

Pension Fund Annual Report

for the year ending 31 March 2011

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Who's Who

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

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 LGPS is a Government regulated, defined benefit, final salary scheme.

Pension Reform

Pensions continue to be a subject of concern and debate, both nationally and locally. There is much debate about the cost to the taxpayer of public service pensions and concerns continue that people are not saving enough for their retirement, especially given the increasing time that many people live in retirement. Locally, many employers are concerned about the cost and sustainability of their pension schemes.

The LGPS has seen a number of regulatory changes in recent years and the publication of Lord Hutton's final report on Public Service Pension Provision in March 2011 will continue this trend. In the report he concludes that it should be possible for public sector employees to continue to have access to good quality, sustainable and fairer defined benefit pension schemes that deliver decent retirement incomes, but that in order to do so there will need to be comprehensive reform.

The report sets out a series of recommendations, underpinned by the principles that in the future public sector pensions should be:

- affordable and sustainable
- adequate and fair
- supporting productivity
- transparent and simple

Key recommendations:

- existing final salary public service pension schemes should be replaced by new career average schemes
- linking Normal Pension Age in most public service pension schemes to the State Pension Age
- setting a clear cost ceiling for public service pension schemes – the proportion of pensionable pay that taxpayers will contribute to employees' pensions – with automatic stabilisers to keep future costs under more effective control
- honouring, in full, the pension promises that have been earned by scheme members (their "accrued rights") and maintaining the final salary link for past service for current members
- introducing more independent oversight and much stronger governance of all public service pension schemes
- encouraging greater member involvement in consultations about the setting up of new schemes, and in the running of schemes
- overhauling the current legal framework for public service pensions to make it simpler
- moving public sector pensions toward a common framework for scheme design

At the end of August 2011 the Government started formal consultations on increasing public service pension contributions in 2012/13. For Local Government, the Government recognises that the funded nature of the LGPS puts it in a different position to other public service schemes and will discuss whether there are alternative ways to deliver some or all of the savings in respect of contribution increases.

Schemes will be asked to provide initial proposals for reformed schemes by the end of October 2011. Using the LGPS' agreed cost ceiling, detailed scheme design discussions will continue to allow the relevant legislation to be introduced in Parliament in 2012/13, with implementation from 1 April 2015.

Continued...

Actuarial Valuation

The triennial valuation due as at 31 March 2010 was undertaken during the year by Barnett Waddingham, the Fund Actuary. Despite a relatively challenging period since the last review in 2007, the funding position was largely unchanged and most employers' contribution rates remained relatively stable, with some seeing no change at all.

The valuation resulted in a common contribution rate of 19.0% of payroll to be paid by each employing body participating in the BCC Pension Fund. In addition each employing body pays an adjustment to reflect its own particular circumstances and funding position within the Fund. The employer contribution rates for 2011/12 through to 2013/14 are available from www.buckscc.gov.uk/bcc/pensions/employers/contributions.page

Pension Fund Management

Compared to its peer group of nearly 100 other local government pension funds, the BCC Fund was ranked in the top half for performance over the past 3 and 5 years. The quarterly and annual performance recorded each quarter can be volatile, particularly in the current economic climate; however our three year and five year performance demonstrate that the Fund is a strong performer compared to its peer group.

The Fund achieved a return of 8.9%, outperforming its benchmark of 8.1% by 0.8% in the year to 31 March 2011. The Fund's strategy seeks to maximise the value of the Fund without increasing its exposure to risk. All strategy decisions were made in accordance with our Statement of Investment Principles.

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



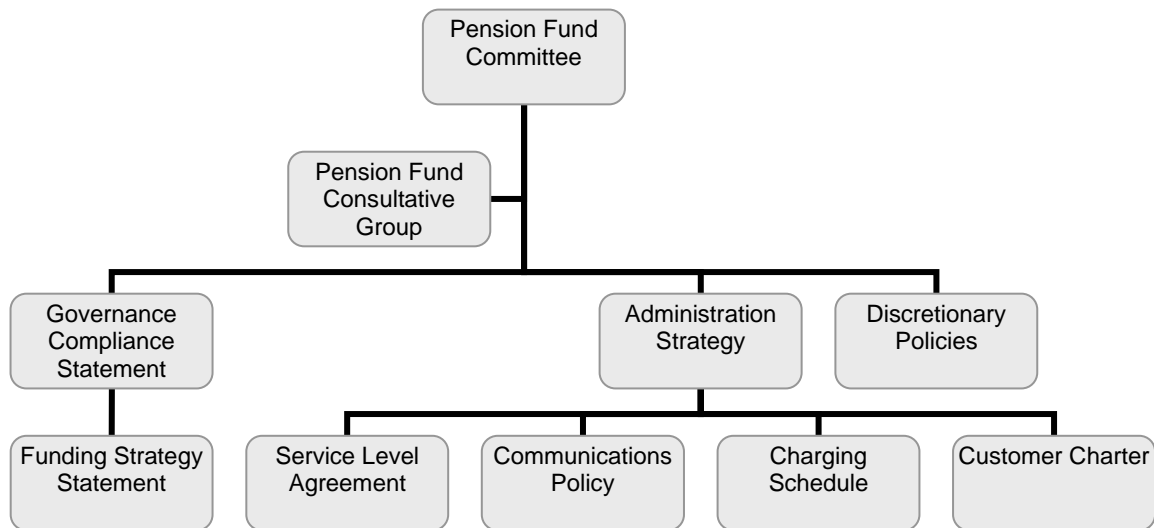
Richard Ambrose
Head of Finance and Commercial Services

Governance Statements

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

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

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



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

Governance Policy Statement

The [Governance Policy Statement](#) sets out the County Council's arrangements for discharging its responsibilities for Pension Fund.

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

Governance Compliance Statement

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

These principles are:

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

Pension Administration Strategy

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

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 50,000 Scheme members the BCC Pension Fund has a responsibility to provide timely and accurate information to all stakeholders. To ensure the information reaches all interested parties, different media and methods of communication will be used.

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

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

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

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

Access to Communications

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

The Pensions Team

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

Benefits Administration Team

We deal with 20,750 current employees on behalf of Buckinghamshire County Council, as well as 12,950 pensioners and 16,750 ex-employees. The Benefits Administration Team deal with all aspects of benefits work; from new entrants to the scheme through to retirement and death. The team's work also includes refunds, pension estimates, pensioner queries, pension sharing on divorce and transfers of previous pension rights in or out of the scheme.

Governance & Employer Liaison Team

The Governance & Employer Liaison Team deal with pension enquiries from scheme members, members' representatives, our employing authorities, as well as other outside bodies, such as HM Revenue and Customs and other pension schemes. The Governance & Employer Liaison Team deal with pension fund year-end procedures and support 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 are responsible for the specialist computer systems within the Pensions Team, including the management of AXIS (our pension administration system), document imaging, pensioner payroll and workflow management. AXIS 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.

Teachers Pay and Pensions Team

The Teachers Pay and Pensions Team supports school governing bodies and teachers. It deals with any queries teachers have about their pension benefits and assists the school bursars with Teacher's Pay and Conditions queries.

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.

Scheme Administration Data

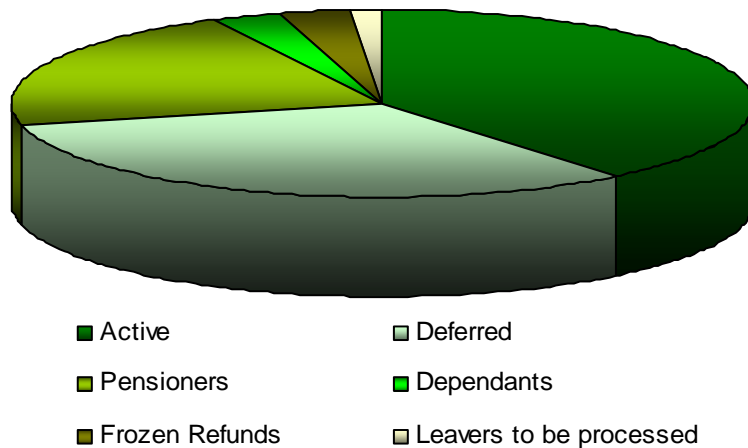
Buckinghamshire County Council LGPS Pensions Administration participates in the CIPFA Benchmarking Club. Data is submitted annually and the Council is measured against the other Administering Authorities that participate.

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

Key findings from the 2010/11 report are as follows:

Measure	Buckinghamshire County Council	Club Average
Total cost per member	£16.28	£22.14
Scheme members per Benefit Administration team member	3,770	3,484
LGPS Employers	165	109

Composition of Members



Internal Dispute Resolution Procedure

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

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

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

In 2010/11 14 new appeals were received. Of these 14, 10 were appealing against the decision to either refuse ill health retirement or the level of ill health retirement awarded. The remaining cases involved disputes over contribution bandings, estimates of benefits provided and transfers in to the LGPS.

Of the 14 cases, 5 cases were found in favour of the applicant at stage 1. Of stage 2 appeals, none were found in favour of the applicant.

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.

Highlights of the benefits provided by the LGPS are:

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

Contributions

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

Band	Whole Time Equivalent pay rate	Contribution rate
1	£0 - £12,900.00	5.5%
2	More than £12,901.00 up to £15,100.00	5.8%
3	More than £15,101.00 up to £19,400.00	5.9%
4	More than £19,401.00 up to £32,400.00	6.5%
5	More than £32,401.00 up to £43,300.00	6.8%
6	More than £43,301.00 up to £81,100.00	7.2%
7	More than £81,100 or over	7.5%

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

Retirement

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

Payment of pensions will be made in the following circumstances:

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

Benefits

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

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

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

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

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

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

Ill Health Retirement

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

First Tier

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

Second Tier

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

Third Tier

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

Death in Service

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

Death in Retirement

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

Funding Strategy Statement

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

The purpose of this FSS in policy terms is:

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

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

The FSS details:

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

Statement of Investment Principles

The Statement of Investment Principles (SIP) adopted by Buckinghamshire County Council relates to the investment of assets of the Council's Pension Fund and is available at

www.buckscc.gov.uk/bcc/pensions/investments/statement_of_investment_principles.page

The SIP details:

- Investment objectives
- Types of investment to be held
- Approach to managing the Fund
- Balance between different types of investment
- Risk
- Expected return on investments
- Realisation of investments
- Extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments
- Exercise of the rights (including voting rights) attaching to investments
- Policy on Stock Lending
- Assessment against Myners principles.

Market Background

2010/11 saw equities continue to recover from the effects of the credit crunch. After experiencing the worst ever year's performance followed by the best ever year, 2010/11 saw a return to more normal levels of returns. The ranges of returns achieved also narrowed markedly, returning much closer to historic norms. The average fund returned 8%, which has brought the 3 year performance to over 5% p.a.

Equity markets continued their strong performance, with emerging markets and the Pacific Rim producing the best returns for the second successive year. North America returned 10% with Europe at 9% on average. Japan, the worst performing of the major equity markets, was flat at 0%.

The impact of currency was unusually mixed over the year. Sterling strengthened against the US dollar, remained flat against the Euro and continued to weaken against the Yen.

UK government and corporate bonds both returned 5.9% on average, with Index-Linked gilts slightly ahead as markets continued to worry about rising inflation.

The performance of alternative investments was mixed. Private equity returned 10% for the year while hedge funds produced results of 5%. Property performance saw a continuation of the positive performance that began in the second half of 2009, with the average fund achieving 10% for the year.

Table 1: Annual Returns 2006/07 to 2010/11

	2006/07 %	2007/08 %	2008/09 %	2009/10 %	2010/11 %	2006/07 to 2010/11 %
UK Equities	10.7	-8.9	-29.1	51.9	9.7	3.6
Overseas Equities:	3.6	-0.6	-22.4	49.4	8.9	5.4
North America	-2.9	-6.8	-16.6	42.9	9.8	3.4
Continental Europe	10.9	1.2	-30.0	47.4	8.6	4.7
Japan	-10.8	-16.3	-14.0	32.6	-0.1	-3.2
Pacific ex Japan	17.3	11.2	-20.5	64.8	13.2	14.1
Other International	4.7	12.2	-25.6	65.8	11.6	10.1
UK Bonds	0.9	2.1	-1.7	16.9	5.9	4.6
Overseas Bonds	-3.1	8.0	9.2	13.6	2.7	5.9
Index-Linked	2.7	11.8	-1.5	11.6	6.4	6.1
Cash	4.2	4.5	3.0	2.0	2.2	3.2
Alternatives	7.8	7.8	-7.8	4.3	7.5	3.7
Property	16.2	-9.6	-27.1	9.9	9.7	-1.6
Total Assets	7.0	-2.8	-19.9	35.2	8.2	4.0

BCC Pension Fund Performance in 2010/2011

During the year to 31 March 2011 the Buckinghamshire County Council Pension Fund ("the Fund") achieved a net return of 8.9% compared to its benchmark return of 8.1%, an outperformance of 0.8%. Blackrock, Blackstone, DB Advisors, Investec, Mirabaud, Pantheon Asia V, Pantheon Euro V, Pantheon Euro VI, Royal London, Schroders and Standard Life report strong performance relative to the benchmark for the year. Aviva, Pantheon USA VII, Pantheon USA VIII, Partners Resources and Partners Infrastructure are showing annual underperformance. Legal & General, in accordance with its passive mandate is close to the benchmark.

Seven managers have been employed for a full three year period; three years is a pension industry standard timescale for performance comparisons. Over the three years Blackrock, Blackstone and Mirabaud have outperformed their benchmarks although Aviva, Pantheon and Standard Life have underperformed against their benchmarks. Legal & General, in accordance with its passive mandate is close to the benchmark.

Table 2: Fund Manager's 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	7.5	9.1	-1.6	-7.4	-3.9	-3.5
Blackrock	7.8	5.3	2.5	5.9	3.1	2.8
Blackstone	6.3	0.4	5.9	2.4	1.5	0.9
DB Advisors	9.6	7.9	1.7	-	-	-
Investec	9.6	7.4	2.2	-	-	-
Legal & General	8.2	7.5	0.7	6.3	6.2	0.1
Mirabaud	11.4	8.7	2.7	7.8	5.4	2.4
Pantheon – Asia V	18.6	6.3	12.3	-	-	-
Pantheon – Euro V	12.4	7.6	4.8	-4.3	3.5	-7.8
Pantheon – Euro VI	12.6	7.6	5.0	-	-	-
Pantheon – USA VII	3.7	11.1	-7.4	4.5	11.1	-6.6
Pantheon – USA VIII	-4.2	11.1	-15.3	-	-	-
Partners Group - Real Estate	16.3	13.0	3.3	-	-	-
Partners Group - Resources	-0.3	13.0	-13.3	-	-	-
Partners Group - Infrastructure	0.1	13.0	-12.9	-	-	-
RLAM	6.9	5.5	1.4	-	-	-
Schroders	9.6	7.9	1.7	-	-	-
Standard Life	9.0	8.7	0.3	4.6	5.4	-0.8
Fund Total	8.9	8.1	0.8	5.3	5.8	-0.5

Table 3: Asset Allocation 2010/11

	BCC Fund % 31 Mar 2010	BCC Fund % 31 Mar 2011	WM local authority % 31 Mar 2010	WM local authority % 31 Mar 2011
UK Equities	27.3	26.5	28.9	27.1
Overseas Equities	38.6	38.2	37.3	37.2
UK Bonds	13.5	13.3	10.5	11.3
Overseas Bonds	0.1	0.1	2.0	1.6
UK Index-Linked	1.1	1.0	4.4	4.2
Cash	1.7	1.7	4.0	3.3
Alternatives	9.9	11.8	6.7	8.5
Property	7.8	7.4	6.2	6.8
Total	100	100	100	100

Long Term Performance

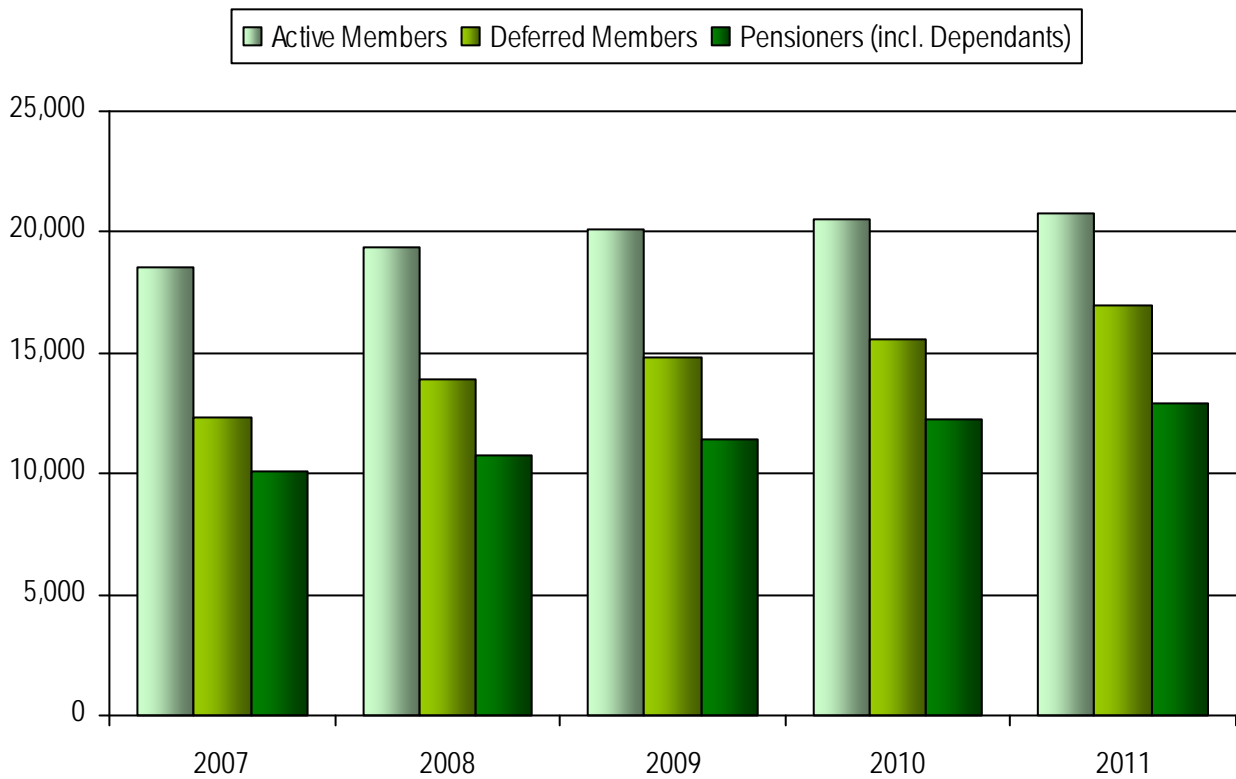
The WM Company monitors the performance of the Fund and Table 4 illustrates the relative performance of the Fund over five, three and one year periods.

Table 4: Investment Performance

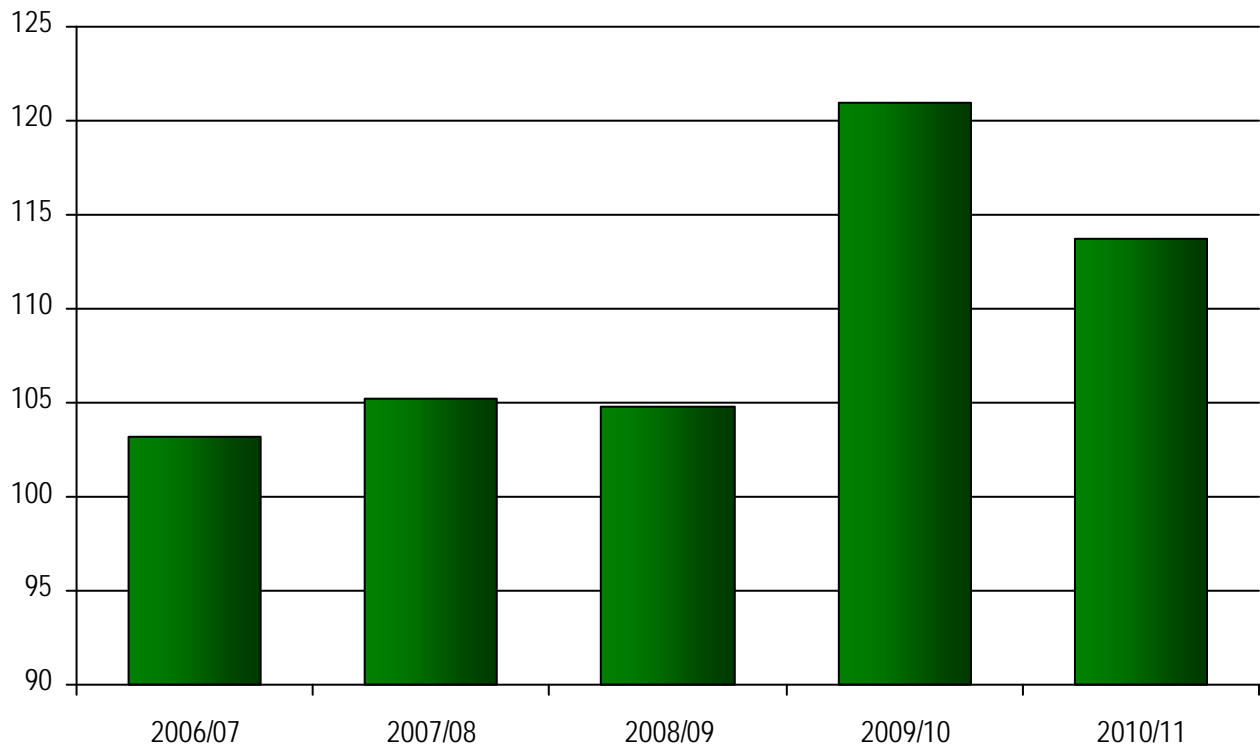
	5 years %	3 years %	1 year %
WM Local Authority Average	+4.0	+5.4	+8.2
BCC Fund	+4.0	+5.3	+8.9
Relative	0.0	-0.1	+0.8
Percentile	44	50	40

History of the Fund

Membership Profile

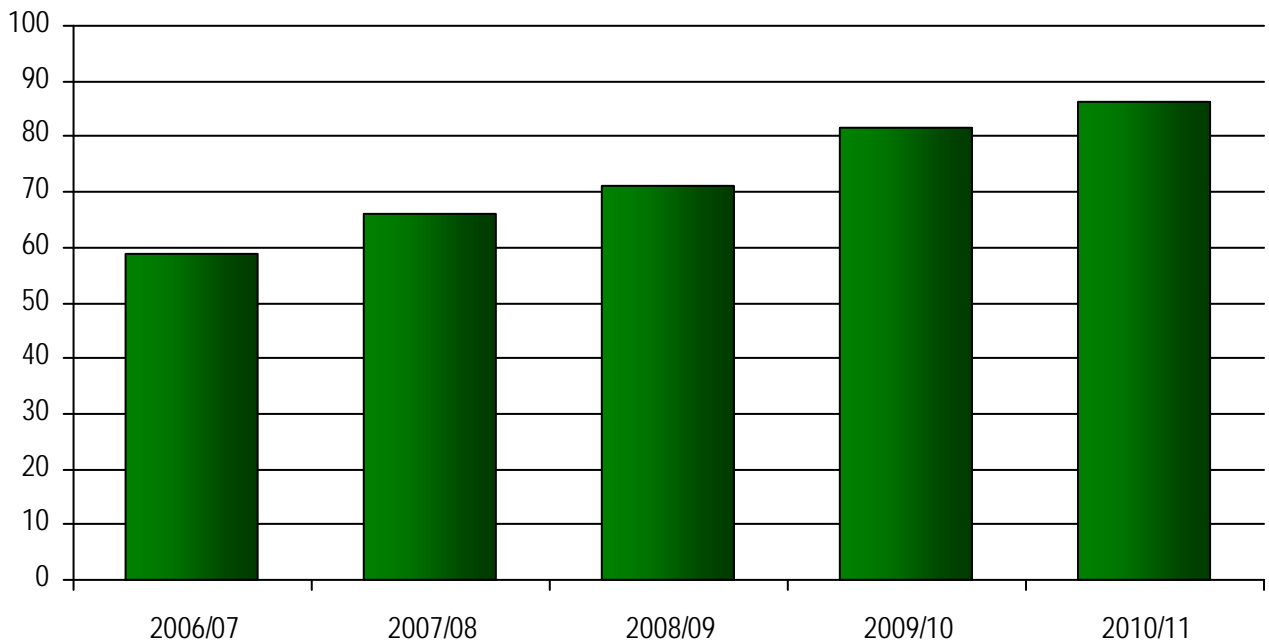


Contributions Received £m

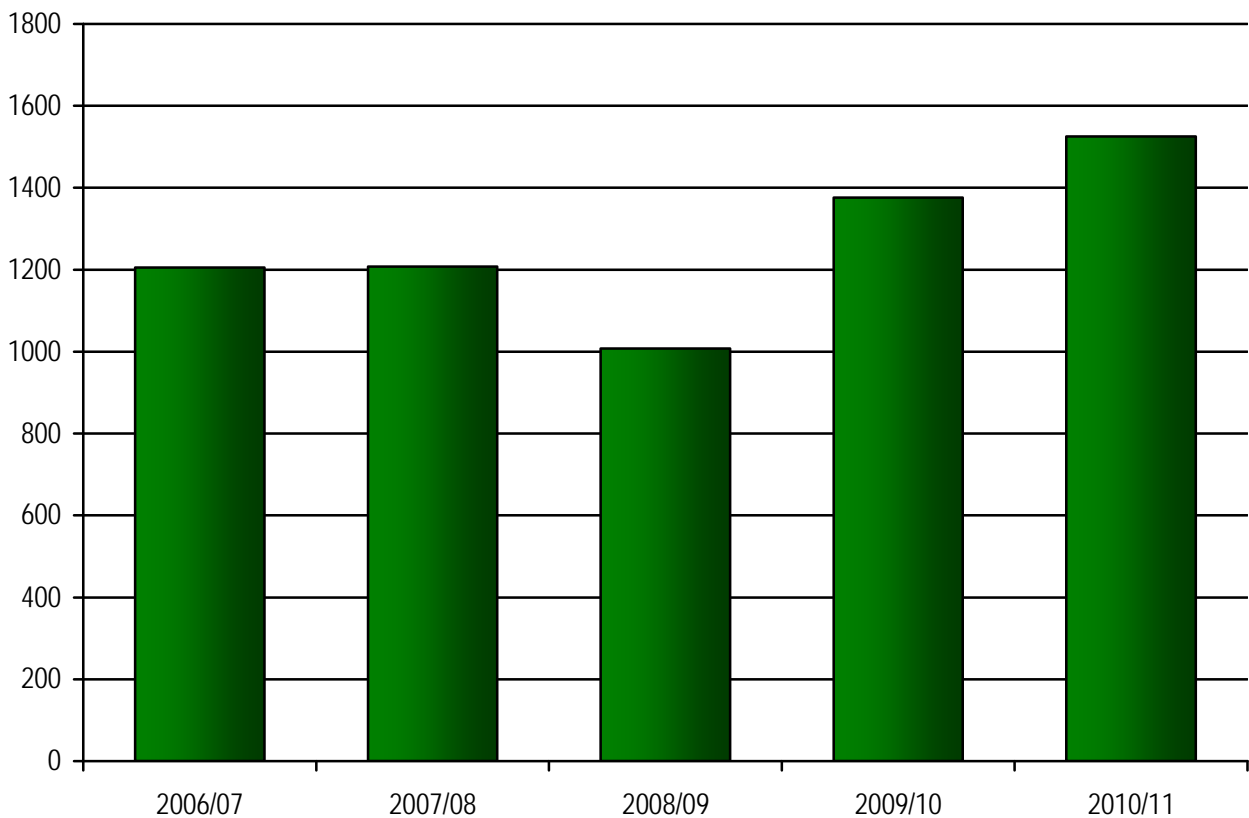


History of the Fund

Benefits Paid £m



Value of the Fund as at 31 March £m



The last full triennial valuation of the Buckinghamshire County Council Pension Fund was carried out by Barnett Waddingham LLP as at 31 March 2010. The results were published in our report dated March 2011.

2010 Valuation

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

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

- The additional liabilities that will build up each year in respect of service after the valuation date, allowing for future pay increases and increases to pension in payment when these fall due,
- plus an amount to reflect each participating employer's notional share of value of the Fund's assets compared with 100% of their liabilities in the Fund.

The funding level was determined to be 79%, i.e. the value of the accumulated assets represented 79% of the value of the accrued liabilities of Fund as at the valuation date. This compares with a funding level of 81% at the 2007 triennial valuation. The common contribution rate of 19.0% of payroll assumes that the funding level will be restored over a 20 year period.

Valuation Method

The contribution rates were calculated using the Projected Unit Method for employers remaining open to new entrants and the Attained Age Method for employers closed to new entrants.

Asset Value and Key Financial Assumptions

The market value of the Fund's assets as at 31 March 2010 was taken as £1,376m.

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

Long term rate of return on investments	6.8% per annum
Long term rate of increase in pay*	5.0% per annum
Long term rate of increase to pensions in payment	3.0% per annum

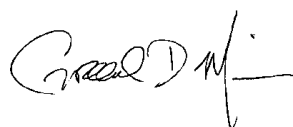
* a lower short term assumption was also incorporated

Post Valuation Events – Changes in market conditions

In the year since March 2010 investment returns have been slightly more than that assumed at the 2010 valuation although expectations for future levels of inflation have increased.

Overall, we estimate that the funding level as at 31 March 2011 will be similar to that of the 2010 valuation.

The next actuarial valuation is due as at 31 March 2013 and the resulting contribution rates required by the employers will take effect from 1 April 2014. We will continue to monitor the financial position of the Fund.



Graeme D Muir FFA
Partner
Barnett Waddingham LLP

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

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

The Head of Finance and Commercial Services' Responsibilities

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

In preparing this Statement of Accounts, the Head of Finance and Commercial Services has:

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

The Head of Finance and Commercial Services has also:

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

Certificate of the Head of Finance and Commercial Services

I certify that this Statement of Accounts for the year ended 31 March 2011 gives a true and fair view of the financial position of the Council as at 31 March 2011 and its income and expenditure for the year ended 31 March 2011.



Richard Ambrose
Head of Finance and Commercial Services

Opinion on the pension fund accounting statements

I have audited the pension fund accounting statements for the year ended 31 March 2011 under the Audit Commission Act 1998. The pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Buckinghamshire County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Head of Finance & Commercial Services and auditor

As explained more fully in the Statement of the Head of Finance & Commercial Services' Responsibilities, the Head of Finance & Commercial Services is responsible for the preparation of the pension fund's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the fund; and the overall presentation of the accounting statements. I read all the information in the annual report to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the pension fund's accounting statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2011 and the amount and disposition of the fund's assets and liabilities as at 31 March 2011; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the annual report for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with the Local Government Pension Scheme (Administration) Regulations 2008 and related guidance.

Mick West

District Auditor
Audit Commission
27 September 2011

Unit 5, Isis Business Centre
Horspath Road
Cowley, Oxford
OX4 2RD

Pension Fund Accounts

Membership of Fund

The following summarises the membership of the Fund:

31 March 2010	Membership of the Fund	31 March 2011
20,571	Contributors	20,752
12,213	Pensioners	12,930
15,522	Deferred Pensioners	16,976
<u>48,306</u>	Total Membership of the Fund	<u>50,658</u>

Pension Fund Account for the Year Ended 31 March 2011

31 March 2010 £000	Pension Fund Account	Note	31 March 2011 £000
	Contributions	3	
79,678	Employer contributions		77,943
27,666	Member contributions		26,182
13,694	Transfers in from other pension funds		9,628
<u>121,038</u>	Total Contributions		<u>113,753</u>
	Benefits	5	
(51,852)	Pensions		(55,012)
(18,274)	Commutation of pensions and lump sum retirement benefits		(19,711)
	Payments to and on Account of Leavers	6	
(36)	Refunds of contributions		(21)
(9,993)	Transfers out		(10,105)
(1,433)	Administrative expenses	7	(1,491)
<u>(81,588)</u>			<u>(86,340)</u>
<u>39,450</u>	Net Additions from Dealings with Members		<u>27,413</u>
	Returns on Investments		
26,940	Investment income	8	26,347
306,048	Profits and losses on disposal of investments and changes in value of investments	9	100,498
(1,055)	Taxes on Income	14	(1,219)
(3,003)	Investment management expenses	10	(3,798)
<u>328,930</u>	Net Return on Investments		<u>121,828</u>
<u>368,380</u>	Net Increase/(Decrease) in the Net Assets Available for Benefits During the Year		<u>149,241</u>
<u>1,007,413</u>	Net Assets of the Scheme available to fund benefits at 1 April 2010		<u>1,375,793</u>
<u>1,375,793</u>	Net Assets of the Scheme available to fund benefits at 31 March 2011		<u>1,525,034</u>

Pension Fund Accounts

Net Assets Statement

31 March 2010 £000	Net Assets Statement	Note	31 March 2011 £000
	Investments	11	
	Fixed Interest Securities		
27,531	▪ Public Sector		35,746
63,397	▪ Other		72,606
535,765	Equities - quoted		592,974
32,016	Index-linked Securities		28,759
565,454	Pooled Investment Vehicles		638,405
116,995	Unit Trusts - Property		125,492
15,061	Cash Deposits		19,177
(16)	Derivative Contracts		8
3,623	Dividend income receivable		4,413
1,359,826	Net Investments		1,517,580
(3,520)	Borrowings - Sterling		(3,455)
22,562	Current Assets		14,368
(3,075)	Current Liabilities	13	(3,459)
1,375,793	Net Assets at 31 March		1,525,034

1. Accounting Policies

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting, based on International Financial Reporting Standards (the Code), and the Statement of Recommended Practice on Financial Reports of Pension Schemes (Revised May 2007).

These are the first set of accounts prepared under the Code, based on International Financial Reporting Standards. Adoption of the IFRS based Code has not resulted in the restatement of any balances as no material changes resulted from the adoption of the Code. A third column showing 2008/09 comparatives restated according to the IFRS-based Code of Practice has not been included in the Net Asset Statement.

The accounts summarise the transactions and net assets of the Fund and do not take account of liabilities to pay pensions and other benefits in the future. These are addressed by a triennial valuation (see Note 15).

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. Basis of Preparation

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.

Foreign currency transactions are translated into sterling at the exchange rate ruling at the date of transaction.

Pension Fund Accounts

3. Contributions

Contributions relating to wages and salaries paid up to 31 March 2011 have been included in these accounts.

2009/10 £000	Contributions	2010/11 £000
	Employers	
31,622	Administering Authority	29,141
43,442	Scheduled Bodies	43,657
4,536	Admitted Bodies	5,085
	Employers Augmentation Costs	
-	Administering Authority	-
78	Scheduled Bodies	20
-	Admitted Bodies	40
	Members	
9,417	Administering Authority	8,388
16,160	Scheduled Bodies	16,404
2,089	Admitted Bodies	1,390
<u>107,344</u>	Total Contributions	<u>104,125</u>

4. Transfer Values

The individual transfer values relate to transfers, which have been received and paid during the financial year i.e. included on a cash basis.

On 31 March 2011 there were 3 transfer values out greater than £50,000, for which £0.289m had not been paid; there were 6 transfer values in greater than £50,000, for which £0.438m had not been received.

Pension Fund Accounts

5. Benefits

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

2009/10 £000	Benefits	2010/11 £000
	Pensions	
21,494	Administering Authority	22,662
25,485	Scheduled Bodies	27,186
4,873	Admitted Bodies	5,164
16,242	Commutations of pensions and lump sum retirement benefits	18,153
2,032	Lump sum death benefits	1,558
<u>70,126</u>	Total Benefits	<u>74,723</u>

6. Payments to and on Account of Leavers

2009/10 £000	Payments to and on Account of Leavers	2010/11 £000
26	Refunds to members leaving service	10
10	Payments for members joining the state scheme	11
-	Group transfers to other schemes	-
9,993	Individual transfers to other schemes	10,105
<u>10,029</u>	Total Payments to and on Account of Leavers	<u>10,126</u>

7. Administrative Expenses

2009/10 £000	Administrative Expenses	2010/11 £000
1,289	Administration of benefits	1,310
60	Actuarial fees	105
84	Legal and performance measurement fees	76
<u>1,433</u>	Total Administrative Expenses	<u>1,491</u>

8. Investment Income

2009/10 £000	Investment Income	2010/11 £000
5,787	Interest from fixed interest securities	5,345
13,079	Dividends from equities	15,205
507	Income from index-linked securities	1,004
168	Interest on cash deposits	(207)
3,539	Income from property unit trusts	5,239
3,860	Other	(239)
<u>26,940</u>	Total Investment Income	<u>26,347</u>

Pension Fund Accounts

9. Investments

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

Investments (All values are shown £000)	Value at 31 March 2010 £000	Reclassification of Assets £000	Purchases at Cost £000	Sales Proceeds £000	Change in Market Value £000	Value at 31 March 2011 £000
Fixed interest securities	90,928	-	93,523	(77,127)	1,028	108,352
Equities - quoted	535,765	(1,401)	456,322	(441,836)	44,124	592,974
Index-linked securities	32,016	-	191,946	(196,874)	1,671	28,759
Pooled investment vehicles	565,454	1,401	39,617	(16,869)	48,803	638,405
Unit Trusts - Property Funds	116,995	-	12,202	(8,446)	4,741	125,492
Derivative contracts	(16)	-	250	(253)	27	8
Cash deposits	15,061	-	-	4,012	104	19,177
	1,356,203	-	793,860	(737,393)	100,498	1,513,167
Outstanding dividends, accrued interest and recoverable taxes	3,623					4,413
	1,359,826					1,517,580

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 funds include the following types of investments:

- Equities
- Fixed interest securities
- Index linked securities
- Hedge fund of 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.

Opening market values for UK equities (£797k), Japanese equities (£313k) and Pacific equities (£291k) were reclassified to pooled investments. The amounts reclassified are not material and further disclosures are not included in the accounts.

The purchase costs of investments include transaction costs, brokerage commission and other fees incurred in the acquisition of investments.

On 31 March 2011 the assets which exceed 5% of the total value of the net assets of the Fund are a £96.5m investment in Legal & General Investment Management's UK Equity Index and a £124.3m investment in Legal & General's Europe (ex UK) Equity Index.

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

Since 31 March 2011 the financial markets have been particularly volatile and there has been a reduction of some £100m in the value of Fund. This post balance sheet event is not reflected in the market value of the Fund reported in these accounts.

10. Investment Management Expenses

The value of the fund with the fund managers as at 31 March 2011 was £1,515m. Fund manager fees have been calculated according to the specific mandate and the associated contract agreement as follows:

Fund Manager	Mandate	Negotiated Fee Basis	Proportion of Fund
Aviva Investors	Property	Percentage of fund	9%
BlackRock	Cash / inflation plus	Percentage of fund	2%
Blackstone Alternative Asset Management	Hedge fund of funds	Percentage of fund	4%
DB Advisors	Less constrained global equities	Performance related fee	7%
Investec Asset Management	Less constrained global equities	Performance related fee	7%
Legal & General Investment Management	Passive index-tracker	Percentage of fund	30%
Mirabaud Investment Management Limited	UK equities	Percentage of fund	11%
Pantheon Private Equity	Private Equity	Percentage of Funds Committed & Incentive Fee	4%
Partners Group	Private Equity	Percentage of fund	2%
Royal London Asset Management	Core Plus Bonds	Performance related fee	9%
Schroders	Less constrained UK equities	Performance related fee	7%
Standard Life Investments	Less constrained UK equities	Performance related fee	8%

Pension Fund Accounts

11. Analysis of the Value of Investments

2009/10 £000	Analysis of the Value of Investments	2010/11 £000
	Fixed Interest Securities	
27,531	UK public sector	34,967
-	Overseas public sector	779
63,397	UK other	71,980
-	Overseas other	626
90,928	Total Fixed Interest Securities	108,352
	Equities	
238,961	UK quoted	254,373
296,804	Overseas quoted	338,601
535,765	Total Equities	592,974
	Other	
32,016	Index-linked securities public sector	28,499
-	Index-linked securities other	260
565,454	Pooled Investment vehicles	638,405
116,995	Unit Trusts - Property Funds	125,492
3,623	Dividend income receivable	4,413
(16)	Derivatives	8
15,061	Cash deposits - sterling and foreign cash	19,177
733,133	Total Other	816,254
1,359,826	Total Value of Investments	1,517,580

12. Related Parties

Since summer 2009 the Pension Fund's surplus cash held for day to day cash flow purposes has been invested in a call account, during 2010/11 the average cash balances were lower than in previous years due to an increase in the value and frequency of cash draw downs requested by the Fund's private equity managers. A small residual balance is pooled with the County Council's cash balances, the County Council paid the Fund £82, or 0.44%, interest on average investment balances of £18,500.

There were five instances when the Pension Fund cash balances were low resulting in the Fund borrowing short term from the County Council in order to pay pension benefits due or to meet its investment commitments, the Pension Fund paid £158, or 0.44%, on an average balance of £36,000. The Pension Fund cash balances are replenished when the Fund receives contributions from the Fund's employers; however, with minimal cash balances for cash flow purposes it became necessary to disinvest £7m from the Legal & General passive fund.

Analysis of the balance sheet as at 31 March 2011 identified that the repayment of £3.5m overnight borrowing on 31 March 2010 from the Council which was repaid on 1 April 2011 had subsequently been matched to the Pension Fund effectively cancelling the repayment, the County Council has been reimbursed interest of £13.6k, or 0.44%, for this borrowing. The County Council was reimbursed £1.14m for administration costs incurred by the County Council on behalf of the Pension Fund.

Pension Fund Accounts

13. Current Assets and Liabilities

2009/10 £000	Current Assets and Liabilities	2010/11 £000
	Current Debtors (Assets)	
8,312	Contributions due 31 March	7,827
12,601	Cash Balances (not forming part of the investment assets)	4,543
1,649	Other Current Assets	1,998
22,562	Total Debtors	14,368
	Current Creditors (Liabilities)	
(668)	Management charges	(773)
(650)	HM Revenue and Customs	(700)
(1,349)	Unpaid benefits	(1,497)
(408)	Other Current Liabilities	(489)
(3,075)	Total Creditors	(3,459)
19,487	Net Current Debtors or (Creditors)	10,909
2009/10 £000	Current Assets and Liabilities	2010/11 £000
	Current Debtors (Assets)	
6,560	Other Local Authorities	6,431
-	HM Revenue & Customs	-
32	NHS Bodies	65
15,970	All Other Bodies	7,872
22,562	Total Debtors	14,368
	Current Creditors (Liabilities)	
(390)	Other Local Authorities	(402)
(650)	HM Revenue & Customs	(700)
-	NHS Bodies	-
(2,035)	All Other Bodies	(2,357)
(3,075)	Total Creditors	(3,459)
19,487	Net Current Debtors or (Creditors)	10,909

14. Taxes on Income

The Fund is unable to reclaim Advance Corporation Tax (ACT). However, the fund retains the following taxation status:

- VAT input tax is recoverable on all fund activities by virtue of Buckinghamshire County Council being the administering authority.
- The fund is an exempt approved fund under the Income Taxes Act 1988 and is therefore not liable to UK income tax or capital gains tax.
- Income earned from investments overseas in the United States and certain other countries is exempt from national taxation and therefore not subject to withholding tax.

15. Actuarial Position of the Fund

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

The main purposes of actuarial valuations are:

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

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

The Fund's Actuary, Barnett Waddingham LLP, undertook a valuation of the Fund as at 31 March 2010 in accordance with Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 as amended. On that date the market value of the assets held were £1,376m, sufficient to cover 79% of the accrued liabilities assessed on an ongoing basis. The revised employers' contribution arrangements were effective from 1 April 2011 and these are set to recover the deficiency over a twenty-year period.

The main assumptions used in the valuation were:

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

The outcome of the next triennial valuation as at 31 March 2013 will be published towards the end of 2013.

International Financial Reporting Standards (IFRS) requires the disclosure of the actuarial present value of promised retirement benefits. The Fund's Actuary has prepared a report which rolls forward the value of the Employers' liabilities calculated for the Triennial valuation as at 31 March 2010. On an IAS19 basis the Actuary estimates that the net liability as at 31 March 2011 is £230m.

	31 March 2009 £000	31 March 2010 £000	31 March 2011 £000
Present Value of Funded Obligation	1,420,033	1,996,124	1,744,619
Fair Value of Scheme Assets	991,606	1,375,793	1,514,571
Net Liability	428,427	620,331	230,048

The Present Value of Funded Obligation consists of £1,461.550m in respect of Vested Obligation and £283.069m in respect of Non-Vested Obligation.

Pension Fund Accounts

16. Contractual Commitments

Contractual commitments that the Fund has entered into by 31 March 2011 are:

Contractual Commitments	Amount Paid as at 31 March 2011 \$000	Total Contractual Commitment \$000
Pantheon Asia Fund V LP	13,250	25,000
Pantheon USA Fund VII Limited	10,986	21,250
Pantheon USA Fund VIII Feeder LP	21,075	75,000
Pantheon Global Secondary Fund IV Feeder LP	2,220	15,000
Partners Group Global Resources 2009, LP	11,348	35,000
	€000	€000
Pantheon Europe Fund V "A" LP	10,966	18,125
Pantheon Europe Fund VI LP	26,650	65,000
Partners Group Global Real Estate 2008 SICAR	16,846	25,000
Partners Group Global Infrastructure 2009 SICAR	4,508	25,000

17. Additional Voluntary Contributions (AVCs)

AVC providers secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. The AVC providers to the Fund are Prudential and Clerical Medical. Prudential invests in several funds including a with profits accumulation fund, a deposit fund and a discretionary fund. Clerical Medical invests in with profits and unit-linked funds, the financial year for this fund is 1 November to 31 October and the financial information included is for this period.

These amounts are not included in the Pension Fund Net Asset Statement in accordance with regulation 5(2)c of the Pension Scheme (Management and Investment of Funds) Regulations 1998 (SI 1998 No 1831.)

2009/10 £000	Prudential	2010/11 £000
4,367	Value of AVC fund at beginning of year	4,605
848	Employees contributions	741
126	Investment income	274
(736)	Benefits paid and transfers out	(1,140)
4,605	Value of AVC fund at year end	4,480
1.11.2008 - 31.10.2009	Clerical Medical	1.11.2009 - 31.10.2010
£000		£000
3,836	Value of AVC fund at beginning of year	3,651
388	Employees contributions	373
37	Investment income	348
(610)	Benefits paid and transfers out	(569)
3,651	Value of AVC fund at year end	3,803

Pension Fund Accounts

18. Contingent Liability

The Pension Fund is currently in arbitration with one of the Scheduled Bodies within the Fund, depending on the outcome of the arbitration there is a possibility that a sundry debtor account of £64,000 will not be paid.

19. Financial Instruments

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

	Long-term		Current	
	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000
Financial Assets				
Loans and Receivables	-	-	43,209	26,678
Available-for-sale financial assets	-	-	-	-
Financial Assets at fair value through profit or loss	-	-	1,339,179	1,505,270
Total Financial Assets	-	-	1,382,388	1,531,948

	Long-term		Current	
	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000
Financial Liabilities				
Amortised Cost	-	-	(6,595)	(6,914)
Financial Liabilities at fair value through profit or loss	16	-	-	-
Total Financial Liabilities	-	-	(6,595)	(6,914)

As all investments are disclosed at fair value, carrying value and fair value are therefore the same.

Additional Financial Risk Management Disclosures

As an LGPS Pension Fund, the Fund's objective is to achieve a relatively stable "real" return above the rate of inflation over the long term. In order to achieve this objective the Fund holds financial instruments such as equities, bonds, property unit trusts, pooled funds and cash and cash equivalents. The Funds activities expose it to a variety of financial risks including Market Risk, Credit Risk and Liquidity Risk.

All the Funds investments are managed by appointed Investment Managers. All investments are held by BNY Mellon who acts as custodian on behalf of the Fund. Each investment manager is required to invest the assets managed by them in accordance with the terms of a written investment mandate or pooled fund prospectus.

The Pension Fund Committee has determined that these managers are appropriate for the Fund and is in accordance with its investment strategy. The Fund receives regular reports from each investment manager on the nature of investments made and associated risks.

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. 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.

Pension Fund Accounts

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

Market Price Risk

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

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

Market Price - Sensitivity Analysis

Whilst the value of the Fund's assets is sensitive to changes in market conditions and the Fund's assets are diversified across fund managers and asset classes to mitigate the risks. The Fund's liability to pay future benefits is equally sensitive, particularly to interest rate changes. The Fund commissions regular strategy reviews from its investment consultant to ensure that the asset allocation of the Fund remains appropriate to expectations for its liabilities both in the short term and in the long term. The latest review, carried out in June 2011, showed an overall risk factor (standard deviation) for the Fund of 15.2% which had increased compared to the previous review due to volatility in the financial markets.

Interest Rate Risk

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

The Fund's exposure to interest rate movements from its investments in cash and fixed interest investments at 31 March 2010 and 31 March 2011 is provided below.

	31 March 2010 £000	31 March 2011 £000
Cash deposits	15,061	19,177
Cash balances (not forming part of the investment assets)	12,601	4,543
Fixed Interest Securities	90,928	108,352
Total	118,590	132,072

Interest Rate – Sensitivity Analysis

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

Value	Change for the year in net assets available to pay benefits		
	1%	-1%	
As at 31 March 2011	£000	£000	£000
Cash held on deposit	19,177	192	(192)
Cash balances (not forming part of the investment assets)	4,543	45	(45)
Fixed Interest Securities	108,352	1,083	(1,083)
Total	132,072	1,320	(1,320)

Pension Fund Accounts

	Value	Change for the year in net assets available to pay benefits	
		1%	-1%
As at 31 March 2010	£000	£000	£000
Cash held on deposit	15,061	151	(151)
Cash balances (not forming part of the investment assets)	12,601	126	(126)
Fixed Interest Securities	90,928	909	(909)
	118,590	1,320	(1,320)

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

Currency Risk

Currency risk represents the risk that the fair value of financial instruments will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in a 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.

The table below shows approximate exposures to each of the three major foreign currencies based on the assets under management in these currencies as at 31 March 2011.

	31 March 2010			31 March 2011		
	US Dollar £000	Euro £000	Yen £000	US Dollar £000	Euro £000	Yen £000
Net Currency Exposure	224,265	162,433	22,490	218,846	231,784	25,713

Currency Risk – Sensitivity Analysis

The sensitivity of the Fund's investments to changes in foreign currency rates have been analysed using a 10% movement in exchange rates in either direction. This analysis assumes that all variables, in particular interest rates, remain constant.

A 10% strengthening or weakening of Sterling against the various currencies at 31 March 2010 would have increased or decreased the net assets by the amount shown below.

	Assets Held at Fair Value £000	Change in net assets	
		10%	-10%
US Dollar	224,265	24,918	(20,388)
Euro	162,433	18,048	(14,767)
Yen	22,490	2,499	(2,044)
Net Currency Exposure	409,187	45,465	(37,199)

Pension Fund Accounts

A 10% strengthening or weakening of Sterling against the various currencies at 31 March 2011 would have increased or decreased the net assets by the amount shown below.

	Assets Held	Change in net assets	
	at Fair Value	10%	-10%
	£000	£000	£000
US Dollar	218,846	24,316	(19,895)
Euro	231,784	25,754	(21,071)
Yen	25,714	2,857	(2,338)
Net Currency Exposure	476,344	52,927	(43,304)

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

Credit Risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to meet their obligations and the Fund will incur a financial loss. 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 counterparties. 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 Fund's Treasury Management Strategy which sets out the permitted counterparties and limits. Cash held by investment managers is invested with the custodian in a diversified money market fund rated AAAM.

The Fund's exposure to credit risk at 31 March 2011 is the carrying amount of the financial assets.

	31 March	31 March
	2010	2011
	£000	£000
Fixed interest securities	90,928	108,352
Equities	535,765	592,974
Index-linked securities	32,016	28,759
Pooled investment vehicles	565,454	638,405
Property – Unit Trusts	116,995	125,492
Derivative contracts	(16)	8
Cash deposits	15,061	19,177
Dividend Income Receivable	3,623	4,413
Borrowings	(3,520)	(3,455)
Net Current assets	19,487	10,909
Total	1,375,793	1,525,034

Liquidity Risk

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

Pension Fund Accounts

The following table analyses the Fund's financial liabilities, grouped into relevant maturity dates.

	Carrying Amount £000	Less than 12 months £000	Greater than 12 months £000
Borrowings	3,455	3,455	-
Management Charges	773	773	-
HM Revenue and Customs	700	700	-
Unpaid Benefits Payable	1,497	1,497	-
Other Current Liabilities	489	489	-
Vested Benefits	1,461,550	1,461,550	-
Total	1,468,464	1,468,464	-

Vested benefits are categorised as due within 12 months because any individual benefit could become due in that time. In reality these benefits will become due over the life time of the members.

Fair Value Hierarchy

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Unadjusted quoted prices in an active market for identical assets or liabilities that the Fund has the ability to access at the measurement date.

Level 2: Inputs other than quoted prices under Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability used to measure fair value that rely on the Funds own assumptions concerning the assumptions that market participants would use in pricing an asset or liability. The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Fixed Interest Securities	-	108,352	-	108,352
Index Linked Securities	-	28,759	-	28,759
UK Equities Quoted	254,373	-	-	254,373
Overseas Equities Quoted	338,601	-	-	338,601
Managed Funds	5,627	-	632,778	638,405
Property – Unit Trusts	42,118	-	83,374	125,492
Derivatives	-	8	-	8
Dividend Income Receivable	4,413	-	-	4,413
Cash Deposits	19,177	-	-	19,177
Borrowings	(3,455)	-	-	(3,455)
Current Assets	14,368	-	-	14,368
Current Liabilities	(3,459)	-	-	(3,459)
Total	671,763	137,119	716,152	1,525,034

20. List of Scheduled and Admitted Bodies

Scheduled Bodies

Buckinghamshire County Council	Amersham & Wycombe College
Buckinghamshire & Milton Keynes Fire Authority	Aylesbury College
Thames Valley Police Authority	Aylesbury Grammar School
Aylesbury Vale District Council	Aylesbury Vale Academy
Chiltern District Council	Buckinghamshire New University
Milton Keynes Council	Beaconsfield High School
South Bucks District Council	Beechview Middle School
Wycombe District Council	Brookmead School
	Brooksward School
Amersham Town Council	Brushwood Middle School
Aston Clinton Parish Council	Castlefield School
Aylesbury Town Council	Chalfonts Community College
Bletchley & Fenny Stratford Town Council	Cottesloe School
Buckingham Town Council	Cressex School
Burnham Parish Council	Danesfield School
Campbell Park Parish Council	Denbigh School
Chalfont St Giles Parish Council	Dr Challoner's Grammar School
Chalfont St Peter Parish Council	Germander Park School
Chepping Wycombe Parish Council	Gerrards Cross C E School
Chesham Bois Parish Council	Glastonbury Thorn First School
Chesham Town Council	Great Marlow School
Chiltern Crematorium	Hamilton Primary School
Chilterns Conservation Board	Hazeley School
Denham Parish Council	Leon School and Sports College
Farnham Royal Parish Council	Lord Grey School
Gerrards Cross Parish Council	Loudwater Combined School
Great Missenden Parish Council	Loughton Middle School
Hambleden Parish Council	Milton Keynes Academy
Hazlemere Parish Council	Milton Keynes College
Iver Parish Council	New Bradwell Combined School
Lane End Parish Council	Newton Longville Parish Council
Little Marlow Parish Council	Oakgrove School
Marlow Town Council	Onley Infant School
Newport Pagnell Town Council	Ousedale School
Olney Town Council	Overstone Combined School
Piddington & West End Parish Council	Portfields Combined School
Princes Risborough Town Council	Radcliffe School
Shenley Brook End and Tattenhoe Parish Council	Royal Grammar School, Wycombe
Shenley Church End Parish Council	St Paul's RC School
Stantonbury Parish Council	Shenley Brook End School
Stony Stratford Town Council	Southwood Middle School
Wendover Parish Council	Stanton Middle School
West Bletchley Town Council	Stantonbury Campus
West Wycombe Parish Council	The Premier Academy
Winslow Town Council	Tickford Park School
Woburn Sands Town Council	Two Mile Ash School
Wolverton & Greenleys Town Council	Waddesdon C E School
Wooburn Parish Council	Walton High School
Woughton Community Council	Wycombe High School

Election Fees

Aylesbury Vale Local
Aylesbury Vale Parliamentary
Chiltern Local
Chiltern Parliamentary
Milton Keynes Local
Milton Keynes Parliamentary
Wycombe Local
Wycombe Parliamentary
South Bucks Local
South Bucks Parliamentary

Admitted Bodies

Action for Children
Ambassadors Theatre Group
AMEY plc
Archgate Cleaning
ASM Metal Recycling Limited
Aylesbury Vale Advantage
Aylesbury Vale Community Trust
Aylesbury Vale Dial-a-Ride
Beacon Housing Association
Braybourne Cleaning Services
Bucks Association of Local Councils
Bucks Vision
Community Impact Bucks
Connection FS
Connexions
Cygnet Foods
Excelcare
Fremantle Trust
Hays Specialist Recruitment
Heritage Care
Hertsmere Leisure Trust
Hightown Praetorian and Churches Housing Association
MK Dons
Mouchel
National Foundation for Educational Research (NFER)
Newton Longville Parish Council
Northgate Arinso
Oxfordshire and Buckinghamshire Mental Health NHS Foundation Trust
Paradigm Housing Association
Penn School
Pitney Bowes
Police Superintendent's Association
Race Equality Council
Ringway Jacobs
Risk Management Security Services
SDK (Environmental)
Vale of Aylesbury Housing Trust
Wolverton & Watling Way Pools Trust
Wycombe Dial-A-Ride

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 of 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.

