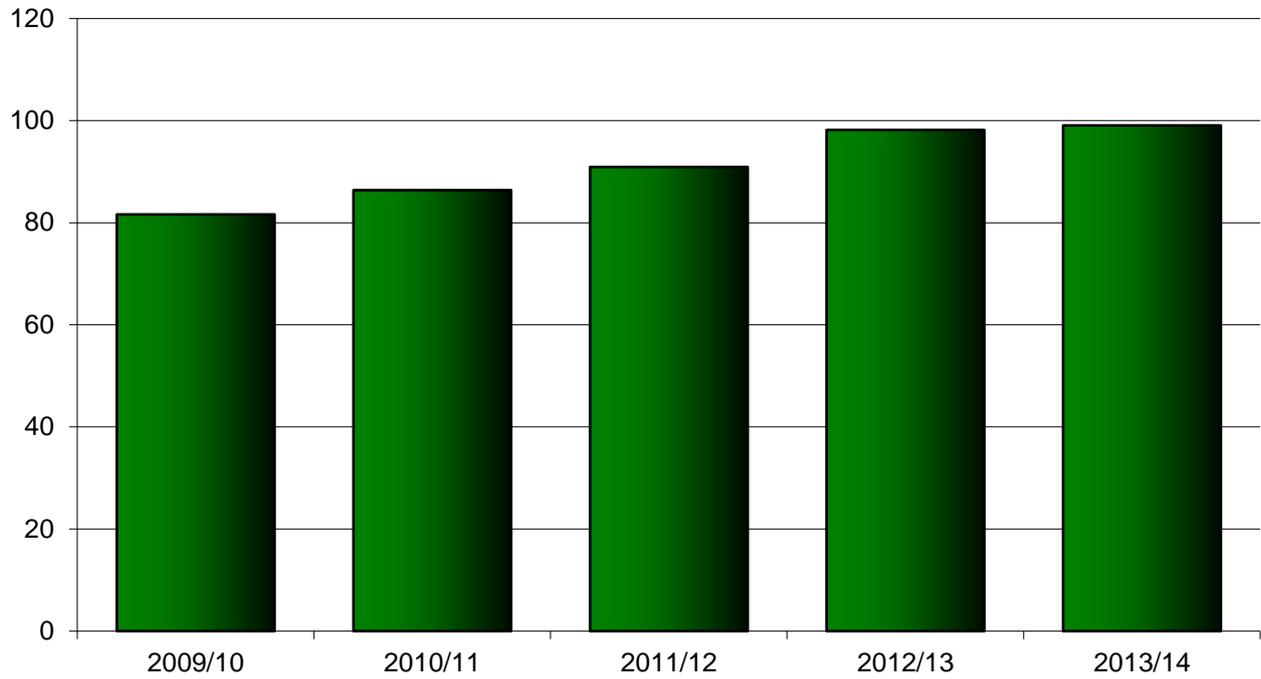


## History of the Fund

---

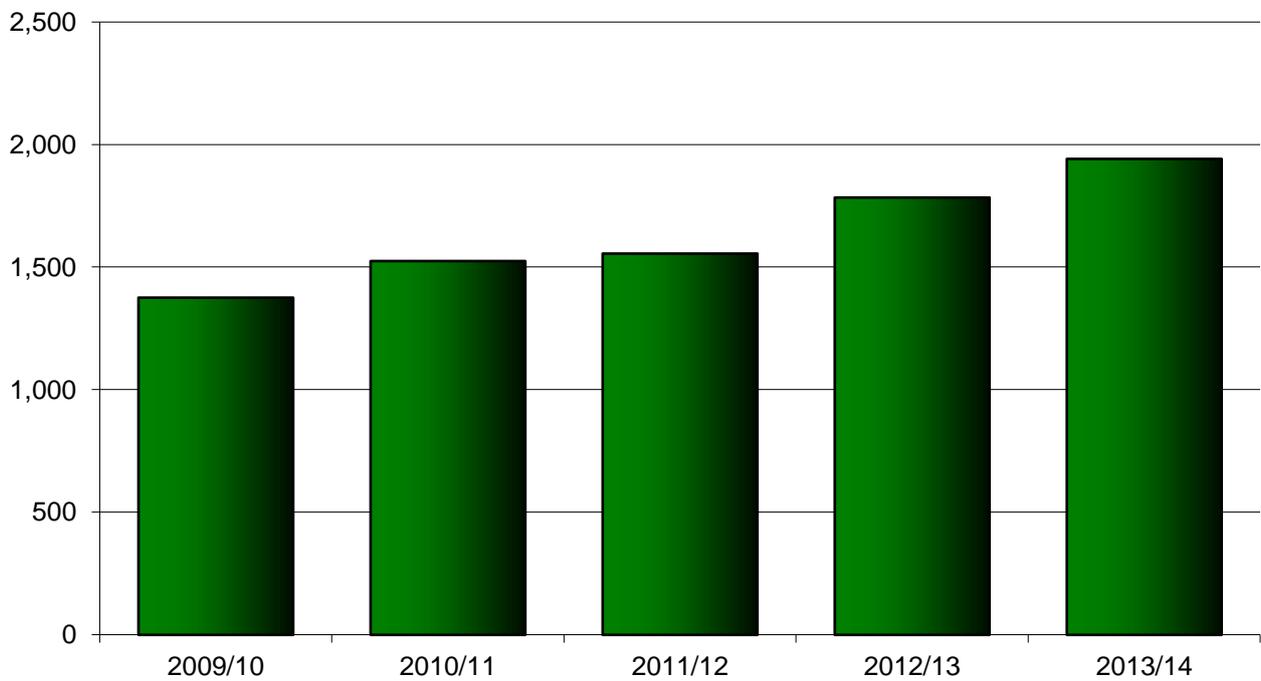
### Benefits Paid £m

---



### Value of the Fund as at 31 March £m

---



### Introduction

The last full triennial valuation of the Buckinghamshire County Council Pension Fund was carried out by Barnett Waddingham as at 31 March 2013 in accordance with Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 (as amended). The results were published in our report dated March 2014.

### 2014 Actuarial Valuation

The results of the actuarial valuation of the Fund as at 31 March 2013 were as follows

The funding level was calculated to be 82% i.e. the value of the accumulated assets represented 82% of the value of the accrued liabilities of Fund as at the valuation date.

The common contribution rate was set at 19.5% of payroll assuming the funding level was to be restored over a 17 year period. This is the average contribution rate required from employers to restore the funding level to 100% over the next 17 years.

However, each employing body pays their own contribution rate to reflect its own particular circumstances and funding position within the Fund. Buckinghamshire County Council is paying an ongoing contribution of 13.2% of payroll plus additional monetary amounts in respect of deficit recovery.

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

### Asset Value and Key Financial Assumptions

The market value of the Fund's assets as at 31 March 2013 was £1,784m.

The contribution rates were calculated using the Projected Unit Method taking account of market conditions as that date as follows.

- Rate of return on investments 6.1% per annum
- Rate of increase in pay 2.7% per annum until 2015 then 4.5% per annum
- Rate of increase to pensions in payment 2.7% per annum

### Post Valuation Events

In the 12 months to 31 March 2014, investment returns have been slightly ahead of expected and so we anticipate that the financial position of the Fund will have improved slightly since the valuation date.



**Graeme Muir FFA**  
Partner  
Barnett Waddingham LLP  
21 August 2014

## Statement of Responsibilities for the Statement of Accounts

---

### The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Service Director (Finance and 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 and Commercial Services) Responsibilities

The Service Director (Finance and Commercial Services) is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2014 (the Code).

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

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

### Certificate of the Service Director (Finance and Commercial Services)

I certify that this Statement of Accounts for the year ended 31 March 2014 gives a true and fair view of the financial position of the Council as at 31 March 2014 and its income and expenditure for the year ended 31 March 2014.



**Richard Ambrose**

Service Director (Finance & Commercial Services)

27 June 2014

**Independent Auditor's Statement to the Members of Buckinghamshire County Council on the Pension Fund Financial Statements**

We have examined the pension fund financial statements for the year ended 31 March 2014, which comprise the Fund Account, the Net Assets Statement and the related notes.

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 the 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 pension fund's financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the pension fund financial statements in the statement of accounts of Buckinghamshire County Council, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

We also read the other information contained in the pension fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists of only the Introduction from the Service Director (Finance and Commercial Services), Scheme Administration Data and Actuary's Statement.

We conducted our work in accordance with guidance issued by the Audit Commission. Our report on the administering authority's full annual statement of accounts describes the basis of our opinion on those financial statements.

**Opinion**

In our opinion, the pension fund financial statements are consistent with the full annual statement of accounts of Buckinghamshire County Council for the year ended 31 March 2014 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

**Grant Thornton UK LLP**

Fleming Way  
Manor Royal  
Crawley  
RH10 9GT

30 September 2014

## 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, 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 2013/14. 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 was introduced in April 2014.

### Membership of the Fund

The following summarises the membership of the Fund:

31 March 2013	Membership of the Fund	31 March 2014
20,965	Contributors	21,693
14,522	Pensioners	15,266
19,708	Deferred pensioners	20,832
<b>55,195</b>	<b>Total Membership of the Fund</b>	<b>57,791</b>

### Pension Fund Account for the Year Ended 31 March 2014

31 March 2013 £000	Pension Fund Account	Note	31 March 2014 £000
	<b>Income</b>		
107,160	Contributions	3	112,454
5,594	Transfers in from other pension funds	4	6,426
105	Other income		78
<b>112,859</b>			<b>118,958</b>
	<b>Benefits</b>	5	
(66,732)	Pensions		(70,743)
(22,848)	Commutation of pensions and lump sums		(19,880)
	<b>Payments to and on Account of Leavers</b>	6	
(13)	Refunds of contributions		(9)
(6,797)	Transfers out to other pension funds		(6,286)
(1,757)	<b>Administrative Expenses</b>	7	(2,096)
<b>(98,147)</b>			<b>(99,014)</b>
<b>14,712</b>	<b>Net Additions from Dealings with Members</b>		<b>19,944</b>
	<b>Returns on Investments</b>		
30,646	Investment income	8	36,375
187,598	Profits and losses on disposal of investments and changes in value of investments	9	107,998
(1,296)	Taxes on income	16	(1,540)
(2,964)	Investment management expenses	10	(5,179)
<b>213,984</b>	<b>Net Returns on Investments</b>		<b>137,654</b>
<b>228,696</b>	<b>Net Increase/(Decrease) in the Net Assets Available for Benefits During the Year</b>		<b>157,598</b>
<b>1,555,512</b>	<b>Net Assets of the Fund Available to Fund Benefits at 1 April</b>		<b>1,784,208</b>
<b>1,784,208</b>	<b>Net Assets of the Fund Available to Fund Benefits at 31 March</b>		<b>1,941,806</b>

## Pension Fund Accounts

### Net Assets Statement

31 March 2013 £000	Net Assets Statement	Note	31 March 2014 £000
	<b>Investments</b>	11	
	Fixed interest securities		
22,259	▪ Public sector		10,020
113,974	▪ Other		114,527
647,380	Equities - quoted		715,872
31,943	Index-linked securities		48,560
792,727	Pooled investment vehicles		846,696
130,920	Unit trusts - property		146,290
28,992	Cash deposits		31,956
(125)	Derivative contracts		145
5,208	Dividend income receivable		5,003
<b>1,773,278</b>	<b>Net Investments</b>		<b>1,919,069</b>
-	Borrowings - sterling		-
<b>21,205</b>	Current assets	15	<b>27,260</b>
<b>(10,275)</b>	Current liabilities	15	<b>(4,523)</b>
<b>1,784,208</b>	<b>Net Assets of the Fund Available to Fund Benefits at 31 March</b>		<b>1,941,806</b>

#### 1. Basis of Preparation

The accounts summarise the Fund's transactions for the 2013/14 financial year and its position at year end as at 31 March 2014. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting (the Code), which is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

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

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

##### Accounting Policies

##### Accruals of Income and Expenditure

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

Contributions, benefits and investment income are included on an accruals basis. All settlements for buying and selling investments are accrued on the day of trading. Interest on deposits is accrued if not received by the end of the financial year. Investment management expenses are accounted for on an accruals basis. Administrative expenses are accounted for on an accruals basis, staff costs are paid by Buckinghamshire County Council then recharged to the Pension Fund at the year end. Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Net Assets Statement. Some additional payments are made to beneficiaries on behalf of certain employers.

## **Pension Fund Accounts**

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:

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

### **Financial Instruments**

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

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

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

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

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

### 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.

#### Events After The Balance Sheet Date

Since 31 March 2014, there has been some volatility in the financial markets due to the Scottish independence vote, there would be an impact on the market value of the fund's investments were they to be valued as at the date these accounts were authorised. Following a review of investment strategy the Fund implemented a strategic change during May 2014 to switch 10% of assets from equities to bonds. These changes are deemed to be non-adjusting post balance sheet events.

There have been no events since 31 March 2014, and up to the date when these accounts were authorised, which require any adjustments to these accounts.

## Pension Fund Accounts

---

### 3. Contributions

---

Contributions relating to wages and salaries paid up to 31 March 2014 have been included in these accounts.

<b>2012/13</b>	<b>Contributions</b>	<b>2013/14</b>
<b>£000</b>		<b>£000</b>
	<b>Employers</b>	
24,822	Administering authority	25,195
49,195	Scheduled bodies	56,836
7,634	Admitted bodies	5,032
	<b>Employers' Augmentation Costs</b>	
-	Administering authority	-
6	Scheduled bodies	63
-	Admitted bodies	-
	<b>Members</b>	
6,872	Administering authority	6,949
16,330	Scheduled bodies	16,504
2,301	Admitted bodies	1,875
<b>107,160</b>	<b>Total Contributions</b>	<b>112,454</b>

### 4. Transfer Values

---

<b>2012/13</b>	<b>Transfers in from other pension funds</b>	<b>2013/14</b>
<b>£000</b>		<b>£000</b>
-	Group transfers	-
5,594	Individual transfers	6,426
<b>5,594</b>	<b>Total Transfers in from other pension funds</b>	<b>6,426</b>

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 2014 there were no outstanding transfer values payable greater than £50k (3 on 31 March 2013 for which £202k had not been paid); there were no outstanding transfer values receivable greater than £50k on 31 March 2014 (no outstanding transfers in on 31 March 2013).

On 31 March 2014 there were 3 group transfers to the Fund being negotiated with other Funds (4 on the 31 March 2013), 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.

## Pension Fund Accounts

---

### 5. Benefits

---

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

<b>2012/13</b>	<b>Benefits</b>	<b>2013/14</b>
<b>£000</b>		<b>£000</b>
	<b>Pensions</b>	
26,903	Administering authority	28,324
35,330	Scheduled bodies	37,421
4,499	Admitted bodies	4,998
21,177	Commutations of pensions and lump sum retirement benefits	17,765
1,671	Lump sum death benefits	2,115
<b>89,580</b>	<b>Total Benefits</b>	<b>90,623</b>

### 6. Payments to and on Account of Leavers

---

<b>2012/13</b>	<b>Payments to and on Account of Leavers</b>	<b>2013/14</b>
<b>£000</b>		<b>£000</b>
15	Refunds to members leaving service	9
(2)	Payments for members joining the state scheme	-
769	Group transfers to other pension funds	-
6,028	Individual transfers to other pension funds	6,286
<b>6,810</b>	<b>Total Payments to and on Account of Leavers</b>	<b>6,295</b>

### 7. Administrative Expenses

---

<b>2012/13</b>	<b>Administrative Expenses</b>	<b>2013/14</b>
<b>£000</b>		<b>£000</b>
1,547	Administration of benefits	1,811
110	Actuarial fees	152
16	External audit fees	26
84	Legal and performance measurement fees	107
<b>1,757</b>	<b>Total Administrative Expenses</b>	<b>2,096</b>

### 8. Investment Income

---

<b>2012/13</b>	<b>Investment Income</b>	<b>2013/14</b>
<b>£000</b>		<b>£000</b>
6,752	Interest from fixed interest securities	6,774
17,768	Dividends from equities	22,268
737	Income from index-linked securities	479
(671)	Interest on cash deposits	157
6,150	Income from property unit trusts	6,379
(90)	Other	318
<b>30,646</b>	<b>Total Investment Income</b>	<b>36,375</b>

## Pension Fund Accounts

### 9. Investments

All investments are valued on a fair value basis and where there is an active market the bid price is the appropriate quoted market price. The investment accounting information is provided by BNY Mellon, the Fund's custodian bank. A £588k investment in Scottish Investment Trust plc has been reclassified at fair value following a change in BNY Mellon's reporting classifications from a pooled bond fund to a fixed interest security.

Investments (All values are shown £000)	Value at 31 March 2013 £000	Reclassification of Assets £000	Purchases at Cost £000	Sales Proceeds £000	Realised Profit / (Loss) £000	Unrealised Profit / (Loss) £000	Value at 31 March 2014 £000
Fixed interest securities	136,233	588	71,331	(79,841)	154	(3,918)	124,547
Equities - quoted	647,380	-	451,547	(438,489)	63,692	(8,258)	715,872
Index-linked securities	31,943	-	304,925	(286,591)	(324)	(1,393)	48,560
Pooled investment vehicles	792,727	-588	75,396	(72,459)	9,679	41,941	846,696
Unit Trusts - property funds	130,920	-	31,700	(22,475)	(1,937)	8,082	146,290
Derivative contracts	(125)	-	1,194	(1,446)	252	270	145
Cash deposits	28,992	-	-	3,206	-	(242)	31,956
	<b>1,768,070</b>	<b>-</b>	<b>936,093</b>	<b>(898,095)</b>	<b>71,516</b>	<b>36,482</b>	<b>1,914,066</b>
Investment income due	5,208						5,003
	<b>1,773,278</b>						<b>1,919,069</b>

Investments (All values are shown £000)	Value at 31 March 2012 £000	Reclassification of Assets £000	Purchases at Cost £000	Sales Proceeds £000	Change in Market Value £000	Value at 31 March 2013 £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
	<b>1,539,803</b>	<b>-</b>	<b>846,691</b>	<b>(806,022)</b>	<b>187,598</b>	<b>1,768,070</b>
Investment income due	5,429					5,208
	<b>1,545,232</b>					<b>1,773,278</b>

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

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

## 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 2014 the only asset which exceeds 5% of the total value of the net assets of the Fund is a £197.7m investment in Legal & General's Europe (ex UK) Equity Index (£167.5m as at 31 March 2013).

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

### 10. Investment Management Expenses

The value of the Fund with the fund managers as at 31 March 2014 was £1,910m (£1,769m at 31 March 2013). The Fund incurred £5.179m investment management expenses in the year to 31 March 2014 (£2.964m in the year to 31 March 2013). The fees for 2013/14 include £860k fees paid from the BNY Mellon account in respect of the Aviva property fund of funds mandate. In previous financial years these fees have been offset against investment income as interest on cash deposits. 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 2013	Proportion of Fund 31 March 2014
Aviva Investors	Property	Percentage of fund	8%	8%
BlackRock	Cash / inflation plus	Percentage of fund	4%	4%
Blackstone Alternative Asset Management	Hedge fund of funds	Percentage of fund	4%	4%
Global Thematic Partners	Less constrained global equities	Performance related fee	7%	6%
Investec Asset Management	Less constrained global equities	Performance related fee	7%	8%
Legal & General Investment Management	Passive index-tracker	Percentage of fund	27%	27%
Mirabaud Investment Management Limited	UK equities	Performance related fee	9%	9%
Pantheon Private Equity	Private equity	Percentage of Funds Committed & Incentive Fee	6%	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 UK equities	Performance related fee	7%	7%
Standard Life Investments	Less constrained UK equities	Performance related fee	8%	8%

## Pension Fund Accounts

---

### 11. Analysis of the Value of Investments

---

2012/13 £000	Analysis of the Value of Investments	2013/14 £000
	<b>Fixed Interest Securities</b>	
21,452	UK public sector	9,240
807	Overseas public sector	780
113,508	UK other	114,527
466	Overseas other	-
<b>136,233</b>	<b>Total Fixed Interest Securities</b>	<b>124,547</b>
	<b>Equities</b>	
269,286	UK quoted	325,485
378,094	Overseas quoted	390,387
<b>647,380</b>	<b>Total Equities</b>	<b>715,872</b>
	<b>Other</b>	
31,943	Index-linked securities public sector	48,560
-	Index-linked securities other	-
792,727	Pooled Investment vehicles	846,696
130,920	Unit Trusts - property funds	146,290
5,208	Investment income due	5,003
(125)	Derivatives	145
28,992	Cash deposits - sterling and foreign cash	31,956
<b>989,665</b>	<b>Total Other</b>	<b>1,078,650</b>
<b>1,773,278</b>	<b>Total Value of Investments</b>	<b>1,919,069</b>

## Pension Fund Accounts

### 12. Financial Instruments

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

31 March 2013			31 March 2014		
Fair value through profit and loss £000	Loans And Receivables £000	Financial Liabilities At amortised cost £000	Fair value through profit and loss £000	Loans And Receivables £000	Financial Liabilities At amortised cost £000
<b>Financial Assets</b>					
136,233	-	-	124,547	-	-
647,380	-	-	715,872	-	-
31,943	-	-	48,560	-	-
792,727	-	-	846,696	-	-
130,920	-	-	146,290	-	-
-	-	-	145	-	-
5,208	-	-	5,003	-	-
-	28,992	-	-	31,956	-
-	11,708	-	-	18,195	-
<b>1,744,411</b>	<b>40,700</b>	<b>-</b>	<b>1,887,113</b>	<b>50,151</b>	<b>-</b>
<b>Financial Liabilities</b>					
(125)	-	-	-	-	-
-	-	-	-	-	-
-	-	(9,413)	-	-	(3,651)
(125)	-	<b>(9,413)</b>	-	-	<b>(3,651)</b>
<b>1,744,286</b>	<b>40,700</b>	<b>(9,413)</b>	<b>1,887,113</b>	<b>50,151</b>	<b>(3,651)</b>
<b>Total</b>					

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

31 March 2013		31 March 2014
£000		£000
<b>Financial Assets</b>		
217,947	Fair value through profit and loss	142,538
(819)	Loans and receivables	303
-	Financial liabilities measured at amortised cost	-
<b>Financial Liabilities</b>		
-	Fair value through profit and loss	-
-	Loans and receivables	5,762
-	Financial liabilities measured at amortised cost	-
<b>217,128</b>	<b>Total</b>	<b>148,603</b>

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

## Pension Fund Accounts

### Valuation of Financial Instruments Carried at Fair Value

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

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

**Level 2:** Financial instruments where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data, 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, and the valuations as at 31 March reflect cash flow transactions since 31 December.

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

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

Value at 31 March 2014	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Outputs	Total £000
	Level 1 £000	Level 2 £000	Level 3 £000	
Fixed interest securities	-	124,547	-	124,547
UK equities - quoted	325,484	-	-	325,484
Overseas equities - quoted	390,387	-	-	390,387
Index-linked securities	-	48,560	-	48,560
Pooled investment vehicles	-	-	846,696	846,696
Property – unit trusts	-	-	146,290	146,290
Derivatives	-	145	-	145
Dividend income receivable	5,003	-	-	5,003
Cash deposits	31,956	-	-	31,956
Borrowings	-	-	-	-
Current assets	18,195	-	-	18,195
Current liabilities	(3,651)	-	-	(3,651)
<b>Total</b>	<b>767,374</b>	<b>173,252</b>	<b>992,986</b>	<b>1,933,612</b>

## Pension Fund Accounts

---

Value at 31 March 2013	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Outputs	Total
	Level 1 £000	Level 2 £000	Level 3 £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)
<b>Total</b>	<b>719,193</b>	<b>168,051</b>	<b>888,329</b>	<b>1,775,573</b>

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

### Blackstone – Fund of Hedge Funds

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

### Partners Group – Private Equity

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

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

### LGIM – Passive Tracker Fund

The method used to value units is the same at every valuation date throughout the year:

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

## Pension Fund Accounts

---

### Aviva – Property Fund

Aviva rely on the NAV provided by each fund manager, computed in accordance with appropriate local standards, incorporating independent valuations conducted from suitably qualified external providers. These external NAVs are subject to review by Aviva Investors Real Estate Multi Manager team.

They also employ an independent external accountant, Langham Hall, to undertake analysis of each fund's NAV when reported, in addition to that undertaken by the REMM team

Wherever possible, and through the use of side letters if necessary, we seek to ensure consistency of reporting to an IFRS INREV NAV standard basis. Where this is not possible, managers are asked to provide the building blocks to create this analysis. They then work with Langham Hall, to reconcile back to the NAV provided in the fund's normal accounting standards.

### Pantheon – Private Equity

Investments are valued using the most relevant of methods listed below

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

These methods are consistently applied across all investment types.

### BlackRock Institutional Jersey Dynamic Diversified Growth Fund

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

### 13. Additional Financial Risk Management Disclosures

---

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

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

#### **Market Risk**

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

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

#### **Market Price Risk**

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

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

#### **Market Price - Sensitivity Analysis**

Whilst the value of the Fund's assets is sensitive to changes in market conditions and the Fund's assets are diversified across fund managers and asset classes to mitigate the risks. The Fund's liability to pay future benefits is equally sensitive, particularly to interest rate changes. The Fund's investment consultant undertakes triennial strategy reviews following the triennial actuarial valuation to ensure that the asset allocation of the Fund remains appropriate to expectations for its liabilities both in the short term and in the long term. The latest review, carried out in May 2014, showed the overall risk factor (standard deviation) for the Fund could be reduced from 15.2% to 13.5% by decreasing the Fund's allocation to equities and increasing the allocation to bonds. At the beginning of June 2014, the allocation to equities was decreased from 58% to 49% of the Fund and the allocation to bonds was increased from 15% to 25%. The next review is due in early 2017, 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 2014/15 reporting period.

## Pension Fund Accounts

Asset Type	Percentage Change 31 March 2014 %
Fixed interest securities	5.08
UK equities – quoted	13.02
Overseas equities - quoted	13.08
Index-linked securities	8.02
Pooled investment vehicles	14.13
Property - unit trusts	2.67
Alternatives	2.53
Derivative contracts	2.53
Cash deposits	0.02
Investment income due	14.13

If the market price of the Fund's investments does increase/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 2014 £000	Percentage Change %	Value on increase £000	Value on decrease £000
Fixed interest securities	124,547	5.08	130,874	118,220
UK equities – quoted	325,485	13.02	367,863	283,107
Overseas equities – quoted	390,387	13.08	441,450	339,324
Index-linked securities	48,560	8.02	52,455	44,665
Pooled investment vehicles	518,304	14.13	591,540	445,068
Property - unit trusts	146,290	2.67	150,196	142,384
Alternatives	328,392	2.53	336,700	320,084
Derivative contracts	145	2.53	149	141
Cash deposits	31,956	0.02	31,962	31,950
Investment income due	5,003	14.13	5,710	4,296
<b>Total</b>	<b>1,919,069</b>		<b>2,108,899</b>	<b>1,729,239</b>

Following analysis of historical data and expected investment return movement during the financial year, State Street Investment Analytics has determined that the following movements in market price risk are reasonably possible for the 2013/14 reporting period.

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
Property - unit trusts	1.93
Alternatives	4.27
Derivative contracts	4.27
Cash deposits	0.01
Investment income due	15.22

## Pension Fund Accounts

If the market price of the Fund's investments had increased/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 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
Property - unit trusts	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
<b>Total</b>	<b>1,773,278</b>		<b>1,946,570</b>	<b>1,599,987</b>

### Interest Rate Risk

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

The Fund's exposure to interest rate movements from its investments in cash and fixed interest investments at 31 March 2013 and 31 March 2014 is provided below.

	31 March 2013 £000	31 March 2014 £000
Cash deposits	28,992	31,956
Cash balances (not forming part of the investment assets)	10,318	17,446
Fixed interest securities	136,233	124,547
<b>Total</b>	<b>175,543</b>	<b>173,949</b>

### 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% £000	-1% £000
<b>As at 31 March 2014</b>			
Cash deposits	31,956	320	(320)
Cash balances (not forming part of the investment assets)	17,446	174	(174)
Fixed interest securities	124,547	1,245	(1,245)
<b>Total</b>	<b>173,949</b>	<b>1,739</b>	<b>(1,739)</b>

## Pension Fund Accounts

	Value	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)
<b>Total</b>	<b>175,543</b>	<b>1,755</b>	<b>(1,755)</b>

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 2013 and 31 March 2014.

Currency Exposure by Asset Type	31 March 2013	31 March 2014
	£000	£000
Fixed interest securities	-	-
Equities – quoted	345,433	356,678
Index-linked securities	-	4,027
Pooled investment vehicles	156,758	168,459
Property - unit trusts	16,568	6,845
Cash deposits	2,428	2,814
<b>Total</b>	<b>521,187</b>	<b>538,823</b>

### Currency Risk – Sensitivity Analysis

The sensitivity of the Fund's investments to changes in foreign currency rates have been analysed using a 5.71% movement in exchange rates in either direction for 31 March 2014. 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 composition of the Fund's currency exposure a 5.71% fluctuation is considered reasonable.

A 5.71% strengthening or weakening of Sterling against the various currencies at 31 March 2014 would have increased or decreased the net assets by the amount shown in the following table.

Currency Exposure by Asset Type	31 March 2014	Value on increase	Value on decrease
	£000	£000	£000
		+5.71%	-5.71%
Fixed interest securities	-	-	-
Equities - quoted	356,678	377,044	336,312
Index-linked securities	4,027	4,257	3,797
Pooled investment vehicles	168,459	178,078	158,840
Property - unit trusts	6,845	7,236	6,454
Cash deposits	2,814	2,975	2,653
<b>Total</b>	<b>538,823</b>	<b>569,590</b>	<b>508,056</b>

## Pension Fund Accounts

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 composition of the Fund's currency exposure a 5.47% fluctuation in the currency is considered reasonable.

### Currency Exposure by Significant Currency

The Fund's most significant currency exposures are to US Dollars and EUROS, data on currency risk of 8.07% for the US Dollar and 6.31% for the EURO was provided by State Street Investment Analytics. Strengthening or weakening of Sterling against US Dollars and EUROS at 31 March 2014 would have increased or decreased the net assets by the amounts shown in the following table.

Asset Type	31 March 2014	Percentage	Value on	Value on
	£000	Change	increase	decrease
		%	£000	£000
US Dollars	294,242	8.07	317,987	270,497
EUROS	140,062	6.31	148,900	131,224
<b>Total</b>	<b>434,304</b>		<b>466,887</b>	<b>401,721</b>

A 5.47% 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.

Currency Exposure by Asset Type	31 March 2013	Value on	Value on
	£000	increase	decrease
		£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
Property - unit trusts	16,568	17,474	15,662
Cash deposits	2,428	2,561	2,295
<b>Total</b>	<b>521,187</b>	<b>549,696</b>	<b>492,678</b>

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

### 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

## Pension Fund Accounts

Team at 31 March 2014 was £9.293m in an instant access Lloyds TSB account and £8.195m in the instant access Federated Short-Term Sterling Prime Fund, a AAA rated money market fund. (On 31 March 2013 £3.389m was invested in an instant access Lloyds TSB account.) Cash held by investment managers is invested with the global custodian, BNY Mellon, in a diversified money market fund rated AAAM.

### Liquidity Risk

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

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

31 March 2013		31 March 2014
£000		£000
134,015	Aviva	146,506
69,216	Blackstone	74,606
113,988	Pantheon Private Equity	123,618
46,104	Partners Group	45,306
344	Hg Capital	343
<b>363,667</b>		<b>390,379</b>

## 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 £1.7m (£1.4m in 2012/13) 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 £32.1m to the Fund in 2013/14 (£31.7m in 2012/13).

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 2014, the Fund had an average investment balance of £9.1m (year to 31 March 2013, £5.4m), earning interest of £61k (£39k year to 31 March 2013).

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 £50,000, the value required for further detailed disclosure. No exit package has been agreed during the year in respect of these officers.

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.

## Pension Fund Accounts

### 15. Current Assets and Liabilities

31 March 2013 £000	Current Assets and Liabilities	31 March 2014 £000
	<b>Current Assets</b>	
7,453	Contributions due from employers 31 March	7,494
10,318	Cash balances (not forming part of the investment assets)	17,446
3,434	Other current assets	2,320
<b>21,205</b>	<b>Total Current Assets</b>	<b>27,260</b>
	<b>Current Liabilities</b>	
(891)	Management charges	(956)
(862)	HM Revenue and Customs	(872)
(1,131)	Unpaid benefits	(760)
(7,391)	Other current liabilities	(1,935)
<b>(10,275)</b>	<b>Total Current Liabilities</b>	<b>(4,523)</b>
<b>10,930</b>	<b>Net Current Assets</b>	<b>22,737</b>
31 March 2013 £000	Current Assets and Liabilities	31 March 2014 £000
	<b>Current Assets</b>	
2,610	Central government bodies	2,434
5,872	Other local authorities	5,413
8	NHS bodies	6
10,362	Public corporations and trading funds	17,583
2,353	All other bodies	1,824
<b>21,205</b>	<b>Total Current Assets</b>	<b>27,260</b>
	<b>Current Liabilities</b>	
(862)	Central government bodies	(872)
(296)	Other local authorities	(296)
-	NHS bodies	-
(688)	Public corporations and trading funds	(2,243)
(8,429)	All other bodies	(1,112)
<b>(10,275)</b>	<b>Total Current Liabilities</b>	<b>(4,523)</b>
<b>10,930</b>	<b>Net Current Assets</b>	<b>22,737</b>

### 16. Taxes on Income

2012/13 £000	Taxes on Income	2013/14 £000
-	Withholding tax - fixed interest securities	-
1,296	Withholding tax - equities	1,540
<b>1,296</b>	<b>Total Taxes on Income</b>	<b>1,540</b>

## Pension Fund Accounts

---

The Fund retains the following taxation status:

- VAT input tax is recoverable on all fund activities by virtue of Buckinghamshire County Council being the administering authority.
- The fund is an exempt approved fund under the Finance Act 2004 and is therefore not liable to UK income tax or capital gains tax.
- Income earned from investments overseas in the United States and certain other countries is exempt from national taxation and therefore not subject to withholding tax.

### 17. Actuarial Position of the Fund

---

In accordance with the Local Government Pension Scheme (Administration) Regulations 2008 as amended, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2013. The next valuation will take place as at 31 March 2016.

The key elements of the funding policy are:

- Set employer contribution rates that will build up a fund of assets that will be sufficient to meet all future benefit payments from the Fund
- Build up the required assets in such a way that employer contribution rates are kept as low and stable as possible.

The Fund's Actuary, Barnett Waddingham LLP, undertook a valuation of the Fund as at 31 March 2013 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 £1,784m, sufficient to cover 82% of the accrued liabilities assessed on an ongoing basis. The funding policy is set to recover the deficit over seventeen years and the common rate of contribution for the period 1 April 2014 to 31 March 2017 is 19.5% of pensionable pay.

The results of the valuation are that the past service funding level of the Fund as a whole has increased from 79% to 82% between 31 March 2010 and 31 March 2013. The improvement of the funding position since the previous valuation is mainly due to good investment returns over the period but has been offset by a poorer outlook for the future based on market conditions compared to the valuation in 2010. At the same time, the contribution rate for the average employer, including payments to target full funding, has increased from 19% to 19.5% of pensionable salaries mainly due to an increase in the required deficit contributions as total pensionable payroll has reduced.

The main assumptions used in the valuation were:

#### Future assumed returns

- |   |      |           |
|---|------|-----------|
| ▪ Investment return - equities          | 6.9% | per annum |
| ▪ Investment return - gilts             | 3.3% | per annum |
| ▪ Investment return - bonds             | 3.9% | per annum |
| ▪ Investment return - property          | 6.0% | per annum |
| ▪ Investment return – expense allowance | 0.1% | per annum |

#### Financial assumptions

- |  |  |                                   |
|--|--|-----------------------------------|
| ▪ Discount rate                          | 6.1%   | per annum                         |
| ▪ Retail price index (RPI)               | 3.5%   | per annum                         |
| ▪ Consumer price index (CPI)             | 2.7%   | per annum                         |
| ▪ Pension and deferred pension increases | 2.7%   | per annum                         |
| ▪ Short term pay increases               | in line with CPI assumption for the two years to 31 March 2015 |                                   |
| ▪ Long term pay increases                | 4.5%   | per annum (RPI plus 1% per annum) |

## Pension Fund Accounts

---

The most recent interim valuation took place as at 31 March 2014 which showed that the funding level had increased to 84% and the average required employer contribution would be 19.2% of payroll assuming the deficit is to be paid by 2030.

### 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 2013. On an IAS 19 basis the Actuary estimates that the net liability as at 31 March 2014 is £1,175m (31 March 2013 £532m), but figures calculated on an IAS 19 basis are not relevant for calculations undertaken for funding purposes or for other statutory purposes undertaken under UK pensions legislation. The Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

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

The expected returns on the assets actually held will be different 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 2013		31 March 2014	
£000		£000	
2,316,281	Present value of funded obligation	3,084,572	
1,784,200	Fair value of scheme assets	1,909,599	
<b>532,081</b>	<b>Net Liability</b>	<b>1,174,973</b>	

The Present Value of Funded Obligation consists of £2,698m (£1,863m at 31 March 2013) in respect of Vested Obligation and £386m (£453m at 31 March 2013) 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 2013		31 March 2014	
3.4%	RPI increases	3.6%	
2.6%	CPI increases	2.8%	
4.8%	Salary increases	4.6%	
2.6%	Pension increases	2.8%	
4.5%	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 19 years. The discount rate is the annualised yield at the 19 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 is consistent with the approach used at the last accounting date.

## Pension Fund Accounts

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 19 year point on the Bank of England spot inflation curve. This is consistent with the approach used at the last accounting date. This measure has historically overestimated future increases in the RPI and so, in the past, the Actuary made a deduction of 0.25% to get the RPI assumption. However, the evidence for this in more recent periods is weaker and so the Actuary has made no such deduction at 31 March 2014. The RPI assumption is therefore 3.6%. 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. 2.8%.

Salary increases are then assumed to be 1.8% above CPI in addition to a promotional scale. However, the actuary has allowed for a short-term overlay from 31 March 2013 to 31 March 2015 for salaries to rise in line with CPI.

### 19. Contingent Liabilities and Contractual Commitments

Contractual commitments that the Fund has entered into by 31 March 2014 are:

<b>Contractual Commitments</b>	<b>Amount Paid as at 31 March 2013</b>	<b>Amount Paid as at 31 March 2014</b>	<b>Total Contractual Commitment</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Pantheon Asia Fund V LP	9,400*	21,000	25,000
Pantheon Asia Fund VI LP	19,375*	13,395	47,000
Pantheon USA Fund VII Limited	15,555	17,999	21,250
Pantheon USA Fund VIII Feeder LP	45,075	50,325	75,000
Pantheon Global Secondary Fund IV Feeder LP	7,065	10,440	15,000
Partners Group Global Resources 2009, LP	21,523	29,316	35,000
	<b>117,993</b>	<b>142,475</b>	<b>218,250</b>
	<b>€000</b>	<b>€000</b>	<b>€000</b>
Pantheon Europe Fund V "A" LP	13,956	15,497	18,125
Pantheon Europe Fund VI LP	39,000	39,975	65,000
Partners Group Global Real Estate 2008 SICAR	21,411	22,447	25,000
Partners Group Global Infrastructure 2009 SICAR	14,552	18,901	25,000
	<b>88,919</b>	<b>96,820</b>	<b>133,125</b>

These contractual commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity, resources, global real estate and infrastructure parts of the portfolio. The amounts "called" by the funds are irregular in both size and timing over several years from the date of each original commitment. The total contractual commitment at 31 March 2014 is the same as the total contractual commitment at 31 March 2013.

\*The table shows the amount paid as at 31 March 2013 as stated in the audited Pension Fund Accounts for 2012/13. Please note that the amounts paid as at 31 March 2013 for the Pantheon Asia Fund V LP should have been \$19,375,000 and \$9,400,000 for the Pantheon Asian Fund VI in the 2012/13 accounts.

On 31 March 2014 there were 3 group transfers to the Fund under discussion with other Funds (4 on 31 March 2013), with the value of the transfers being negotiated between the Funds' actuaries.

## Pension Fund Accounts

---

### 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 with profits accumulation, deposit and discretionary funds. 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 Assets Statement in accordance with regulation 5(2)c of the Pension Scheme (Management and Investment of Funds) Regulations 1998 (SI 1998 No 1831). The 2012/13 closing values for the Prudential AVCs differs from the 2013/14 opening value because the 2012/13 values did not include £671k final bonus and also the value of the AVC fund opening value in 2013/14 changed by £63k.

<b>2012/13</b>	<b>Prudential</b>	<b>2013/14</b>
<b>£000</b>		<b>£000</b>
4,168	Value of AVC fund at beginning of year	4,973
698	Employees' contributions and transfers in	755
198	Investment income	308
(825)	Benefits paid and transfers out	(829)
<b>4,239</b>	<b>Value of AVC fund at year end</b>	<b>5,207</b>

<b>1.11.2011 - 31.10.2012</b>	<b>Clerical Medical</b>	<b>1.11.2012 - 31.10.2013</b>
<b>£000</b>		<b>£000</b>
3,642	Value of AVC fund at beginning of year	3,524
265	Employees' contributions	267
298	Investment income	469
(681)	Benefits paid and transfers out	(347)
<b>3,524</b>	<b>Value of AVC fund at year end</b>	<b>3,913</b>

### 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	
Milton Keynes Council	Alfriston School
South Bucks District Council	Amersham School
Wycombe District Council	Amersham & Wycombe College
	Aylesbury College
Amersham Town Council	Aylesbury Grammar School
Aston Clinton Parish Council	Aylesbury High School
Aylesbury Town Council	Aylesbury Vale Academy
Bletchley & Fenny Stratford Town Council	Beaconsfield High School
Buckingham Town Council	Beechview Middle School
Burnham Parish Council	Bedgrove Infant School
Campbell Park Parish Council	Bedgrove Junior School
Chalfont St Giles Parish Council	Bourton Meadow Academy
Chalfont St Peter Parish Council	Bridge Academy
Chepping Wycombe Parish Council	Brill CofE School
Chesham Bois Parish Council	Brookmead School
Chesham Town Council	Brookward School
Chiltern Crematorium	Brushwood Middle School
Chilterns Conservation Board	Buckinghamshire New University
Denham Parish Council	Buckinghamshire University Technical College
Farnham Royal Parish Council	Burnham Grammar School
Gerrards Cross Parish Council	Burnham Park E-Act Academy
Great Missenden Parish Council	Castlefield School
Hambleden Parish Council	Chalfonts Community College
Hazlemere Parish Council	Chalfont St Peter CE Academy
Iver Parish Council	Chalfont Valley E-Act Academy
Lane End Parish Council	Charles Warren Academy
Little Marlow Parish Council	Chepping View Primary Academy
Loughton Parish Council	Chesham Grammar School
Marlow Town Council	Chiltern Hills Academy
Newport Pagnell Town Council	Cottesloe School
Newton Longville Parish Council	Danesfield School
Olney Town Council	Denbigh School
Piddington & Wheeler End Parish Council	Denham Green E-Act Academy
Princes Risborough Town Council	Dr Challoner's Grammar School
Shenley Brook End and Tattenhoe Parish Council	Dr Challoner's High School
Shenley Church End Parish Council	Germander Park School
Stantonbury Parish Council	Gerrards Cross CE School
Stony Stratford Town Council	Glastonbury Thorn First School
Wendover Parish Council	Great Marlow School
West Bletchley Town Council	Green Park School
West Wycombe Parish Council	Hamilton Academy
Winslow Town Council	Hazeley Academy

## Pension Fund Accounts

---

Heronsgate School  
Highcrest Academy  
Holmer Green Senior School  
John Colet School  
John Hampden Grammar School  
Lord Grey School  
Loudwater Combined School  
Loughton School  
Milton Keynes Academy  
Milton Keynes College  
New Bradwell Combined School  
New Chapter Primary School  
Oakgrove School  
Olney Infant School  
Orchard Academy  
Ousedale School  
Overstone Combined School  
Oxley Park Academy  
Portfields Combined School  
Princes Risborough School  
Rickley Park Primary School  
Royal Grammar School  
Royal Latin School  
St Nicolas' CE Combined School Taplow  
St Paul's RC School  
Seer Green CofE School  
Shenley Brook End School  
Shepherdswell School  
Sir Henry Floyd Grammar School  
Sir Herbert Leon Academy  
Sir William Borlase's Grammar School  
Sir William Ramsay School  
Southwood Middle School  
Stanton School  
Stantonbury Campus  
Stephenson Academy  
The Beaconsfield School  
The Premier Academy  
The Radcliffe School  
Two Mile Ash School  
Waddesdon CE School  
Walton High  
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	Hertsmere Leisure Trust
Action for Children	Hightown Praetorian & Churches Housing Association
Action for Hearing Loss	Kids Play Childcare
Adventure Learning Foundation	MK Dons
Alliance in Partnership	Milton Keynes Development Partnership
Ambassadors Theatre Group	Milton Keynes Service Partnership
AMEY plc	Mouchel
Archgate Cleaning	National Foundation for Educational Research
Aylesbury Vale Advantage	Northgate-Arinsol
Aylesbury Vale Community Trust	NSL Services Group
Aylesbury Vale Dial-a-Ride	Oxfordshire Health NHS Foundation Trust
Beacon Housing Association	Oxon PCT (SALT)
Braybourne Cleaning Services	Paradigm Housing Association
Bucks Association of Local Councils	Penn School
Buckinghamshire Care	Pitney Bowes
Buckinghamshire Learning Trust	Police Superintendents Association
Buckinghamshire Support	Race Equality Council
Bucks Vision	Red Kite Community Housing Ltd
Chiltern Rangers CIC	Ringway Infrastructure Services Limited
Cleantec Services	Ringway Jacobs
Community Impact Bucks	Risk Management Security Services
Connection FS	SDK (Environmental)
Connexions Buckinghamshire	Sports Leisure Management
Cygnets Foods	The Fremantle Trust
Excelcare	Vale of Aylesbury Housing Trust
Hays Specialist Recruitment	Wolverton & Watling Way Pools Trust
Heritage Care	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.