

Pension Fund Annual Report
for the year ended 31 March 2015

Registration Number: 10123049



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Scheme Management and Advisers

Administering Authority:	Buckinghamshire County Council (BCC)
Pension Fund Committee: (BCC unless stated)	Cllr John Chilver (Chairman) Cllr Richard Scott (Vice Chairman) Cllr Trevor Egleton Cllr Peter Hardy Cllr Steven Lambert Cllr David Martin Cllr John Gladwin (representing the District Councils in Buckinghamshire) Cllr Peter McDonald (Milton Keynes Council) Cllr David Carroll (Thames Valley Police)
Advisers:	Mercer Investment Consulting Carolyn Dobson
Fund Managers:	Aviva Investors BlackRock Blackstone Alternative Asset Management DB Advisors Investec Asset Management Legal & General Investment Management Mirabaud Investment Management Pantheon Private Equity Partners Group Royal London Asset Management Schroders Standard Life Investments
Custodian:	BNY Mellon
AVC Providers:	Clerical Medical Prudential
Actuary:	Barnett Waddingham LLP
Fund Legal Advisors:	Buckinghamshire Law Plus (BCC)
Bankers to the Fund:	Lloyds TSB Bank plc
Fund Accountant:	Julie Edwards (BCC)
Finance Director, Consultancy:	Mark Preston (BCC)
Auditor:	Grant Thornton UK LLP
Scheme Administrators:	Pensions and Investments Team (BCC)

Introduction from the Finance Director (Finance Consultancy)

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).

The changing landscape for local government

Recently LocalGov revealed that government spending on care for people aged 65 and over had fallen by a fifth in England over the last 10 years. In Buckinghamshire the number of people aged over 65 is expected to grow by 39% from 2001 to 2026.

The growing elderly population depend on accessing health and social care. In reality we should be hearing about spending rises rather than cuts. However, there is only a finite amount of money in the public purse. This means money that has been allocated, whether it's decreased in absolute terms or not, needs to work harder and help more people than ever before.

The Public Accounts Committee of MPs recently issued a report in which it calculates that some councils have seen their funding from Government cut by up to 40% since 2010. Local authorities are working hard to find a way to do more for less while meeting statutory duties. At Buckinghamshire County Council we have risen to the challenges presented by adopting a future shape model. Future Shape enables us to operate more commercially – empowering our Business Units to be entrepreneurial – innovating, driving down costs and making it easier for our customers to do business with us. Our structures will change but the real change will be driven through our new processes and ways of operating.

During 2014/15, Pension Boards will be established across all LGPS funds, including the Buckinghamshire Pension Fund. These have been introduced by Government to enhance the governance of the LGPS Pension Schemes and will have an overview and scrutiny role on the operation and administration of the Fund. The board has equal member and employer representation to look after the interests of all stakeholders.

Pension Fund Management

The market value of the Pension Fund was £2.188bn at 31 March 2015. The Fund, excluding private equity investments, achieved a return of 12.9%, underperforming its benchmark return of 13.3% by 0.4% in the year to 31 March 2015. In the three years to 31 March 2015, the Fund achieved a return of 11.5%, an outperformance of 1.0% compared to its benchmark for that period.

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

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

Mark Preston

Finance Director, Consultancy

Business Services Plus

Buckinghamshire County Council

3 July 2015

The Pensions and Investments Team

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

Benefits Administration Team

We deal with over 25,100 active employees, 21,790 ex-employees and 15,900 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 and Employer Liaison Team

The Governance and Employer Liaison Team deals with pension enquiries from Employing Authorities, as well as other outside bodies, such as HM Revenue and Customs and other pension schemes. The team deals with pension fund year-end procedures and supports the Benefits Administration team where possible. Our Employers include scheduled bodies (major and smaller), admitted bodies and independent schools in Buckinghamshire.

Systems Team

The Systems Team is responsible for the specialist computer systems within the Pensions and Investments Team, including the management of *ALTAIR* (our pensions administration system), document imaging, pensioner payroll and workflow management.

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.

Local Government Pension Scheme Benefits

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

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

Contributions

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

Band	Pay Bands*: Actual Pensionable Pay	Contribution Rate Main Scheme	Contribution Rate 50/50 Scheme
1	Up to £13,500	5.5%	2.75%
2	£13,501 - £21,000	5.8%	2.95%
3	£21,001 - £34,000	6.5%	3.25%
4	£34,001 - £43,000	6.8%	3.4%
5	£43,001 - £60,000	8.5%	4.25%
6	£60,001 - £85,000	9.9%	4.95%
7	£85,001 - £100,000	10.5%	5.25%
8	£100,001 - £150,000	11.4%	5.7%
9	More than £150,000	12.5%	6.25%

* The pay bands applied for the Scheme year ended 31 March 2015. The pay bands increase on 1 April each year in line with the rise in the Consumer Price Index.

Local Government Pension Scheme Benefits

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

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

Local Government Pension Scheme Benefits

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

Ill Health Retirement

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

First Tier

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

Second Tier

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

Third Tier

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

Death in Service

A lump sum death grant, which is 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.

Risk Management

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

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

The Pension Fund risk register in the table below is reviewed by the Pension Fund Committee twice a year, it details the risks and risk mitigation measures in place:

Management and Financial Performance Report

Ref	Description of risk, i.e. what is the threat or opportunity to the achievement of a business/project objective, use format "If <event happens> then <consequence of event>"	Assessment of untreated risk				Risk Treatment, i.e. what are we going to do about this risk			Assessment of residual risk			Owner
		Impact	Probability	Untreated score	Proximity, i.e. when will this risk impact	Action	By when	Impact	Probability	Residual score		
P1	If the investment strategy does not produce the returns as envisaged / required then funds perform worse than expected, the deficit increases, pressure on employer contributions, pressure on Council Tax and reputational pressure on the Pension Fund	6	3	18	ongoing	Strategy reviewed formally every 3 years Review strategy more frequently - annual refresh Action Plan where issues arise Mini-valuation undertaken annually Appointment of Investment Consultant and Committee Advisor, Investment advice analysed. A long term view is taken with regards to the Fund's investment strategy.	ongoing	6	2	12	Pension Fund Committee and Service Director (Finance & Commercial Services)	
P2	If there is a significant downturn in a particular sector / geographical location then funds perform worse than expected, the deficit increases, employers contributions would need to be increased.	5	3	15	ongoing	Strategy reviewed every 3 years Review strategy more frequently - annual refresh Action Plan where issues arise. Managers closely monitored. Economic issues are being monitored. Closer monitoring of managers' views on Eurozone. Revised strategy implemented May 2014. Annual mini-actuarial valuation reported. Governance structures require meeting every Fund Manager on average 3 times per annum. Holistic reporting to Members - not just performance based.	ongoing	5	1	5	Pension Fund Committee and Service Director (Finance & Commercial Services)	
P3	If a new investment vehicle is not understood by the Pension Fund Committee then loss of control, limited governance exercised, poor controls / limited challenge and errors.	2	2	4	ongoing	Ensure adequate training. Periodic training needs analysis undertaken to support annual training plan. Committee Advisor supports the Committee members understanding of asset classes and investment issues.	ongoing	2	1	2	Pension Fund Committee and Service Director (Finance & Commercial Services)	
P4	If there are natural or man made disasters / problems which impact on the markets long term then loss of confidence, worried customers, lower returns and increased liabilities	2	4	8	ongoing	Governance structures provide for horizon scanning. Current investment strategy has built in flexibility that enables some degree of tactical decision making.	ongoing	2	4	8	Pension Fund Committee and Service Director (Finance & Commercial Services)	

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		Impact	Probability	Untreated score	Proximity, i.e. when will this risk impact	Action	By when	Impact	Probability	Residual score		
P5	If too many early retirements then the ratio of pensioners to contributors gets worse, less able to meet obligations and pressure on contributions	2	5	10	ongoing	Early retirement options were reduced in line with 2008 LGPS regulations. Administration team monitor. The Fund's employers are responsible for the pension strain costs, not the Fund.	ongoing	2	2	4	Pension Fund Committee and Service Director (Finance & Commercial Services)	
P6	Public sector cuts could increase the number of early retirements, increase in administration costs and impact on revenue. Public sector cuts, member opt outs, localism and outsourcing could reduce the number of active members reducing contributions income. Contributions income could bring forward the date when the Fund has to use investment income to meet benefit payments.	3	4	12	ongoing	Review in light of austerity measures and other large employer strategies. Periodic meetings held with larger employers. Factor maturity of the Fund into investment strategy decisions, review Funding Strategy Statement every three years following the actuarial valuation.	ongoing	3	3	9	Pension Fund Committee and Service Director (Finance & Commercial Services)	
P7	If significant changes in government regulations occur, for example IAS19, then limited opportunities for innovation exist and resource is wasted supporting employers / members with non-value adding activities.	1	2	2	ongoing	Not within the Pension Fund's control. No further action required.	ongoing	1	2	2	Pension Fund Committee and Service Director (Finance & Commercial Services)	
P8	If there is fraud at some point in the "chain" (within the Council or Fund Management House) then loss of assets, damage to credibility and	4	2	8	ongoing	Monitoring activity undertaken (SAS70, AAF01/06) Relationships with fund managers to include assurance and risk management consideration. Detailed and embedded assurance framework in place.	ongoing	4	1	4	Pension Fund Committee and Service Director (Finance & Commercial Services)	

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		Impact	Probability	Untreated score	Proximity, i.e. when will this risk impact	Action	By when	Impact	Probability	Residual score	
	reputation and potential litigation.										Services)
P9	If there is poor Fund management caused by poor selection, loss of key staff, change in process or not keeping up with the market then there will be poor performance, reduced assets, damage to reputation and increased deficit.	3	4	12	ongoing	Fund managers' performance actively reviewed quarterly. New investment strategy implemented May 2014. Benchmarking undertaken and research undertaken.	ongoing	3	2	6	Pension Fund Committee and Service Director (Finance & Commercial Services)
P10	If there is an underestimation of pensioner longevity then there will be a failure to have high enough pension contributions and increased pressure on future contributions.	4	4	16	ongoing	Not within the Pension Fund's control Actuaries review projection of longevity regularly. The 2013 Actuarial Valuation mortality assumptions allowed for a long term rate of improvement in mortality rates. The next triennial valuation as at 31 March 2016 will be reported in Autumn 2016.	ongoing	4	3	12	Pension Fund Committee and Service Director (Finance & Commercial Services)
P11	If inflation is significantly greater than that currently forecast then there will be lower bond returns, pay levels increase and the deficit widens.	3	4	12	ongoing	Review bond performance regularly. Economic commentators suggest that inflation will fall back to target in the medium term and that the factors driving the current spikes in inflation are temporary.	ongoing	3	3	9	Pension Fund Committee and Service Director (Finance & Commercial Services)
P12	If there is loss of confidence by employees and employers in the Pension Fund management then political fallout, seen as a poor performer, criticism from external audit and Public	2	2	4	ongoing	Pensions Communications Officer role involves designing and delivering communications strategy. Pension Fund Consultative Group meets with representatives from the Fund's larger employers six-monthly.	ongoing	2	1		Pension Fund Committee and Service Director (Finance & Commercial Services)

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		Impact	Probability	Untreated score	Proximity, i.e. when will this risk impact	Action	By when	Impact	Probability	Residual score	
	Interest Reports.										
P13	If stock market volatility exists at key points in the cycle e.g. at time of actuarial review then, deficit grows as does pressure on employer costs.	3	5	15	ongoing	Ongoing review more intense at current time given volatility in markets and ongoing Eurozone sovereign debt crisis. Key decision to be made in terms of timing of changes. Actuary using 'smoothing' effect which actively seeks to mitigate risks.	ongoing	2	4	8	Pension Fund Committee and Service Director (Finance & Commercial Services)
P14	If a failure of a fund management house or nominee company is caused by financial issues or a catastrophic event e.g. terrorism or company policy change e.g. leaving the UK then there will be a short term performance failure, time and cost implications and a potential loss of opportunity if at the wrong moment.	3	2	6	ongoing	Ongoing review using governance structures described previously.	ongoing	2	2	4	Pension Fund Committee and Service Director (Finance & Commercial Services)
P15	If officers do not follow policy decision or recommend inappropriate / radical policy decision then too great an exposure in certain areas will exist leading to greater volatility, break down of trust, policy decisions slowed, loss of opportunity and reputation damage.	3	2	6	ongoing	Effective scrutiny of officer activity by line management, Pension Fund Committee and audit	ongoing	2	1	2	Pension Fund Committee and Service Director (Finance & Commercial Services)

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		Impact	Probability	Untreated score	Proximity, i.e. when will this risk impact	Action	By when	Impact	Probability	Residual score		
P16	LGPS2014 introduced in April 2014. Not all guidance has been finalised which has caused delays and further delays are expected whilst guidance is sought.	4	4	16	ongoing	Not within the pensions sections control however it may mean that additional resources are needed. Currently awaiting guidance on aggregation/final salary link along with Freedom & choice	ongoing	3	3	9	Pensions & Investments Manager	
P17	Continued confusion from members/employers regarding the new scheme could cause increases in queries	3	4	12	ongoing	Training events have been provided to employers and the ELT provide ongoing support in addition to the BAT. Scheme information is also continually updated on the website	ongoing	3	3	9	Pensions & Investments Manager	
P18	A lack of capacity due to staff losses or sickness could adversely affect the workload of the pensions section resulting in decreased productivity.	3	3	9	ongoing	The use of overtime and temporary staff where appropriate.	ongoing	2	2	4	Pensions & Investments Manager	
P19	The risk that the pensions software (Altair) causes disruption due to system crashes etc. leading to calculation errors, delays and a loss of working time.	3	4	12	ongoing	Not within the pensions sections control but errors can be recorded in order to notify supplier. Continuity arrangements in place. Regular client relationship management meetings.	ongoing	2	2	4	Pensions System Officer, Pensions & Investments Manager	
P20	Software updates resulting from scheme changes may create errors in calculations thus resulting in more time spent checking and re-doing calculations.	4	5	20	ongoing	Not within the pensions sections control but errors can be recorded in order to notify supplier. Continuity arrangements in place. Currently BAT are finding that a lot of manual intervention is needed. This is being dealt with by the systems team	ongoing	2	3	—	Pensions System Officer, Pensions & Investments Manager	

Management and Financial Performance Report

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		Impact	Probability	Untreated score	Proximity, i.e. when will this risk impact	Action	By when	Impact	Probability	Residual score		
P21	Staff retention. There is a risk of losing trained staff to other organisations due to a lack of flexibility in the career matrix.	2	4	8	ongoing	The Council has a Contribution Based Pay (CBP) system to reward high performance in a consistent and cost effective way. The Pensions Officer career matrix has recently been revised in line with CBP and also to make a smoother transition between ranges for Pensions Officers to progress	ongoing	1	3		Pensions & Investments Manager, Assistant Service Director - Finance Centre of Expertise	
P22	Poorly performing employers can cause additional work on the pensions team by not providing information which they have a statutory duty to provide. This results in wasted time chasing employers and creating a backlog of work.	2	5	10	ongoing	The employer SLA's should help make employers provide the required information. The Pensions Administration Strategy includes a charging policy. 1-1 meetings with employers will be conducted to go over issues with information. Employer Liaison Team working on a risk basis,	ongoing	2	4	8	Pensions & Investments Manager, Assistant head of finance	
P23	Additional work and disruption is caused due to outsourcing and changes in schools payroll providers creating losses of vital information. This results in a lot of extra work on pensions administration staff attempting to piece together information which should have been provided	2	5	10	ongoing	The employer SLA's should help make employers provide the required information. The Pensions Administration Strategy includes a charging policy. 1-1 meetings with employers being conducted to go over issues with information. Employer Liaison Team working on a risk basis, Responsibility on employers to manage their contractors.	ongoing	2	3	6	Principal Pensions Officer (Governance & Employer Liaison Officer)	

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		Impact	Probability	Untreated score	Proximity, i.e. when will this risk impact	Action	By when	Impact	Probability	Residual score	
P24	The increase of TUPE transfers / schools opting for academy status has resulted in an increased workload for pensions staff, mainly at a senior level. The Principal Pensions officer must deal with the admission agreements as well as liaising with external contractors and the fund actuaries. The range of employees involved differ between employer but range from 1 employee to hundreds.	3	4	12	ongoing	These TUPE Transfers are currently being dealt with. Resource diverted from other activities. Frequent meetings with larger employers.	ongoing	2	4	8	Pensions & Investments Manager/Principal Pensions Officers
P25	The closure of the HMRC contracting-out department from 2016 means that a GMP reconciliation will need to take place in advance. This reconciliation may result in identifying overpayments/underpayments . If the reconciliation is not complete before the closing of the office this could result in us being liable for GMP's which we should not be responsible for.	4	3	12	ongoing	Currently Principal Pensions Officer (Systems) has registered with the HMRC in order to receive bulk GMPs. A plan will need to then be put into place to deal with this	ongoing	3	3	9	Principal Pensions Officer (Systems)
P26	Tax legislation in respect of high-earners pensions contributions could result in a departure of high-earners from the Fund. High-earners leaving the Scheme could be	2	2	4	ongoing	LGE has issued a leaflet setting out the implications of the tax changes for high-earners which has been forwarded to high-earners. Ongoing communications to scheme members highlighting the benefits of the Scheme	ongoing	2	2	4	Pensions & Investments Manager/Principal Pensions Officers

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		Impact	Probability	Untreated score	Proximity, i.e. when will this risk impact	Action	By when	Impact	Probability	Residual score	
	perceived as senior management not advocating the benefits of the LGPS										
P27	If Admitted Bodies who joined the Fund prior to 1997 fail or if current Admitted Bodies reduce their active members to 0, then the Fund has no powers to ensure these organisation make good any deficit.	4	3	12	ongoing	Encouraging organisations against this route. Use of network groups to lobby for change in Regulations. DCLG admit that the issue needs looking at. Consultation paper prepared.	ongoing	3	2	6	Pensions & Investments Manager/Principal Pensions Officers
P28	The 3% on average increase employee pension contributions implemented, with effect from 1 April 2014, by increasing the tiers of contributions paid by mid/high earners could result in a departure of mid/high-earners from the Fund. Mid/High-earners leaving the Scheme could be perceived as senior management not advocating the benefits of the LGPS. During current period of low pay increases members may opt out due to pressures on household budgets.	2	2	4	ongoing	Not within the Pension Team's control, but there are ongoing communications to Scheme members highlighting the benefits of the Scheme.	ongoing	2	2	4	Pensions & Investments Manager/Principal Pensions Officers

Financial Performance

Forecast vs Outturn report on the Fund Cash Flows

Fund Account	2013 / 2014		2014 / 2015		2015 /2016
	Forecast	Actual	Forecast	Actual	Forecast
	£000	£000	£000	£000	£000
Income					
Contributions receivable	110,000	112,454	110,000	107,376	110,000
Transfers in	5,000	6,426	5,000	4,238	5,000
Other income	90	79	90	107	90
Investment income	35,000	36,375	35,000	34,769	35,000
Total income to the Fund	150,090	155,334	150,090	146,489	150,090
Expenditure					
Benefits payable	(92,000)	(90,623)	(95,000)	(96,085)	(98,000)
Transfers out	(6,000)	(6,286)	(6,000)	(5,708)	(6,000)
Other payments		(9)		172	
Administrative expenses	(1,800)	(2,096)	(1,800)	(1,664)	(1,800)
Investment Management expenses	(14,000)	(14,029)	(14,000)	(13,955)	(14,000)
Total expenditure of the Fund	(113,800)	(113,043)	(116,800)	(117,240)	(119,800)
Change in market value	120,000	116,848	150,000	236,012	180,000
Net increase in the Fund	156,290	159,139	183,290	265,261	210,290

Budget vs Outturn report on the Administrative costs to the Fund

	2013/14 Forecast	2013/14 Actual	2014/15 Forecast	2014/15 Actual	2015/16 Forecast
Administrative Costs	£000	£000	£000	£000	£000
Staffing costs	820	799	820	818	820
Supplies and Services	320	645	320	180	320
Support Services	130	129	130	138	130
Income	-30	-35	-30	-31	-30
	1,240	1,538	1,240	1,105	1,240
Investment Management Expenses	£000	£000	£000	£000	£000
Supplies and Services	14,000	14,029	14,000	13,955	14,000
	14,000	14,029	14,000	13,955	14,000
Oversight and governance costs	£000	£000	£000	£000	£000
Staffing costs	150	148	150	156	150
Transport	2	2	2	2	2
Supplies and Services	388	389	388	379	388
Support Services	20	19	20	22	20
	560	558	560	559	560
Total	15,800	16,125	15,800	15,619	15,800

Forecast vs Outturn report on the Fund Asset Values

Net Asset Statement	2013 / 2014		2014 / 2015		2015 / 2016
	Forecast	Actual	Forecast	Actual	Forecast
	£000	£000	£000	£000	£000
Equities	695,934	715,872	765,267	683,237	730,380
Gilts	23,261	10,020	10,351	23,432	24,206
Bonds	154,088	163,087	169,447	281,312	292,283
Property	138,252	146,290	155,067	160,074	169,678
Pooled investment vehicles	852,182	846,696	905,118	983,239	1,051,082
Cash and Other	35,000	37,104	45,000	57,256	45,000
Net investment assets	1,898,716	1,919,069	2,050,251	2,188,549	2,312,629

Future assumed returns	2010	2013
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Management and Financial Performance Report

Equities	7.5% pa	6.9% pa
Gilts	4.5% pa	3.3% pa
Bonds	5.6% pa	3.9% pa
Property	5.6% pa	6.0% pa
Total assets	7.07% pa	6.84% pa

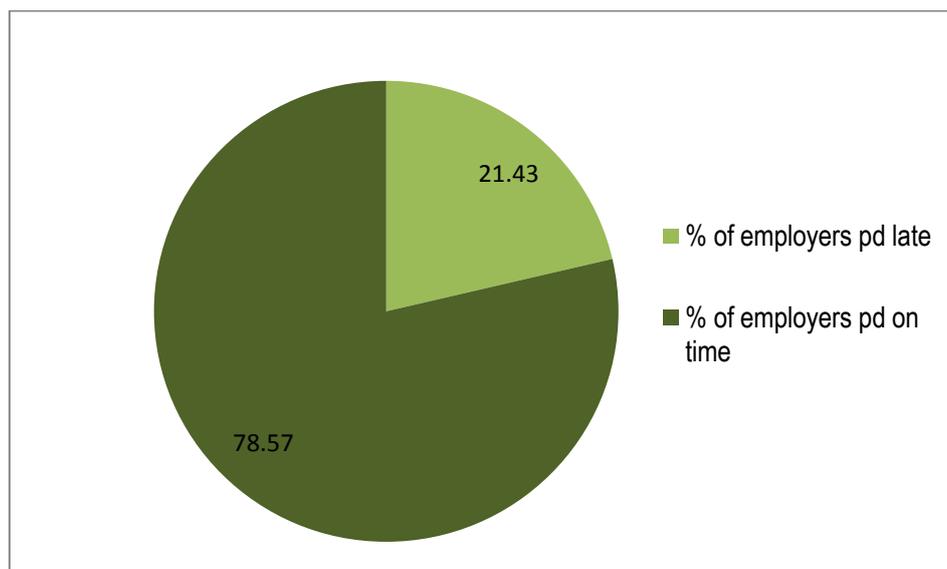
An analysis of amounts due to the Fund from Employers

Value of Employer and Employee contributions received 1 April 2014 to 31 March 2015

Total Employer contributions '000s	Total Employee contributions '000s
78,391.6	27,378.1

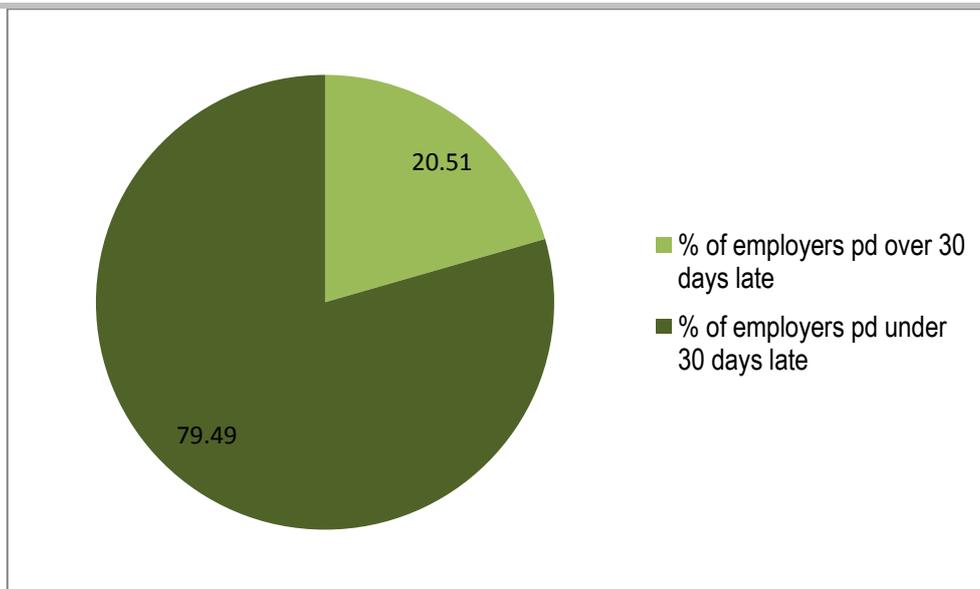
Analysis of the timeliness of receipt of contributions

Total number of employers	182
Employers who paid late	39
Percentage of Employers who paid late	21.43 %
Percentage of Employers who paid on time	78.57 %



Ageing of overdue contributions

Employers who paid late	39
Employers who paid over 30 days late	8
Percentage of Employers who paid over 30 days late	20.51 %
Percentage of Employers who paid under 30 days late	79.49 %



The Fund has not exercised the option to levy interest on overdue contributions.

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

Year	Cheque payments received in respect of overpayments made	Total money recovered from monthly pension payments	Total Overpayments recovered	Total Overpayments written off	Total Overpayments
2010/11	£10,276.68	£16,697.50	£26,974.18	£1,623.61	£28,597.79
2011/12	£8,278.52	£18,083.67	£26,362.19	£7,054.83	£33,417.02
2012/13	£13,631.71	£11,811.86	£25,443.57	£1,698.98	£27,142.55
2013/14	£13,745.13	£7,437.83	£21,182.96	£303.92	£21,486.88
2014/15	£28,159.49	£7,572.34	£35,731.83	£25,525.50	£61,257.33

The Fund does not recover overpayments of less than £100.

Administrative Management Performance

Key Administration Performance Indicators

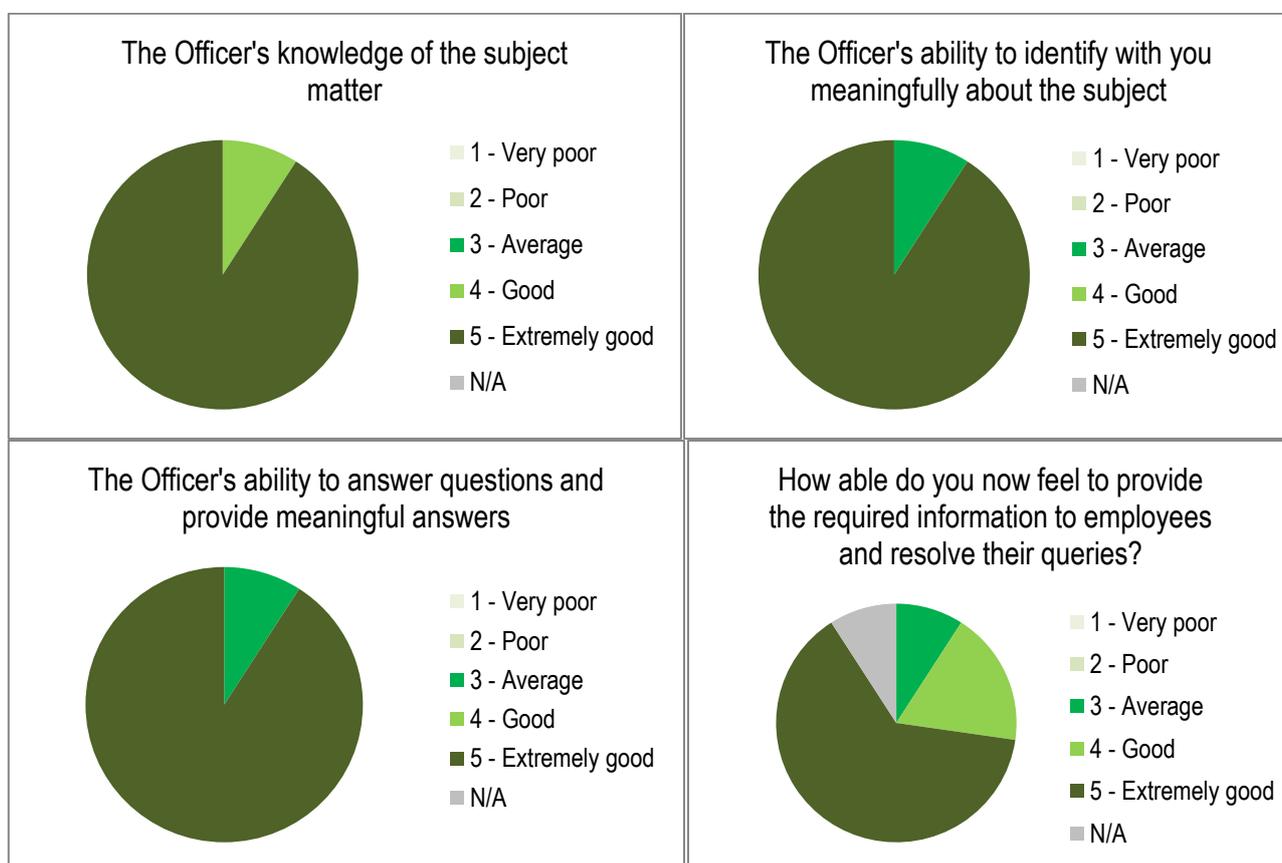
Number and trend of top 10 case types

Case Type	Timeframe	Procedures Completed 2014/15	% completed within target timeframe
1. New Starters set up	Within 20 working days	4221	98.4%
2. Reply to general pension enquiry	Within 10 working days	3392	56.3%
3. Change of Address (pensioner and non pensioner)	Within 10 working days	2144	98.9%
4. Hour change update	Within 20 working days	1804	99.1%
5. Employee requested quote of retirement benefits	Within 10 working days	1049	82.4%
6. Preserved benefits brought into payment	Within 20 working days	748	77.2%
7. Bank Details update	Within 10 working days	744	93.4%
8. Retirement from Active Status processed	Within 20 working days	661	75.6%
9. Manual update of tax code on pensioner record	Within 10 working days	603	96.8%
10. Death – initial death letter issued on same working day as notification of death received	Within 1 working day	472	97.4%

Trends and performance against targets for satisfaction levels of Employers and Members

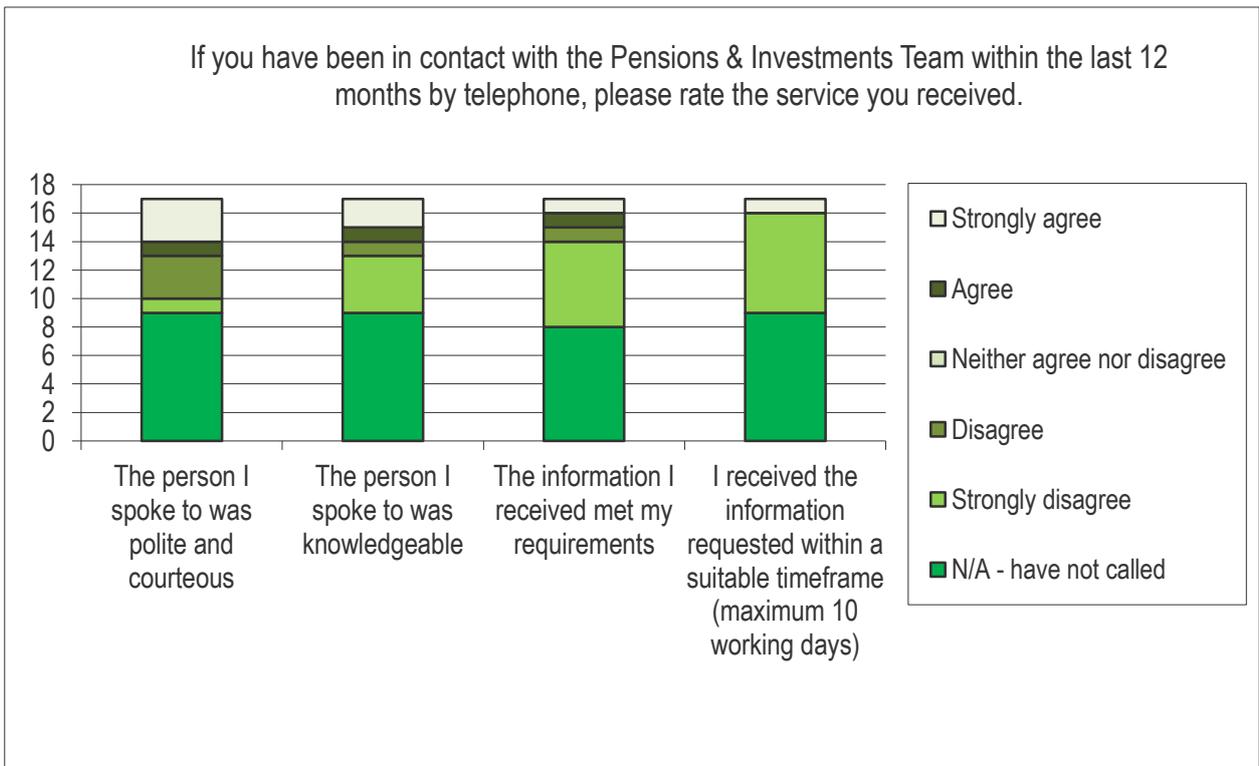
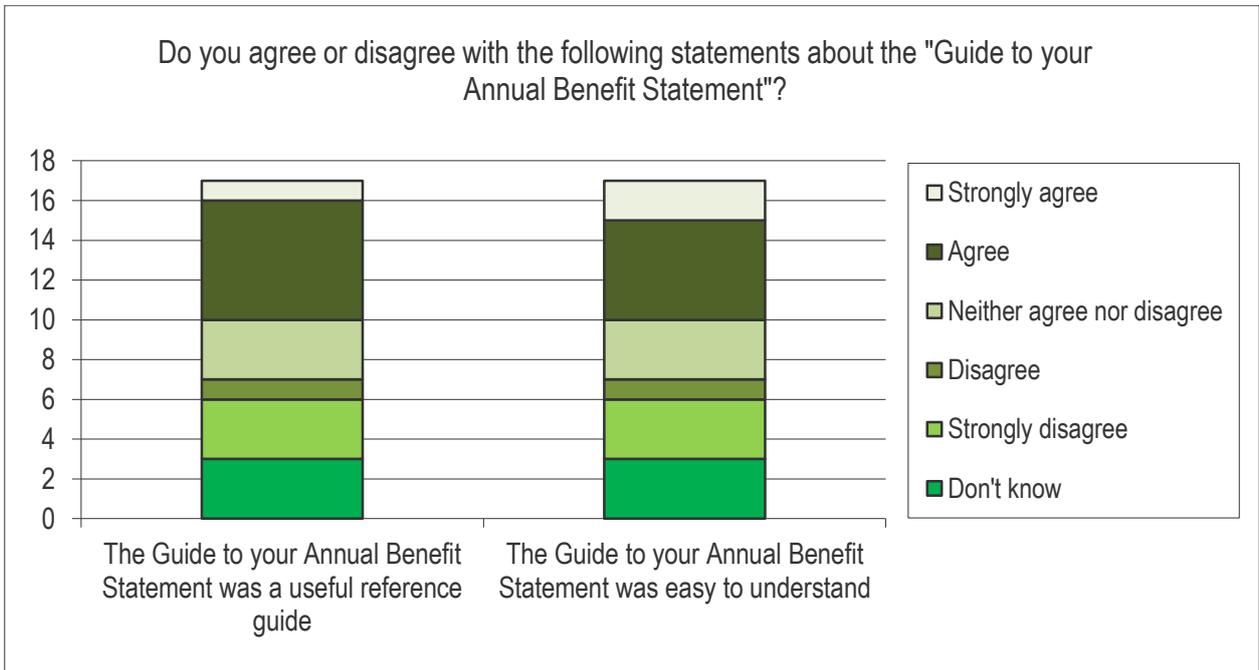
Satisfaction levels of Employers

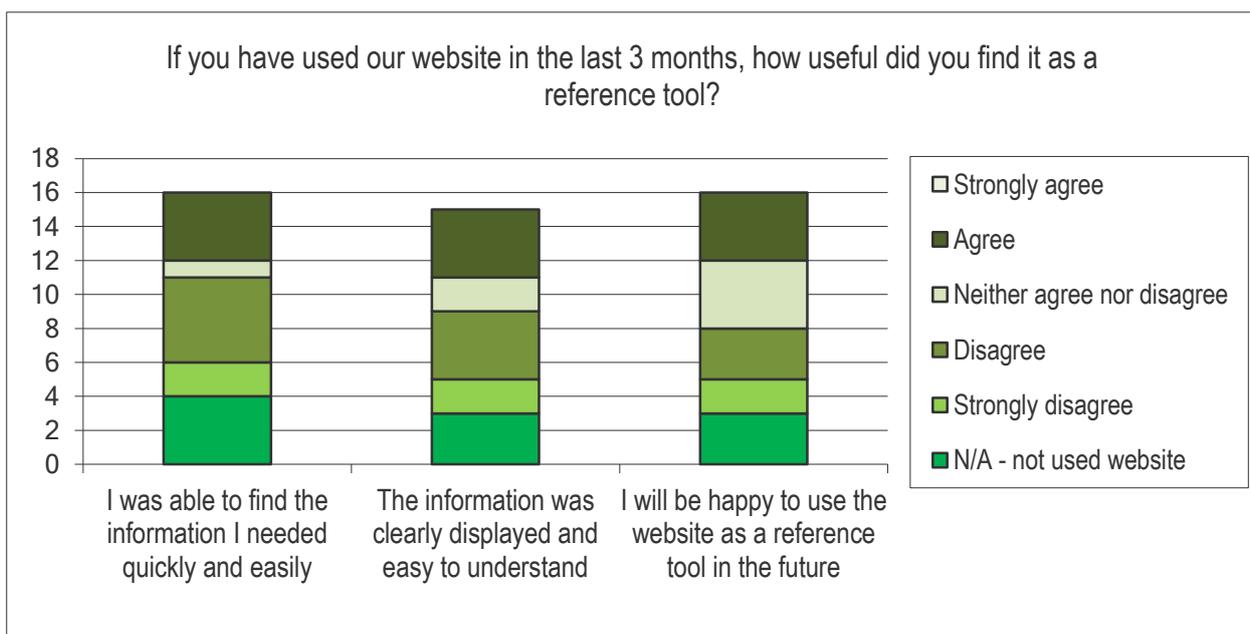
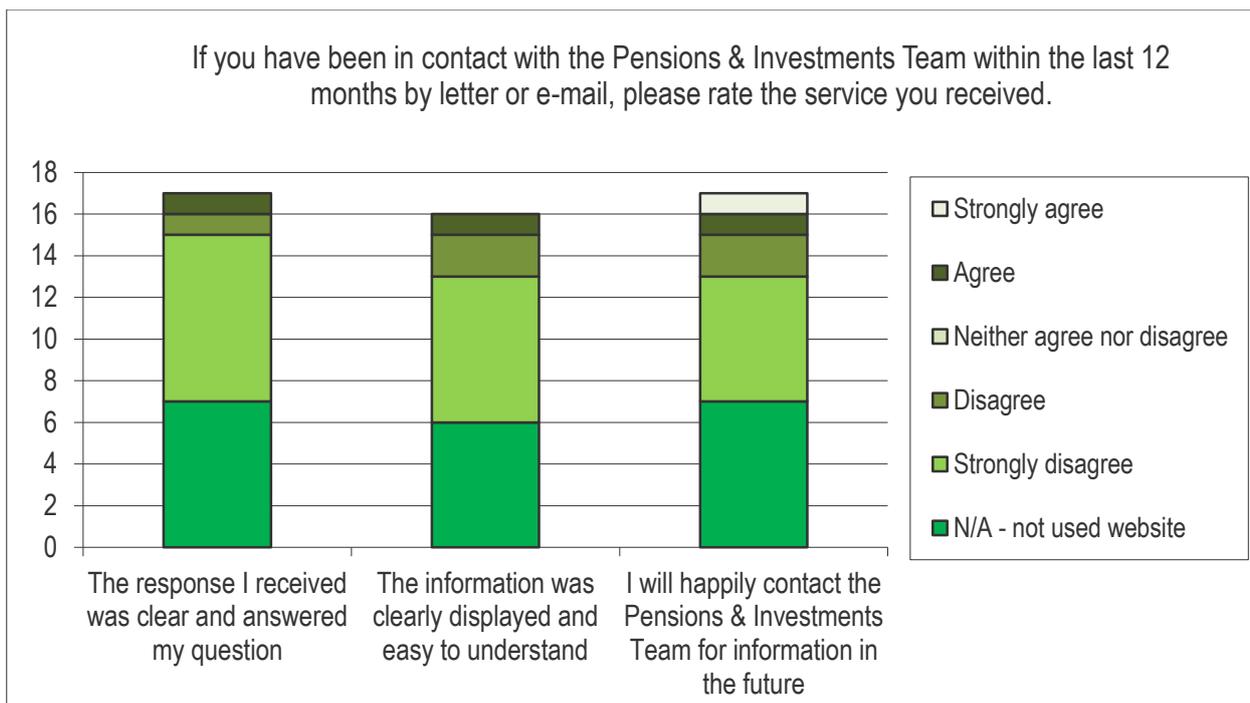
Our Employer Liaison Officers offer face to face training, on request by an Employer, on any aspect of LGPS administration. All Employers who request training are asked to complete an “Employer visit feedback form”. The results of the 2014/15 Employer satisfaction survey are show graphically below.



Satisfaction levels of Scheme Members

Each year the Fund runs an online Annual Benefit Statement Survey. The results for 2014/15 are shown below.





Complaints

Measure	2014/15
Number of Complaints received	38
Number of Complaints upheld after IDRPs 1 & 2	0
Complaints as a percentage of workload	0.1%

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 52 Administering Authorities that participate.

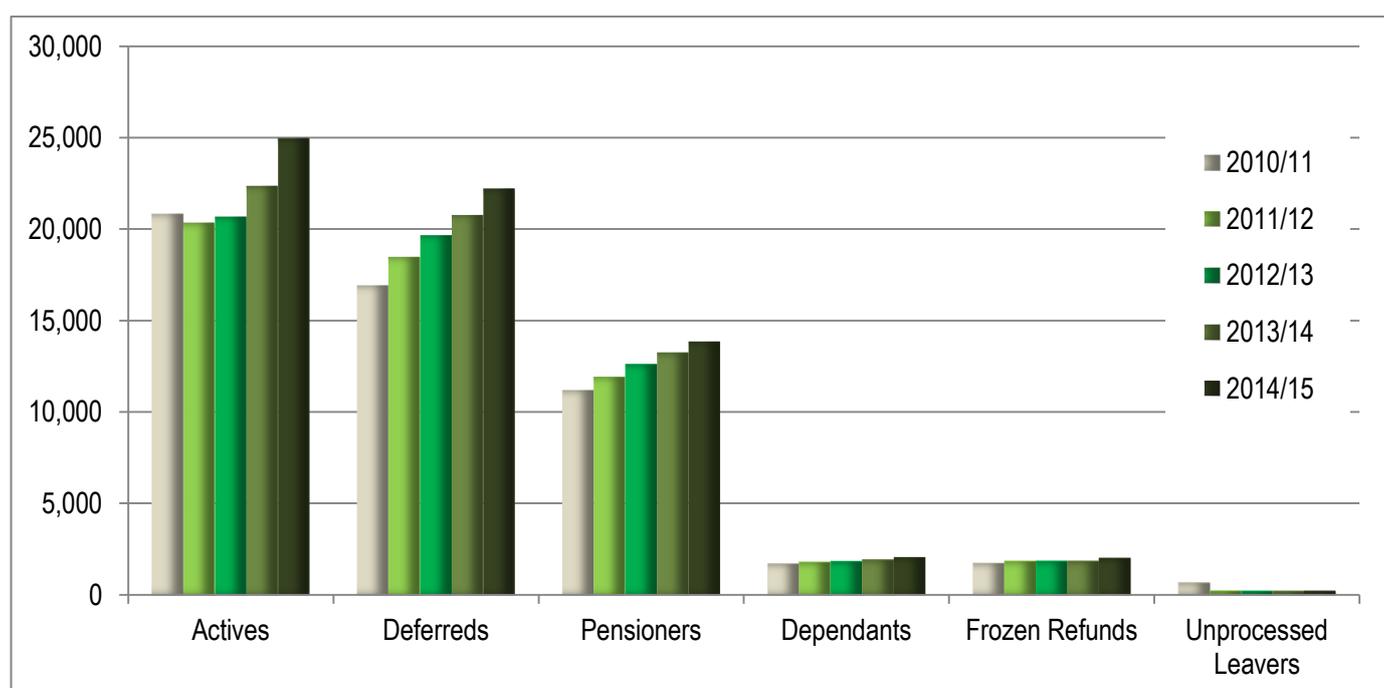
Management and Financial Performance Report

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 2014/15 report are as follows:

Measure	Buckinghamshire County Council	Club Average
Total cost per member	£20.04	£18.68
Total direct cost per member	£11.31	£12.12
Administration costs per member	£6.67	£7.77
Benefit Administration team members	15.5 FTE staff	N/A
Scheme members per Benefit Administration team member	4,183	4,172
Total number of LGPS Employers	251	223

Five-year analysis of the Fund's membership data



Composition of Membership	2010/11	2011/12	2012/13	2013/14	2014/15
Actives	20,807	20,354	20,681	22,354	24,961
Deferreds	16,914	18,487	19,675	20,780	22,216
Pensioners	11,206	11,941	12,632	13,269	13,853
Dependants	1,751	1,829	1,867	1,960	2,071
Frozen Refunds	1,775	1,884	1,886	1,890	2,033
Unprocessed Leavers	710	264	245	243	240

List of Contributing Employers and the amount of contributions received from each during the year

Employer	Employer Contributions '000s	Employee Contributions '000s	Employer	Employer Contributions '000s	Employee Contributions '000s
Acorn Childcare	8.8	3.3	Kids Play Childcare	7.2	2.5
Action for Children	84.3	40.2	Lane End Parish Council	3.6	1.0
Adventure Learning Foundation	13.6	4.6	Little Marlow Parish Council	2.3	0.6
Alfriston School	95.2	25.9	Lord Grey School	261.6	89.5
Alliance in Partnership	9.1	2.9	Loudwater Combined School	20.6	5.6
Ambassador Theatre Group	9.5	3.1	Loughton Middle School	62.6	18.5
Amersham & Wycombe College	497.0	190.5	Marlow Town Council	24.6	7.4
Amersham School	131.7	42.4	Middleton Primary School	94.4	28.8
Amersham Town Council	48.7	16.1	Milton Keynes Academy	302.0	100.1
Amey plc	40.8	17.0	Milton Keynes College	1,143.8	505.7
Archgate Cleaning / Reef Cleaning	1.8	0.4	Milton Keynes Council	8,293.3	3,067.7
Aylesbury College	429.9	170.6	Milton Keynes Council - Mouchel	109.1	32.8
Aylesbury Grammar School	184.0	49.7	Milton Keynes Council - Strictly Education	1,882.4	592.3
Aylesbury High School	178.6	57.7	Milton Keynes Development Partnership	30.6	24.9
Aylesbury Town Council	48.4	18.8	Milton Keynes Service Partnership	1,942.3	1,025.0
Aylesbury Vale Academy	232.6	63.1	Milton Keynes Service Partnership - MK Schools	2,600.6	807.7
Aylesbury Vale Dial a Ride	11.5	2.8	MK Dons	5.3	1.7
Aylesbury Vale District Council	3,367.5	1,019.3	New Chapter School	53.4	16.3
Beacon Housing Association	158.1	2.1	Newport Pagnell Town Council	25.3	5.0
Beaconsfield High Academy	100.5	26.7	Newton Longville Parish Council	1.8	0.5

Management and Financial Performance Report

Employer	Employer Contributions '000s	Employee Contributions '000s	Employer	Employer Contributions '000s	Employee Contributions '000s
Bedgrove Infants School	72.2	18.4	Northgate Arinso	70.5	31.1
Bletchley & Fenny Stratford Town Council	45.3	13.2	NSL Aylesbury	4.1	1.6
Bourne End Academy	95.8	25.0	NSL Wycombe	34.8	13.8
Braybourne Cleaning Service Ltd	0.4	0.1	Oakgrove School	211.1	70.1
Bridge Academy	134.3	42.6	Olney Infants School	31.5	9.3
Brill C of E School	31.7	7.7	Olney Parish Council	21.8	6.7
Brookmead Combined School	25.2	6.6	Orchard Academy	42.4	13.4
Brooksward Combined School	38.3	11.9	Ousedale School	258.5	80.2
Buckingham Town Council	27.1	7.6	Overstone Combined School	38.5	10.4
Buckinghamshire County Museum Trust	40.7	16.8	Oxford Health NHS Foundation Trust	49.1	22.2
Buckinghamshire New University	1,660.9	639.9	Oxley Park Academy	101.8	32.2
Buckinghamshire University Technical College	19.6	8.0	Paradigm Housing Group	58.0	25.4
Bucks Care Company	592.2	215.5	Park School	133.0	33.5
Bucks CC Schools Strict Ed	1,812.6	471.8	Penn School	173.7	45.7
Bucks Community Action	8.0	0.5	People for Places Leisure	11.9	4.6
Bucks County Council	22,462.8	6,532.7	Piddington & Wheeler End Parish Council	0.8	0.2
Bucks Learning Trust	611.2	297.0	Police Superintendents Association	8.5	4.1
Bucks Support Company	24.2	5.3	Princes Risborough Council	17.3	5.2
Burnham Grammar School	136.4	37.0	Princes Risborough Upper School	244.1	64.1
Burnham Parish Council	21.9	5.1	Radcliffe School	264.5	90.0
Burnham Upper	86.6	23.0	Rapidclean	0.4	0.0

Management and Financial Performance Report

Employer	Employer Contributions '000s	Employee Contributions '000s	Employer	Employer Contributions '000s	Employee Contributions '000s
Campbell Park Parish Council	36.2	11.4	Red Kite Community Housing	285.8	108.2
Castlefield School	138.8	35.8	Rickley Park Academy	78.9	23.3
Chalfont St Giles Parish Council	12.8	4.5	Ringway Infrastructure MKC	87.9	37.3
Chalfont St Peter CofE School	53.2	14.3	Ringway Jacobs	431.7	158.4
Chalfont St Peter Parish Council	9.7	2.9	Risk Management Security Services	2.7	1.1
Chalfont Valley E-ACT Academy	23.3	5.8	Royal Grammar School	204.3	57.4
Chalfonts Community College	309.4	82.0	SDK (Environmental)	11.6	3.2
Charles Warren Academy	49.5	15.2	Seer Green CE School	20.0	4.8
Chepping View Primary	98.9	27.7	Serco Ltd MKC	32.8	13.0
Chepping Wycombe Parish Council	13.6	3.8	Serco Ltd MKSP	1.3	0.4
Chesham Grammar School	162.9	45.6	Shenley Brook End & Tattenhoe Parish Council	28.2	7.9
Chesham Parish Council	85.3	25.3	Shenley Brook End School	310.9	95.5
Chiltern District Council	1,509.5	383.9	Shenley Church End Parish Council	16.5	4.9
Chiltern Hills Academy	140.5	43.1	Shepherdswell First School	27.8	8.5
Chiltern Rangers CIC	9.6	4.3	Sir Henry Floyd Grammar School	163.8	45.7
Chilterns Conservation Board	50.6	26.5	Sir Herbert Leon Academy	183.7	57.8
Cleantec	4.5	1.5	Sir William Borlase Grammar School	182.0	53.2
Bucks & Milton Keynes Fire Authority	469.2	245.3	Sir William Ramsay School	233.1	59.9
Connexions	231.0	104.7	South Bucks District Council	952.6	263.7
Danesfield School	50.9	15.8	Speech & Language Therapy (Elmtree School)	6.9	2.6
Denbigh School	219.8	69.3	Sports Leisure Management	4.2	1.1
Denham Green E-ACT Primary Academy	32.0	7.9	St. Nicholas CoE Combined School	44.9	11.3

Management and Financial Performance Report

Employer	Employer Contributions '000s	Employee Contributions '000s	Employer	Employer Contributions '000s	Employee Contributions '000s
Dr Challoners Grammar School	215.9	63.1	St. Paul's R.C. School	390.4	131.4
Dr Challoners High School	170.3	54.7	Stantonbury Campus	421.8	139.5
Eaton Mill Day Nursery	35.0	10.3	Stantonbury Parish Council	12.2	3.6
Excelcare	20.1	4.7	Stephenson Academy	148.6	50.4
Fremantle Trust	979.2	93.9	Stony Stratford Town Council	10.3	3.2
Frosts MKC	13.7	4.8	Thames Valley Police	11,501.8	5,647.6
George Grenville Academy	4.9	1.2	Thames Valley Police - PCC	75.1	56.0
Gerrards Cross C of E Combined School	34.7	9.3	The Beaconsfield School	153.9	42.2
Gerrards Cross Parish Council	6.1	1.9	The Bourton Meadow Academy	163.9	41.3
Great Marlow School	233.6	63.5	The Highcrest Academy	167.6	46.1
Great Missenden CofE Combined School	79.7	19.8	The Premier Academy	125.4	42.1
Great Missenden Parish Council	4.4	1.7	The Royal Latin School	193.9	50.1
Green Park School	31.2	9.8	Two Mile Ash School	145.0	45.3
Hambleden Parish Council	1.2	0.3	Vale of Aylesbury Housing Trust	587.5	239.9
Hamilton Combined School	108.1	27.4	Waddesdon Church of England School	196.1	53.9
Hazeley School	235.1	73.9	Walton High School	349.3	116.5
Hazelmere Parish Council	10.4	3.2	Wendover Parish Council	7.6	2.9
Heritage Care Ltd.	126.0	33.5	West Bletchley Council	47.2	15.8
Heronsgate School	51.4	15.7	West Wycombe Parish Council	1.6	0.4
Hertsmere Leisure Trust	6.9	2.1	Winslow Town Council	4.6	1.4
Hightown Praetorian & Churches Housing Association	5.3	1.7	Woburn Sands Parish Council	4.9	1.6
Holmer Green Senior School	147.7	38.3	Wolverton & Greenleys Town Council	20.6	6.0

Management and Financial Performance Report

Employer	Employer Contributions '000s	Employee Contributions '000s	Employer	Employer Contributions '000s	Employee Contributions '000s
Innovate	6.6	1.4	Wolverton and Watling Way Pools Trust.	4.7	2.7
Iver Parish Council	20.4	5.9	Wooburn & Bourne End Parish Council	15.0	4.9
John Colet School	170.6	45.2	Woughton Community Council	20.2	7.0
John Hampden Grammar School	157.4	42.2	Wycombe Dial a Ride	3.7	0.8
Kents Hill School	35.7	11.0	Wycombe District Council	1,256.5	695.2
Khalsa Secondary Academy	To be allocated	To be allocated	Wycombe High School	186.4	53.2

Investment Policy and Performance Report

The planned asset allocation and actual asset allocation at the beginning and end of the 2014/15 financial year are shown in the table below. A strategic review of asset allocation, in May 2014, showed that 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 strategic allocation to equities was decreased from 58% to 49% of the Fund and the allocation to bonds was increased from 15% to 25%.

Table 1: Asset Allocation 2014/15

	Planned % 31 March 2014	Actual % 31 March 2014	Planned % 31 March 2015	Actual % 31 March 2015
UK Equities	17	20	13	14
Overseas Equities	41	39	36	35
Bonds	15	15	25	25
Alternatives	18	17	18	17
Property	9	8	8	7
Cash	0	1	0	2
Total	100	100	100	100

Investment Administration

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

Investment Performance

The table below shows, at an asset class level, the Fund's investment performance over historical periods to 31 March 2015.

Table 2: Annualised Percentage Performance

	1 year %	3 years %	5 years %
Total Equities	13.3	14.5	10.7
UK Equities	5.6	12.9	10.4
Overseas Equities:			
North America	25.9	19.6	13.3
Europe ex UK	3.7	12.6	6.9
Far East	18.1	8.5	9.2
Other International	5.1	3.5	1.8
UK Bonds	14.2	10.0	9.9
Index-Linked	14.2	7.8	9.9
Cash	0.4	0.5	0.5
Alternatives	6.2	7.1	5.8
Property	15.1	8.3	7.1
Total Assets	12.9	11.5	9.1

Investment Policy and Performance Report

In the year to 31 March 2015 the annual return was 12.9% compared to its benchmark return of 13.3%, an underperformance of 0.4%. In the three years to 31 March, the Fund achieved a return of 11.5%, an annual outperformance of 1.0% compared to its 10.5% benchmark for that period.

The FTSE 350 increased by 3.0% for the year to 31 March 2015. Blackrock, Blackstone and Investec outperformed for the year to 31 March. Aviva, GTP, Mirabaud, RLAM, Schrodgers and Standard Life underperformed. Legal & General's performance in accordance with its passive mandate matched the benchmark.

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. A return of 11.5%, representing annual outperformance of 1.0%, compared to the 10.5% benchmark, for the three year period is reported. Over the three years Blackrock, Blackstone, Investec, 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, GTP and Mirabaud underperformed their benchmarks for the three year period.

Table 3: 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	15.8	16.6	-0.8	8.1	9.4	-1.3
Blackrock	5.1	0.6	4.5	5.8	0.6	5.2
Blackstone	6.8	0.6	6.2	7.8	0.6	7.2
GTP	16.4	18.4	-2.0	12.8	13.5	-0.7
Investec	20.5	18.4	2.1	16.4	13.5	2.9
Legal & General	14.4	14.5	-0.1	12.4	12.5	-0.1
Mirabaud	4.6	6.6	-2.0	9.7	10.6	-0.9
RLAM	14.2	14.8	-0.6	9.2	8.1	1.1
Schrodgers	14.3	18.4	-4.1	13.5	13.5	0.0
Standard Life	5.6	6.6	-1.0	14.8	10.6	4.2
Fund Total	12.9	13.3	-0.4	11.5	10.5	1.0

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 Group.

Investment Policy and Performance Report

The table below shows the Fund's investment performance over historical periods to 31 March 2015 compared to the Fund's investment benchmark.

Table 4: Investment Performance

	1 year %	3 years %	5 years %
BCC Fund	12.9	11.5	9.1
Strategic Benchmark	13.3	10.5	8.2
Relative	-0.4	1.0	0.9
WM Local Authority Universe Ranking	51	28	36

The Fund's Statement of Investment Principles, which is included in this annual report, set out the Fund's responsible investment policies, voting arrangements and the actions the Fund has taken to comply with the Myners' principles.

Scheme Member and Pensioner Administration

Buckinghamshire County Council's Pensions and Investments Team administer the Local Government Pension Scheme on behalf of the Buckinghamshire County Council Pension Fund. This includes pensioner administration and the Fund runs its own in-house pensioner payroll.

Arrangements for gathering assurance of effective and efficient administration operations

The Pensions and Investments Team report to the Pension Fund Consultative Group on administration performance twice a year and the Team are internally audited annually. The internal audit reports include an "action tracker" which details outstanding issues. Updates to outstanding BCC Pension Fund internal audit actions are reviewed at the County Council's Regulatory and Audit Committee meetings. The Regulatory and Audit Committee consists of eight elected members who meet to consider matters relating to the Council's Constitution, Accounts, Risk Management and Governance arrangements.

As previously mentioned, the Fund's LGPS Administration participates in the CIPFA Benchmarking Club. Data is submitted annually and the Council is measured against the other 52 Administering Authorities that participate.

Key areas of Technology

The Fund's records and administration system (i.e. *ALTAIR* by *Aquila Heywood*) are computerised. *ALTAIR* enables us to store our members' paperwork electronically by scanning all correspondence to the individual's record. All work is recorded and monitored on our workflow system. In 2015/16 we will roll out Member and Employer Self Service Options. This will enable the Fund's members to access their pension records online via the Member Self Service facility. Fund Employers will be able to access their staff records and do some basic administration by using the Employer Self Service facility.

The Fund maintains its own website which is available to scheme members, scheme employers, prospective members and all other stakeholders. The Fund's website content is comprehensive and includes links to the national LGPS websites. The Communications Officer provides Induction presentations to Employers on request, which gives prospective members an overview of the LGPS. Due to auto-enrolment legislation, the LGPS 50/50 facility and our online suite of LGPS documentation, LGPS membership has increased.

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.

- In cases where the Stage 1 appeal is against the Employer, these appeals are sent to the nominated individual within the Employing Authority to deal with. Stage 2 appeals against the Employer go to the Principal Pensions Officer (Benefit Administration) for their determination.
- Where the Stage 1 appeal is against the Administering Authority, these appeals are dealt with by the Principal Pensions Officer (Benefit Administration), or the Principal Pensions Officer (Governance and Employer Liaison), where the Principal Pensions Officer (Benefit Administration) made the initial decision which caused the appeal. If the appeal is unresolved at stage 1, the member or their representatives can invoke stage 2. Stage 2 appeals are referred to the County Council's Legal department.

Disputes in 2014/2015

Stage 1

1. Appeal against the Employing authority who refused to allow a member to revoke an amalgamation decision. The Employer declined the members appeal.
2. Appeal against the Administering Authority regarding application of a tax code. The Administering Authority declined the members appeal.
3. Appeal against the Administering Authority regarding the request for repayment of an overpayment. The Administering Authority declined the members appeal.
4. Appeal against the Employing Authority regarding an Ill Health retirement application. The Employer declined the members appeal.
5. Appeal against the Administering Authority where incorrect information has been provided. The Administering Authority declined the members appeal.

Stage 2

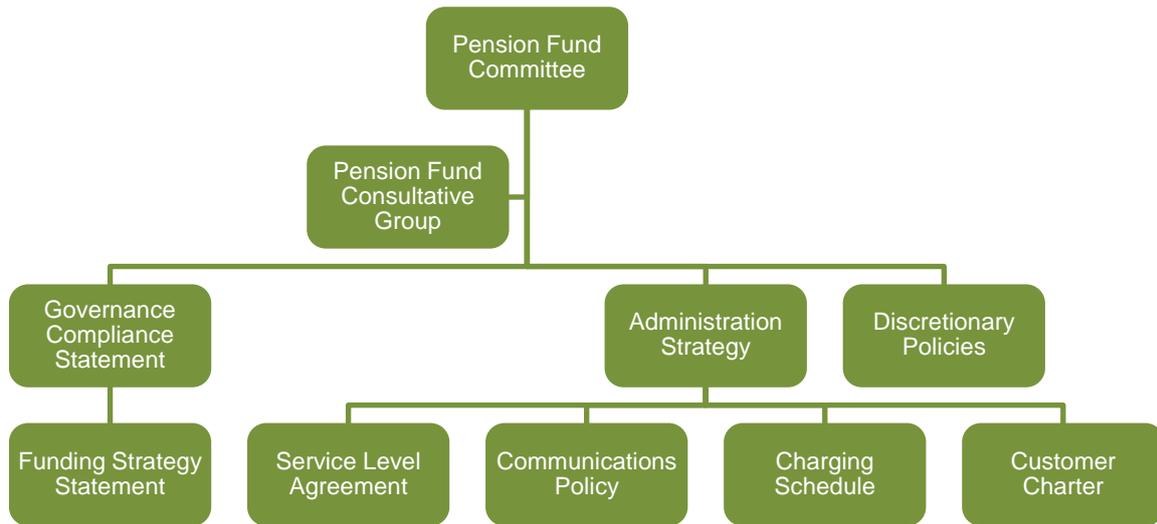
1. Progression to stage 2 from above 1.) Administering Authority agreed with Employer and declined appeal.
2. Progression to stage 2 from above 2.) Legal agreed with Administering Authority and declined appeal.
3. Progression to stage 2 from above 3.) Legal agreed with Administering Authority and declined appeal.

Scheme Administration Report

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

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

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



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

Governance Policy Statement

Background

1. With effect from April 2006, pension fund administering authorities are required to prepare and publish a governance policy statement under the LGPS (Amendment) (No.2) Regulations 2005 (Statutory Instrument 2005 No. 3199), which covers:
 - whether the administering authority delegates its functions in relation to the pension fund to a committee, a sub-committee or an officer of the Council; and where this is the case, details of:
 - the frequency of any committee's meetings;
 - the terms of reference, structure and operational procedures in relation to the use of delegated powers;
 - whether the committee includes representatives of employers or scheme members; and if so, whether they have voting rights.
2. This policy statement sets out the County Council's arrangements for discharging its responsibilities for pension fund matters.

Governance of Buckinghamshire Pension Fund

3. The current arrangements for the discharge of the County Council's responsibilities for pension fund matters are set out below.
4. Under the County Council's constitution, the County Council has delegated responsibility for decision-making on pension fund investments to the Pension Fund Committee. The Pension Fund Committee consults within the

Scheme Administration Report

advisory framework and the Finance Director (Business Services Plus) before making decisions within the scope of their delegated powers. The Committee receives professional advice from an investment consultant and an independent adviser on investment strategy and other investment matters.

5. The terms of reference for the Pension Fund Committee are to agree:
 - the overall investment objective for the Fund;
 - the Fund's Statement of Investment Principles;
 - the Fund's asset allocation policy;
 - the appointment of external fund managers;
 - the appointment of firms to provide investment and actuarial advice for the Fund;
 - any appropriate action to take in light of the quarterly monitoring of the performance of fund managers;
 - any other matters relating to the management and investment of the Pension Fund, as requested.

Reporting

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

Membership

7. The membership of the Pension Fund Committee is:
 - Six elected members from Buckinghamshire County Council;
 - One elected member from Milton Keynes Council;
 - One elected Police and Crime Commissioner (PCC) or Deputy PCC member from Thames Valley Police or a nominated member from the Police and Crime Panel;
 - One elected member chosen by the four District Councils in Buckinghamshire;
Members have Quasi-Trustee status and consequently no substitutions are permitted.
8. The Fund's investment consultants and independent adviser advise on investment strategy and other investment matters.

Operational Procedures

9. The Pension Fund Committee has six regular meetings scheduled each year. At four of the meetings the Committee receives a report on the investment performance of the fund in the quarter and meets the Fund's investment managers to review the manager's performance. The Committee receives an annual report from the Fund's independent performance measurement adviser, which reviews the long-term performance of the fund and of each of the investment managers in relation to their targets. The other two meetings consider other issues, for example an update on the Risk Assessment for the Pension Fund, Statement of Accounts and revision of policy statements.
10. Procedures for communicating with employers contributing to the Pension Fund are set out in the Communication Policy Statement.

Knowledge and Skills Policy Statement

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

Governance Compliance Statement

1. Introduction

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

2. Governance Arrangements

- 2.1 Under the terms of the Council's Constitution, the functions of the Council as Administering Authority of the Pension Fund are delegated to the Pension Fund Committee and are excluded from the delegation of authority to the Cabinet and other Committees. The Pension Fund Committee is supported by officers of the Council, investment consultants and an independent adviser. Governance arrangements are outlined in the Governance Policy Statement.
- 2.2 The Pension Fund Committee meets six times a year and its members act in a quasi-trustee capacity. Under the Constitution, it is responsible for administering, investing and managing the Fund. A further two meetings are held for training purposes. Terms of reference are available on the Council's website at:
<http://democracy.buckscc.gov.uk/mgConvert2PDF.aspx?ID=11106>
- 2.3 The Local Pension Board is responsible for assisting the administering authority to secure compliance with the Amendment Regulations 2014, any other legislation relating to the governance and administration of the Scheme, or any connected Scheme and any requirements imposed by the Pensions Regulator in relation to the Scheme. The Board must also ensure the effective and efficient governance and administration of the Scheme. Meetings are held three times a year. The Terms of Reference will be adopted at the Board's first meeting and will be made available on the Council's website.

3. Functions and Responsibilities

- 3.1 The Pension Fund Committee approves the Pension Fund's Funding Strategy, the Statement of Investment Principles, the Governance Policy Statement and the Communications Policy. Other key responsibilities of the Committee include:
 - Policy approval
 - Appointing Investment Managers
 - Appointing Advisers and Custodian
 - Monitoring Fund performance
 - Monitoring Scheme Governance
- 3.2 The Funding Strategy sets out the aims and purpose of the Fund and the responsibilities of the administering authority as regards funding the scheme. The Statement of Investment Principles (SIP) sets out more detailed responsibilities relating to the overall investment strategy of the Fund including the proposed asset allocation, restrictions on investment types, the type of investment management used, performance monitoring, the Fund's policy on stock lending and a compliance statement with the Myners Principles. The Myners Principles are best practice statements relating to pension fund investment decision making. The SIP also states the Fund's approach to risk and governance issues.

3.3 The Communications Policy details the overall strategy for involving stakeholders in the Pension Fund. The Pension Fund also has a Governance Policy Statement which outlines many of the frameworks identified within this document. Additionally, a Discretions document has been developed stating those discretions found within the scheme that it has adopted. All documentation is published at www.buckscc.gov.uk/pensions

3.4 The Pension Administration Strategy was implemented on 1 June 2010 and is an important tool in managing and improving the administrative performance of the Fund. It formally sets out the requirements of both Buckinghamshire County Council as the Administering Authority and participating employers/third party payroll providers in the Fund in a single document within one framework.

4. Representation

4.1 The Pension Fund Committee has 9 members as follows:

- Six Elected Members from Buckinghamshire County Council
- One Elected Co-Opted Member from Milton Keynes Council
- One Elected Police and Crime Commissioner (PCC) or Deputy PCC from Thames Valley Police or a nominated member from the Police and Crime Panel
- One Elected Co-Opted Member chosen by the four District Councils in Buckinghamshire

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

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

5. Stakeholder Engagement

5.1 A triennial meeting of the Pension Fund, called the 'Pensions General Meeting', is held in October/November in the year of the Fund valuation (the year prior to when the revised contribution rates from the valuation are due to come into effect), to which all employer representatives and scheme members are welcome. The purpose of the meeting is to report on investment performance and current issues of concern to the Fund stakeholders.

5.2 Mechanisms used to involve stakeholders include:

- Communication with Scheme Employers
- Dedicated Employer Liaison Officers and Communications Officer
- Training Events
- Meetings with the Actuary and the Auditors
- Meetings with Advisors
- Meetings with Fund Managers
- Buckinghamshire Finance Officers meetings
- The annual report for the Pension Fund
- "In Touch" newsletter

6. Review and Compliance with Best Practice

6.1 This statement will be kept under review and will be revised and published annually or following any material change in the Governance Policy Statement of the Pension Fund.

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

Scheme Administration Report

6.3 The Regulations require a statement as to the extent to which the governance arrangements comply with guidance issued by the Secretary of State. This statement is confirming that all the above mentioned mechanisms are in place and are effective and embedded. Any breach of our Governance Policy would be outlined in this document and reported to the Chairman of the Pension Fund Committee. A summary of our compliance with recommended good practice is outlined below.

Responsible Officer:

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

Good Practice Requirement	Met/Not Met	Evidence
Structure		
The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing Council.	Met	Pension Fund Committee (PFC) Terms of Reference
That representatives of LGPS Scheme employers and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Met	PFC Terms of Reference and Local Pension Board (LPB) Terms of Reference
That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Met	The Local Pension Board meet three times a year after two meetings of PFC. Board minutes go to PFC and vice-versa
Representation		
That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: - i) Scheme employers (including non-local government employers, e.g., admitted bodies); ii) Scheme members (including deferred and pensioner scheme members), iii) Independent professional observers, and iv) Expert advisors (on an ad-hoc basis).	Met	Key stakeholders on PFC or the Local Pension Board as from Terms of Reference i) PFC and LPB ii) LPB iii) PFC and LPB iv) PFC and LPB
That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	Met	All PFC members and advisers get all papers except where it concerns them. LPB members are provided with relevant training as required under The Pensions Regulator's Code of Practice 14

Scheme Administration Report

Good Practice Requirement	Met/Not Met	Evidence
Selection and role of lay members		
That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Met	This is set out in the Committee's terms of reference.
Voting		
The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Met	Voting rights are not specifically noted in the PFC Terms of Reference. However under section 4 (Membership) there are 9 members and under section 4.5 it is noted that members have Quasi-Trustee status and therefore no substitutions are permitted. Section 4.6 confirms the Quorum is 4 members. The LPB has 4 employer representatives and 4 scheme member representatives. The draft Terms of Reference confirms the Quorum is 4 Board members, comprising of at least 2 employer and 2 scheme member representatives. Substitutions are permitted.
Training/facility time/expenses		
That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Met	<p>Training for PFC members is undertaken annually as detailed by the PFC training plan.</p> <p>This organisation has adopted the key recommendations of the <i>Code of Practice on Public Sector Pensions Finance Knowledge and Skills</i>. Reimbursement of Expenses is defined in BCC constitution.</p> <p>Training for LPB members is undertaken in accordance with The Pensions Regulator's Code of Practice 14.</p>
That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Met	Reimbursement of expenses is defined in BCC Constitution.

Scheme Administration Report

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

The membership of the Pension Fund Committee throughout 2014/15 is detailed below:

Membership	Representing	Number of Pension Fund Committee meetings attended
Cllr Peter Hardy	Chairman	5 of 5
Cllr Richard Scott	Vice-Chairman	5 of 5
Cllr David Carroll	Thames Valley Police	3 of 5
Cllr Chaudhary Ditta		3 of 5
Cllr Trevor Egleton		4 of 5
Cllr John Gladwin	District Councils	4 of 5
Cllr Darren Hayday		3 of 5
Cllr Peter McDonald	Milton Keynes Council	2 of 5
Cllr David Watson		4 of 5

All members of the Committee have voting rights.

The training to Pension Fund Committee members included:

- Presentation on Multi-Asset Credit
- Governance update on Local Pension Boards
- Pensions General Meeting covering actuarial valuation results
- Local Government Pension Fund Investment Forum
- NAPF Annual Conference
- The Future of the LGPS forum

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

The aim of the Pensions 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 and the charges which apply 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 of the Employer's queries and maintain good communication with them.
- When deemed necessary we schedule face to face 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 and is regularly updated in line with regulatory changes.
- We publish an Employer newsletter in March, June, September and December of each year to advise Employers of Fund and Scheme developments.
- We have requested that all Employers send us a copy of their LGPS Discretionary Policy. We issue reminders via our quarterly newsletter. If we do not hold a LGPS Discretionary Policy for an Employer, we will not process any quotes on their behalf, until such time as their policy is sent to us. This has been communicated to all Fund Employers.
- The Pension Fund Consultative Group monitored the Pensions Administration performance; twice yearly the Group received a report on the volume of work undertaken and the percentage of work that was completed within prescribed time limits. The report also provided a contextual commentary for work that was not completed within prescribed timescales.
- The Pension Fund Consultative Group was dissolved on 18 March 2015, due to the establishment of the Fund's Local Pension Board.

Month	Within target	Over Target	Total	% over target
April 2014	8851	460	9311	4.94
May 2014	9913	624	10537	5.92
June 2014	11479	609	12088	5.04
July 2014	15201	887	16088	5.51
August 2014	20314	930	21244	4.38
September 2014	9006	429	9435	4.55
October 2014	11360	516	11876	4.34
November 2014	10239	493	10732	4.59
December 2014	8476	506	8982	5.63
January 2015	9813	393	10206	3.85
February	8700	571	9271	6.15
March	9287	799	10086	7.92

Timeliness of data submissions by the Employer

The Fund's officers monitor the timeliness of data submissions by Employers. Where delays occur, we investigate the reason for the delay and contact the Employer concerned to offer guidance and support. We aim to work with and educate our Employers, rather than issue penalties. The Pension Administration Strategy does however contain a detailed charging schedule, which all Employers have been made aware of.

Pensions Administration Strategy Report

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

www.buckscc.gov.uk/bcc/pensions/governance_policy_page

Communications Policy Statement

With over 62,800 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.buckscc.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 by offering Induction presentations to staff on request. Pensions auto-enrolment has increased LGPS membership nationally.

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.

Funding Strategy Statement

1. Purpose of the Funding Strategy Statement

- 1.1 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.

2. Purpose of the Fund

- 2.1 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.

3. Funding Objectives

- 3.1 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.
- 3.2 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.

4. Key Parties

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

The Administering Authority

- 4.2 The Administering Authority for the Pension Fund is Buckinghamshire County Council. The main responsibilities of the Administering Authority are to:
- Collect employee and employer contributions;
 - Invest the Fund’s assets;
 - Pay the benefits due to Scheme members;
 - Manage the actuarial valuation process in conjunction with the Fund Actuary;
 - Prepare and maintain this FSS and also the SIP after consultation with other interested parties; and
 - Monitor all aspects of the Fund’s performance.

Individual Employers

- 4.3 In addition to the Administering Authority, a number of scheduled and admitted bodies participate in the Fund. Those with active members are all currently open to new members, although it is anticipated that some may close to new and possibly existing members in the near future.
- 4.4 The responsibilities of each individual employer that participates in the Fund, including the Administering Authority, are to:
- Collect employee contributions and pay these together with their own employer contributions as certified by the Fund Actuary to the Administering Authority within the statutory timescales;
 - Notify the Administering Authority of any new Scheme members and any other membership changes promptly;
 - Exercise any discretions permitted under the Regulations; and
 - Meet the costs of any augmentations or other additional costs in accordance with agreed policies and procedures.

Fund Actuary

- 4.5 The Fund Actuary for the Pension Fund is Barnett Waddingham LLP. The main responsibilities of the Fund Actuary are to:
- Advise interested parties on funding strategy and completion of actuarial valuations in accordance with the FSS and the Regulations; and
 - Advise on other actuarial matters affecting the financial position of the Fund.

5 Funding Strategy

- 5.1 The factors affecting the Fund's finances are constantly changing, so it is necessary for its financial position and the contributions payable to be reviewed from time to time by means of an actuarial valuation to check that the funding objectives are being met.
- 5.2 The actuarial valuation involves a projection of future cash flows to and from the Fund. The main purpose of the valuation is to determine the level of employers' contributions that should be paid to ensure that the existing assets and future contributions will be sufficient to meet all future benefit payments from the Fund.

6 Funding Method

- 6.1 The key objective in determining employer's contribution rates is to establish a funding target and then set levels of employer contribution to meet that target over an agreed period.
- 6.2 The funding target is to have sufficient assets in the Fund to meet the accrued liabilities for each employer in the Fund. The funding target may, however, depend on certain employer circumstances and in particular, whether an employer is an "open" employer – one which allows new recruits access to the Fund, or a "closed" employer which no longer permits new staff access to the Fund. The expected period of participation by an employer in the Fund may also affect the chosen funding target.
- 6.3 For open employers, the actuarial funding method that is adopted is known as the Projected Unit Funding Method which considers separately the benefits in respect of service completed before the valuation date ("past service") and benefits in respect of service expected to be completed after the valuation date ("future service"). This approach focuses on:
- The past service funding level of the Fund. This is the ratio of accumulated assets to liabilities in respect of past service. It makes allowance for future increases to members' pay for pensions in payment. A funding level in excess of 100 per cent indicates a surplus of assets over liabilities; while a funding level of less than 100 per cent indicates a deficit; and
 - The future service funding rate which is the level of contributions required from the individual employers which, in combination with employee contributions is expected to support the cost of benefits accruing in future.
- 6.4 The key feature of this method is that, in assessing the future service cost, the contribution rate represents the cost of one year's benefit accrual.
- 6.5 For closed employers, the funding method adopted is known as the Attained Age Method. The key difference between this method and the Projected Unit Method is that the Attained Age Method assesses the average cost of the benefits that will accrue over the remaining expected working lifetime of active members.

7 Valuation Assumptions and Funding Model

- 7.1 In completing the actuarial valuation it is necessary to formulate assumptions about the factors affecting the Fund's future finances such as inflation, pay increases, investment returns, rates of mortality, early retirement and staff turnover etc.
- 7.2 The assumptions adopted at the valuation can therefore be considered as:
- The statistical assumptions which are essentially estimates of the likelihood of benefits and contributions being paid, and
 - The financial assumptions which will determine the estimates of the amount of benefits and contributions payable and their current or present value.

Future Price Inflation

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

Future Pay Inflation

7.4 As some of the benefits are linked to pay levels at retirement, it is necessary to make an assumption as to future levels of pay inflation. Historically, there has been a close link between price and pay inflation with pay increases exceeding price inflation in the longer term.

Future Pension Increases

7.5 Pension increases are linked to changes in the level of the Consumer Price Index (or "CPI"). Inflation as measured by the CPI has historically been less than RPI due mainly to different calculation methods. An adjustment is therefore made to the RPI assumption to derive the CPI assumption.

Future Investment Returns/Discount Rate

7.6 To determine the value of accrued liabilities and derive future contribution requirements it is necessary to discount future payments to and from the Fund to present day values.

7.7 The discount rate that is adopted will depend on the funding target adopted for each employer.

7.8 For open employers, the discount rate that is applied to all projected liabilities reflects a prudent estimate of the rate of investment return that is expected to be earned from the underlying investment strategy by considering average market yields in the six months straddling the valuation date. The discount rate so determined may be referred to as the "ongoing" discount rate.

7.9 For closed employers, an adjustment may be made to the discount rate in relation to the remaining liabilities, once all active members are assumed to have retired if at that time (the projected "termination date"), the employer either wishes to leave the Fund, or the terms of their admission require it.

7.10 The Fund Actuary will incorporate such an adjustment after consultation with the Administering Authority.

7.11 The adjustment to the discount rate for closed employers is to set a higher funding target at the projected termination date, so that there are sufficient assets to fund the remaining liabilities on a "minimum risk" rather than on an ongoing basis. The aim is to minimise the risk of deficits arising after the termination date.

Asset Valuation

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

Statistical Assumptions

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

8 Deficit Recovery/Surplus Amortisation Periods

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

Funding Strategy Statement

- 8.2 Where the actuarial valuation discloses a significant surplus or deficit then the levels of required employers' contributions will include an adjustment to either amortise the surplus or fund the deficit over a period of years.
- 8.3 The period that is adopted for any particular employer will depend on:
- The significance of the surplus or deficit relative to that employer's liabilities;
 - The covenant of the individual employer and any limited period of participation in the Fund; and
 - The implications in terms of stability of future levels of employers' contribution.

9 Pooling of Individual Employers

- 9.1 The policy of the Fund is that each individual employer should be responsible for the costs of providing pensions for its own employees who participate in the Fund. Accordingly, contribution rates are set for individual employers to reflect their own particular circumstances.
- 9.2 However, certain groups of individual employers are pooled for the purposes of determining contribution rates to recognise common characteristics or where the number of Scheme members is small.
- 9.3 The main purpose of pooling is to produce more stable employer contribution levels in the longer term whilst, recognising that ultimately there will be some level of cross-subsidy of pension cost amongst pooled employers.

10 Cessation Valuations

- 10.1 On the cessation of an employer's participation in the Scheme, the Fund Actuary will be asked to make a termination assessment. Any deficit in the Fund in respect of the employer will be due to the Fund as a termination contribution, unless it is agreed by the Administering Authority and the other parties involved that the assets and liabilities relating to the employer will transfer within the Fund to another participating employer.
- 10.2 In assessing the deficit on termination, the Fund Actuary may adopt a discount rate based on gilt yields and adopt different assumptions to those used at the previous valuation in order to protect the other employers in the Fund from having to fund any future deficits which may arise from the liabilities that will remain in the Fund.

11 Links with the Statement of Investment Principles (SIP)

- 11.1 The main link between the Funding Strategy Statement (FSS) and the SIP relates to the discount rate that underlies the funding strategy as set out in the FSS, and the expected rate of investment return which is expected to be achieved by the underlying investment strategy as set out in the SIP.
- 11.2 As explained above, the ongoing discount rate that is adopted in the actuarial valuation is derived by considering the expected return from the underlying investment strategy. This ensures consistency between the funding strategy and investment strategy.

12 Risks and Counter Measures

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

13 Financial Risks

- 13.1 The main financial risk is that the actual investment strategy fails to produce the expected rate of investment return (in real terms) that underlies the funding strategy. This could be due to a number of factors, including market returns being less than expected and/or the fund managers who are employed to implement the chosen investment strategy failing to achieve their performance targets.
- 13.2 The valuation results are most sensitive to the real discount rate. Broadly speaking an increase/decrease of 0.5 per cent per annum in the real discount rate will decrease/increase the liabilities by ten per cent, and decrease/increase the required employer contribution by around 2.5 per cent of payroll.

Funding Strategy Statement

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

14 Demographic Risks

- 14.1 Allowance is made in the funding strategy via the actuarial assumptions for a continuing improvement in life expectancy. However, the main demographic risk to the funding strategy is that it might underestimate the continuing improvement in longevity. For example, an increase of one year to life expectancy of all members in the Fund will reduce the funding level by between approximately 1%.
- 14.2 The actual mortality of pensioners in the Fund is monitored by the Fund Actuary at each actuarial valuation and assumptions are kept under review.
- 14.3 The liabilities of the Fund can also increase by more than has been planned as a result of early retirements.
- 14.4 However, the Administering Authority monitors the incidence of early retirements; and procedures are in place that require individual employers to pay additional amounts into the Fund to meet any additional costs arising from early retirements.

15 Regulatory Risks

- 15.1 The benefits provided by the Scheme and employee contribution levels are set out in Regulations determined by central government. The tax status of the invested assets is also determined by central government.
- 15.2 The funding strategy is therefore exposed to the risks of changes in the Regulations governing the Scheme and changes to the tax regime which may affect the cost to individual employers participating in the Scheme.
- 15.3 However, the Administering Authority participates in any consultation process of any proposed changes in Regulations and seeks advice from the Fund Actuary on the financial implications of any proposed changes.

16 Governance

- 16.1 Many different employers participate in the Fund. Accordingly, it is recognised that a number of employer-specific events could impact on the funding strategy including:
- Structural changes in an individual employer's membership;
 - An individual employer deciding to close the Scheme to new employees; and
 - An employer ceasing to exist without having fully funded their pension liabilities.
- 16.2 However, the Administering Authority monitors the position of employers participating in the Fund, particularly those which may be susceptible to the events outlined, and takes advice from the Fund Actuary when required.
- 16.3 In addition, the Administering Authority keeps in close touch with all individual employers participating in the Fund to ensure that, as Administering Authority, it has the most up to date information available on individual employer situations. It also keeps individual employers briefed on funding and related issues.

17 Monitoring and Review

- 17.1 This FSS is reviewed formally, in consultation with the key parties, at least every three years to tie in with the triennial actuarial valuation process.
- 17.2 The Administering Authority also monitors the financial position of the Fund between actuarial valuations and may review the FSS more frequently if necessary.

Statement of Investment Principles

1 Background

- 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 of any material change in policy relating to the investment principles.

3 Types of investment to be held

- 3.1 A management agreement is in place for each fund manager, setting out the relevant benchmark, performance target, asset allocation ranges and any statutory restrictions or other restrictions determined by the Pension Fund Committee.
- 3.2 The types of investment which the fund managers may hold are as follows:
 - UK Equities
 - Foreign Equities
 - UK Fixed Interest Bonds
 - Overseas Fixed Interest Bonds
 - UK Index-linked Investments
 - Overseas Index-linked Investments
 - Property Unit Trusts
 - Hedge Fund of Funds
 - Private Equity Fund of Funds
 - Cash Instruments
- 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 32%. The limit on contributions to partnerships is 10% and the limit on contributions to any single partnership is 5%.

Statement of Investment Principles

4 Approach to managing the Fund

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

5 Balance between different types of investment

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

6 Risk

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

7 Expected return on investments

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

8 The realisation of investments

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

Statement of Investment Principles

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.

Appendix 1:

Principle	Examples of Compliance	Comply
<p>Principle 1: Effective Decision Making</p> <p>Administering authorities should ensure that: Decisions are taken by persons or organisations with the skills, knowledge, advice and resources to make them effectively and monitor their implementation;</p> <p>Those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.</p>	<p>The Fund's Governance Compliance Statement sets out the Fund's governance arrangements, including its Terms of Reference, structure, representation and delegations.</p> <p>All members and officers of the Committee undertake a periodic training needs analysis. Two training days per year are arranged for the Committee members to deliver training on training needs identified through the analysis. Ad hoc training needs are met through Hot Topic sessions at Committee meetings.</p> <p>The Fund contracts an actuary and an investment consultant. The investment consultant attends all Committee meetings and other expert advisors attend on an ad hoc basis when appropriate. The Fund has an Independent Committee Advisor who attends all Committee meetings and provides advice to the Committee members.</p>	Comply
<p>Principle 2: Clear Objectives</p> <p>An overall investment objective should be set out for the fund that takes account of the scheme's liabilities, the potential impact on local tax payers, the</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</p>	Comply

Statement of Investment Principles

Principle	Examples of Compliance	Comply
<p>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>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>	
<p>Principle 3: Risk and Liabilities</p> <p>In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities.</p> <p>These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk.</p>	<p>In setting the overall investment objective, the Committee has considered the appropriate risk and return profile given the Fund's views on its liabilities, financial risk and employers' ongoing ability to pay contributions.</p> <p>The triennial valuation sets out the liability profile for each individual employer within the Fund. The strength of the covenant of each employing body and risk of default is taken into consideration when setting the employer contribution rate and period over which any deficit will be recovered. The Fund's liabilities are long term in nature and the investment strategy reflects this liability profile by investing in long term return generating assets.</p> <p>The Fund maintains a Risk Register which consolidates the significant risks to the Fund; it is updated on a regular basis and reviewed by the Pension Fund Committee every six months.</p> <p>The Committee annually receives the external auditor's Annual Governance Report which states their assessment of the risk management process.</p>	Comply
<p>Principle 4: Performance assessment</p> <p>Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisors.</p>	<p>The Fund's performance against its investment objective is reviewed by the Pension Fund Committee quarterly. The Fund's performance is reported six monthly to the Pension Fund Consultative Group. The Committee in consultation with its investment advisors assesses whether any action is required. Annually the Committee reviews the Fund's activities against the WM local authority universe for comparative information only.</p> <p>The fund managers attend the Pension Fund Committee</p>	Comply

Statement of Investment Principles

Principle	Examples of Compliance	Comply
<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>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>	Comply
<p>Principle 5: Responsible ownership</p> <p>Administering authorities should: Adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents, include a statement of their policy on responsible ownership in the statement of investment principles.</p> <p>Report periodically to scheme members on the discharge of such responsibilities.</p>	<p>All of the Fund's investment managers have adopted the Institutional Shareholders' Committee Statement of Principles.</p> <p>The Pension Fund Committee expects that the extent to which social, environmental and ethical issues may have a financial impact on the portfolio will be taken into account by the fund managers in the exercise of their delegated duties and reviewed by the Committee from time to time. The Fund's policy on responsible ownership is set out in its Statement of Investment Principles. The extent to which social, environmental and ethical considerations are taken into account in the selection, retention and realisation of investments is left to the discretion of the fund managers.</p> <p>The outcomes of any significant issues arising over the course of the year in the areas of responsible investment are reported as part of the newsletter or annual report (as appropriate) to scheme members.</p>	Comply
<p>Principle 6: Transparency and reporting</p> <p>Administering authorities should: Act in a transparent manner, communicating with stakeholders on issues</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</p>	Comply

Statement of Investment Principles

Principle	Examples of Compliance	Comply
<p>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>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; http://www.buckscc.gov.uk/about-your-council/local-government-pension-fund/investment/accounts/ 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>	

Additional Information for the Scheme Annual Report

To assist in the production of the scheme annual report compiled by the LGPS scheme advisory board, the Fund has provided the following supplementary information.

Summary of the number of Employers in the Fund as at 31 March 2015

	Active	Ceased	Total
Scheduled Body	138	-	138
Admitted Body	50	2	48
Total	188	2	186

Analysis of Fund Assets as at 31 March 2015

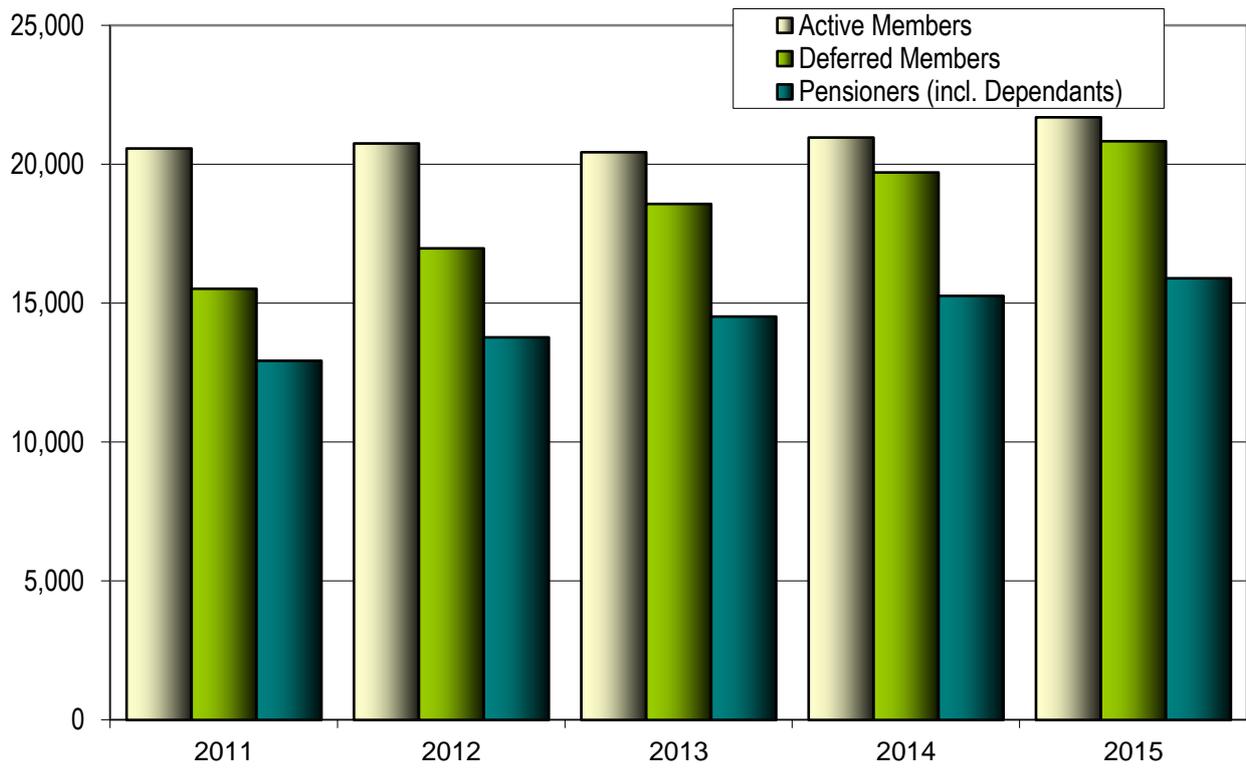
	UK £m	Non-UK £m	Global £m	Total £m
Equities	242.5	833.2	-	1,075.7
Bonds	541.2	2.4	-	543.6
Property (direct holdings)	-	-	-	-
Alternatives	1.7	206.8	143.4	351.9
Cash and cash equivalents	25.7	24.5	-	50.2
Other	154.1	6.0	0.6	160.7
Total	965.2	1,072.9	144.0	2,182.1

Analysis of Investment Income accrued for the year ended 31 March 2015

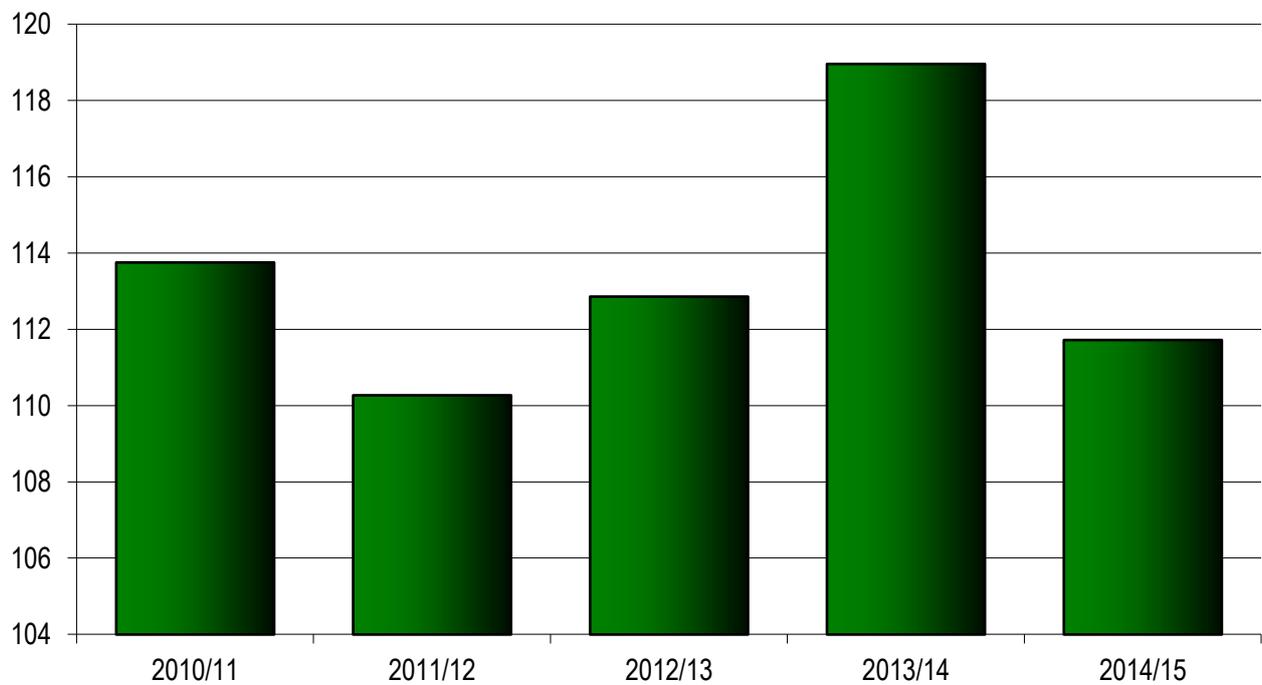
	UK £000s	Non-UK £000s	Global £000s	Total £000s
Equities	7,393.3	9,876.1	-	17,269.4
Bonds	10,994.3	63.6	-	11,057.9
Property (direct holdings)	-	-	-	-
Alternatives	-	-	-	-
Cash and cash equivalents	35.7	0.4	-	36.1
Other	6,166.5	65.9	-	6,232.4
Total	24,589.8	10,006.0	-	34,595.8

History of the Fund

Membership Profile

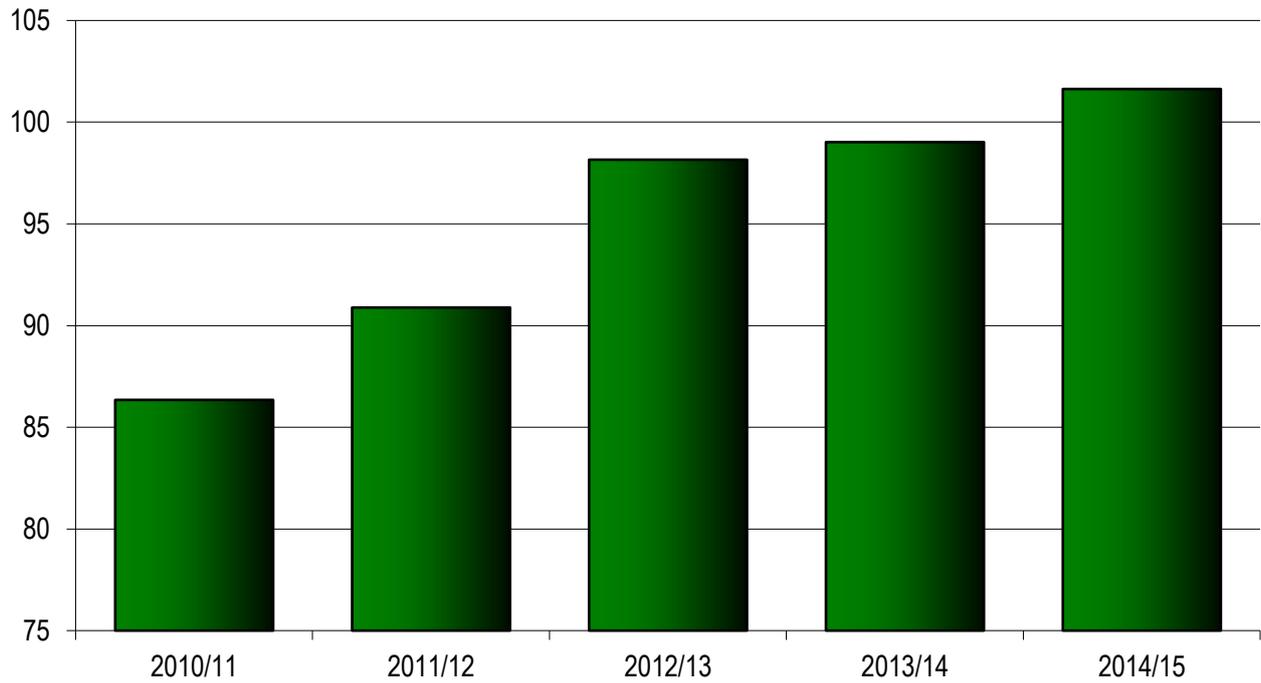


Contributions Received £m

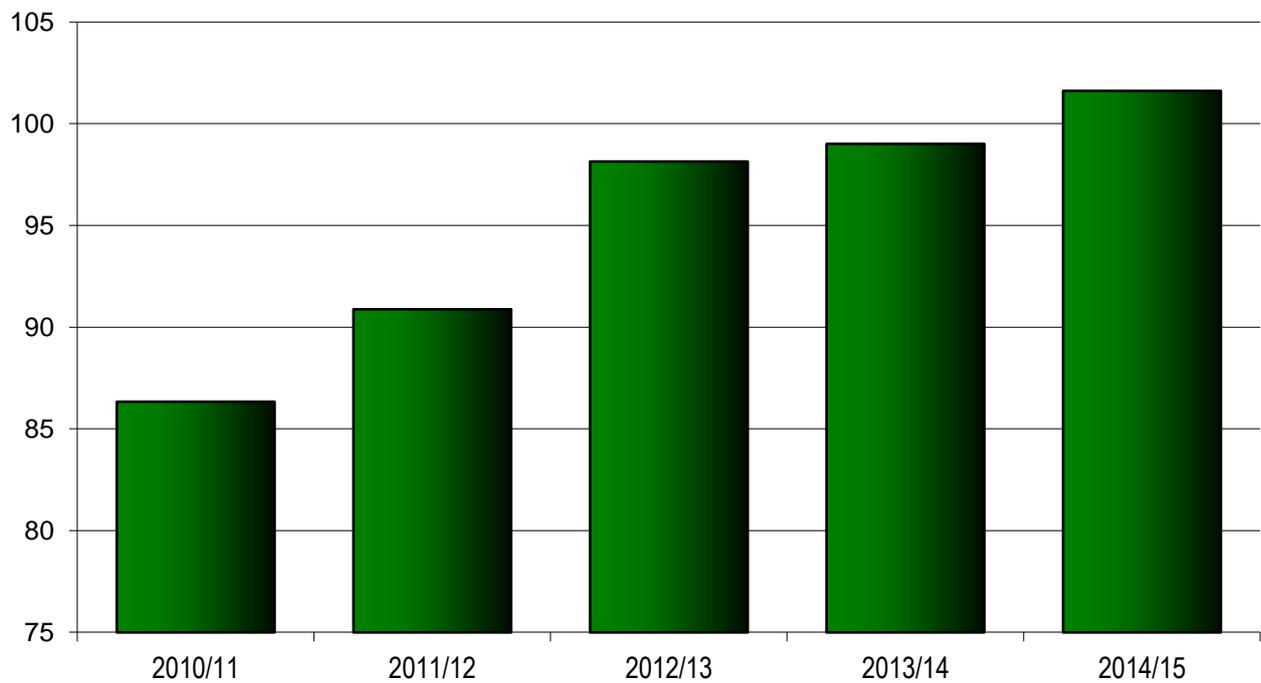


History of the Fund

Benefits Paid £m



Value of the Fund as at 31 March £m



Introduction

The most recent full actuarial valuation of the Buckinghamshire County Council Pension Fund was carried out by Barnett Waddingham as at 31 March 2013. The results were published in the triennial valuation report dated March 2014. This statement gives an update on the funding position as at 31 March 2015 and comments on the main factors that have led to a change since the full valuation.

The estimated funding position in this statement at 31 March 2015 is based on market movements since 31 March 2013 rather than being a full valuation with updated member data.

2013 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.
- Each employing body pays contributions to reflect its own particular circumstances and funding position within the Fund. The required contribution is a percentage of payroll which is intended to cover the cost of new benefits plus a further amount (typically expressed as an annual lump sum payment) to pay for the employer's share of the deficit.

Details of each employer's contribution rate are contained in the Rates and Adjustment Certificate in the triennial valuation report. The full report is available from www.buckscc.gov.uk/pensions.

Asset Value and Key Financial Assumptions

The market value of the Fund's assets as at 31 March 2013 was £1,784m and this has increased to £2,189m at 31 March 2015.

The benefits were valued and the contribution rates calculated using the Projected Unit Method taking account of market conditions as follows.

Assumption	31 March 2013	31 March 2015
Rate of return on investments	6.1% p.a.	5.3% p.a.
Rate of increase in pay	2.7% until March 2015 then 4.5% p.a.	4.3% p.a.
Rate of increase to pensions in payment	2.7% p.a.	2.5% p.a.

The non-financial assumptions (e.g. the mortality assumption) are the same at 31 March 2015 as they were at 31 March 2013 and are summarised in the 2013 valuation report.

Updated position

The estimated funding position as at 31 March 2015 is a funding level of 82% which is the same as at 31 March 2013.

The Fund's investments have achieved higher returns than were assumed at the triennial valuation so the assets are higher than previously projected. This has been accompanied by a strategic change to more protection assets which has reduced future expected returns which means that the amount of target assets required to meet future benefit payments needs to be higher (i.e. the value of the liabilities has also increased).

The next full triennial valuation will be carried out as at 31 March 2016 with new contribution rates set from 1 April 2017.

Mark Norquay FFA

Associate

Barnett Waddingham LLP

3 July 2015

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

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

The Director of Assurance Responsibilities

The Director of Assurance 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 2015 (the Code).

In preparing this Statement of Accounts, the Director of Assurance has:

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

Certificate of the Director of Assurance

I certify that this Statement of Accounts for the year ended 31 March 2015 gives a true and fair view of the financial position of the Council as at 31 March 2015 and its income and expenditure for the year ended 31 March 2015.



Richard Ambrose
Director of Assurance
Buckinghamshire County Council
23 September 2015

Independent Auditor's Statement to the Members of Buckinghamshire County Council on the Pension Fund Financial Statements included in the Pension Fund Annual Report

We have examined the pension fund financial statements of Buckinghamshire County Council for the year ended 31 March 2015 under the Audit Commission Act 1998, which comprise the fund account, the net assets statement and the related notes.

This statement is made solely to the members of Buckinghamshire County Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our work has been undertaken so that we might state to the members of the authority those matters we are required to state to them in an auditor's statement and for no other purpose. 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 work, for this report, or for the opinions we have formed.

Respective responsibilities of Director of Assurance and Auditor

As explained more fully in the Statement of the Director of Assurance Responsibilities, set out on the audited Pension Fund Account 'Pension Fund Statement of Responsibilities', the Director of Assurance is responsible for the preparation of the Pension Fund's financial statements, in accordance with applicable law, proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view.

Our responsibility is to state to you our opinion on the consistency of the Pension Fund financial statements included in the Pension Fund annual report with the Pension Fund financial statements included 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 2014/15.

In addition we read the other information contained in the Pension Fund annual report and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the Pension Fund financial statements. The other information consists of Introduction from the Finance Director (Finance Consultancy), Management and Financial Performance Report, Investment Policy and Performance Report, Additional Information for the Scheme Annual Report and Actuary's Statement as at 31 March 2015.

We conducted our work in accordance with guidance issued by the Audit Commission. Our report on the administering authority's 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 Pension Fund financial statements included within the annual Statement of Accounts of Buckinghamshire County Council for the year ended 31 March 2015 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Grant Thornton UK LLP

Chartered Accountants
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

25 September 2015

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. A review of the investment strategy in May 2014 showed that 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%. 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. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Employee contribution bands range from 5.5% to 12.5% of pensionable pay for the year ending 31 March 2015. From April 2014 there is a 50/50 option which means members can pay half their contribution rate and build up half the pension benefit whilst retaining full value of other scheme benefits such as death in service lump sum and ill health cover. Accrued pension is revised annually in line with the Consumer Prices Index. Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. More details of benefits provided under the scheme are available on the Council's pension website.

<http://www.buckscc.gov.uk/about-your-council/local-government-pension-fund/scheme-members/>

Membership of the Fund

The following summarises the membership of the Fund:

31 March 2014	Membership of the Fund	31 March 2015
21,693	Contributors	25,112
15,266	Pensioners	15,900
20,832	Deferred pensioners	21,791
57,791	Total Membership of the Fund	62,803

Pension Fund Accounts

Pension Fund Account for the Year Ended 31 March 2015

Restated 31 March 2014 £000	Pension Fund Account	Note	31 March 2015 £000
	Dealings with Members, Employers and Others directly Involved in the Fund		
	Income		
112,454	Contributions	3	107,376
6,426	Transfers in from other pension funds	4	4,238
78	Other income		107
118,958			111,721
	Benefits	5	
(70,743)	Pensions		(75,543)
(19,880)	Commutation of pensions and lump sums		(20,542)
	Payments to and on Account of Leavers	6	
(9)	Refunds of contributions		172
(6,286)	Transfers out to other pension funds		(5,708)
(96,918)			(101,621)
22,040	Net Additions from Dealings with Members		10,100
(16,125)	Management expenses	7	(15,619)
	Returns on Investments		
36,375	Investment income	8	34,769
116,848	Profits and losses on disposal of investments and changes in value of investments	9	236,012
(1,540)	Taxes on income	16	(1,310)
151,683	Net Returns on Investments		269,471
157,598	Net Increase/(Decrease) in the Net Assets Available for Benefits During the Year		263,952
1,784,208	Net Assets of the Fund Available to Fund Benefits at 1 April		1,941,806
1,941,806	Net Assets of the Fund Available to Fund Benefits at 31 March		2,205,758

For 2014/15 the Fund changed its accounting policy for management expenses in accordance with CIPFA guidance. Management fees on pooled funds have been added to management expenses. The Pension Fund Account has been restated to include management fees on pooled funds and management expenses as a separate category.

Prior Period Adjustment	2013/14 Original £000	2013/14 Restated £000	Adjustment Made £000
Administrative expenses	(2,096)	-	2096
Investment management expenses	(5,179)	-	5,179
Management expenses	-	(16,125)	(16,125)
Profits and losses on disposal of investments and changes in values of investments	107,998	116,848	8,850
Total	100,723	100,723	-

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Net Assets Statement

31 March 2014 £000	Net Assets Statement	Note	31 March 2015 £000
	Investments		
	Fixed interest securities		
10,020	▪ Public sector		23,432
114,527	▪ Other		194,261
715,872	Equities - quoted		683,237
48,560	Index-linked securities		87,050
846,696	Pooled investment vehicles		983,239
146,290	Unit trusts - property		160,074
31,956	Cash deposits		50,197
145	Derivative contracts		606
5,003	Dividend income receivable		6,453
1,919,069	Net Investments	11	2,188,549
-	Borrowings - sterling		-
27,260	Current assets	15	22,355
(4,523)	Current liabilities	15	(5,146)
1,941,806	Net Assets of the Fund Available to Fund Benefits at 31 March		2,205,758

1. Basis of Preparation

The accounts summarise the fund's transactions for the 2014/15 financial year and its position at year end as at 31 March 2015. 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. These payments are

Pension Fund Accounts

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.

Management Expenses

All management expenses are accounted for on an accruals basis. Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. These are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

In addition, the Fund has negotiated with the following managers that an element of their fee be performance related:

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

Financial Instruments

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

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

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

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

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

Pension Fund Accounts

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 Reporting Date

Since 31 March 2015, there has been some volatility in the financial markets, there would be an impact on the market value of the fund's investments were they to be valued as at the date these accounts were authorised. These changes are deemed to be non-adjusting post balance sheet events. There have been no events since 31 March 2015, 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 2015 have been included in these accounts.

2013/14 £000	Contributions	2014/15 £000
	Employers	
25,195	Administering authority	24,669
56,836	Scheduled bodies	48,931
5,032	Admitted bodies	6,390
	Employers' Augmentation Costs	
-	Administering authority	-
63	Scheduled bodies	-
-	Admitted bodies	-
	Members	
6,949	Administering authority	7,004
16,504	Scheduled bodies	18,153
1,875	Admitted bodies	2,229
112,454	Total Contributions	107,376

4. Transfer Values

2013/14 £000	Transfers in from other pension funds	2014/15 £000
-	Group transfers	-
6,426	Individual transfers	4,238
6,426	Total Transfers in from other pension funds	4,238

The individual transfer values relate to transfers, which have been received during the financial year i.e. included on a cash basis. On 31 March 2015 there were no outstanding transfer values receivable greater than £50k (no outstanding transfer values receivable on 31 March 2014).

On 31 March 2015 there were 5 group transfers to the Fund being negotiated with other Funds (3 on the 31 March 2014), the value of the transfers to the Fund is being negotiated between the Funds' actuaries. The income due to the Fund for the 5 transfers has not been accrued since negotiations are at too early a stage for an estimate of the value to be available.

Pension Fund Accounts

5. Benefits

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

2013/14	Benefits	2014/15
£000		£000
	Pensions	
28,324	Administering authority	29,791
37,421	Scheduled bodies	40,212
4,998	Admitted bodies	5,540
17,765	Commutations of pensions and lump sum retirement benefits	18,625
2,115	Lump sum death benefits	1,917
90,623	Total Benefits	96,085

6. Payments to and on Account of Leavers

2013/14	Payments to and on Account of Leavers	2014/15
£000		£000
9	Refunds to members leaving service	87
-	Payments for members joining the state scheme	(259)
-	Group transfers to other pension funds	1,900
6,286	Individual transfers to other pension funds	3,808
6,295	Total Payments to and on Account of Leavers	5,536

The individual transfer values relate to transfers, which have been paid during the financial year i.e. included on a cash basis. On 31 March 2015 there were 6 outstanding individual transfer values payable greater than £50k, for which £637k had not been paid. There were no outstanding individual transfer values payable on 31 March 2014.

On 31 March 2015 there were 2 group transfers from the Fund being negotiated with other Funds (0 on the 31 March 2014), the value of the transfers from the Fund is being negotiated between the Funds' actuaries. The expenditure in respect of 1 of the transfers has not been accrued since negotiations are at too early a stage for an estimate of the value to be available.

7. Management Expenses

Restated 2013/14	Management Expenses	2014/15
£000		£000
1,538	Administrative costs	1,105
14,029	Investment management expenses	13,955
558	Oversight and governance costs	559
16,125	Total Management Expenses	15,619

The analysis of the cost of managing the Pension Fund during the period has been prepared in accordance with CIPFA guidance. Management expenses have been categorised as administrative costs, investment management expenses and oversight / governance costs. Management fees for pooled funds and transaction costs have been included in the investment management expenses, 2013/14 investment management expenses have been restated to include management fees on pooled funds and transaction costs.

Pension Fund Accounts

Prior Period Adjustment	2013/14 Original £000	2013/14 Restated £000	Adjustment Made £000
Administrative expenses	2,096	1,538	(558)
Investment management expenses	5,179	14,029	8,850
Oversight and governance costs	-	558	558
Total	7,275	16,125	8,850

The investment management expenses include £1.281m (£1.414m in 2013/14) in respect of performance related fees payable to the fund's investment managers. It also includes £1.554m in respect of transaction costs (£1.519m in 2013/14).

8. Investment Income

2013/14 £000	Investment Income	2014/15 £000
6,774	Interest from fixed interest securities	9,392
22,268	Dividends from equities	19,505
479	Income from index-linked securities	808
157	Interest on cash deposits	69
6,379	Income from property unit trusts	6,443
318	Other	(1,448)
36,375	Total Investment Income	34,769

9. Investments

All investments are valued on a fair value basis and where there is an active market the bid price is the appropriate quoted market price. The investment accounting information is provided by BNY Mellon, the Fund's custodian bank.

Investments (All values are shown £000)	Value at 31 March 2014 £000	Reclass- ification of Assets £000	Purchases at Cost £000	Sales Proceeds £000	Realised Profit / (Loss) £000	Unrealised Profit / (Loss) £000	Value at 31 March 2015 £000
Fixed interest securities	124,547	-	147,449	(72,217)	1,164	16,750	217,693
Equities - quoted	715,872	-	438,124	(536,273)	72,446	(6,932)	683,237
Index-linked securities	48,560	-	471,987	(443,186)	7,508	2,181	87,050
Pooled investment vehicles	846,696	-	233,820	(221,620)	62,409	61,934	983,239
Unit Trusts - property funds	146,290	-	16,483	(18,871)	(3,002)	19,174	160,074
Derivative contracts	145	-	2,206	(3,659)	1,453	461	606
Cash deposits	31,956	-	-	17,775	-	466	50,197
	1,914,066	-	1,310,069	(1,278,051)	141,978	94,034	2,182,096
Investment income due	5,003						6,453
	1,919,069						2,188,549

Pension Fund Accounts

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
	1,768,070	-	936,093	(898,095)	71,516	36,482	1,914,066
Investment income due	5,208						5,003
	1,773,278						1,919,069

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

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

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

The Fund does not participate in a stock lending programme.

On 31 March 2015 assets which exceed 5% of the total value of the net assets of the Fund are a £136.3m investment in Legal & General's All Stocks Index-Linked Gilt Fund (£19.8m as at 31 March 2014) and a £140.9m investment in Legal & General's Europe (ex UK) Equity Index Fund (£197.7m as at 31 March 2014).

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

10. Investment Management Arrangements

The value of the Fund with the fund managers as at 31 March 2015 was £2,169m (£1,910m at 31 March 2014). Fund manager fees have been calculated according to the specific mandate and the associated contract agreement as shown in the following table:

Fund Manager	Mandate	Negotiated Fee Basis	Proportion of Fund 31 March 2014	Proportion of Fund 31 March 2015
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	6%	7%
Investec Asset Management	Less constrained global equities	Performance related fee	8%	8%
Legal & General Investment Management	Passive index-tracker	Percentage of fund	27%	28%
Mirabaud Investment Management Limited	UK equities	Performance related fee	9%	6%
Pantheon Private Equity	Private equity	Percentage of Funds Committed & Incentive Fee	6%	6%
Partners Group	Private equity	Percentage of fund	3%	2%
Royal London Asset Management	Core plus bonds	Performance related fee	10%	15%
Schroders	Less constrained UK equities	Performance related fee	7%	7%
Standard Life Investments	Less constrained UK equities	Performance related fee	8%	5%

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11. Analysis of the Value of Investments

2013/14 £000	Analysis of the Value of Investments	2014/15 £000
	Fixed Interest Securities	
9,240	UK public sector	21,060
780	Overseas public sector	2,372
114,527	UK other	194,261
-	Overseas other	-
124,547	Total Fixed Interest Securities	217,693
	Equities	
325,485	UK quoted	230,586
390,387	Overseas quoted	452,651
715,872	Total Equities	683,237
	Other	
48,560	Index-linked securities public sector	87,050
-	Index-linked securities other	-
846,696	Pooled Investment vehicles	983,239
146,290	Unit Trusts - property funds	160,074
5,003	Investment income due	6,453
145	Derivatives	606
31,956	Cash deposits - sterling and foreign cash	50,197
1,078,650	Total Other	1,287,619
1,919,069	Total Value of Investments	2,188,549

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 2014			31 March 2015		
Fair value through profit and loss £000	Loans And Receivables £000	Financial Liabilities At amortised cost £000	Fair value through profit and loss £000	Loans And Receivables £000	Financial Liabilities At amortised cost £000
Financial Assets					
124,547	-	-	217,693	-	-
715,872	-	-	683,237	-	-
48,560	-	-	87,050	-	-
846,696	-	-	983,239	-	-
146,290	-	-	160,074	-	-
145	-	-	606	-	-
5,003	-	-	6,453	-	-
-	31,956	-	-	50,197	-
-	18,195	-	-	14,271	-
1,887,113	50,151	-	2,138,352	64,468	-
Financial Liabilities					
-	-	-	-	-	-
-	-	-	-	-	-
-	-	(3,651)	-	-	(4,333)
-	-	(3,651)	-	-	(4,333)
1,887,113	50,151	(3,651)	2,138,352	64,468	(4,333)
Total					

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

31 March 2014		31 March 2015	
£000		£000	
Financial Assets			
142,538	Fair value through profit and loss	266,037	
303	Loans and receivables	1,881	
-	Financial liabilities measured at amortised cost	-	
Financial Liabilities			
-	Fair value through profit and loss	-	
5,762	Loans and receivables	(682)	
-	Financial liabilities measured at amortised cost	-	
148,603	Total	267,236	

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.

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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 2015	Quoted	Using	With	Total
	Market Price	Observable Inputs	Significant Unobservable Outputs	
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Fixed interest securities	-	217,693	-	217,693
UK equities – quoted	230,586	-	-	230,586
Overseas equities – quoted	452,651	-	-	452,651
Index-linked securities	-	87,050	-	87,050
Pooled investment vehicles	-	-	983,239	983,239
Property – unit trusts	-	-	160,074	160,074
Derivatives	-	606	-	606
Dividend income receivable	6,453	-	-	6,453
Cash deposits	50,197	-	-	50,197
Borrowings	-	-	-	-
Current assets	14,271	-	-	14,271
Current liabilities	(4,333)	-	-	(4,333)
Total	749,825	305,349	1,143,313	2,198,487

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Value at 31 March 2014	Quoted	Using	With	Total
	Market	Observable	Significant	
	Price	Inputs	Unobservable	
	Level 1	Level 2	Level 3	
	£000	£000	£000	£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)
Total	767,374	173,252	992,986	1,933,612

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").

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 (REMM) 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.

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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:

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

These methods are consistently applied across all investment types.

BlackRock Institutional Jersey Dynamic Diversified Growth Fund

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

13. Additional Financial Risk Management Disclosures

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

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

Market Risk

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

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

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 that 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 and if the market price of the Fund's investments does increase/decrease in line with the table below, the change in the market price of net assets available to pay benefits would be as follows.

Pension Fund Accounts

Asset Type	31 March 2015 £000	Percentage Change %	Value on increase £000	Value on decrease £000
Fixed interest securities	217,693	5.79	230,297	205,089
UK equities – quoted	230,586	10.12	253,921	207,251
Overseas equities – quoted	452,651	9.80	497,011	408,291
Index-linked securities	87,050	8.45	94,406	79,694
Pooled investment vehicles	627,859	11.11	697,614	558,104
Property - unit trusts	160,074	3.02	164,908	155,240
Alternatives	355,380	2.64	364,762	345,998
Derivative contracts	606	2.64	622	590
Cash deposits	50,197	0.01	50,202	50,192
Investment income due	6,453	11.11	7,170	5,736
Total	2,188,549		2,360,913	2,016,185

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 and if the market price of the Fund's investments had increased/decreased in line with the table below, the change in the market price of net assets available to pay benefits would have been 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
Total	1,919,069		2,108,899	1,729,239

Interest Rate Risk

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

Interest Rate – Sensitivity Analysis

The Pension Fund recognises that interest rates vary and can impact income to the fund and the fair value of the assets. 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.

Pension Fund Accounts

Asset Type	Value	Change for the year in net assets available to pay benefits	
		1%	-1%
As at 31 March 2015	£000	£000	£000
Cash deposits	50,197	-	-
Cash balances (not forming part of the investment assets)	13,466	-	-
Fixed interest securities	217,693	2,177	(2,177)
Total	281,356	2,177	(2,177)

Asset Type	Value	Change for the year in net assets available to pay benefits	
		1%	-1%
As at 31 March 2014	£000	£000	£000
Cash deposits	31,956	-	-
Cash balances (not forming part of the investment assets)	17,446	-	-
Fixed interest securities	124,547	1,245	(1,245)
Total	173,949	1,245	(1,245)

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

Income Source	Value	Change for the year on income values	
		1%	-1%
As at 31 March 2015	£000	£000	£000
Cash deposits / cash and cash equivalents	69	7	(7)
Fixed interest securities	9,392	-	-
Total	9,461	7	(7)

Income Source	Value	Change for the year on income values	
		1%	-1%
As at 31 March 2014	£000	£000	£000
Cash deposits / cash and cash equivalents	157	16	(16)
Fixed interest securities	6,774	-	-
Total	6,931	16	(16)

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

Currency Risk

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

Pension Fund Accounts

Currency Risk – Sensitivity Analysis

The sensitivity of the Fund's investments to changes in foreign currency rates have been analysed using a 6.11% movement in exchange rates in either direction for 31 March 2015. 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 6.11% fluctuation is considered reasonable.

A 6.11% strengthening or weakening of Sterling against the various currencies at 31 March 2015 would have increased or decreased the net assets by the amount shown in the following table.

Currency Exposure by Asset Type	31 March 2015	Value on increase	Value on decrease
	£000	£000	£000
		+6.11%	-6.11%
Fixed interest securities	-	-	-
Equities – quoted	435,060	461,642	408,478
Index-linked securities	5,749	6,100	5,398
Pooled investment vehicles	183,348	194,551	172,145
Property - unit trusts	7,802	8,279	7,325
Cash deposits	8,692	9,223	8,161
Total	640,651	679,795	601,507

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 in the currency 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 below.

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
Total	538,823	569,590	508,056

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.

Pension Fund Accounts

Currency Exposure by Significant Currency

The Fund's most significant currency exposures are to US Dollars and EUROS, data on currency risk of 7.78% for the US Dollar and 6.15% for the EURO was provided by State Street Investment Analytics. Strengthening or weakening of Sterling against US Dollars and EUROS at 31 March 2015 would have increased or decreased the net assets by the amounts shown in the following table.

Asset Type	31 March 2015	Percentage Change	Value on increase	Value on decrease
	£000	%	£000	£000
US Dollars	385,577	7.78	415,575	355,579
EUROS	134,565	6.15	142,841	126,289
Total	520,142		558,416	481,868

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 Change	Value on increase	Value on decrease
	£000	%	£000	£000
US Dollars	294,242	8.07	317,987	270,497
EUROS	140,062	6.31	148,900	131,224
Total	434,304		466,887	401,721

Credit Risk

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

A source of credit risk is the cash balances held internally or by managers. The Pension Fund's bank account is held at Lloyds TSB, which holds an "A" long term credit rating. The management of the cash held in this account is managed by the Council's Treasury Management Team in line with the Council's Treasury Management Strategy which sets out the permitted counterparties and limits. The value of the Fund invested by the Treasury Management Team at 31 March 2015 was £9.067m in an instant access Lloyds TSB account and £4.507m in an instant access Federated Short-Term Sterling Prime Fund, a AAA rated money market fund. (On 31 March 2014 £9.293m was invested in an instant access Lloyds TSB account and £8.195m in an instant access Federated Short-Term Sterling Prime Fund.) 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.

Pension Fund Accounts

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 2014		31 March 2015	
£000		£000	
146,506	Aviva	169,885	
74,606	Blackstone	79,693	
123,618	Pantheon Private Equity	140,206	
45,306	Partners Group	46,203	
343	Hg Capital	487	
390,379		436,474	

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 £1.3m (£1.7m in 2013/14) for administration costs incurred by the County Council on behalf of the Pension Fund. The County Council is also the single largest employer of members of the Pension Fund and contributed £31.7m to the Fund in 2014/15 (£32.1m in 2013/14).

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 2015, the Fund had an average investment balance of £11.4m (£9.1m 2013/14), earning interest of £75k (£61k 2013/14).

There are two 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 2014 £000	Current Assets and Liabilities	31 March 2015 £000
	Current Assets	
7,494	Contributions due from employers 31 March	8,084
17,446	Cash balances (not forming part of the investment assets)	13,466
2,320	Other current assets	805
27,260	Total Current Assets	22,355
	Current Liabilities	
(956)	Management charges	(640)
(872)	HM Revenue and Customs	(813)
(760)	Unpaid benefits	(485)
(1,935)	Other current liabilities	(3,208)
(4,523)	Total Current Liabilities	(5,146)
22,737	Net Current Assets	17,209

31 March 2014 £000	Current Assets and Liabilities	31 March 2015 £000
	Current Assets	
2,434	Central government bodies	2,365
5,413	Other local authorities	4,910
6	NHS bodies	6
17,583	Public corporations and trading funds	13,527
1,824	All other bodies	1,547
27,260	Total Current Assets	22,355
	Current Liabilities	
(872)	Central government bodies	(813)
(296)	Other local authorities	(1,907)
-	NHS bodies	-
(2,243)	Public corporations and trading funds	(1,774)
(1,112)	All other bodies	(652)
(4,523)	Total Current Liabilities	(5,146)
22,737	Net Current Assets	17,209

16. Taxes on Income

2013/14 £000	Taxes on Income	2014/15 £000
-	Withholding tax - fixed interest securities	-
1,540	Withholding tax - equities	1,310
1,540	Total Taxes on Income	1,310

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.

Pension Fund Accounts

- 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) |

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 2015 is £1,581m (31 March 2014 £1,175m), but figures calculated on an IAS 19 basis are not relevant for calculations undertaken for funding purposes or for other statutory purposes undertaken under UK pensions legislation. The Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

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

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

31 March 2014		31 March 2015
£000		£000
3,084,572	Present value of funded obligation	3,750,269
1,909,599	Fair value of scheme assets	2,169,097
1,174,973	Net Liability	1,581,172

The Present Value of Funded Obligation consists of £3,581m (£2,698m at 31 March 2014) in respect of Vested Obligation and £169m (£386m at 31 March 2014) 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 2014		31 March 2015
3.6%	RPI increases	3.2%
2.8%	CPI increases	2.4%
4.6%	Salary increases	4.2%
2.8%	Pension increases	2.4%
4.5%	Discount rate	3.3%

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 yield 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.

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 market implied inflation curve. The RPI assumption is therefore 3.2% per annum. This is consistent with the approach used at the last accounting date.

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As future pension increases are expected to be based on CPI rather than RPI, the Actuary has made a further assumption about CPI which is that it will be 0.8% below RPI i.e. 2.4%.

Salaries are then assumed to increase at 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 2015 are:

Contractual Commitments	Amount Paid as at 31 March 2014	Amount Paid as at 31 March 2015	Total Contractual Commitment
	\$000	\$000	\$000
Pantheon Asia Fund V LP	21,000	21,425	25,000
Pantheon Asia Fund VI LP	13,395	19,035	47,000
Pantheon USA Fund VII Limited	17,999	18,318	21,250
Pantheon USA Fund VIII Feeder LP	50,325	55,575	75,000
Pantheon Global Secondary Fund IV Feeder LP	10,440	9,975	15,000
Partners Group Global Resources 2009, LP	29,316	27,237	35,000
	142,475	151,565	218,250
	€000	€000	€000
Pantheon Europe Fund V "A" LP	15,497	15,497	18,125
Pantheon Europe Fund VI LP	39,975	49,010	65,000
Partners Group Global Real Estate 2008 SICAR	22,447	22,996	25,000
Partners Group Global Infrastructure 2009 SICAR	18,901	20,087	25,000
	96,820	107,590	133,125

These contractual commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity, resources, global real estate and infrastructure parts of the portfolio. The amounts "called" by the funds are irregular in both size and timing over several years from the date of each original commitment. The total contractual commitment at 31 March 2015 is the same as the total contractual commitment at 31 March 2014.

On 31 March 2015 there were 5 group transfers to the Fund under discussion with other Funds (3 on 31 March 2014), with the value of the transfers being negotiated between the Funds' actuaries. On 31 March 2015 there were 2 group transfers from the Fund under discussion with other Funds (0 on 31 March 2014), 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. Prudential's contributions, investment income and benefits paid data was not available when these accounts were drafted, the total value of these transactions for 2014/15 are assumed to be similar to the values in 2013/14. 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).

2013/14	Prudential	2014/15
£000		£000
4,973	Value of AVC fund at beginning of year	5,207
755	Employees' contributions and transfers in	755
308	Investment income	308
(829)	Benefits paid and transfers out	(829)
5,207	Value of AVC fund at year end	5,441

1.11.2013 - 31.10.2014	Clerical Medical	1.11.2014 - 31.10.2015
£000		£000
3,524	Value of AVC fund at beginning of year	3,913
267	Employees' contributions	198
469	Investment income	197
(347)	Benefits paid and transfers out	(520)
3,913	Value of AVC fund at year end	3,788

21. List of Scheduled and Admitted Bodies

Scheduled Bodies

Buckinghamshire County Council	Wooburn & Bourne End Parish Council
Buckinghamshire Fire and Rescue Service	Woughton Community Council
Thames Valley Police	Alfriston School
Aylesbury Vale District Council	Amersham School
Chiltern District Council	Amersham & Wycombe College
Milton Keynes Council	Aylesbury College
South Bucks District Council	Aylesbury Grammar School
Wycombe District Council	Aylesbury High School
	Aylesbury Vale Academy
Amersham Town Council	Beaconsfield High School
Aylesbury Town Council	Beechview Middle School
Bletchley & Fenny Stratford Town Council	Bedgrove Infant School
Buckingham Town Council	Bedgrove Junior School
Buckinghamshire Care	Bourne End Academy
Buckinghamshire Support	Brill CofE School
Burnham Parish Council	Bourton Meadow Academy
Campbell Park Parish Council	Bridge Academy
Chalfont St Giles Parish Council	Brookmead School
Chalfont St Peter Parish Council	Brooksward School
Chepping Wycombe Parish Council	Brushwood Middle School
Chesham Town Council	Buckinghamshire New University
Chiltern Crematorium	Buckinghamshire UTC
Chilterns Conservation Board	Burnham Grammar School
Coldharbour Parish Council	Burnham Park E-Act Academy
Gerrards Cross Parish Council	Castlefield School
Great Missenden Parish Council	Chalfonts Community College
Hambleden Parish Council	Chalfont St Peter CE Academy
Hazlemere Parish Council	Chalfont Valley E-Act Academy
Iver Parish Council	Charles Warren Academy
Lane End Parish Council	Chepping View Primary Academy
Little Marlow Parish Council	Chesham Grammar School
Loughton Parish Council	Chiltern Hills Academy
Marlow Town Council	Cottesloe School
Newport Pagnell Town 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	George Grenville Academy
Stantonbury Parish Council	Germander Park School
Stony Stratford Town Council	Gerrards Cross C E School
Wendover Parish Council	Glastonbury Thorn First School
West Bletchley Town Council	Great Marlow School
West Wycombe Parish Council	Green Park School
Winslow Town Council	Hamilton Academy
Woburn Sands Town Council	Hazeley Academy
Wolverton & Greenleys Town Council	Heronsgate School

Pension Fund Accounts

Highcrest Academy
Holmer Green Senior School
John Colet School
John Hampden Grammar School
Kents Hill School
Lord Grey School
Loudwater Combined School
Loughton School
Middleton Primary
Milton Keynes Academy
Milton Keynes College
Milton Keynes Development Partnership
Milton Keynes Service Partnership
New Bradwell Combined School
New Chapter Primary School
Oakgrove School
Olney Infant School
Orchard Academy
Ousedale School
Overstone Combined School
Oxley Park Academy
PCC for Thames Valley
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
Tickford Park School
Two Mile Ash School
Waddesdon C E School

Walton High
Wycombe High School
Wyvern 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	MK Dons
Action for Children	Mouchel Business Services Ltd
Adventure Learning Foundation	NorthgateArinso
Alliance in Partnership	NSL Services Group
Ambassadors Theatre Group	Oxfordshire Health NHS Foundation Trust
AMEY plc	Oxon PCT (SALT)
Archgate Cleaning	Paradigm Housing Association
Aylesbury Vale Dial-a-Ride	Penn School
Beacon Housing Association	Places for People Leisure
Braybourne Cleaning Services	Police Superintendents Association
Bucks Association of Local Councils	Rapidclean
Bucks County Museum Trust	Red Kite Community Housing Ltd
Bucks Learning Trust	Ringway Infrastructure Services Limited
Capita (WDC)	Ringway Jacobs
Chiltern Rangers CIC	Risk Management Security Services
Cleantec Services Limited	SCS Wothorpe Ltd
Connexions Buckinghamshire	SDK (Environmental)
Excelcare	Serco (MKC)
Frosts (MKC)	Serco (MKSP)
Heritage Care	Sports Leisure Management
Hertsmere Leisure Trust	The Fremantle Trust
Hightown Praetorian & Churches Housing Association	Vale of Aylesbury Housing Trust
Innovate Ltd	Wolverton & Watling Way Pools Trust
Kids Play Ltd	Wycombe Dial-A-Ride

Contact Us

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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.