Annual Report

Bedfordshire Pension Fund 2022/23

Registration number: 00328861RF

Bedfordshire Pension Fund

BEDFORD BOROUGH COUNCIL

Contents

Foreword

As Chair of Bedfordshire Pension Fund, I am pleased to present the Fund's Annual Report for the year ending 31 March 2023.

Many would agree that 2022-23 was a year of reflection, with challenges. Completion of the 2022 triennial valuations brought much relief and the opportunity to engage with the actuary to re-access and set the funding strategy. We took stock of what went well and what could be improved ahead of the next actuarial valuations in 2025. Our funding position has improved significantly due to the Fund's strong asset performance. The Global Pandemic behind us, but the war in Ukraine continued to exacerbate inflation and supply chain problems. The government's Task Force on Climate-related Financial Disclosures (TCFD) consultation and investors' efforts to decarbonise portfolios were prominent during the year. Other notable events in 2022-23 were the government's mini-budget debacle in the Autumn of 2022, the COP27 Summit in Egypt and the Biodiversity conference in Canada that spawned the Kunming-Montreal Framework.

The Fund value was £3.03 billion at 31 March 2023 compared to £3.01 billion last year. Throughout the year, the Fund continued to review, diversify and rebalance its investment strategy appropriately. The Fund worked closely with the pool company, Border to Coast Pension Partnership Ltd, and our 10 Partner Funds. The Fund (BPF) has approximately £400 million invested via the pool and £700 million commitment to its private markets programme, going forward.

The recovery of the global economy, following the pandemic unleashed pent-up demand into markets globally. This stressed supply chains and consequently inflation rose rapidly. Hitherto, there was an upward trajectory due to concerted fiscal stimulus deployed by the major economies, in an attempt to soften the serious impact the pandemic delivered. Bedfordshire Pension Fund's investment strategy has robust inflation protection by diversifying its investments across both inflation-link and higher return generating long-term asset classes. During the year, the Fund further decarbonised its investments by transitioning into suitable better aligned strategies. The Fund achieved the coveted status of signatory to the Stewardship Code 2020.

The Committee carried out its duties and completed its work programme including the review of investment strategy, review of policies, business plan and administration strategy, in consultation with professional advisers and officers as appropriate. Whilst there were changes to the membership of the Pension Fund Committee, we remained fully committed to the Fund's management.

The Local Pension Board worked collaboratively with the Pension Fund Committee during the year and maintained a strong and amicable relationship – my thanks to the Board for their ongoing support.

On behalf of the Committee, I would like to thank the Fund Administrator, the Chief Officer for Bedfordshire Pension Fund, the Pensions Administration Manager, and all the officers for their work during the year 2022/23.

Councillor Doug McMurdo
Chairman of the Pension Fund Committee

SECTION 1

Management Report

- *Management and Advisers*
- *Legal Framework and Administration*
- *Contributions and Benefits*
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- *Participating Employers*

Management & Advisers as at 31 March 2023

Administering Authority	Bedford Borough Council	www.bedford.gov.uk
Administrator	Andy Watkins, Assistant Chief Executive (Finance) and CFO	andy.watkins@bedford.gov.uk
Pension Fund Committee Members		
Bedford Borough Council	Doug McMurdo (Chair)	doug.mcmurdo@bedford.gov.uk
	Abu Sultan	abu.sultan@bedford.gov.uk
	David Sawyer	sawyerbedford@hotmail.com
	Jon Gambold	jonathan.gambold@btinternet.com
Central Bedfordshire Council	Richard Wenham (Deputy Chair)	richard.wenham@centralbedfordshire.gov.uk
	Ian Dalgarno	ian.dalgarno@centralbedfordshire.gov.uk
Luton Borough Council	Yasmin Waheed	yasmin.waheed@luton.gov.uk
	Fatima Begum	fatima.begum@luton.gov.uk
Scheme Member Representative (non-voting)	Vacant	
Independent Pension Board Chairman	Ian Coleman	ianedwardc@gmail.com
Independent Advisor	Elizabeth Carey	elizabeth.carey@btinternet.com
Asset Pool	Border to Coast Pensions Partnership	www.bordertocoast.org.uk
Investment Managers	Aberdeen Standard Investments	www.aberdeenstandard.com
	BlackRock Advisors	www.blackrock.com/uk
	Border to Coast Pensions Partnership	www.bordertocoast.org.uk
	CBRE Global Investors	www.cbre.co.uk
	Insight Investment Management	www.insightinvestment.com
	Legal & General Investment Management	www.lgim.com/uk/en
	Newton Investment Management	www.newtonim.com
	Pantheon Ventures	www.pantheon.com
	PIMCO	www.pimco.co.uk
	Pyrford	www.columbiathreadneedle.com
Custodian	Caceis	www.caceis.com
Investment Consultant	Matt Woodman	Matt.Woodman@hymans.co.uk
	Hymans Robertson	www.hymans.co.uk
Actuary	Melanie Durrant	Melanie.Durrant@Barnett-waddingham.co.uk
	Barnett Waddingham	www.barnett-waddingham.co.uk
External Auditor	Ernst & Young LLP	www.ey.com/uk/en/home
External Legal Advisors	Eversheds Sutherland	www.eversheds-sutherland.com
AVC Providers	Prudential	www.pru.co.uk
Bankers	National Westminster Bank	81 High Street, Bedford MK40 1YN
	Goldman Sachs Asset Management International	www.global-liquidity.gs.com

Legal Framework & Administration

The Scheme

The Local Government Pension Scheme (LGPS) is a statutory, funded pension scheme. It is governed by the Local Government Pension Scheme Regulations 2013 and subsequent amendments.

Administering Authority

Bedford Borough Council is the Administering Authority for Bedfordshire Pension Fund. The Fund Administrator is Bedford Borough Council's Assistant Chief Executive (Finance) and CFO.

Role of the Pension Fund Committee

Bedford Borough Council's responsibility as the Administering Authority is undertaken via the Pension Fund Committee. The Committee consists of nominated elected members of Bedford Borough Council, Central Bedfordshire Council and Luton Borough Council. A scheme member representative, nominated by the trade unions, is invited to sit on the Committee in an observer role. An independent investment adviser also sits on the Committee in an advisory capacity. The Committee takes advice from Bedford Borough Council officers, principally the Assistant Chief Executive (Finance) and CFO and the Chief Officer for Bedfordshire Pension Fund, and from external professional investment advisers, Hymans Robertson. The membership of the Pension Fund Committee at 31 March 2023 is shown on page 5.

The Committee supervises the overall arrangements for management of the Fund's assets. It appoints external fund managers to manage the Fund's assets and monitors their performance. The key principle in the prudent management of the Fund's assets is maintaining the balance between risk and return. The Committee seeks to achieve this by ensuring that its assets are spread over a variety of different asset classes, both in the UK and overseas, and with different managers.

Fund Administrator

The exercise of the Borough Council's functions as Administering Authority is delegated to the Pension Fund Committee. The Assistant Chief Executive (Finance) and CFO, as Fund Administrator, has delegated authority for the day-to-day management of the Fund. This delegation includes managing the Council's functions as administering authority, and the power to seek advice and to devolve day-to-day handling of the Fund's investments to professional advisers within the scope of the Local Government Pension Fund Regulations.

Value for Money

Bedfordshire Pension Fund is committed to achieving value for money and has argued for better transparency of costs within the Local Government Pension Scheme. In advance of pooling, the Fund achieved significant savings in fees from our investment managers. This shows the potential purchasing power of a joint Local Government Pension Scheme.

Border to Coast Pensions Partnership provides a cost-efficient solution as an FCA regulated investment vehicle that will deliver long-term savings for all the Border to Coast Pensions Partnership Funds.

Changes in Legislation

The LGPS regulations changed in 2013, introducing a Career Average Revalued Earnings (CARE) scheme with effect from 1 April 2014. Investment regulations came into force on 1 November 2016 see page 16.

Administration of the Scheme

Bedford Borough Council is the Administering Authority with Fund investment and administration being the responsibility of the Fund Administrator. The costs of administration and paying pensions and benefits are charged to the Pension Fund.

The LGPS was established in 1974 to cover the future pension entitlements of all eligible employees of the Borough and Unitary Councils within Bedfordshire, (excluding teaching staff, police officers and firefighters who have their own pension schemes).

A number of other bodies also participate in the pension scheme by right (scheduled bodies) or are admitted to the scheme following application for membership (admitted bodies). Employees are entered into the pension scheme automatically if they have a contract of more than three months. Employees can choose to opt out of the scheme and can make their own personal pension arrangements.

The LGPS is required to be 'funded', i.e. it must be sufficient to sustain the future pension entitlements of both past and present employees. The scheme is financed by contributions from employees and employers and by earnings from investments. Cash which is not immediately required to pay pensions and other benefits is invested in a selection of securities, equities, property and other assets.

The level of employers' contributions is re-assessed every three years following a review, or valuation, of the fund by the fund's actuary.

Corporate Governance

The Borough Council has issued a Governance Policy Statement in respect of the Pension Fund. This document describes how the Council fulfils its role as Administering Authority in an effective and transparent manner. The statement covers policy on:

- delegations to the Pension Fund Committee;
- frequency of meetings of the Committee;
- terms of reference and operational procedures;
- representation from other scheme employers and scheme members.

The Governance Policy statement can be seen in full on the Pension Fund's website at www.bedspensionfund.org

In addition, the Pension Fund Committee has published a Governance Compliance statement in accordance with current regulations. This statement is published in full on the Pension Fund website.

The table below shows the attendance of Councillors at both the Investment Panel and Pension Committee Meetings:

Role of the Pension Board

A Pension Board was established in 2015/2016 in compliance with the requirements of the Public Service Pension Act 2013. The Pension Board is responsible for assisting the Administering Authority and Pension Fund Committee in relation to securing compliance with the scheme regulations and other legislation relating to the governance and administration of the Scheme. The Board is also responsible for securing compliance with requirements imposed by the Pensions Regulator. Bedfordshire Local Pension Board is made up of 4 employer representatives and 4 scheme member representatives. An Independent Chairman was appointed from July 2018.

Annual Report

CIPFA have created a checklist for preparing the annual report for Local Government Pension Scheme Funds. This document details disclosures that must, should or may be included in the annual report. Bedfordshire Pension Fund has disclosed all information that must be provided, and the majority of information that should or may be disclosed.

	Pension Fund Committee					Investment Panel				
	26 Apr	21 Jun	20 Sep	15 Nov	7 Mar	27 May	2 Sep	28 Oct	10 Feb	22 Feb
Councillor Doug McMurdo (Chair)	Y	Y	Y	Y	Y	Y	N	Y	N	Y
Councillor Richard Wenham (Vice Chair)	Y	N	N	N	Y	N	Y	N	Y	N
Councillor Jon Gambold	Y	Y	N	Y	N	N	Y	N	Y	N
Councillor Abu Sultan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Councillor Ian Dalgarno	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Councillor David Sawyer	Y	Y	Y	Y	N	Y	Y	N	Y	N
Councillor Amy Nicholls / Councillor Yasmin Waheed	Y	N	N	N	N	N	Y	N	N	N
Councillor Fatima Begum	Y	N	Y	N	N	N	N	N	N	N

Pensions Administration Performance

The Pension Administration performance is measured by an agreed set of performance indicators, which are reported quarterly to the Pension Fund Committee. The table provides a summary of the performance for the year.

	Fund best practice days to complete	Total cases outstanding 31 March 2022	Cases ready to action	2022/2023 Number of cases	2022/2023 Cases completed within target	
			31/03/2023		Number	%
Creation of member records	10	46	25	5,812	2,616	45%
Payment of refunds	10	28	19	479	311	65%
Process retirement						
Early and Normal	10	50	10	345	293	85%
Ill Health	10	10	2	55	46	84%
Flexible	10	3	0	16	15	94%
Early Retirement (Redundancy/Efficiency)	10	6	0	33	31	94%
Preserved Benefit into Payment	10	191	4	882	767	87%
Total Retirements		**260**	**16**	**1,331**	**1,152**	**89%**
Retirement Estimates						
Early and Normal	10	52	29	826	653	79%
Long Term forecasts	20	34	12	243	209	86%
Ill Health	10	3	1	70	63	90%
Early Retirement (Redundancy/Efficiency)	10	5	3	113	103	91%
Total Retirement Estimates		**94**	**45**	**1,252**	**1,028**	**87%**
Transfers In	35	37	10	206	204	99%
Transfers in LG	35	74	8	282	274	97%
Transfers Out	10	12	2	43	29	67%
Transfers Out LG	60	24	7	361	357	99%
Preserved Benefits	60	188	90	5,119	4,863	95%
Death entitlement	10	172	27	732	622	85%

Financial Performance (Administrative)

A budget for the administrative cash flows of the Pension Fund is prepared prior to the beginning of each financial year. The Pension Fund Committee formally agreed a budget for 2022/2023 at its meeting on 9 March 2022. The key elements of the budget are shown below together with actual performance. The Committee receives regular reports on progress against the budget during the year.

Administrative cash flows	Budget	Actual	Variance
	£000	£000	£000
Contributions Received	-128,000	-143,695	-15,695
Transfer Values Received	-9,000	-12,862	-3,862
Benefits Paid	110,790	115,466	4,676
Transfer Values Paid	9,000	15,802	6,802
Cost of Administering the Fund	6,699	5,712	-987
Net additions from dealings with members	**-10,511**	**-19,577**	**-9,066**

Contributions are payable by participating employers on a monthly basis, due in arrears by the 7th working day of the following month. During 2022/2023, 82% of contributions were received by the due date. The cash flows shown above include the payment, and subsequent recovery, of compensatory added years benefits which are excluded from the statement of accounts.

During 2022/2023 the average employee contribution rate as a percentage of pensionable pay was 6.45%. The average employer contribution rate was 23%. The Fund has not exercised any interest levy on late contributions.

National Fraud Initiative

The Cabinet Office is responsible for the National Fraud Initiative. Bedford Borough Council as the Administering Authority for Bedfordshire Pension Fund participates in the National Fraud Initiative (NFI) as the Council is required by law to protect the public funds it administers. Since April 2015 the NFI has been conducted using data matching powers bestowed on the Minister for the Cabinet Office by Part 6 of the Local Audit and Accountability Act 2014.

The NFI is a data matching exercise to assist in the prevention and detection of fraud which is undertaken every two years. NFI is primarily used by the Pension Fund to ensure a pension is not continued to be paid after a member has died.

The Pension Fund has access to several methods to eliminate the risk of a pension continuing to be paid after the death of the member. A family bereavement is a challenging time, so in addition to notification by friends and family, the Pension Fund checks mortality of all pensioners and dependents on a monthly basis via an external database and also uses the services of the “Tell Us Once Service” operated by DWP which automatically notifies the Fund when a death is registered.

Following the NFI 2022 bi-annual data matching exercise, there were two cases where a pension had continued to be paid following the member’s death. Communications are underway with the next of kin for the deceased to repay the pension.

Bedfordshire Pension Fund Budget Monitoring 2022/2023

	2022/2023 Current Budget	2022/2023 Outturn	2022/2023 Variance
	£000	£000	£000
Investment Management Fees			
Investment Management - Basic Fees	6,131	6,639	508
Investment Management - Underlying Property Fees	2,110	1,496	-614
Investment Management - Performance	0	0	0
Total Investment Management Fees	**8,241**	**8,135**	**-106**
Oversight & Governance			
LGPS Pooling Costs	805	625	-180
Professional Fees	553	565	-12
In-house Pension Team	215	213	-2
Training	25	17	-8
Other Expenses	53	22	-31
Total Oversight & Governance	**1,652**	**1,442**	**-233**
Administration			
Running Expenses	101	109	8
Technology	419	189	-230
Fund Administration - BBC Recharge	1,410	1,363	-47
Total Administration	**1,930**	**1,661**	**-269**
Total Management Expenses	**11,823**	**11,238**	**-608**

Benchmarking

The Fund benchmarks its administrative costs against the SF3 data collected annually by the Office of National Statistics. The most recent data is that for the financial year 2021/2022 and is summarised in the following table:

Cost per Scheme Member (£)	2021/2022		2020/2021	
	Bed PF	All LGPS	Bed PF	All LGPS
Investment management: base fee	99.73		92.37	
Performance fee	0.00		0.00	
Investment advice/ support:	17.56		12.89	
Total Investment Costs	117.29	293.61	105.26	250.12
Administration	23.50	26.75	20.49	24.15

Staffing Levels

Administration staff as reported in the SF3 data for 2021/2022 was 25 Full Time Equivalents (FTE's) with 25 FTE's being reported for 2022/2023. The table below show the number of members to FTE equivalent for the last three years.

Year	2022/2023	2021/2022	2020/2021
Total Membership	78,298	75,827	73,779
FTE's	25	25	25
Membership to FTE's	3,132	3,033	2,951

Communications

The Pension Fund is committed to establishing and maintaining effective communications with its members and other stakeholders. The Fund has a Communications Policy statement formalising the processes by which this will be achieved. This policy statement is available on the Fund's website at www.bedspensionfund.org and is reproduced in full on in the appendices section of this report.

Information Technology

The Pension Fund's records and administration system are computerised, using hardware provided by the Borough Council and *altair* software provided under licence by Aquila Heywood. This licence provides for regular updates to keep up-to-date with changes in regulations and best practice.

The Fund's financial data is collected on the Borough Council's Agresso system. This system is maintained in-house by the Council's IT team. The Council also provides comprehensive contingency and business continuity support.

The payment of pensions is managed in-house by the Pensions team, using *altair* pensions payroll software.

All Pension Fund administration and investment staff have access to the internet and the Council's intranet.

The Fund also maintains its own website for members managed by its own officers and supported by Bedford Borough Council. The web address is www.bedspensionfund.org

The Fund has launched "My Pension Online" a self-service portal. The project was completed during 2019/2020 and is now available to all members of the Fund.

The Fund does not operate a separate Helpdesk function, but support can be obtained by email at pensions@bedford.gov.uk or by phone on 01234 267422.

Equality and Diversity

The Council's policy on Equality & Diversity is available on the Council's website at www.bedford.gov.uk

Training – CIPFA Pensions Finance Knowledge & Skills Framework

Public sector organisations engaged in the financial management of pension schemes face the challenge of the schemes' growing complexity.

Public sector pension scheme financial management demands requisite skills and knowledge, including:

- financial markets and products;
- financial services procurement;
- pensions accounting and auditing;
- actuarial practices; and
- investment performance and risk management and the implications of legal and regulatory requirements.

Public sector organisations should ensure appropriate training, having assessed the professional competence of those involved in pension scheme financial management and those with a governance, management and/or oversight role.

CIPFA has published its Pensions Finance Knowledge and Skills Framework for the training and development of those involved in pension scheme financial management. The framework covers eight key areas:

1. Pensions legislation and guidance
2. Pensions governance
3. Funding strategy and actuarial methods
4. Pensions administration and communications
5. Pensions financial strategy, management, accounting, reporting and audit standards
6. Investment strategy, asset allocation, pooling, performance and risk management
7. Financial markets and products
8. Pension services procurement, contract management and relationship management

The Pension Fund has adopted the CIPFA framework in formulating and implementing its own training plan and, as recommended by CIPFA, makes the following compliance statement:

As the administering authority of Bedfordshire Pension Fund, the Council recognises the importance of ensuring that all staff and members involved in the Pension Fund financial management and decision-making have prerequisite knowledge and skills to discharge the duties and responsibilities allocated to them. Therefore, it seeks to appoint competent individuals who are experienced and will provide training for staff and members to enable them to develop and maintain an appropriate level of expertise.

The Fund's training plan sets out the approach to the development and maintenance of the required knowledge and skills. The plan reflects the recommended knowledge and skills level requirements set out in the CIPFA Pensions Finance Knowledge and Skills Framework.

The Fund has appointed the Fund Administrator to be responsible for ensuring that policies and strategies are implemented. The Fund has conducted a training needs assessment and, based on the outcome, has designed a training plan.

Based on the plan, the following training has been provided during the year. The table shows the training attended by officers and Committee members of the Fund in 2022/2023.

Bedfordshire Pension Fund – 2022/2023 training plan review

The table below shows the key training received by officers and Members in 2022/2023. Compulsory events (unshaded) are for Members who have served less than two years on the Committee. Optional events are shaded.

Event	Length & timing of Training	Legislative Guidance & Governance	Funding Strategy and Actuarial Methods	Pensions Administration and Communications	Pensions Fin Straty, Mgment, Accounting Reporting and Audit Standards	Investment Strategy, Asset Allocation, Pooling, Performance Risk Mgmnt	Pensions Services Procurement, Contract Management & Relationship Management	Attended
Local Event led by Investment Consultant/ investment managers	½ day 27 May 2022, 2 Sept 2022 28 Oct 2022 10 Feb 2023	X	X	X	X	X	X	27 May 2022 5 Mem/ 3 Off 2 Sept 2022 6 Mem/2 Off 28 Oct 2022 3 Mem/ 2 Off 11 Feb 2023 5 Mem/ 3 Off
Local Government Association (LGA) Trustee training	3 days	X	X	X	X	X	X	3 B Total to date 12 Mem/ 5 Off 1 Obs/ 14 B
LAPFF Now more than ever Conference	2 days 7 Dec 2022	X	X		X		X	1 Mem/1B
2022 BCPP Annual Conference	1.5 days 29 Sept 2022		X		X	X		1 Mem/3 B 1 Off/
LGC Conference	2 days 29-30 Mar	X	X		X	X		3 Mem/1 B
LGPS Governance Conference 2022	19 Jan 2023	X	X	X	X	X		3 B
LAPF Strategic Investment Forum	2 days 4-5 July 2022				X	X	X	1 Mem

Conferences were held during the year with some giving the option of virtual or in-person attendance. There continued to be opportunities for shorter virtual training sessions. Members and officers attended a number of virtual events including Preparing the Pension Fund Accounts, Audit and Accounting workshop and a Hymans Robertson webinar on Gender Pensions Gap in the LGPS. Officers and members also attended an Overview of the LGPS course provided by Barnett Waddingham. Officers also attended the Local Authority conference in the Cotswolds with the Committee chairman and Bedfordshire was also represented at the LGPS managers conference. A Board member attended the all day LGPS Board members event run by Barnett Waddingham and the committee chair attended LGC Pension Insight Symposium 2022. In addition, Members have been encouraged to undertake the Pensions Regulator Public Sector toolkit

Risk

The main risks to the Pension Fund are identified as follows:

- Rise in the value of liabilities;
- Fall in the value of investments;
- Inability of individual employers to make contributions; and
- Governance.

There are a number of ways in which these risks may be mitigated and these are detailed in the formal risk register which can be found on the Pension Fund website at www.bedspensionfund.org. In general, there is reliance on the governance requirements such as the Funding Strategy Statement (risks and counter measures section) and Investment Strategy Statement (approach to risk section) which set out the ways in which risks are measured and managed. The risk register is reviewed by the Pension Fund Committee and Local Pension Board at each meeting.

The Pension Fund receives assurance from an internal audit programme that covers areas such as pensioner payroll, administration, investments, contributions receivable and governance to ensure the effectiveness of internal controls. In 2022/2023 the Fund received full or substantial assurance in all areas.

Investment managers and custodian also provide reports detailing their internal controls in line with the AAF01/06 (Audit and Assurance Faculty of the Institute of Chartered Accountants in England and Wales release 01/06), SAS (Statement on Auditing Standards) 70, International Standard on Assurance Engagement no. 3402 and SSAE 16 (U.S. Statement on Standards for Attestation Engagements No. 16). In 2022/2023, each report was reviewed and the conclusion was that the control procedures described were suitably designed and operated with sufficient effectiveness to provide reasonable assurance during the period under review.

Contributions and Benefits

The Pension Fund provides for the payment of pensions and other benefits to eligible former employees of the participating bodies. Full details of benefits payable are explained in the scheme booklet "A Guide to the Local Government Pension Scheme", available from the administration team or online at www.bedspensionfund.org/active_members/guides_to_the_lgps.aspx. The following summary is an illustrative guide.

Contributions

Under the LGPS regulations, triennial actuarial valuations of the Pension Fund must be undertaken to establish the annual contributions to be made by the employing bodies. The valuation which determined the employer contribution rates for 2022/2023 was carried out as at 31 March 2019. The employer contribution rates resulting from this valuation were implemented from 1 April 2020.

Employers make a contribution to the Fund at a common (or primary) contribution rate, calculated as a percentage of employees' pensionable pay. The Actuary determines the common rate of contribution at the time of valuation, having regard to any statutory requirements in force at the time. A secondary employer's contribution rate is calculated for each employing body to reflect their particular individual circumstances.

Employees' contributions are a percentage of their pay. The LGPS regulations set out nine contribution rates ranging from 5.5% to 12.5%. The rate that an employee pays is determined by the employee's actual annual pensionable pay.

Employees are also able to pay Additional Voluntary Contributions (AVCs) to enhance their pension benefits. The Standard Life Assurance Company (now closed to new members) and Prudential PLC have been appointed to provide this facility. Employees can also choose to pay Additional Pension Contributions (APCs) in order to purchase an additional amount of annual pension.

Pension Benefits

The LGPS is a "defined benefit" scheme, with employees' pensions and benefits determined in accordance with statute and regulation. The annual pension is based on the pensionable pay that the employee receives in each year. For each year that an employee contributes to the scheme, 1/49th of their actual pensionable pay is added to their pension account. For employees who joined before 1 April 2014, part of their benefits will be based on membership built up before 1 April 2014 and their final salary. There is no automatic lump sum included in benefits built up after 31 March 2008 but, on retirement, members can choose to exchange some of their annual pension (commutation) for a lump sum payment.

Pension scheme members can transfer pension rights benefits between pension funds, where regulations allow.

When an employee leaves the scheme having met the 2 years' vesting period (i.e. they have paid into the scheme for more than 2 years or are deemed to have met the vesting period due to previous pension membership) and does not transfer their benefits to another pension scheme, the value of the employee's pension (and lump sum if they have membership built up before 1 April 2008), is calculated and the payment of the pension is deferred until the individual's earliest retirement age. This is known as a deferred benefit.

Pension Increases

Deferred benefits and pensions in payment are increased each year in line with cost-of-living increases. The increases are made in accordance with annual Statutory Pensions Increase (Review) Orders. The pension increase is effective from April each year and is determined by the rise in the Consumer Price Index (CPI). The rate is measured by the Office for National Statistics (ONS) in the twelve months to September of each year. The pension accounts of employees contributing to the scheme are revalued at the end of each scheme year. The rate of revaluation is also determined by CPI.

LGPS 2014 reforms

The table below summarises the LGPS 2014 reforms.

	Service pre 1st April 2014	Service post 31st March 2014
Scheme	Final Salary scheme, with pension based on salary at retirement	CARE scheme (career average revalued earnings) where each year builds up a pension pot that is revalued in line with inflation.
Pension	Each year is worth 1/60 x final pensionable salary.	Each year is worth 1/49 x salary earned in that year, revalued in line with inflation.
50/50 Option	Not Applicable	Option for employees to pay half the contributions to accrue half of the pension.

Membership

During 2022/2023 the number of pensioners increased from 19,991 at 31 March 2022 to 20,840 at 31 March 2023; the number of contributors within the fund increased from 22,826 to 23,715.

The majority of contributors are employed in local authorities but the higher education sector and civilian employment in the emergency services also account for a significant proportion of the membership. Schools which are awarded academy status become employers in their own right (scheduled bodies) within the LGPS and an increasing share of the Pension Fund membership is made up of academy employees.

2022	Active Membership by Employer as at 31 March	2023
4,792	Luton Borough Council	4,992
5,225	Central Bedfordshire Council	5,416
3,183	Bedford Borough Council	3,239
5,666	Academies	6,082
1,139	Chief Constable and Police and Crime Commissioner for Bedfordshire	1,168
825	University of Bedfordshire	860
450	Cranfield University	495
1,546	Other Bodies	1,463
22,826	**Total**	**23,715**

Participating Employers

Five Year Membership Summary as at 31 March					
	2023	2022	2021	2020	2019
Active members	23,715	22,826	22,849	22,493	22,404
Pensioners	20,840	19,991	18,929	18,160	17,435
Deferred Pensioners	33,743	32,994	32,001	31,452	30,890
Total	**78,298**	**75,811**	**73,779**	**72,105**	**70,729**

The following are the employers participating in the Bedfordshire Pension Fund as at 31 March 2023. The contribution rates shown are the percentage of the employees' pensionable pay that each employer paid into the Fund during 2022/2023. Common contribution rate is set at a level so as to bring the Fund to 100% funding over a period of seventeen years. However, some employers may opt to fund the deficit by making additional annual monetary payments and hence have a lower contribution rate. The additional payments in 2022/2023 are included in the table below.

Scheduled Bodies:	Contribution Rate %	Additional payments £000
Academy Of Central Bedfordshire	17.8%	
Active Education Academy Trust	16.5%	
Advantage MAT - Bedford Free School	20.0%	
Advantage MAT – Elstow	37.8%	
Advantage MAT-Houstone	22.1%	
Advantage MAT – Queens Park	22.2%	
Alameda Academy	24.7%	
Aley Green Parish Council	26.8%	
All Saints Academy (Dunstable)	19.2%	
All Saints Lower (Post 01/10/2013) (Clifton)	20.3%	
Ampthill Town Council	26.8%	
Arlesey Town Council	26.8%	
Aspley Guise Parish Council	26.8%	
B.C.A.T Wixams Academy	22.8%	
B.C.A.T Wixams Tree Primary	22.8%	
B.I.L.T.T - Grange (formerly Grange Academy)	20.4%	
B.I.L.T.T – Greys	20.4%	
B.I.L.T.T – St Johns	20.4%	
Bedford Borough Council	19.1%	
Bedford College	18.9%	
Bedfordshire & River Ivel Drainage Board	26.8%	
Bedfordshire Fire And Rescue Service	20.5%	274
Beecroft Academy	19.8%	
Biddenham Parish Council	26.8%	
Biggleswade Academy Trust	19.4%	
Biggleswade Town Council	26.8%	
Blunham Parish Council	26.8%	
Bolnhurst Parish Council	26.8%	
Brickhill Parish Council	26.8%	
Bromham Parish Council	26.8%	
Brooklands Middle School	21.3%	
Caddington Parish Council	26.8%	
Campton and Chicksands Parish Council	26.8%	
Campton Academy	22.8%	
Central Bedfordshire College	18.7%	28
Central Bedfordshire Council	18.4%	
Chief Constable	17.7%	1,724
Chiltern Learning - Ardley Hill	26.0%	
Chiltern Learning - Cedars	26.0%	
Chiltern Learning - Challney Girls	26.0%	
Chiltern Learning - Chiltern Academy	26.0%	
Chiltern Learning-Daubeney	26.0%	
Chiltern Learning-Kempston	26.0%	
Chiltern Learning-Lancot	26.0%	

Scheduled Bodies:	Contribution Rate %	Additional payments £000
Chiltern Learning - Lark Rise	26.0%	
Chiltern Learning - Linslade	26.0%	
Chiltern Learning - Marston Vale	26.0%	
Chiltern Learning – Putteridge	26.0%	
Chiltern Learning-Springfield	26.0%	
Chiltern Learning Trust	26.0%	
Cranfield Church of England Academy	19.2%	
D.S.A.M.A.T - Caldecote	31.2%	
D.S.A.M.A.T - Kensworth	31.2%	
D.S.A.M.A.T - Northill	31.2%	
D.S.A.M.A.T - Manshead	31.2%	
D.S.A.M.A.T - Ravensden	31.2%	
D.S.A.M.A.T - Roxton	31.2%	
D.S.A.M.A.T - St James	31.2%	
D.S.A.M.A.T - Studham	31.2%	
D.S.A.M.A.T - Thomas Whitehead	31.2%	
D.S.A.M.A.T - Totternhoe	31.2%	
D.S.A.M.A.T – Ursula Taylor	31.2%	
D.S.A.M.A.T - Wenlock	31.2%	
Dunstable Town Council	26.8%	
Eaton Bray Academy	21.8%	
Etonbury Academy	22.8%	
Eversholt Lower	26.2%	
Everton Heath Primary	29.9%	
Farley Junior Academy	32.1%	
Ferrars Academy	19.8%	
Flitwick Town Council	26.8%	
Fullbrook Academy	22.8%	
Gilbert Inglefield Academy	21.1%	
Goldington Academy	27.1%	
Goldington Green Academy	20.4%	
Gothic Mede Lower Academy	22.8%	
Gravenhurst Academy	22.8%	
Great Barford Parish Council	26.8%	
Greenfield & Pulloxhill Academy	20.9%	
Hadrian Academy	20.6%	
Harlington And Sundon Academy Trust	28.1%	
Harlington Parish Council	26.8%	
HEART Acadamies - Cauldwell	24.3%	
HEART Acadamies - Shackleton	24.3%	
HEART Acadamies - Shortstown	24.3%	
HEART Academies Trust (formerly Bedford Academy)	24.3%	
Holywell Academy	21.9%	
Houghton Conquest Parish Council	26.8%	

Scheduled Bodies:	Contribution Rate %	Additional payments £000
Houghton Regis Academy	25.5%	
Houghton Regis Town Council	26.8%	
Icknield Academy	21.3%	
KST - Dovery Academy	22.1%	
Kempston Burial Joint Board	26.8%	
Kempston Rural Parish Council	26.8%	
Kempston Town Council	26.8%	
Kensworth Parish Council	26.8%	
Langford Lower Academy	22.8%	
Lawnside Academy	22.8%	
Leighton Linslade Town Council	26.8%	
Luton Borough Council	19.4%	
Luton Sixth Form College	20.6%	43
Mark Rutherford School Trust	20.5%	
Marston Moretaine Parish Council	26.8%	
Maulden Parish Council	26.8%	
Middx Learning Trust-Stopsley High	33.0%	
Northill Parish Council	26.8%	
Oak Bank Special School Academy *	17.3%	
Oakley Parish Council	26.8%	
Our Lady Immaculate Catholic Academies Trust	22.0%	
Pioneer LTrust - Chantry	20.0%	
Pioneer LTrust - Southfield	26.2%	
Pioneer LTrust - Whitefield	33.0%	
Pix Brook Academy	22.8%	
Police and Crime Commissioner	17.7%	
Poppy Hill MAT-Henlow	22.8%	
Poppy Hill MAT-Meppershall	35.2%	
Potton Town Council	26.8%	
Putnoe Academy	20.9%	
Pyramid School Trust - Arnold	21.6%	
Pyramid School Trust - Harlington	27.2%	
Pyramid School Trust - Parkfields	40.0%	
Pyramid School Trust - Ramsey Manor	39.2%	
Pyramid School Trust - Westoning	37.6%	
Queensbury Academy	25.7%	
Raynsford Church Of England Academy	23.3%	
Redborne Academy	25.8%	
Robert Bloomfield Academy	22.8%	
S.A.C.A.T – Cardinal Newman	29.3%	
S.A.C.A.T – St Margaret Of Scotland	29.3%	
S.A.C.A.T – St Martin De Porres	29.3%	
S.A.C.A.T - St Marys Caddington	29.3%	
S.A.C.A.T - St Vincents	29.3%	

Scheduled Bodies:	Contribution Rate %	Additional payments £000
Samuel Whitbread Academy	22.8%	
Sandy Town Council	26.8%	
Scholars' Education Trust - Priory	28.1%	
Shared Learning Trust	20.3%	
Sharnbrook Academy Federation	27.4%	
Sharnbrook Parish Council	26.8%	
Sharnbrook Primary (formerly John Gibbard Academy)	21.0%	
Shefford Town Council	26.8%	
Shortstown Parish Council	26.8%	
St Augustine's Academy	22.3%	
St Christopher's Academy	22.8%	
St Mary's School (Stotfold)	23.6%	
Stanbridge Parish Council	26.8%	
Staploe Parish Council	26.8%	
Stotfold Town Council	26.8%	
Stratton Education Trust	27.2%	
Streatley Parish Council	26.8%	
Tennyson Road Primary School	25.7%	
Tennyson - Lime Tree Primary	42.8%	
The Firs Academy	23.3%	
The Hills Academy	22.3%	
The Rushmere Park Academy	20.3%	
Toddington Parish Council	26.8%	
Toddington St George Church Of England School	23.8%	
Turvey Parish Council	26.8%	
UNITY CofE MAT - Great Barford	31.6%	
University of Bedfordshire	17.8%	799
Ursula Taylor Academy	19.6%	
Vandyke Upper School	23.4%	
Weatherfield Academy	21.2%	
Whipperley Infant Academy	21.9%	
Windmill Hill School	21.2%	
Woodland Academy	23.7%	
Wootton Academy Trust	20.0%	
Wootton Parish Council	26.8%	

Admitted Bodies:	Contribution Rate %	Additional payments £000
ABM Catering Ltd (Bushmead)	22.9%	
ABM Catering Ltd (Surrey Street)	22.2%	
abm Catering (Luton Primary cluster)	27.7%	
ABM Catering Ltd (The Meads)	24.3%	
ABM Catering (William Austin Infant)	26.0%	

Admitted Bodies:	Contribution Rate %	Additional payments £000
AiP Ltd (Ramridge)	27.6%	
AiP Ltd (Icknield)	25.3.%	
AiP Ltd (Lealands)	20.0%	
AiP (St Joseph's Primary(LBC)	29.6%	
Active Luton Trust	20.3%	
Active Luton Trust (Library Service)	21.3%	
Aragon Housing Association	23.2%	176
Aramark Ltd	21.1%	
Aspens Services (DSAMAT)	27.5%	
Aspens Services (Foxdell)	22.8%	
Aspens Services (Hillborough)	21.8%	
Aspens Services (Leagrave)	21.6%	
Aspens Services (Sharnbrook)	25.2%	
Aspens Services (Tennyson Rd)	20.1%	
Aspens Services (Warden Hill)	24.8%	
Beds, Luton & MK CCG	27.8%	
Caterlink (Chiltern Learning Trust)	25.0%	
Caterlink (CLT-Ardley Hill)	27.0%	
Caterlink (Someries Junior)	32.6%	
Caterlink (Warden Hill Infs)	23.4%	
Churchill (Luton Culture Property)	31.8%	
Civica UK Limited	10.0%	
Compass (Shared Learning Trust)	25.8%	
Compass - STCAT	26.3%	
Compass - Tithe Farm	24.1%	
Cranfield University	19.6%	1,642
ELFT Bedfordshire - East London NHS Foundation Trust Bedfordshire	13.8%	
ELFT Luton - East London NHS Foundation Trust Luton	15.1%	
FCC Environment Services	22.2%	
Energy Kidz Ltd (Elstow)	23.7%	
Fusion Lifestyle	24.1%	
Grand Union Housing	23.2%	
Herts Catering Ltd (Ferrars)	22.9%	
The Culture Trust Luton	12.2%	
MiQuill – St Matthews	29.0%	
May Harris Cleaning – BILTT	22.0%	
Mitie	21.8%	
Pathfinder Legal Services Ltd	21.0%	
Kindred-Cedars/Linslade/Larkrise	20.7%	
Kindred (M&D)	23.1%	
Kindred (Putter)	27.2%	
Kindred-SLT-Chalk Hill	31.8%	
NHS Beds, Luton & MK ICB	23.8%	
Partnership Education-CLT	18.6%	

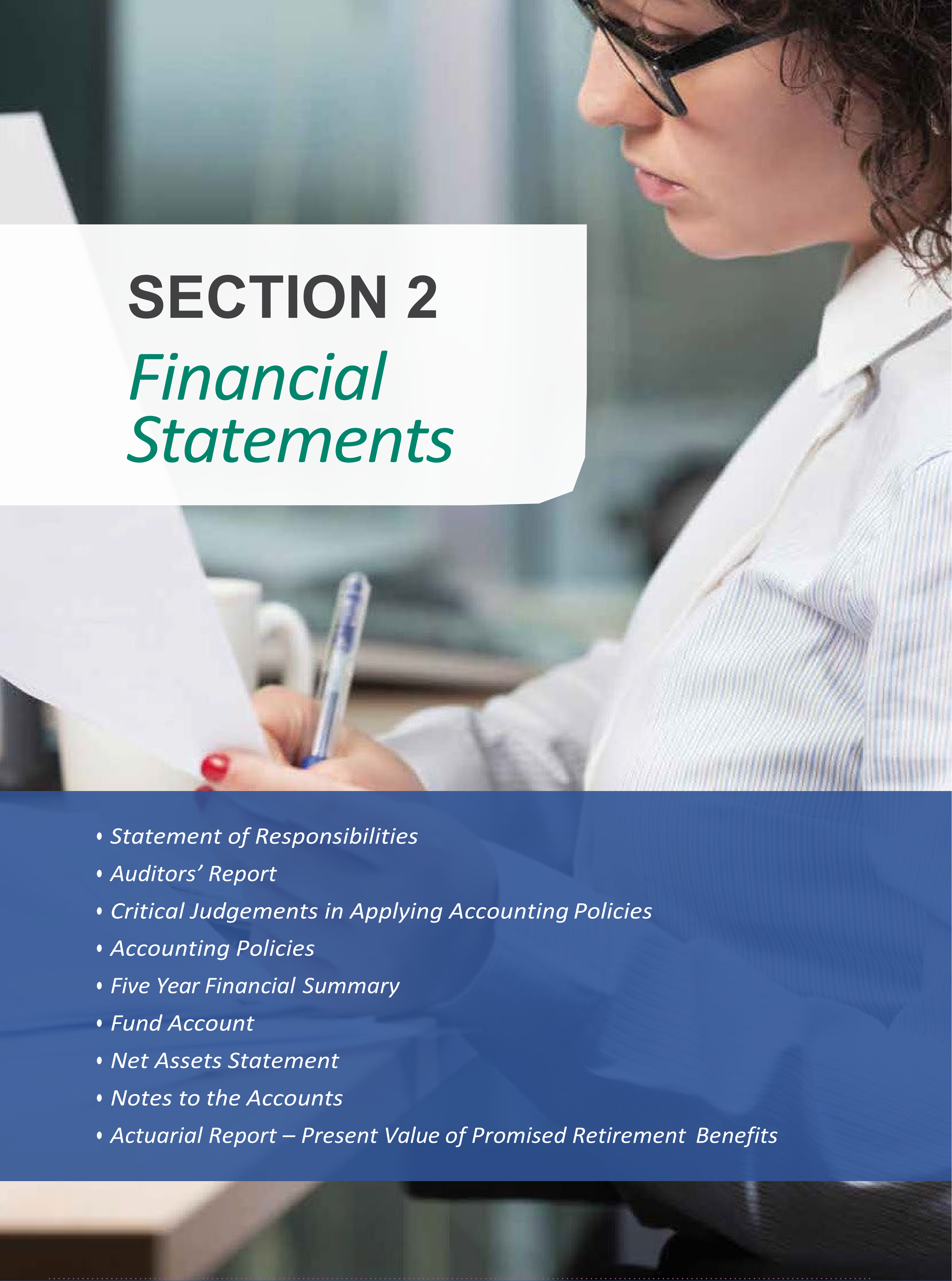
Admitted Bodies:	Contribution Rate %	Additional payments £000
PCS Group (STCAT)	20.8%	
Ringway Jacobs	16.5%	
Schools Catering Support (Relish)	18.8%	
Sector Support Services - KCA	30.1%	
St. Francis Children's Society	26.9%	14
Stevenage Leisure Ltd	10.0%	
Stevenage Leisure Ltd (dunst,grv,tid)	26.6%	
Taylor Shaw (Etonbury)	21.6%	
turn IT on (SLT)	25.8%	
XMA Limited	20.3%	

The following is a summary of the number of employers in the Fund further analysed by Scheduled bodies and Admitted bodies, showing active and ceased where there are still outstanding liabilities.

	Active	Ceased
Scheduled Body	167	6
Admitted Body	70	5
Administering Authority	1	0
Total	**238**	**11**

Below is a table showing the number of active employers, by Scheduled body and Admitted body over a five-year period.

	2022/2023	2021/2022	2020/2021	2019/2020	2018/2019
Scheduled Body	168	164	159	150	152
Admitted Body	70	44	48	28	23
Total	**238**	**208**	**207**	**178**	**175**



SECTION 2

Financial Statements

- *Statement of Responsibilities*
- *Auditors' Report*
- *Critical Judgements in Applying Accounting Policies*
- *Accounting Policies*
- *Five Year Financial Summary*
- *Fund Account*
- *Net Assets Statement*
- *Notes to the Accounts*
- *Actuarial Report – Present Value of Promised Retirement Benefits*

Independent auditor’s statement to the members of Bedford Borough Council on the pension fund financial statements

The draft unaudited accounts included in this section are awaiting external auditor opinion.

Bedfordshire Pension Fund 2022/2023

Fund Account for the Year Ended 31 March 2023

2021/2022 £000		2022/2023 £000	*See note*
	Contributions and Benefits		
129,461	Contributions	149,517	*7*
12,369	Transfers in from other pension funds	12,858	*8*
27	Other Income	0	
141,857		**162,375**	
-107,289	Benefits	-112,235	*9*
-12,977	Payments to and on account of leavers	-15,685	*10*
21,591	**Net additions/(withdrawals) from dealings with members**	**34,455**	
-10,563	Management Expenses	-10,438	*11*
11,028	**Net additions/(withdrawals) including Management Expenses**	**24,017**	
	Returns on Investments		
15,230	Investment income	23,051	*12*
-1	Taxes on income	-16	
245,221	Profit and losses on disposal of investments and changes in value of investments	-32,247	*13a*
245,221	**Net return on investments**	**-9,212**	
256,249	Net increase/(decrease) in the fund during the year	14,805	
2,756,657	Opening Net Assets of the Fund	3,012,906	
3,012,906	**Closing Net Assets of the Fund**	**3,027,711**	

Net Assets Statement for the Year Ended 31 March 2023

31 March 2022 £000		31 March 2023 £000	*See note*
1,182	Long Term Investment Assets	1,182	*13.1*
1,182	**Total Long Term Investment Assets**	**1,182**	
2,953,046	Investment Assets	2,952,905	*13.2*
0	Investment Liabilities	0	*13.3*
2,953,046	**Total Net Current Investments**	**2,952,905**	
2,954,228	**Total Net Investments**	**2,954,087**	
0	Long Term Assets	0	*18*
61,532	Current Assets	76,990	*19*
-2,854	Current Liabilities	-3,366	*20*
3,012,906	**Net assets of the fund available to fund benefits at the end of the Reporting Period**	**3,027,711**	

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed in Pension Note 17a

Notes to the Accounts

1) Description of the Pension Fund

Bedfordshire Pension Fund (the Fund) is part of the Local Government Pension Scheme and is administered by Bedford Borough Council. The Borough Council is the reporting entity for the Fund.

The following description of the Fund is a summary only. For more detail, reference should be made to the Bedfordshire Pension Fund Annual Report & Accounts 2022/2023 and the underlying statutory powers underpinning the scheme, namely the Superannuation Act 1972 and the Local Government Pension Scheme (LGPS) Regulations.

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

The LGPS (Administration) Regulations 2013 (as amended)

The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)

The LGPS (Management and Investment of Funds) Regulations 2016 (as amended)

Local Government Pension Funds are required to be funded, being financed by contributions from employees, employers and by earnings from investments. Triennial actuarial valuations are undertaken and employers' contributions are reviewed to ensure that the Fund's assets are sufficient to meet its funding targets.

Membership of the Fund

The Fund is a contributory defined benefit pension scheme providing pensions and other benefits for pensionable employees of Bedford Borough, Central Bedfordshire and Luton Borough Councils and a range of other scheduled and admitted bodies within the Bedfordshire area. Teachers, Police Officers and Firefighters are not included as they come within other national pension schemes.

Organisations participating in the Fund include:

Scheduled bodies - local authorities and similar bodies whose staff are automatically entitled to be members of the Fund;

Admitted bodies - other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

As at 31 March 2023, the total number of employees (i.e. from Councils within Bedfordshire and the other scheduled and admitted bodies) contributing to the Fund was 23,715 (22,826) (31 March 2022), the number of pensioners was 20,840 (19,991) and the number of deferred pensioners was 33,743 (32,994).

A full list of participating bodies as at 31 March 2023 is included in the Bedfordshire Pension Fund Annual Report.

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside of the scheme.

Core Benefits of the Scheme

From 1 April 2014 the scheme became a Career Average Revalued Earnings (CARE) scheme. Benefits earned in the scheme before 1 April 2014 are protected so benefits up to that date will be based on the scheme member's final year's pay.

The benefits payable from the Fund are set out in the Local Government Pension Scheme Regulations 2013, as amended, and in summary are:

- A guaranteed annual pension based on the pay received during the year and revalued in line with earnings.
- An optional tax-free lump sum by commuting part of the pension.
- Life assurance of three times the members' yearly pay from the day they join the scheme.
- Pensions for spouses, civil registered partners, qualifying cohabiting partners and eligible children on the death of the member.
- An entitlement paid early if a member has to stop work permanently due to permanent ill-health.
- Inflation-proof preserved pensions and pensions in payment.
- Pensions payable from age 55, including (with the employer's consent) flexible retirement and early retirement.
- The option to contribute a reduced contribution for a reduced benefit - the 50/50 option.

NB scheme members must have a minimum of two years' membership to qualify for a pension

Full details of the contributions payable by employees and benefits receivable can be found in the Fund's scheme handbook "Guides to the Local Government Pension Scheme", available from Borough Hall and available in full or in summary on the Fund's website.

http://www.bedspensionfund.org/active_members/guides_to_the_lgps.aspx

2) Basis of Preparation

The accounts are compliant with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/2023 (the Code), which is based on International Financial Reporting Standards (IFRS) as amended for the UK public sector. The accounts of the Pension Fund have also been prepared to meet the requirements of the Local Government Pension Scheme (Administration) Regulations 2013 and in accordance with the Statement of Recommended Practice on Financial Reports of Pension Schemes.

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. They should therefore be read in conjunction with the actuarial reports which take account of future liabilities.

The Administering Authority has carried out an assessment and is satisfied that Bedfordshire Pension Fund is a going concern. The Fund value at 31 March 2023 stood at £3 billion, in line with the balance at 31 March 2022.

The Fund's cashflow remains robust. 76% of employer deficit contributions for the period to March 2023 were paid in advance in April 2020 and all employers during the year paid the contributions set out in the Rates and Adjustment Certificate. It remains the Fund's expectation that employers will continue to pay their contributions.

The Fund remains cashflow positive in 2022/2023 despite the significant level of prepayments made in the first valuation year. Cash held at the Balance Sheet date stood at £67.5 million, equivalent to 2% of the Fund Assets. In addition, the Fund does not have any external borrowing and held £2.6 billion in Level 1 and Level 2 investment assets which could be realised within 3 months if required. Therefore, the fund is satisfied it has sufficient resources to meet its obligations to pay pensions throughout the going concern period which is at least 12 months from the date of authorisation of these accounts. For this reason, alongside the statutory guidance, these financial statements have been prepared on a going concern basis.

3) Significant Accounting Policies

Contribution Income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the actuary in the payroll period to which they relate. Employer deficit funding contributions are accounted for on the dates on which they are due under the schedule of contributions set by the actuary or on receipt if earlier than the due date. Employer's augmentation and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in-year but unpaid is classed as a current financial asset.

Benefits Payable

All pensions and lump sum payments have been included on an accruals basis other than some death gratuities. The payment of some death gratuities is dependent upon the receipt of probate or letters of administration. Where death occurs before the end of the year but probate or letters of administration have not yet been received by the balance sheet date, then no accrual is made. The departure from the accruals basis for these death gratuities does not materially affect the reported figure.

Lump sums are accounted for in the period in which the member becomes a pensioner. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

Only benefits paid under local government pension scheme regulations are included in the Fund account. For administrative ease, the Fund also pays out compensatory added years benefits on behalf of scheme employers; these are refunded in full by the employer. Both the benefits paid and the subsequent reimbursements are excluded from the Fund account.

Refunds of Contributions

Refunds have been included on a cash basis. Accounting for refunds on an accruals basis would not materially alter the reported figure.

Transfer Values

Transfer values to and from other schemes have been included on a cash basis. Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

Management Expenses

The Code of Practice does not require any breakdown of Pension Fund administrative expenses. However, in the interests of greater transparency, the Fund discloses its management expenses in accordance with CIPFA Guidance on Accounting for LGPS management expenses.

Administrative Expenses

The administration of the Fund is undertaken by the Borough Council in its role as administering authority. The Council's costs of administering the scheme, agreed by the relevant committees of both the Council and the Pension Fund, are charged to the Fund.

Oversight and Governance Costs

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Investment Management Expenses

Fees of the external investment managers and the Fund's custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the assets 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.

- Abrdn – Private Equity
- Insight Investment – Absolute Return Bonds
- Invesco Asset Management – Absolute Return Multi Asset
- Pantheon Ventures – Real Assets

Where an investment manager's fee note has not been received by 31 March 2023, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the Fund account.

Following guidance from CIPFA, Accounting for Local Government Pension Scheme Management Expenses, the Fund extracts transactional costs from managers where the information is available to make an estimate or where this is readily available from the Custodian. This is included within the investment management costs. For the Property manager, management costs have been extracted reflecting the unit management costs based on the Net Asset Value (NAV) of each separate fund.

Investments

Investments are shown in the accounts at market value, determined as follows:

(i) Quoted securities are valued by reference to market bid price at the close of business on 31 March 2023.

(ii) Traded futures are valued by reference to their exchange prices as at 31 March 2023.

(iii) Other unquoted securities are valued having regard to latest dealings, professional valuations, asset values and other appropriate financial information.

(iv) Unit trust and managed fund investments are valued by reference to the latest bid prices quoted by their respective managers prior to 31 March 2023. If bid prices are unavailable, mid prices or net asset value will be used.

(v) Assets, including investments, denominated in foreign currencies are valued on the relevant basis and translated into sterling at the rate ruling on 31 March 2023. Exchange gains and losses arising from movements in current assets and liabilities are included in the Fund account for the year.

Investment assets include cash balances held by the Fund managers and debtor and creditor balances in respect of investment activities.

Investment Income

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

(ii) 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 a current financial asset.

(iii) Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

(iv) Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

Acquisition Costs of Investments

Where shown, the cost of investments includes direct costs of acquisition.

Additional Voluntary Contribution (AVC) Investments

Bedford Borough Council as the administering authority has arrangements with its AVC providers to enable employees to make AVCs to supplement their pension benefits. AVCs are invested separately from the Fund's main assets and the assets purchased are specifically allocated to provide additional benefits for members making AVCs. The value of AVC assets is not included in the Fund's net asset statement.

Taxation

The Fund is an exempt approved Fund under section 1(1) of Schedule 36 of the Finance Act 2004, and as such is exempt from tax on capital gains and from UK income tax on interest receipts. As the Council is the administering authority for the Fund, VAT is recoverable on all expenditure where appropriate, and all of the Fund's income is outside the scope of VAT.

The Fund is liable to tax at a rate of 20% on small pensions that have been compounded into a lump sum.

The Fund is exempt from United States withholding tax.

Where the Fund is subject to other foreign tax, income is shown as the grossed up figure and the tax withheld as an item of expenditure.

New Accounting Standards

For any new accounting standard or policy introduced, the Pension Fund is required to provide information explaining how these changes have affected the accounts.

There were no new accounting standards introduced in 2022/2023 affecting the Pension Fund.

Accounting Standards that have been issued but have not yet been adopted

The Fund is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that been issued but is not yet required to be adopted by the Pension Fund. There are no such disclosures.

Events after the reporting date

These are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Two types of events can be identified:

a) those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period), and

b) those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period).

An example of an adjusting event would be if new information came to light regarding the methodology employed in the valuation of an asset.

4) Critical Judgements in Applying Accounting Policies

Pension Fund Liability

The Pension Fund liability is calculated every three years by the Fund Actuary in line with the regulations, with annual updates in the intervening years. The methodology used is in accordance with International Accounting Standard (IAS) 19. Assumptions underpinning the valuations are agreed between the Fund and the Actuary and are summarised in Note 17 Funding Arrangements – Actuary Statement. This estimate is subject to significant variances based on changes to the underlying assumptions.

Actuarial revaluations are used to set future contribution rates and underpin the Fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

Unquoted Investments

The fair value of unquoted securities is estimated by the Fund's investment managers and subject to the professional judgement and assumptions used by those managers. It is considered that changes in those assumptions would not produce significant variations in the value of those assets other than normal market fluctuations.

5) Assumptions made About the Future and Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made about the future or events that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the net asset statement at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming year are as follows:

Item	**Uncertainties**	**Effect if actual results differ from assumptions**
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rates used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice on the assumptions to be applied	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, an increase in the discount rate assumption would result in a decrease in the pension liability. An increase in assumed earnings would increase the value of liabilities and an increase assumed life expectancy would increase the liability. A Sensitivity Analysis is shown in Note 17a
Pooled Property	Property investments are valued at fair value in accordance with the Royal Institute of Chartered Surveyors (RICS) guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation	There is a risk that these may be over or understated in the accounts
Alternatives (Private Equity, Infrastructure and Private Credit)	Alternatives or unquoted investments are valued at fair value e.g Private equity investments are valued at fair value in accordance with the British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation	There is a risk that these may be over or understated in the accounts. A Sensitivity Analysis on Level 3 assets is shown in Note 14.

6) Events after the Reporting Date

On 22 February 2023, the Pension Fund Committee resolved to allocate up to £50 million for investment in Gresham House British Sustainable Infrastructure Fund II (BSIF II) subject to due diligence. Bedfordshire Pension Fund was closed into BSIF II on 9 June 2023.

7) Contributions receivable

2021/2022 £000	Contributions	2022/2023 £000
29,367	Employees' normal contributions	31,762
261	Employees' additional voluntary contributions	362
89,843	Employers' normal contributions	108,489
7,546	Employers' deficit funding	8,528
2,444	Employers' augmentation contributions	376
129,461		**149,517**
17,078	Administering authority	18,032
102,094	Scheduled bodies	111,633
10,289	Admitted and other bodies	19,852
129,461		**149,517**

Employers' augmentation contributions relate to payments for the cost of enhanced benefits and early retirements. Refunded payments from employers in respect of compensatory added years' benefits are excluded from the accounts.

8) Transfers In From Other Pension Funds

2021/2022 £000	Transfers in from other pension funds	2022/2023 £000
0	Transfers in from other pension funds - bulk	0
12,369	Individual transfers from other pension funds	12,858
12,369		**12,858**

There were no bulk transfers into the Fund in 2022/2023.

9) Benefits Payable

2021/2022 £000	Benefits	2022/2023 £000
87,190	Pensions	92,012
16,614	Commutations of pensions and lump sum retirement benefits	16,934
3,485	Lump sum death benefits	3,290
107,289		**112,235**
	Further analysed as:	
14,965	Administering authority	15,685
81,092	Scheduled bodies	85,292
11,232	Admitted and other bodies	11,258
107,289		**112,235**

Payments to employees in respect of compensatory added years benefits are excluded from the accounts

10) Payments To and On Account of Leavers

2021/2022 £000	Payments to and on account of leavers	2022/2022 £000
412	Refunds of contributions	384
699	Transfers to other schemes – bulk	0
11,538	Transfers to other schemes – individuals	14,852
161	Annual Allowance - Tax Charge	298
167	Lifetime Allowance - Tax Charge	151
12,977		**15,685**

The Annual Allowance Tax Charge is on behalf of individual scheme members who exceeded the annual allowance and used the Scheme Pays facility which permits members to opt for the LGPS to pay the tax charge, which is then recovered from the member's pension benefits.

The Lifetime Allowance Tax Charge is on behalf of individual members who exceeded the lifetime allowance and used the Scheme Pays facility which permits members to opt for the LGPS to pay the tax charge, which is then recovered from the member's pension benefits.

11) Management Expenses

2021/2022 £000	Management Expenses	2022/2023 £000
1,460	Administrative Costs	1,662
7,818	Investment Management Expenses	7,401
1,285	Oversight and Governance Costs	1,375
10,563		**10,438**

The external audit fees paid in 2022/2023 was £0.048 million and £0.032 million in 2021/2022.

A further breakdown of the investment management expenses is shown below:

2021/2022 £000	Investment Management Expenses	2022/2023 £000
5,824	Management Fees	6,132
286	Performance Related Fees	0
1,658	Underlying Property Fees	1,204
50	Custody Fees	65
7,818		**7,401**

12) Investment Income

2021/2022 £000	Investment Income	2022/2023 £000
0	Dividends from equities	0
13,539	Income from pooled investment vehicles	20,802
1,691	Interest on cash deposits	2,249
15,230	Total Investment Income	**23,051**

13) Investments

2021/2022 £000	Investments	2022/2023 £000	Note
	Long Term Investments		
1,182	Pool Share Capital	1,182	*13.1*
1,182	**Total Long Term Investments**	**1,182**	
	Equities		
0	UK quoted equities	0	
0	Overseas quoted equities	0	
0	**Total Equities**	**0**	*13.2*
	Managed and Unitised Funds		
1,298,047	UK insurance managed funds	387,633	
230,116	UK property unit trusts	185,523	
613,362	Overseas unit trusts	1,407,193	
216,057	Global equity funds	224,125	
337,924	Multi Asset Credit	330,878	
48,768	Private Equity	57,651	
142,182	Infrastructure	227,952	
0	Climate opportunities	4,242	
27,335	Private Credit	65,382	
2,913,791	**Total Managed and Unitised Funds**	**2,890,579**	*13.2*
	Cash Deposits & Other Investment Assets		
0	Amount receivable for sales of investments	0	
125	Investment income outstanding	0	
125	**Other Investment Assets**	**0**	
39,130	Cash deposits	62,326	
39,225	**Total Cash and Other Investment Assets**	**62,326**	*13.2*
	Investment Liabilities		
0	Other liabilities	0	
0	**Total Other Liabilities**	**0**	*13.3*
2,954,228	**Total**	**2,954,087**	

13a Value of Investments

2022/2023	Market Value at 31 March 2022	Purchases at cost & derivative payments	Sale proceeds & derivative receipts	Change in Market Value	Market Value at 31 March 2023
	£000	£000	£000	£000	£000
Long Term Investments					
Pool Share Capital	1,182	0	0	0	1,182
Equities					
UK	0	0	0	0	0
Overseas	0	0	0	0	0
	0	0	0	0	0
Managed Funds	**1,697,374**	**183,989**	**-24,698**	**-558,802**	**1,297,863**
Unit Trusts					
Property	230,116	1,782	-2,745	-43,630	185,523
Other	986,301	335,470	-40,000	125,422	1,407,193
	1,216,417	**337,252**	**-42,745**	**81,792**	**1,592,716**
Other Assets	**0**	**0**	**0**	**0**	**0**
Total	**2,914,973**	**521,241**	**-67,443**	**-477,010**	**2,891,761**
Cash	39,130				62,326
Currency Movements	125				0
	39,255				**62,326**
Total	**2,954,228**				**2,954,087**

13.b Value of Investments

2021/2022	Market Value at 31 March 2021	Purchases at cost & derivative payments	Sale proceeds & derivative receipts	Change in Market Value	Market Value at 31 March 2022
	£000	£000	£000	£000	£000
Long Term Investments					
Pool Share Capital	1,182	0	0	0	1,182
Equities					
UK	0	0	0	0	0
Overseas	0	0	0	0	0
	0	0	0	0	0
Managed Funds	**1,790,024**	**49,749**	**-325,741**	**183,342**	**1,697,374**
Unit Trusts					
Property	194,969	10,513	-13,627	38,261	230,116
Other	677,938	324,585	-24,610	8,389	986,301
	872,907	**335,098**	**-38,238**	**46,650**	**1,216,417**
Other Assets	**0**	**0**	**0**	**0**	**0**
Total	**2,664,113**	**384,847**	**-363,979**	**229,992**	**2,914,973**
Cash	29,292				39,130
Currency Movements	33				125
	29,325				**39,255**
Total	**2,693,438**				**2,954,228**

13.c Investments Analysed by Fund Manager

2021/2022 £000	2021/2022 %	Fund Manager	2022/2023 £000	2022/2023 %
564,228	18.73%	Legal & General - Global Equities	563,651	18.62%
498,998	16.56%	BlackRock – Global Equities	481,688	15.91%
216,057	7.17%	BCPP - Global Equities	224,125	7.40%
234,799	7.79%	Legal & General - UK Equities	234,191	7.74%
95,270	3.16%	BlackRock - Emerging Markets Equities	90,416	2.99%
59,174	1.96%	Abrdn - Private Equity	57,651	1.90%
236,993	7.87%	CBRE - Indirect Property	186,261	6.15%
170,361	5.65%	Pyrford - Absolute Return Multi-Asset	132,574	4.38%
144,988	5.19%	Newton - Absolute Return Multi Asset	138,864	4.59%
126,354	1.28%	BCPP - Infrastructure	206,382	6.82%
27,139	0.78%	Pantheon – Real Assets	21,618	0.71%
197,840	6.57%	BCPP - Multi Asset Credit	195,523	6.46%
27,774	0.92%	BCPP - Private Credit	64,914	2.14%
202,742	6.73%	Insight - Absolute Return Bonds	153,442	5.07%
0	0%	BCPP – Climate Opportunities	4,242	0.14%
140,084	4.65%	PIMCO – Diversified Income Fund	139,597	4.61%
1,182	0.04%	Pool Share Capital – Equities	1,182	0.04%
2,943,983	**97.71%**	**Net Assets Managed by External Bodies**	**2,896,321**	**95.66%**
68,922	2.29%	Net Assets Managed by the Administering Authority	131,390	4.34%
3,012,905	**100.00%**	**Total Assets**	**3,027,711**	**100.00%**

13.d Investments exceeding 5% of net assets (excluding UK Government Securities)

2021/2022 £000	% of Total Market Value	Managed and Unitised Investment	2022/2023 £000	% of Total Market Value
799,027	26.52%	Legal & General	797,842	26.35%
568,025	18.85%	Border to Coast	695,141	23.07%
594,268	19.72%	BlackRock Advisers	572,104	18.90%
202,742	6.73%	Insight	153,442	5.07%
170,361	5.65%	Pyrford	132,574	4.38%
144,988	5.19%	Newton	138,864	4.59%

13.e Stock Lending

The Fund did not undertake any stock lending during 2022/2023.

14) Fair Value – Basis of Valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value.

Asset Type	Level	Valuation Basis	Observable and Unobservable Inputs	Key Sensitivities
Market quoted Investments	1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Cash balances, money market funds and investment income due but not yet paid	1	Expected maturity date of less than two months, therefore, Fair Value is the carrying value of these assets and liabilities	Not required	Not required
Non-investment current assets and current liabilities (carried at amortised cost)	1	Short-term transactions and high degree of certainty of settlement value. Fair Value is carrying value at the year-end date	Not required	Not required
Pooled investments - overseas unit trusts	2	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV - based principal set on a forward pricing basis	Not required
Pooled investments - property funds quoted	2	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV - based principal set on a forward pricing basis	Not required

Asset Type	Level	Valuation Basis	Observable and Unobservable Inputs	Key Sensitivities
Pooled investments - property funds unquoted	3	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV - based principal set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts
Alternative Assets (Private Equity, Private Credit and Infrastructure)	3	Comparable valuation of similar companies e.g. in accordance with *International Private Equity and Venture Capital Valuation Guidelines (2018)*	EBITDA multiple revenue multiple discount for lack of marketability control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts

Sensitivity of Assets Valued at Level 3

Based on an analysis of historical data, current market trends, information supplied by the investment managers and the Pension Fund policy documents, the Fund has determined that the valuation methods described below are likely to be accurate to within the following range, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2023.

14a. Level 3 Assets*	Valuation Range +/-	Value at 31 March 2023 £000	Valuation Increase £000	Valuation Decrease £000
Property	10	85,386	93,925	76,847
Private Equity	15	57,651	66,299	49,003
Infrastructure	15	228,000	262,200	193,800
Private Credit	15	65,382	75,189	55,575
		436,419	**497,613**	**375,225**

**Note this table excludes equity holdings in Border to Coast as there is no market for these shares.*

Fair Value Hierarchy

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

Assets and liabilities at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Investments classified as level 1 comprise of quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Level 2

Assets and liabilities at Level 2 are those 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.

Level 3

Assets and liabilities 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.

The following table provides the analysis of the financial assets and liabilities of the Pension Fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

Table 14.b Analysis of Asset Levels

	31 March 2023			
	Quoted Market Price Level 1 £000	Using Observable Inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Financial Assets				
Financial assets at fair value through profit and loss	0	2,454,208	435,237	**2,889,445**
Financial assets at amortised cost	140,356			**140,356**
Total Financial Assets	**140,356**	**2,454,208**	**435,237**	**3,029,801**
Financial Liabilities				
Financial liabilities at fair value through profit and loss	0			0
Financial liabilities at amortised costs	-1,348			**-1,348**
Total financial liabilities	**-1,348**	**0**	**0**	**-1,348**
Net financial assets	**139,008**	**2,454,208**	**435,237**	**3,028,453**

	31 March 2022			
	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial Assets				
Financial Assets at fair value through profit and loss	0	2,600,117	313,519	**2,913,636**
Financial assets at amortised cost	90,926			**90,926**
Total Financial Assets	**90,926**	**2,600,117**	**313,519**	**3,004,562**
Financial Liabilities				
Financial Liabilities at Fair Value through profit and loss	0			0
Financial Liabilities at amortised cost	-2,854			**-2,854**
Total Financial Liabilities	**-2,854**	**0**	**0**	**-2,854**
Net Financial Assets	**88,072**	**2,600,117**	**313,519**	**3,001,708**

The following assets have been carried at cost. (£1,182,000 in 2021/22):

Table 14.c Share Capital

Values at 31 March 2023	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Share Capital in Border to Coast Pool	0	0	1,182	1,182
Investments held at cost	**0**	**0**	**1,182**	**1,182**

Reconciliation of Fair Value Measurement within Level 3

Table 14.d Reconciliation of Fair Value Measurement within Level 3

	2021/2022	Transfer Into Level 3	Transfer Out of Level 3	Purchases	Sales	Unrealised Gains/ Losses	Realised Gains/ Losses	2022/2023
	£000	£000	£000	£000	£000	£000	£000	£000
Private Equity	48,767	0	0	4,126	-3,280	4,805	3,233	57,651
Infrastructure	141,144	0	0	72,589	-18,968	45,992	5,424	246,181
Property	95,090	0	0	0	-2,752	-25,104	-28	67,206
Private Credit	27,335	0	0	43,361	-2,418	-3,417	520	65,381
	312,336	**0**	**0**	**120,077**	**-27,419**	**22,276**	**9,149**	**436,419**

15) Financial Instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading.

2021/2022				2022/2023		
Fair value through profit & loss £000	**Financial assets at amortised cost £000**	**Financial liabilities at amortised cost £000**		**Fair value through profit & loss £000**	**Financial assets at amortised cost £000**	**Financial liabilities at amortised cost £000**
			Financial Assets			
1,182	0	0	Equities	1,182	0	0
2,913,792	0	0	Managed & unitised funds	2,877,174	0	0
0	88,841	0	Cash		129,812	0
0	125	0	Other investment assets		1,608	0
0	622	0	Debtors		421	0
2,914,974	**89,588**	**0**		**2,878,356**	**131,841**	**0**
			Financial Liabilities			
0	0	0	Other investment liabilities	0	0	-2,472
0	0	-2,854	Creditors	0	0	-1,348
0	**0**	**-2,854**		**0**	**0**	**-3,820**
2,914,974	**89,588**	**-2,854**		**2,878,356**	**131,841**	**-3,820**

Net Gains and Losses on Net Gains and Losses on

2021/2022		2022/2023
£000		**£000**
	Financial Assets	
229,992	Designated at fair value through profit and loss	-32,247

The Fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

16) Nature of Extent of Risks Arising from Financial Instruments

The Pension Fund's assets are predominantly managed by external investment managers appointed by the Pension Fund Committee. Each fund manager is required to invest the assets in accordance with the terms of a written Investment Management Agreement (IMA) or fund prospectus. The Pension Fund Committee has determined that the appointment of these managers is appropriate for the Fund and is in accordance with the Funds' Investment Strategy. The Committee receives regular reports from each of the managers on the nature of the investments made on the Fund's behalf and the associated risks.

The allocation of assets between various types of financial instruments is determined by the Committee, in line with the Investment Strategy Statement (ISS). Divergence from benchmark asset allocations and the composition of each portfolio is monitored by the Pension Fund Committee.

The Fund's investment activities expose it to the following risks from the use of financial instruments:

Market risk

Credit risk

Liquidity risk

The nature and extent of the financial instruments employed by the Fund and the associated risks are discussed below. This note presents information on the Fund's exposure to each of the above risks and the Fund's policies and processes for managing those risks.

The Fund's ISS is formulated to identify the risks managed by investment managers, to set appropriate risk limits and to monitor adherence to those limits. The ISS is reviewed regularly to reflect changes in market conditions and the Fund's activities.

Market Risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Fund's income or the value of its assets. The objective of market risk management is to control market risk exposures within acceptable parameters while optimising returns.

The Fund has used manager and adviser information to help it identify market risks.

Interest Rate Risk

Interest rate risk is the risk that interest rate fluctuations will cause the value of fixed interest securities to deviate from expectations. The Fund manages interest rate risk by:

- The use of specialist external investment managers to manage the Fund's cash and fixed interest assets.
- Ensuring asset allocations include a diversity of fixed interest investments with appropriate durations.

The Fund's direct exposure to interest rate risk, as at the period end, is shown in the table following. The table also shows the effect in the year on the net assets available to pay benefits of a +/- 100 basis points (bps) change in interest rates. Comparatives for the previous year are shown in the table below.

Table 16.a Exposure to Interest Rate Risk

Carrying value at 31/03/2022	Change in year in net assets available to pay benefits		Asset type	Carrying value at 31/03/2023	Change in year in net assets available to pay benefits	
	+100 bps	-100 bps			+100 bps	-100 bps
£000	£000	£000		£000	£000	£000
711,028	7,110	-7,110	Fixed interest securities	621,137	6,211	-6,211
90,180	902	-902	Cash & cash equivalents	129,812	1,298	-1,298
801,208	**8,012**	**-8,012**	**Total**	**750,949**	**7,509**	**-7,509**

NB. The Fund's direct exposure includes managed fund assets.

Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund manages currency risk by instructing investment managers to use hedging techniques with foreign currencies.

The following table summarises the Fund's currency exposure as at 31 March 2023 and also shows the increase/decrease in the value of net assets available to pay benefits arising.

Using information available from investment advisers, investment managers, the Custodian and the Fund's policy documents, the Fund believes the following are reasonable.

Currency Risk by Asset Class

	2022/2023			
Asset Type	**Value £000**	**Change %**	**Value on Increase £000**	**Value on Decrease £000**
Overseas Equities	1,359,880	6.00%	1,441,473	1,278,287
Overseas Absolute Return	424,882	6.00%	450,375	399,389
Overseas Diversified Growth	335,120	6.00%	355,227	315,013
Overseas Alternatives	337,580	6.00%	357,835	317,325
Overseas Cash	0	6.00%	0	0
Total	**2,457,462**	**6.00%**	**2,604,910**	**2,310,014**

Asset Type	Value £000	Change %	Value on Increase £000	Value on Decrease £000
			2021/2022	
Overseas Equities	1,103,371	6.00%	1,169,574	1,037,169
Overseas Absolute Return	540,666	6.00%	573,106	508,226
Overseas Diversified Growth	315,350	6.00%	334,271	296,429
Overseas Alternatives	201,396	6.00%	213,479	189,312
Overseas Cash	23,512	6.00%	24,923	22,101
Total	**2,184,295**	**6.00%**	**2,315,353**	**2,053,237**

Market Price Risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether from factors specific to individual assets or those applying to the market as a whole.

As the Fund's assets are valued at market value, with changes to that value reflected in the Fund account, all changes in market conditions will directly affect the Fund's income.

- The Fund manages market risk by the application of the following principles:
- Ensuring a diversity of exposures to different financial markets and market sectors

By ensuring that investments have the sufficient liquidity to enable the appropriate response to changing market conditions.

Sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, and using information available from investment advisers, investment managers, the Custodian, and the Fund's policy documents, the Fund believes the following is reasonable for the 2022/2023 reporting period.

Asset Type	% Change
UK Equities	14.0%
Overseas Equities	14.0%
Property	15.0%
Absolute Return Bonds	10.0%
Diversified Growth Funds	12.0%
Gilts	10.0%
Private Equity	25.0%
Private Credit	15.0%
Infrastructure	25.0%
Cash	0.5%

If the market price of the Fund's investments increased/decreased in line with the above, the change in the net assets available to pay benefits would have been as shown in the following table. Comparatives for the previous year are also shown.

Table 16.c Exposure to market fluctuations

Asset Type	Value £000	Change %	Value on Increase £000	Value on Decrease £000
		2022/2023		
UK Equities	387,633	14.00	441,902	333,365
Overseas Equities	1,359,880		1,550,263	1,169,497
Property	186,261	15.00	214,200	158,322
Absolute Return	424,882	10.00	467,371	382,394
Diversified Income	335,120	12.00	375,334	294,906
Private Equity	56,658	25.00	70,823	42,494
Private Credit	64,914	15.00	74,651	55,177
Infrastructure	228,000	25.00	285,000	171,000
Cash	59,501	1.00	60,096	58,906
Total	**3,102,849**		**3,539,640**	**2,666,061**

Asset Type	Value £000	Change %	Value on Increase £000	Value on Decrease £000
		2021/2022		
UK Equities	506,002	14.0	576,843	435,162
Overseas Equities	1,103,372	14.0	1,257,844	948,898
Property	230,116	15.0	264,633	195,599
Absolute Return Bonds	540,666	10.0	594,733	486,600
Diversified Growth Funds	315,350	12.0	353,192	277,508
Private Equity	48,767	25.0	60,959	36,575
Private Credit	27,335	15.0	31,436	23,235
Infrastructure	141,144	25.0	176,430	105,858
Cash	89,880	1.0	90,631	89,729
Total	**3,002,632**		**3,406,701**	**2,599,164**

The % change for Total Assets includes the impact of correlation across asset classes.

Credit Risk

Credit risk is the risk that a counterparty to a transaction involving a financial instrument will fail to discharge an obligation or commitment it has entered into with the Fund.

The net market value of the Fund's assets, as shown in the Net Assets Statement, represents the Fund's maximum exposure to credit risk in relation to those assets. The Fund does not have any significant exposure to any individual counter-party or industry. Credit risk is monitored through ongoing reviews of the investment managers' activity.

Apart from a small number of outstanding tax reclaims represented by the provision for tax reclaims over 1 year in the Net Assets Statement, the Fund has no assets that are past due or impaired.

Liquidity Risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations when they fall due. The Fund's liquidity is monitored on a daily basis and the Fund seeks to ensure that it will always have sufficient liquid funds to pay benefits to members and liabilities when due, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund manages liquidity risk by:

- giving careful consideration to the anticipated income and expenditure required for the administration of the Fund and the payment of benefits and by maintaining in-house managed cash balances sufficient to meet day-to-day cash flows.
- Maintaining a significant proportion of the Fund held in highly liquid investments such as actively traded equities and unit trusts. The level 1 highly liquid funds total £140 million representing 4.5% of the Fund.

17) Funding Arrangements – Actuary Statement

The Fund's Actuary has provided the following updated Statement on the valuation of the retirement benefits as at 31 March 2023 and the assumptions made in the valuation.

Introduction

The last full triennial valuation of the Bedfordshire Pension Fund (the Fund) was carried out as at 31 March 2022 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 (the Regulations) and in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated 31 March 2023.

Asset value and funding level

The results for the Fund at 31 March 2022 were as follows:

- The smoothed value of the Fund's assets for funding purposes as at 31 March 2022 was £2.95bn.
- The Fund had a funding level of 92% i.e. the value of assets for funding purposes was 92% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a deficit of £273m.

Contribution rates

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

- the annual accrual of benefits allowing for future pay increases and increases to pensions in payment when these fall due.

- plus an amount to reflect each participating employer's notional share of the Fund's assets compared with 100% of their liabilities in the Fund, in respect of service to the valuation date.

The primary rate of contribution on a whole Fund level was 19.6% of payroll p.a. The primary rate as defined by Regulation 62(5) is the employer's share of the cost of benefits accruing in each of the three years beginning 1 April 2023.

In addition each employer pays a secondary contribution as required under Regulation 62(7) that when combined with the primary rate results in the minimum total contributions. This secondary rate is based on their particular circumstances and so individual adjustments are made for each employer.

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

Assumptions

The key assumptions used to value the liabilities at 31 March 2022 are summarised below:

Assumptions	Assumptions used for the 2022 valuation
Financial assumptions	
Market date	31 March 2022
CPI inflation	2.9% p.a.
Long-term salary increases	3.9% p.a.
Discount rate	4.6% p.a.
Demographic assumptions	
Post-retirement mortality	
Base tables	Based on Club Vita analysis
Projection model	CMI 2021
Long-term rate of improvement	1.25% p.a.
Smoothing parameter	7.0
Initial addition to improvements	0.5% p.a.
2020/21 weighting parameter	5%

Full details of the demographic and other assumptions adopted as well as details of the derivation of the financial assumptions used can be found in the 2022 valuation report.

Updated position since the 2022 valuation

Assets

Returns over the year to 31 March 2023 have been low, particularly in the first quarter. As at 31 March 2023, in market value terms, the Fund assets were less than they were projected to be at the previous valuation.

Liabilities

The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate (the discount rate relative to CPI inflation) – the higher the real discount rate the lower the value of liabilities. As at 31 March 2023, the real discount rate is estimated to be higher than at the 2022 valuation due to a reduction in the long term rate of inflation from 31 March 2023 onwards.

The value of liabilities will also have increased due to the accrual of new benefits net of benefits paid.

In addition, benefits will increase by 10.1% in line with the 2023 LGPS pension increase which is higher than the pension increase assumed at the previous valuation.

Overall position

On balance, we estimate that the funding position has slightly weakened when compared on a consistent basis to 31 March 2022.

The change in the real discount rate since 31 March 2022 is likely to place a lower value on the cost of future accrual which results in a lower primary contribution rate. The impact on secondary contributions will vary by employer.

However, the next formal valuation will be carried out as at 31 March 2025 with new contribution rates set from 1 April 2026. As part of the 2025 valuation, the Fund and us as the Fund Actuary will work together in setting the assumptions for the valuation.

Graeme Muir FFA
Partner, Barnett Waddingham LLP

17a) Actuarial Present Value of promised Retirement Benefits

In addition to the triennial funding valuation, the fund's actuary also undertakes a valuation of the pension fund liabilities on an IAS 19 basis every year using the same base data as the funding valuation rolled forward to the current financial year but taking account of changes in membership numbers and updating assumptions to the current year.

The actuarial (IAS19) present value of promised retirement benefits of the Pension Fund are set out in the following table. This reflects the underlying commitment of the Pension Fund in the long term to pay retirement benefits to its active (employee members), deferred and pensioner members. The liabilities include an allowance for the potential impact of the McCloud judgement. The value of the Fund's Assets in the table below is the net assets as per the pension fund's Net Asset Statement.

31 March 2022 £000		31 March 2023 £000
(4,858,955)	Present Value of the defined benefit obligation	(3,284,749)
3,012,906	Fair Value of Fund Assets (bid value)	3,006,986
(1,846,049)	**Net Liability**	**(277,763)**

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see note 17), in particular IAS19 stipulates a discount rate rather than a rate that reflects market rates. The actuary has also used valued ill health and death benefits in line with IAS19.

2021/2022 % pa	Assumptions	2022/2023 % pa
2.60	Discount Rate	4.80
3.20	Pension Increases	2.85
4.20	Salary Increases	3.85

The sensitivity of the assumptions on the value of liabilities have been calculated in the tables below:

	£000	£000
Sensitivity to:	**+0.1%**	**-0.1%**
Discount Rate	(3,229,882)	(3,341,108)
Long Term Salary Increases	(3,288,324)	(3,281,202)
Pension Increases and deferred revaluation	(3,338,560)	(3,232,349)
	+1 year	**-1 year**
Life Expectancy Assumptions	(3,411,094)	(3,163,664)

18) Long Term Debtors

As at 31 March 2023 the Fund had no long term debtors (2021/22 nil).

19) Current Assets

2021/2022 £000	Current Assets	2022/2023 £000
1,657	Contributions due from Administering Authority	1,552
10,119	Contributions due from other scheme employers	8,572
0	Civil Service Pensions Scheme	0
0	Bulk Transfer due from other Local Authorities	0
45	Other	421
11,821		**10,545**
49,711	Cash	66,445
61,532	Current Assets	**76,990**

The cash balance of £67.5 million is held in the Fund's own bank accounts. Cash held by the Fund's managers is included in cash deposits in Note 12.2 above.

20) Current Liabilities

2021/2022 £000	Current Liabilities	2022/2023 £000
290	Administration costs etc. due to Administering Authority	710
2,211	Investment managers' fees	2,304
145	Other professional fees	127
4	AVCs in transit	0
0	Death grants	0
204	Other	225
2,854		**3,366**
0	Provision for Tax Reclaims over 1 Year	0
2,854	Current liabilities	**3,366**

21) Additional Voluntary Contributions

Scheme members have the option to make additional voluntary contributions to enhance their pension benefits. These contributions are invested separately from the Fund's assets with Prudential and the Standard Life Assurance Company.

2021/2022 £000	Additional Voluntary Contributions	2022/2023 £000
5,381	Value at 1 April	**6,209**
	Income	
794	Contributions received	**996**
	Expenditure	
-215	Retirements	-489
-4	Transfers values paid	9
-219		**-480**
253	Change in market value	-478
6,209	Value at 31 March	**6,248**

In accordance with Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, additional voluntary contributions are excluded from the Fund Account and Net Assets Statement.

Breakdown of AVC Providers

	Prudential £000	Standard Life £000	Total £000
Value at 1 April 2022	**5,447**	**762**	**6,209**
Income			
Contributions received	990	6	996
Expenditure			
Retirements	-418	-71	-489
Transfers values paid	13	-4	9
	-405	**-75**	**-480**
Change in market value	-514	36	-478
Value at 31 March 2023	**5,518**	**730**	**6,248**

22) Related Party Transactions

Pension Fund Committee members and relevant senior officers are required to declare any interests in related party transactions and relationships between themselves, and their related parties, and the Pension Fund. Some of the Committee members also act as councillors or board members of the Fund's scheduled or admitted bodies, who maintain a conventional employer relationship with the Fund. Committee Members are also required to declare any company directorships. These are listed below but do not include representation of their respective bodies as Committee members:

- Councillor McMurdo is a member of the Bedfordshire & River Ivel Drainage Board.
- A member of Councillor McMurdo's immediate family is an employee of the Sharnbrook Academy Federation.
- Councillor Sawyer is a Director at Bedford Consulting Limited.
- Councillor Wenham is a Director at Raynsford Church of England Academy, Southeast Midlands Local Enterprise Partnership Limited, Henlow Pavilion Management Limited and Rasear Limited.
- Councillor Nicholls is a Non-executive Director of London Luton Airport Limited (Luton Rising).

There were no material transactions between members and officers and the Fund during 2022/2023.

The only material related party transactions during 2022/2023 were in respect of contributions paid by the employing bodies into the Fund. See Note 7.

Amounts owed to and from the administering authority can be seen in Notes 19 and 20.

The disclosures required by the above legislation can be found in the main accounts of Bedford Borough Council.

Administration and investment management costs include charges by Bedford Borough Council for providing services in its role as administering authority. For 2022/2023 these amounted to £1.4 million (2021/2022 £1.4 million).

The Administration team provide the legacy payroll for Teachers pension added years.

The Fund pays compensatory added years benefits on behalf of some of its employers. The costs of these are invoiced to the employer. In 2022/2023, £2.8 million (2021/2022 £2.9 million) was paid and recovered from employers.

Key Management Personnel

There are three senior officers of Bedford Borough Council involved in the financial management of Bedfordshire Pension Fund. They are the Assistant Chief Executive (Finance), the Fund Administrator and the Chief Officer for Bedfordshire Pension Fund. These officers charge a proportion of their time to the Pension Fund as part of Bedford Borough Council's role as administering authority. In 2022/2023, their remuneration was as follows:

2021/2022 £000		2022/2023 £000
108	Short-term benefits	102
19	Post-employment benefits	26
127		**128**

23) Contingent Liabilities and Contractual Commitments

There were no material contingent liabilities as at 31 March 2023. But there were outstanding capital commitments to investment vehicles of up to £434.7 million (31 March 2022: £362.9 million). These commitments relate to outstanding call payments (including recallable distributions) due on unquoted investments in infrastructure £190.6 million; private equity £83.7 million; real assets £4.6 million; private debt £119.0 million and climate opportunities £36.8 million. The amounts drawn down by the managers are irregular in both size and timing over typical periods of up to 6 years from the date of the original commitments.

SECTION 3
Investment Report

- *Investment Management*
- *Investment Activity and Performance*

Investment Management

Investment Powers

The principal powers to invest are contained within the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended). These regulations permit a wide range of investments, subject to specific restrictions limiting the proportion that may be invested in any one holding. In undertaking investment, the regulations require that the administering authority shall obtain and take account of proper advice. It must also consider the suitability of investments and the need for diversification. The Pension Fund Committee is satisfied that these requirements are fully met.

Myners' Principles for Institutional Investment Decision Making

Legislation requires Administering Authorities to publish a written Investment Strategy Statement, including the extent to which the administering authority has complied with the Myners' principles. The authority complies fully with all six principles as demonstrated in section 5 of the Fund's Investment Strategy Statement, reproduced in full on in the Appendices section of this report.

Investment Management

The Pension Fund Committee is responsible for the strategic management of the Fund including the appointment of external investment managers. Day-to-day management of the Fund's investments is delegated to fund managers per guidelines agreed with the Committee and specified in the Investment Management Agreement. Managers have discretion in the selection of investments, within the parameters of their mandate.

The current investment structure comprises a passively managed portfolio, together with actively managed specialist portfolios for bonds, property, absolute return multi asset funds, private equity and infrastructure.

The approach is for the specialist portfolios to add value by diversifying from the traditional asset classes. The investment managers and their respective mandates are shown below, the figures in brackets showing the percentage of the Fund's assets within each manager's remit based on market values at 31 March 2023.

Custody Arrangements

Northern Trust Company and CACEIS provide global custody services to the Fund across all asset classes.

Stock lending

There were no direct stock lending arrangements in place during 2022/2023.

The LGPS Code of Transparency

The Scheme Advisory Board (SAB) launched the LGPS Code of Transparency in 2017. The objectives of the Code are consistent with CIPFA's accounting standards for administering authorities' statutory annual reporting and the government's criteria for LGPS investment pooling.

Under the Code, investment managers are required, in a timely manner, to provide portfolio information in prescribed format to ensure clarity, transparency, consistency and comparability across the LGPS. All investment managers within Bedfordshire Pension Fund are signatories to the Code.

Funding Strategy Statement (FSS)

The current FSS was updated and approved by the Pension Fund Committee on 19 September 2023. It is included in this report within the Appendices section.

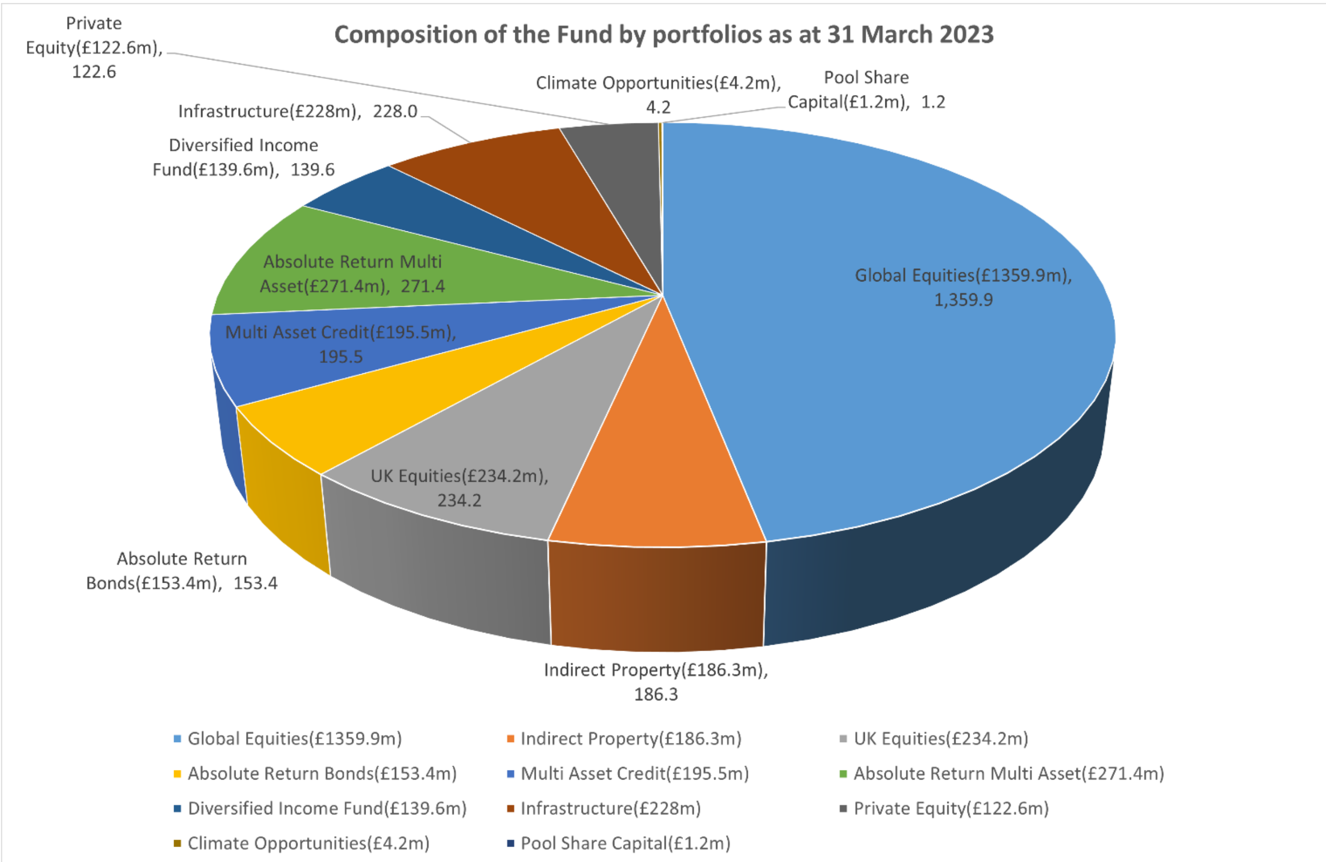
Monitoring and Review

The Pension Fund Committee holds quarterly meetings to monitor and review investment performance at total Fund and individual fund manager level. Also, regular and ad hoc business meetings are held to consider pertinent issues. In addition, the Committee conducts annual review in November to evaluate the activity and performance of fund managers over the previous calendar year and rolling periods. An Annual General Meeting of the Pension Fund is held and scheme employers are invited to raise questions and interact with the Committee, Fund advisers and officers.

Manager	Asset Class	2022/2023	
		£ million	%
Legal & General	Global Equities	563.7	18.6%
Blackrock	Global Equities	481.7	15.9%
CBRE	Indirect Property	186.3	6.2%
Legal & General	UK Equities	234.2	7.7%
Border to Coast	Global Equities	224.1	7.4%
Insight Investment	Absolute Return Bonds	153.4	5.1%
Border to Coast	Multi Asset Credit	195.5	6.5%
Pyrford	Absolute Return Multi-Asset	132.6	4.4%
Newton	Absolute Return Multi-Asset	138.9	4.6%
PIMCO	Multi Asset Credit	139.6	4.6%
Border to Coast	Infrastructure	206.4	6.8%
Blackrock	Emerging Markets	90.4	3.0%
Abrdn	Private Equity	57.7	1.9%
Border to Coast	Private Credit	64.9	2.1%
Border to Coast	Climate Opportunities	4.2	0.1%
Pantheon	Infrastructure	21.6	0.7%
Pool Share Capital	Equities	1.2	0.0%
Net Assets Managed by the Administering Authority		131.4	4.3%
Total Assets		**3,027.8**	**100.0%**

The benchmarks and target return for these portfolios are detailed in the Investment Strategy Statement, included in full within this report. The net assets managed by the administering authority are cash held internally at the Fund's banks less any Fund debtors and creditors.

Composition of the Fund by portfolio as at 31 March 2023



Investment Activity and Performance

Investment Activity

The Committee, in consultation with its advisers, considers the trade-offs between potential reward and risk, long-term objectives of the Fund, need for diversification and impact of implementation costs. The Committee's risk budget helps to determine the strategic asset allocations.

Passive managers track specified indices and active managers have full discretion to search and select investments within the parameters of their mandate.

During the year to 31 March 2023, the Committee reviewed and monitored the Pension Fund investment strategy to ensure appropriateness and consistency with the Fund's long-term funding and investment objectives and compliance from a pooling perspective.

Investment Performance

Investment performance service is provided by CACEIS, the Fund's global custodian. Total performance is measured against a blended benchmark set out in the Investment Strategy Statement.

Total return on the Fund's assets for the year to 31 March 2023 was -0.3% underperforming the benchmark of 1.2%. Over the 3-year period to 31 March
2023, the Fund delivered overall return of 9.3% pa, compared to the benchmark return of 9.9% pa. The Fund underperformed the benchmark, over a 5-year period, achieving total return of 5.4% pa, against a benchmark of 6.1% pa.

The returns of the underlying mandates and asset classes over 1-year, 3-year and 5-year periods are summarised in the table below.

	Last 12 months (%)			Last 3 years (% p.a.)			Last 5 years (% p.a.)		
	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative
Growth									
BlackRock ACS World Low Carbon Fund	-4.2	-4.7	**0.5**	-	-	-	-	-	-
BlackRock iShares Emerging Markets Index Fund	-5.1	-4.5	**-0.6**	-	-	-	-	-	-
LGIM Global Equity	0.6	0.9	**-0.4**	15.8	16.0	**-0.2**	7.2	7.4	**-0.1**
BCPP Global Equity Alpha	3.7	-0.9	**4.7**	18.6	16.0	**2.2**	-	-	-
abrdn Capital Partners Private Equity	19.0	10.0	**8.2**	23.0	10.0	**11.8**	23.2	10.0	**12.0**
BCPP Private Equity	-		-	-	-	-	-	-	-
Income									
CBRE UK Property	-16.9	-14.4	**-2.9**	1.1	2.6	**-1.5**	1.3	2.5	**-1.2**
Newton Absolute Return	-3.8	6.4	**-9.6**	5.6	4.9	**0.7**	4.5	4.8	**-0.3**
Pyrford Absolute Return	1.5	18.5	**-14.4**	4.7	12.9	**-7.2**	3.0	10.7	**-7.0**
BCPP Infrastructure	25.6	8.0	**16.3**	0.8	8.0	**-6.7**	-	-	-
BCPP Climate Opportunities	-		-	-	-	-	-	-	-
Pantheon Infrastructure	18.7	8.0	**9.9**	10.7	8.0	**2.6**	-	-	-
BCPP Private Debt	4.6	6.0	**-1.3**	-	-	-	-	-	-
BCPP Multi-Asset Credit	-3.3	5.9	**-8.7**	-	-	-	-	-	-
Volatility and treasury management									
Insight Responsible Credit Fund	2.6	5.5	**-2.7**	-	-	-	-	-	-
PIMCO - Diversified Income Fund	-0.3	1.7	**-1.9**	-	-	-	-	-	-
Total	-0.3	1.2	**-1.4**	9.3	9.9	**-0.5**	5.4	6.1	**-0.7**

Source: Hymans Robertson

Market review – Year to 31 March 2023

In 2022, extreme volatility plagued global markets. Equity markets were about 20% adrift, making it perhaps the worst year in over a decade. Bond markets tumbled in response to rising interest rates. The war in Ukraine and hikes in interest rates caused significant fluctuation in the prices of commodities. The war in Ukraine and heightened inflation impacted global economies as they emerged from the global pandemic. In the currency markets, the Turkish Lira fell by nearly 30% but rebounded strongly to finish the year around 80% up.

Global growth slowed over 2022 amid soaring inflation and interest rates, but falling energy prices, strong labour markets, and firm consumption led to an unexpected resilience.

Year-on-year headline CPI inflation peaked over the year at 11.1% in the UK. Despite an easing in inflation, largely owing to falling energy prices, headline CPI remained elevated in March 2023, at 10.1%, while core inflation measures (which exclude volatile energy and food components) remained well in excess of the central bank target, standing at 6.2% in March 2023. US and eurozone inflation followed a similar pattern over the year.

In response, the major central banks embarked on one of the most aggressive rate hiking cycles on record amidst concerns that core inflation might become ingrained. Interest rates were raised from historically low levels and reached 5.0% p.a., 4.25% p.a., and 3.0% p.a., in the US, UK, and eurozone, respectively.

High inflation and interest rate rises saw yields and volatility rise sharply in government bond markets. Additionally, the UK saw further volatility in gilt yields following a government mini-budget in September, with yields only falling back from their September peak following intervention by the Bank of England. UK 10-year yields increased from 1.6% p.a. to 3.5% p.a.

UK 10-year implied inflation, as measured by the difference between conventional and inflation-linked bonds of the same maturity, fell 0.8% p.a. to 3.6% p.a.

Despite recent tightening, inflation and growth concerns weighed on credit markets over the past year, with global investment grade credit spreads widening 0.3% p.a. to 1.5% p.a. and speculative-grade credit spreads widening 0.9% p.a., to 5.1% p.a.

Despite rallying strongly since its low in October 2022, the FTSE All World Index Total Return Index fell 5.0% over the period. Energy was the best performing sector, boosted by surging oil and gas prices. Consumer discretionary and technology were among the worst performing sectors over the year amidst cost-of-living pressures and rising rates, while recent banking stresses resulted in a significant hit to financial stocks.

The improvement in consumer and business sentiment in Europe, on the back of falling gas prices, led European equities to outperform. UK equities also experienced an outperformance due to above average exposure to the energy sector and sterling weakness for the most part of 2022, particularly against the dollar, which flattered the large proportion of overseas earnings in the index.

The UK sterling and Japanese Yen fell 2.7% and 4.2% respectively over the past 12 months in trade-weighted terms while equivalent dollar and euro measures rose 4.2% and 2.9%, respectively.

The MSCI UK Monthly Property Total Return Index declined 14.7% year-on-year primarily due to a 18.8% fall in capital values. Values fell across the three main commercial sectors and were most pronounced in the industrial sector.

SECTION 4
Pooling

- *Partner Funds*
- *Costs*
- *Risks*

Introduction

Bedfordshire Pension Fund is a founding member of the Border to Coast Pensions Partnership (BCPP) along with 10 other Pension Funds namely:-

Cumbria Pension Fund	South Yorkshire Pension Fund
Durham Pension Fund	Surrey Pension Fund
East Riding Pension Fund	Teesside Pension Fund
Lincolnshire Pension Fund	Tyne and Wear Pension Fund
North Yorkshire Pension Fund	Warwickshire Pension Fund

Border to Coast's contact details are: 5th Floor, Toronto Square, Leeds, LS1 HJ

Telephone 0113 487 2550 Company Registration Number10795539 BCPP is regulated by the Financial Conduct Authority (FRN 800511)

Key personnel include Rachel Elwell (Chief Executive Officer) and Chris Hitchen (Chairman).

Pooling Costs

The table below shows the costs Bedfordshire Pension Fund expects will be incurred in running BCPP in 2022/2023:

Pool Operating Costs	Governance	AUM Charge	Development	Global Real Estate	Alternatives	Projects	Real Estate	2022/2023 Total
	£000	£000	£000	£000	£000	£000	£000	£000
Partner Fund								
Bedfordshire	304	186	79	18	234	54	350	1,225
Cumbria	304	280	94	37	288	54	350	1,407
Durham	304	764	82	10	148	55	350	1,713
East Riding	304	1,751	143	20	129	55	350	2,752
Lincolnshire	304	446	36	13	0	54	350	1,203
North Yorkshire	304	845	90	19	283	54	350	1,945
South Yorkshire	305	4,422	200	47	722	55	350	6,101
Surrey	304	843	152	26	418	55	350	2,148
Teesside	304	2,207	71	0	219	55	350	3,206
Tyne & Wear	304	1,025	319	62	746	55	350	2,861
Warwickshire	304	308	43	15	154	54	350	1,228
Total Operating Costs	**3,345**	**13,077**	**1,309**	**267**	**3,341**	**600**	**3,850**	**25,789**

Bedfordshire Pension Fund owns £1 Type A Shares and Regulatory Capital Type B Shares of £1,182,000 in Border to Coast.

During 2022/23, Bedfordshire Pension Fund transitioned assets valued at £145.8m into the FCA approved private markets vehicles.

Risks Relating to Pooling

Bedfordshire Pension Fund has a risk register which is reviewed regularly to reflect the current risks There has been significant progress with pooling, including the strategic objective to accelerate the development and enhancement of the internal Border to Coast team. The focus of the last review in 2022/2023 has been to ensure that Border to Coast's process for new product development continues to take proper account of the Fund's views and that investment offerings (sub funds) are timely and suitable for the Fund to access. The risks previously identified are maintained with appropriate control measures in place.

These risks can be reviewed within the Risk Register which is available on the Fund's website.

	Cumulative to 2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Total Set up and Operating Costs	-0.60	-0.38	-0.43	-0.53	-0.59
Transition Costs	0.00	-0.13	0.00	-0.04	0.00
Total Fee Savings	2.67	0.74	1.32	2.36	3.26
Net Position	2.07	0.22	0.89	1.79	2.67
Cumulative Net Position	2.07	2.30	3.19	4.98	7.65

Source: Border to Coast

SECTION 5

Bedfordshire Local Pension Board

- *Annual Report of the Bedfordshire Local Pension Board*

Annual Report of Bedfordshire LGPS Pension Board for 2022/2023

1 Constitution, Representation and Attendance

1.1 The Bedfordshire LGPS Local Pension Board ("the Board") was constituted under the Public Service Pensions Act 2013. As such, the Board is not a Committee of Bedford Borough Council (the Council).

1.2 The first meeting of the Board took place on 25 June 2015. It consists of four representatives of the Scheme employers, and four representatives of the Scheme members, all of whom are voting members. Nominated substitutes are allowed. A non-voting Independent Chair has been appointed.

1.3 The Board met on four occasions during the year, on 12 May 2022, 28 July 2022, 20 October 2022 and 8 February 2023. Overall attendance during the year was 86%. Individual attendance records are shown in the Appendix.

1.4 Board meetings are open to the public, other than when considering exempt items. During the year, the meetings on 12 May and 28 July were held virtually and streamed live on YouTube to facilitate public participation. The meetings on 20 October and 8 February were held in Borough Hall, and were also streamed live on YouTube. The Board is empowered to continue with virtual or hybrid meetings.

1.5 To facilitate the operation of the Board, the Chair is invited as an observer to meetings of the Pension Fund Committee ("the Committee").

2 Functions and Operation of the Board

2.1 The two primary functions of a Local Pension Board (LPB) are to assist the Administering Authority to:

- ensure effective and efficient governance and administration of the LGPS;
- ensure compliance with relevant laws and regulations.

To help achieve this, under Regulation 106 (8) of the LGPS regulations 2013, "a local pension board shall have the power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions".

2.2 Therefore, the Board has a monitor/assist/review/scrutinise purpose, rather than being a decision-making body. It could be seen as being a critical but supportive friend. It sets its own agenda and has the opportunity to be selective and to probe particular topics in more depth than the Committee, which has a wider range of statutory responsibilities and decision-making. As such, the general approach of the Board is to seek assurances with evidence from the Fund and external bodies, that the Fund is meeting its objectives, producing the required statements and managing risks. The Board can commission its own reports and make recommendations to the Committee and to Officers.

2.3 In so doing, the Board is helping to manage the reputational risk of both the Fund and the Administering Authority. This is more critical now that the LGPS in England and Wales has both the Department for Levelling-Up, Housing and Communities (DLUHC) and the Pensions Regulator (TPR) as its regulators. The Administering Authority, and in extreme circumstances Board members, can be fined by TPR, which also has other powers available should breaches of the law and unacceptable standards occur.

2.4 The Board is supported by the Board Secretary and operates under Terms of Reference which were initially agreed by Council in March 2015. The Terms of Reference are reviewed annually. On 7 February 2018, the Council accepted recommendations from the Committee to make various revisions, including the desire to appoint an Independent Chair. The Council agreed further revisions on 13 January 2021. The current Terms of Reference and other information regarding the Pension Board can be located on the website.

2.5 In 2022/23 the direct costs of operating the Board amounted to £10,362, mainly relating to the costs of the provision of an Independent Chair, training fees and expenses for Board members. These costs do not include any indirect costs relating to officer time nor any apportioned costs for the use of premises, systems or services recharged to the Fund by the Council. The Board seeks approval from the Administering Authority for its budget on an annual basis. Mindful of delivering value for money, the Board endeavours to work in a cost-effective manner, as its costs are reflected in employer contribution rates.

3 Detailed Work of the Board

3.1 <u>Overview</u>

3.1.1. This is the eighth Annual Report produced by the Board. Since their inception, Local Pension Boards have become increasingly visible, as have the expectations of both TPR and the Scheme Advisory Board (SAB), who may make direct contact with Board Chairs.

3.1.2. As such, Boards are in a continuous state of evolution. This has manifested itself in a closer working relationship between the Committee and the Board. There are also half yearly meetings between the Board Chairs of the Pensions Funds who are members of the Border to Coast Pension Partnership (BCPP).

3.1.3. As Board Chair, I attend the Committee to discuss any recommendations from the Board.

3.1.4. Board meetings are scheduled before Committee meetings to enable the Board to give detailed consideration of the process and procedure of proposed new policies, or with reviews of existing policies, such that observations and recommendations from the Board are then integrated into the final report to the Committee and thus are taken into account as part of the decision-making process.

The Board takes satisfaction from its role as a sounding board in developing new policies and reviewing existing policies and statements.

The Pensions Regulator expects Boards to be in a position, if necessary, to challenge the Administering Authority on any decisions made. There were no such cases during the financial year 2022/2023.

3.1.5. The main elements of the work programme of the Board are governance, and oversight of the pensions administration function, which is run by an in-house team. A detailed and wide-ranging quarterly administration performance report is scrutinised at each ordinary meeting of the Board, comparing actual performance against both best practice and regulatory deadlines. Consideration is given to the focus on the priority tasks, and to the adequate resourcing of the Administration Team, including succession planning.

3.1.6 Amongst other objectives, the Board endeavours to help manage the reputational risk of the Fund.

Such a focus seeks assurances that the Fund is complying with its responsibilities, obligations and expectations. The Board is mindful that all scheme employers have a responsibility to provide complete, accurate, timely and secure information and data. The roll-out of access by scheme employers to the i-Connect facility should further improve data quality and reliability.

3.2 Risk management

3.2.1 The Pension Fund Committee owns the Risk Register. The Board's views on the Risk Register are sought as part of the governance of Pension Fund risks. The detailed assessment of the likelihood of each risk occurring and its impact is assessed in the light of the existence of the Board as an additional scrutiny resource. Review of the Risk Register is a standing item at Board meetings and the Board can make recommendations to the Committee to amend the Risk Register. Any recommendations from the Board are usually accepted by the Committee. The Board endeavours to identify new risks and the Risk Register is seen as a working document.

3.3 The Pensions Regulator (TPR)

3.3.1 The Pensions Regulator examines the Scheme on an ongoing basis and has, for example, highlighted delays across LGPS Funds in producing Annual Benefit Statements (ABS). The Board was pleased to note that BFP once again produced its ABS by the due date.

3.3.2. The Board undertakes an annual review of the Fund against the standards and expectations as reflected in TPR Code of Practice 14, on a red, amber, green basis: RAG. The assessment identifies areas in which the Fund needs to make improvements. The Board considers certain areas of the Code at any one time. No areas have red status. The Board studies and makes recommendations on amber items but would also challenge those areas assessed as "green", so seeking on-going assurance that the evidence supports each assessment. An interim review of any area of the Code is undertaken should circumstances so require.

3.3.3 The Board monitors TPR's annual review of its priorities, and studies its guidance, intervention reports and the reasons behind any fines it levies, reflecting these issues when setting the Board agenda. A particular focus of TPR is cyber security and pension scams, which have featured appropriately on Board agendas.

3.3.4. The Board continues to be mindful of TPR's Scheme Annual Return, which is a statutory document which Bedfordshire Pension Fund completed within the statutory deadline. The return shows percentages for the completeness and accuracy of "common data" and "scheme specific data". Using 2018/2019 data as a baseline, TPR measures and seeks annual improvements in data quality. Data quality for Bedfordshire is at a high level and a Data Improvement Plan is in place, which is reviewed by the Board.

3.4 Reporting and Recording Breaches

All breaches of the law are recorded. The Board, and everybody associated with the Fund, other than individual scheme members, have a responsibility to report significant breaches of law to TPR. The Board reviews any breaches of the law as a standing item on the agenda. During 2022/2023, as far as the Board was aware, no breaches were reported to TPR.

3.5 Scheme Advisory Board (SAB)

3.5.1. The Board monitors the focus and priorities of the SAB and takes them into account in setting the

Work Programme.

3.5.2. The SAB commissions periodic surveys of local pension boards, the outcomes of which are reported to the Board.

3.6 Review of Investment Issues

Whilst the majority of the Board work programme focuses on administration and governance issues, there is some involvement in investment issues.

3.6.1. As is expected under the Investment Regulations, the Board continues to monitor the on-going process for developing strategies for responsible investment, and the reporting of delivery against those strategies.

3.6.2. The Board continues to receive updates on progress by Border to Coast Pension Partnership (BCPP) regarding the pooling of investment assets. Representatives of the scheme members of the partner Funds observe the Joint Committee of BCPP and report back to scheme member representatives on partner Boards. The Pool has been accepted as a signatory of the Financial Reporting Council Stewardship Code.

3.6.3 The Board Chair participates, along with the other Board Chairs of the partner Funds, in half yearly discussion regarding aspects of governance and procedures within BCPP and the Joint Committee.

3.7 Scheme and Council documents

3.7.1. The Board examines the range of scheme documents expected to be in place. It has reported where it found gaps or a need to update. The Board also checks that appropriate information regarding the Board is shown on the website.

3.7.2 The Board pays particular regard to those standard documents which are sent to scheme members and may make recommendations regarding their content.

4. Ensuring Compliance with Regulatory Deadlines.

4.1 As the regulatory burden imposed on pension schemes continues to increase, so an increasing component of the Board agenda is ensuring compliance with regulatory deadlines, some of which represent an annual requirement, whilst others relate to the effective dates of new legislation and regulations. In all cases timely progress reports are received, so that the Board can consider whether any recommendations are needed to ensure that deadlines are met.

4.2 The changing working patterns, which were given added impetus by the pandemic in 2020, have resulted in a significant increase in home working. The Board is keeping the potential implications of home working under review.

4.3 In line with the majority of Local Authorities in England, the Bedford Borough Council Accounts for 2021/2022, which incorporate the Pension Fund Annual Report and Accounts, have not yet been signed off by the Auditors, for reasons beyond the control of the Pension Fund.

4.4 The Board continues to review and challenge on-going compliance in areas such as the General

Data Protection Regulation (GDPR) and cyber security guidance.

5 Board Self-Assessment

5.1 Following a dedicated training event, the Board has previously undertaken a self-assessment of its performance as a means of identifying how it could optimise the use of its time and add more value to Officers and to the Pension Fund Committee. In overall terms the Board felt that it was achieving its objectives. The Board will look to repeat this exercise.

6. Training

6.1 Each Board member must be conversant with the details of the Scheme, which translates as having a good working knowledge. The training policy for Board members is based on an individual training needs analysis and is therefore being individually tailored. This allows use of both the CIPFA Framework and TPR Toolkit. In addition, Board members are informed of external training opportunities such as CIPFA Pensions Network events and the annual LGA/LGPS Trustees Conference.

6.2 Board members are encouraged to attend at least two LGPS-focussed seminars/conferences each year.

6.3 On occasions Board members are invited to training provided for Committee members. New Board members are offered the opportunity to receive one to one training with the Board Chair on appointment. In addition, all new Board members are offered the opportunity to attend the three-day LGA Fundamentals course.

6.4 A specific training session is sometimes provided immediately before the Board meeting to consider a particular topic.

7. Work plan

7.1 The work plan for 2023/2024 covers the separate activity areas of:

- Pension Fund Annual Report and Accounts
- administration, including Key Performance Indicators and the Data Improvement Plan
- audit and risk management, including the Risk Register
- governance; including conflicts of interest, recording and, if appropriate, reporting breaches, and compliance with TPR Code of Practice 14
- specific training on the General Code, expected to be introduced by TPR during 2023, and consideration of how the Board continues to monitor compliance
- monitoring guidance from both TPR and SAB
- monitoring delivery and reporting by BCPP which has implications for Administering Authorities
- monitoring developments in responsible investment, including requirements under the new Stewardship Code, and reporting requirements in line with the recommendations of the Task Force on Carbon-related Financial Disclosures – TCFD, which are likely to be implemented during 2023/2024.
- oversight of the implications and implementation of the anticipated statutory guidance on the Good Governance proposals which may be implemented during 2023/2024
- compliance with external deadlines
- training
- member communications

- Pension Fund Business Plan

7.2 There is flexibility to allow for any additional reviews and developments.

8. Public accountability

8.1 As well as being open to the public, other than for occasional excluded items, the agendas, minutes and the Board Terms of Reference are available on the Bedford website at the following address:
https://www.bedspensionfund.org/Fund_information/pension_board/pension_board.aspx

As the recently appointed Chair of the LGPS Local Pension Board I wish to thank the Vice-Chair Cllr Blair and fellow Board members who have volunteered their time and energies in their roles. Grateful thanks are also expressed to the Board Secretary, the Chief Officer for Bedfordshire Pension Fund, the Pensions Manager, the Chair of the Pension Fund Committee, Democratic Services and other support officers. I also wish to thank my predecessor as Chair, Gerard Moore, for the exemplary service he has provided to the Board for the previous four years.

Ian Coleman
Independent Chair
Bedfordshire LGPS Local Pension Board

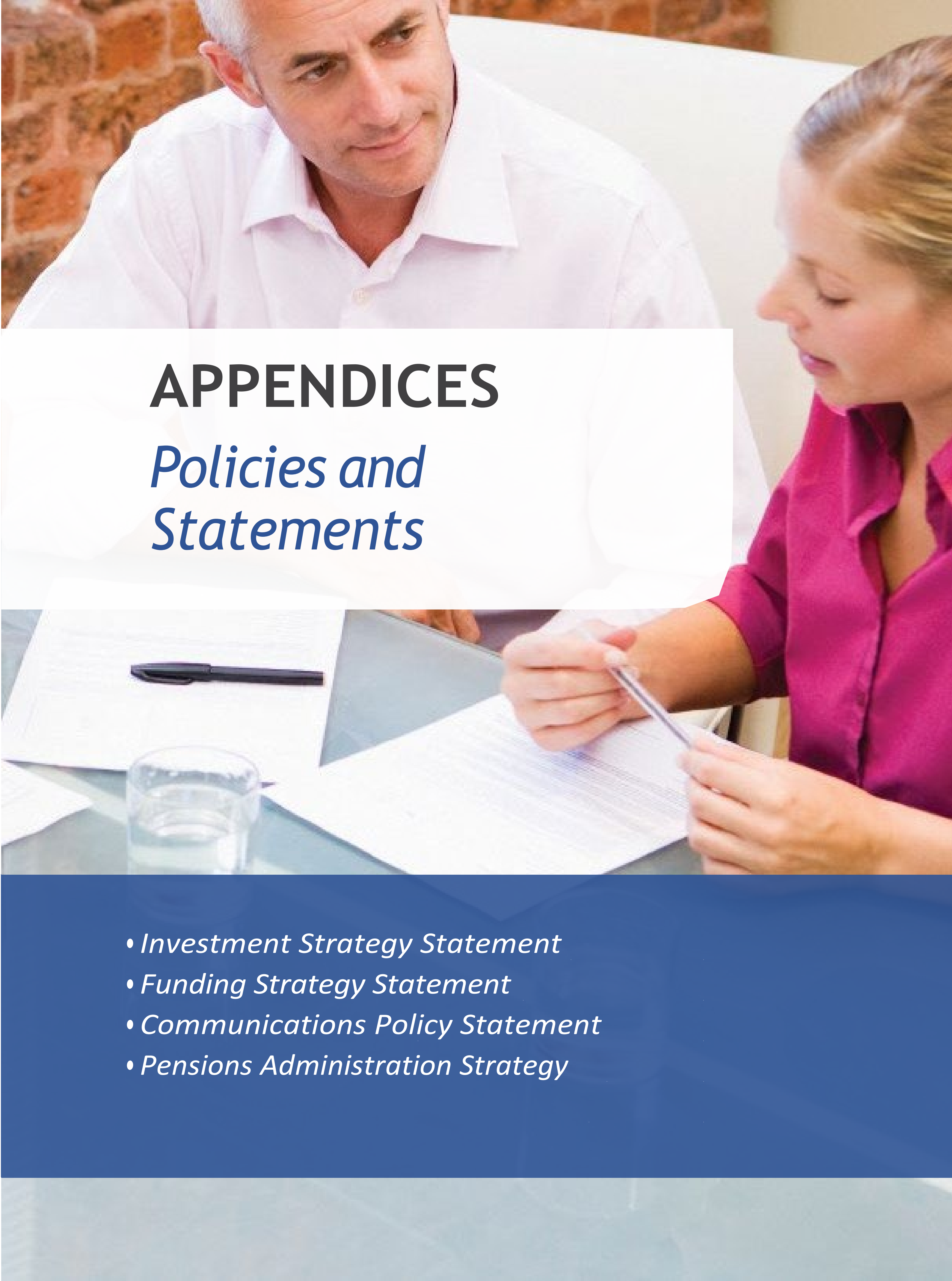
8 May 2023

APPENDIX

Attendance at Pension Board Meetings 2022/2023

Board Member	12 May 2022	28 July 2022	20 Oct 2022	08 Feb 2023
Hilde Hendrickx: (Employer Representative, Bedford Borough Council)	√	√	X	√
Mike Blair (Employer Representative - Central Bedfordshire Council)	X	√	√	√
Jacqui Burnett (Employer Representative - Luton Borough Council)	√	√	√	√
Stuart Goodwin (Employer Representative – Bedfordshire Police)	X	√	√	√
Martin Foster (Member Representative - GMB)	X	√	X	√
Kiran Mal (Member Representative - UNISON) – maternity leave from end of May 2022	√	N/A	N/A	N/A
John Wallace (Member Representative)	√	√	√	√
Emma Payne (Member Representative	X	√	√	√
Nafia Baust (Member Representative Sub) from end of May 2022	N/A	√	√	√
Ian Coleman (Independent Chair)	√	√	√	√
Overall attendance, including non-voting Chair 86%	63%	100%	78%	100%

All meetings were attended by the Independent Chair.



APPENDICES

Policies and Statements

- *Investment Strategy Statement*
- *Funding Strategy Statement*
- *Communications Policy Statement*
- *Pensions Administration Strategy*

Investment Strategy Statement

1. INTRODUCTION

1.1 Fund Details

1.1.1 The Investment Strategy Statement (“ISS”) of the [Bedfordshire] Pension Fund (“the Fund”), is administered by Bedford Borough Council, (“the Administering Authority”). The ISS is made in accordance with Regulation 7 of the Local Government Pension Fund (Management and Investment of Funds) Regulations 2016.

1.1.2 The ISS has been prepared by the Bedfordshire Pension Fund Committee (“the Committee”) having taken advice from the Fund’s investment adviser, Hymans Robertson LLP, and Independent Advisor. The Committee acts on the delegated authority of Bedford Borough Council as the Administering Authority.

1.1.3 The ISS, which was approved by the Committee on 21 June 2022, is subject to an annual review and full review every three years in line with the Triennial Valuation, and without delay after any significant change in investment policy. The previous review took place in 2021 and was approved by Committee on 8 June 2021.

1.1.4 The Committee seeks to invest in accordance with the ISS, any Fund money that is not needed immediately to make payments from the Fund. The ISS should be read in conjunction with the Fund’s Funding Strategy Statement (dated June 2021).

1.1.5 Administration of the Fund is the responsibility of Bedford Borough Council, which also has overall responsibility for the investment of the Fund’s assets. Day to day administration of the Fund is delegated to the Assistant Chief Executive (Finance)- (the Fund Administrator) supported by the Council’s Pension Fund Panel (the Panel).

1.1.6 In preparing this document, the Committee has consulted with such persons it considers appropriate, including the Fund’s Local Pension Board.

1.16 The Fund has chosen to opt up and be classified as a Professional client as defined in the Markets in Financial Instruments Directive II.

1.17 In December 2021, in line with the Competition and Market Authority’s Order, the Committee agreed a set of objectives with Hymans Robertson LLP and the Independent Investment Advisor. These objectives are reviewed on an annual basis.

2. INVESTMENT STRATEGY

2.1 The suitability of particular investments and types of investments

2.1.1 The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, on a defined benefits basis. This funding position is fully updated at each triennial actuarial valuation, and available on a regular basis updated for economic assumptions between valuations.

2.1.2 The Committee manages the Fund in such a manner that, in normal market conditions, the aim is for all accrued benefits to be fully covered by the value of the Fund's assets when they fall due and accordingly an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing. For employee members, benefits will be based on service completed but will take account of future salary and/or inflation increases.

2.1.3 The Committee takes environmental, social and corporate governance ("ESG") matters and stewardship extremely seriously with climate change identified as being a key risk to the Fund's investments. A Responsible Investment (RI) Sub-Committee has been established to take forward this agenda. The Committee has agreed a set of Responsible Investment Beliefs which inform the Investment Strategy. Each year the Fund conducts a review of its policies in this area and its investment managers' approach to ESG.

2.1.4 The Committee has translated its objectives into a suitable strategic asset allocation benchmark for the Fund. This benchmark is consistent with the Committee's views on the appropriate balance between generating a satisfactory long-term return on investments, whilst taking account of market volatility and various risks as well as the nature of the Fund's liabilities.

2.1.5 The investment strategy is reviewed on an annual basis, with a full refresh following each actuarial valuation of the Fund. This approach helps to ensure that the investment strategy takes account of the maturity profile of the Fund (in terms of the relative proportions of liabilities in respect of pensioners, deferred and active members), together with the level of disclosed surplus or deficit (relative to the funding bases used).

2.1.6 At each Valuation the Fund takes into consideration the Government Actuary's Department's s13 Report, and the Fund's funding position on a standardised basis, taking into account any recommendations arising.

2.1.7 In addition, the Committee monitors the Fund's investment strategy on an ongoing basis, focusing on factors including, but not limited to:

- Suitability given the Fund's level of funding and liability profile
- The level of expected risk
- Outlook for asset returns
- Changes in market conditions

2.1.8 The Committee also monitors the Fund's actual allocation on a regular basis to ensure it does not notably deviate from the target allocation. The strategic benchmark weights have ranges around them. If there is any rebalancing, then the most underweight asset allocation area will be the recipient of that rebalancing (assuming it is investible). This will be repeated for any additional cash available for investing subject to market conditions or other factors providing compelling reasons not to do so. Occasionally the Committee may agree to change the target allocation level where it believes such a change may help the Fund improve its risk adjusted returns, in keeping with its overall strategy of funding sufficiency.

2.1.9 The Committee has the following long-term assumptions (as at 31 March 2022) about investment.

Table 1: Asset Classes

Asset class	Expected return % p.a.	Expected Volatility % p.a.
Listed Equities	6.3	20
Private Equity	10.0	31
Property	5.0	15
Listed Infrastructure (equity)	5.6	18
Private Credit	6.8	12
Multi-asset credit	4.4	7
Absolute Return Multi Asset	4.9	9
Liquid Credit	4.4	7
Cash	2.4	0

Source: Hymans Robertson

2.1 Investment of money in a wide variety of investments - Asset classes

2.2.1 The Fund may invest in quoted and unquoted securities of UK and overseas markets including equities and fixed interest and index linked bonds, cash, property, infrastructure and commodities either directly or through pooled funds. The Fund may also make use of contracts for differences and other derivatives either directly or in pooled funds investing in these products for the purpose of efficient portfolio management or to hedge specific risks.

2.2.2 The Committee reviews the nature of Fund investments on a regular basis, with particular reference to suitability and diversification. The Committee seeks and considers written advice from a suitably qualified person in undertaking such a review. If, at any time, investment in a security or product not previously known to the Committee is proposed, appropriate training and advice is sought and considered to ensure it is suitable, consistent with the Committee's RI beliefs and provides diversification for the Fund.

2.2.3 The Fund's target investment strategy is set out below. The table shows the long-term target. It will take time to transition from the current allocation to the new mandates. The table also includes the maximum percentage of total Fund value to be invested in these asset classes (as defined by the upper range levels).

2.2.4 In line with the regulations, the authority's investment strategy does not permit more than 5% of the total value of all investments to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007(e).

Table 2: Fund Allocation

Asset class	Long-term Target Allocation %	Allocation Range %
Listed Equities	50.0%	40%-60%
Private Equity	4.5%	0%-5%
Growth assets	**54.5%**	
Property	10%	5%-15%
Infrastructure (equity)	10%	0%-15%
Private Credit	5.0%	0%-10%
Multi-asset credit	7.5%	5%-12.5%
Absolute Return Multi Asset	3.0%	0%-3%
Income	**35.5%**	
Liquid credit	10.0%	5%-15%
Cash	<1.0%	0-2%
Volatility and Treasury Management	**10%**	
Total	**100%**	

Source: Hymans Robertson

2.2.5 The Fund has invested in private markets that take time to deploy capital. These investments are expected to be funded from the existing multi asset funds. The Committee has agreed that over time the Fund's strategic allocation to absolute return multi-asset will be reduced. The proceeds from this mandate will be used to fund allocations to asset classes such as infrastructure, private credit and private equity. However, the Committee is aware that private market investments take time to deploy capital, with money committed but not drawn down immediately. This investment phase can take several years. During this investment period the Fund will retain an overweight allocation to absolute return multi-asset which will be monitored and reassessed as part of future reviews.

The cost of carrying out the investment management function, which includes both the fees paid to the Investment Managers and the internal costs of the Borough Council, are benchmarked against annual data derived by the Department for Levelling Up, Housing and Communities (DLUHC) from the Pension Funds' Accounts return competed for all Local Government Pension Scheme Funds (Form SF3). The Fund also uses CEM Benchmarking to compare against the global Pension Funds.

2.2.6 For each asset class the Fund has set an appropriate benchmark (please see table 3 below). These benchmarks reflect the long term target where changes to the tactical allocation have been agreed, but not yet enacted.

Table 3: Mandate benchmarks and targets

Asset class	Benchmark %	Target of Fund assets
UK Equities - Active	FTSE All Share	7%
Global Regional Equities	MSCI Emerging Markets	3%
Global Equities - Passive	MSCI World (BlackRock)	16%
Global Equities - Passive	Solactive L&G ESG Global Markets Index (LGIM)	17%
Global Equities - Active	MSCI All Country World	7%
Private equity	Absolute 10%	4.5%
Property	AREF/IPD UK QPFI All Balanced Property Fund Index	6%
	Global Property Index to be confirmed	4%
Multi Asset	SONIA 30 Day Compounded + 4%	3%
Private credit	Absolute 6%	5.0%
Infrastructure	Absolute 8%	10%
Multi-asset credit	SONIA + 3-4%	7.5%
Liquid credit	1/3 Bloomberg Barclays Global Aggregate Credit ex-Emerging Markets 1/3 Bank of America Merrill Lynch BB-B Rated Developed Markets High Yield Constrained and 1/3 JP Morgan EMBI Global	5.0%
	SONIA + 4%	5.0%

2.2 Restrictions on investment

2.2.1 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 have removed the previous restrictions that applied to the 2009 Regulations. The Fund has agreed a number of its own restrictions as set out in the table below. All other investment restrictions will be negotiated with fund managers or the Border to Coast Pension Partnership Pool (BCPP), subject to the Fund receiving appropriate investment and/or legal advice.

Table 4: Investment Restrictions

Type of investment	Maximum investment by the Fund % of assets
1. Contributions invested in any single partnership	5%
2. Contributions invested in partnerships	30%
3. Cash deposits	10%
4. Investment with any single active manager strategy either directly or via BCPP	15%
5. Total investment in illiquid assets[1]	30%

[1] Private Equity, Infrastructure, Private Credit and Property Unit Trusts classified as illiquid

2.2.2 These limits are monitored by the Fund monthly, and reported to the Pension Fund Committee on a quarterly basis. Any breach of the 2016 Regulations would be reported to the Pensions Regulator in line with the Fund's Breaches of the Law Policy, that is available on the Fund's website www.bedspensionfund.org.

2.3 Managers

2.3.1 The Committee has appointed a number of investment managers all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business.

2.3.2 The Committee, after seeking appropriate investment advice, has agreed specific benchmarks with each manager so that, in aggregate, they are consistent with the overall asset allocation for the Fund. The Fund's investment managers will hold a mix of investments which reflects their views relative to their respective benchmarks. Within each major market and asset class, the managers will maintain diversified portfolios through direct investment or pooled vehicles. The managers of the passive funds in which the Fund invests holds a mix of investments within each pooled fund that reflects that of their respective benchmark indices.

2.4 The approach to risk, including the ways in which risks are to be measured and managed

2.4.1 The Committee recognises that the Fund has a need to take risk (e.g. investing in growth assets) to help it achieve its funding objectives. It has an active risk management programme in place that aims to help it identify the risks being taken and put in place processes to manage, measure, monitor and (where possible) mitigate the risks being taken. One of the Committee's overarching beliefs is to take only as much investment risk as is necessary.

2.4.2 Risk is considered at each review of the Investment Strategy in relation to advice from the Fund's Actuary including the liabilities of the Fund to ensure that the projected level of investment risk undertaken is appropriate.

2.4.3 The principal risks affecting the Fund are set out below, we also discuss the Fund's approach to managing these risks and the contingency plans that are in place:

2.4.4 Funding risks

- Financial mismatch – The risk that Fund assets fail to grow in line with the developing cost of meeting the liabilities.
- Changing demographics –The risk that longevity improves, and other demographic factors change, increasing the cost of Fund benefits.
- Systemic risk – The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Fund's liabilities.
- Climate risk - The impact on the Fund's investments of the realignment of the economic system towards low-carbon, climate resilient or carbon positive solutions and the physical impacts of climate change such as rising temperatures, changing rainfall, flooding and extreme weather.
- Bio diversity risk – The impact on the Fund's investments from behaviour or practices that are [possibly retrospectively] determined to undermine biodiversity of local environments, and may give rise to future liabilities, reputational risk and/or render current business activities uneconomic.

2.4.5 The Committee measures and manages financial risk in two ways. As indicated above, the Committee has set a strategic asset allocation benchmark for the Fund. This benchmark was set taking into account asset liability modelling which focused on both the probability of success and the level of downside risk. The Committee assesses risk relative to the strategic benchmark by monitoring the Fund's asset allocation and investment returns relative to the benchmark. The Committee also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

2.4.6 The Committee also seeks to understand the assumptions used in any analysis and modelling so they can be compared to their own views and the level of risks associated with these assumptions to be assessed.

2.4.7 The Committee uses passive (market cap) investments where it does not believe active management can add value. Additionally, in relation to climate and broader ESG risks the LGIM and BlackRock global equity passive funds use 'ESG' aligned indices reflecting the Committees commitment and desire to actively manage such risk factors.

2.4.8 The Committee seeks to mitigate systemic risk through a diversified portfolio, but it is not possible to make specific provision for all possible eventualities that may arise under this heading.

2.4.9 The Committee seeks to address climate and broader ESG risks within its investment holdings in a proactive manner. It is committed to carrying out regular carbon and ESG monitoring with the initial baseline exercise to be completed in 2022. It is also in the process of agreeing its 'roadmap' to net-zero zero in conjunction with Borders to Coast, as described below in Section 4.1.2.

2.4.10 Asset risks

- Concentration - The risk that a significant allocation to any single asset category and its underperformance relative to expectation, would result in difficulties in achieving funding objectives;
- Illiquidity - The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets;
- Currency risk – The risk that the currency of the Fund's assets underperforms relative to Sterling (i.e. the currency of the liabilities);
- Environmental, social and governance – The risk that ESG related factors reduce the Fund's ability to generate the long-term returns.
- Manager underperformance - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.

2.4.11 The Committee measure and manage asset risks as follows.

- The Fund's strategic asset allocation benchmark invests in a diversified range of asset classes. The Committee has put in place rebalancing arrangements to ensure the Fund's "actual allocation" does not deviate substantially from its target. However as private markets are invested over time, in the early stages it is likely that there will be a shortfall between the benchmark and actual assets held. Further, the Fund invests in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, help reduce the Fund's asset concentration risk. By investing across a range of assets, including liquid quoted equities and bonds, as well as property, the Committee has recognised the need for access to liquidity in the short term.

- The Fund invests in a range of overseas markets which provides a diversified approach to currency markets; the Committee also assess the Fund's currency risk during their risk analysis.

- The Committee consider the risk of underperformance by any single investment manager and manage this risk by appointing a number of managers and having a sizeable proportion of the Fund's assets managed on a passive basis. The Committee assess the performance of the Fund's managers on a regular basis, and will take steps, including potentially replacing managers, if underperformance persists or the Committee believes that the Manager is not capable of achieving its performance objectives in the future. The Committee, as part of their decision making, may also take into account other factors/changes such as changes to the structure of the Fund, the Manager's company status or changes to key personnel in the investment team).

- The Committee has developed an RI policy highlighting its beliefs and priorities in this area. This policy is reviewed periodically and shared with all managers. Additionally, the Committee regularly engages with managers to ensure ESG factors are fully incorporated into the investment decision making process (or manager appointment process in respect of Border to Coast) in a manner that reflects the Committee's beliefs and priorities where possible. More specifically, the Fund invests in passive 'ESG' focussed strategies as part of its wider growth allocation to better capture and manage relevant opportunities and risks respectively.

2.4.12 Other provider risk

- Transition risk - The risk of incurring unexpected costs in relation to the transition of assets between managers. When carrying out significant transitions, the Committee will seek suitable professional advice.

- Custody risk - The risk of losing economic rights to Fund assets, when held in custody or being traded;

- Credit default - The possibility of default by a counterparty which could impair its ability to meet its obligations to the Fund.

- Stock-lending – The possibility of default and loss of economic or voting rights to Fund assets.

2.4.13 The Committee monitors and manages risks in these areas through a process of regular scrutiny of its providers, and audit of the operations it conducts for the Fund. Where appropriate the Committee has delegated such monitoring and management of risk to the appointed investment managers (e.g. custody risk in relation to pooled funds). The Committee retains the right to replace a provider should serious concerns exit in relation to these matters.

2.4.14 A separate schedule of risks that the Fund monitors is set out in the Fund's Funding Strategy Statement.

3 INVESTMENT POOLING

3.1 Border to Coast

3.1.1 In order to satisfy the requirements of the Local Government Pension Scheme: Investment Reform and Guidance issued by the then Department for Communities and Local Government (DCLG) in November 2015, the Administering Authority has elected to become a shareholder in Border to Coast Pension Partnership Limited (BCPP).

3.1.2 The partner Funds submitted their proposal to Government on 15 July 2016 and have received written confirmation from the Secretary of State to confirm that the proposal meets the criteria laid down in the guidance issued in November 2015 and set out below:

a) Asset pool(s) that achieve the benefits of scale;

b) Strong governance and decision making;

c) Reduced costs and excellent value for money; and

d) An improved capacity to invest in infrastructure.

3.1.3 BCPP was created in 2017 as a wholly owned private limited company registered in England and Wales, authorised and regulated by the Financial Conduct Authority (FCA) as an alternative investment fund manager (AIFM). BCPP currently has 11 equal shareholders who comprise of the following Funds:

Bedfordshire Pension Fund

Cumbria Pension Fund

Durham Pension Fund

East Riding Pension Fund

Lincolnshire Pension Fund

North Yorkshire Pension Fund

South Yorkshire Pension Fund

Surrey Pension Fund

Teesside Pension Fund

Tyne and Wear Pension Fund

Warwickshire Pension Fund

3.2 Structure and governance of BCPP Ltd

3.2.1 The eleven Partner Funds and BCPP work collaboratively to build the investment capabilities required to ensure that the Partner Funds are able to efficiently and effectively deliver their Strategic Asset Allocations in line with the following guiding principles:

• Meeting central Government's aims for governance, responsible investing, infrastructure and value for money

• One fund, one vote

• Funds retaining governance role and ownership of asset allocation

• Generating improved net-of-fees risk adjusted performance

• Border to Coast internal management capability

• Improved resilience and capacity over existing structures

• A shared team in one location

3.2.2 In order to hold BCPP to account, and to meet FCA requirements for a regulated asset manager, the Partner Funds stand at arms-length to Border to Coast during implementation and ongoing management of the sub-funds.

3.2.3 The investment performance and capability of BCPP is overseen on a day to day basis by senior officers at each partner fund, and more formally on a quarterly basis by the Joint Committee, which is constituted of elected members from each partner fund. BCPP's performance as a company is overseen by shareholder representatives from the eleven administering authorities both on an ongoing basis and formally once a year at its AGM

3.2.4 The governance structure of BCPP is as follows: The following groups support the governance of BCPP:

Joint Committee

The Joint Committee is constituted from the eleven Pension Fund Chairs who meet quarterly. It is the collaborative vehicle through which the individual Partner Funds provide collective oversight of the performance and direction of BCPP. Its remit includes oversight of progress towards the pooling of Partner Fund assets as a whole.

Officer Groups

The Joint Committee is supported by the respective Authority s151 and Monitoring Officers and the Officer Operations Group (OOG), constituted from officers of the eleven Funds. These groups meet to discuss issues and give input to both Elected

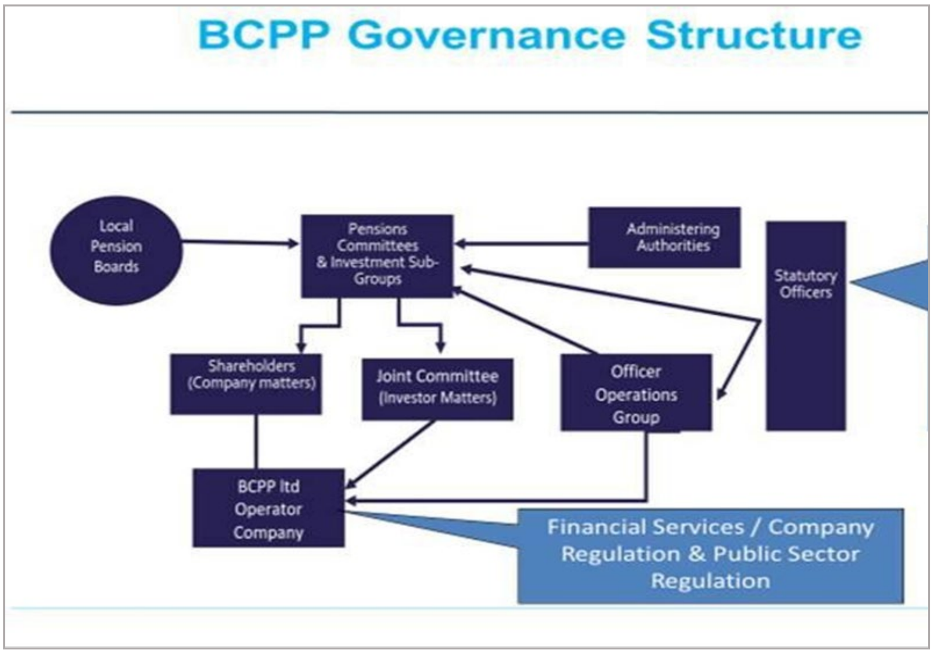
Members and BCPP. The OOG meets bi-monthly with part of the meeting being attended by Border to Coast, and part in closed session. The OOG work collaboratively to ensure that due diligence over BCPP investment capabilities is carried out effectively on behalf of Pension Committees.

Local Pension Boards

In line with their role in other administrative and governance matters, the local pension boards provide support and challenge to the Pension Fund Committee's decisions and decision-making process in relevant investment areas, and look to ensure appropriate governance is in place to provide effective monitoring.

Advisers

Regulations require that Pension Funds take professional advice in respect of any investment decisions. This is generally provided through Funds' Investment Consultants and/or Independent Advisors who work with the Pension Fund Committee and Officers to ensure that the strategic asset allocation can be effectively implemented through the use of the sub-funds available at BCPP.



3.3 Assets to be invested in BCPP Ltd

3.3.1 The Pension Fund's intention is to invest its assets via BCPP Ltd as and when suitable sub-funds become available. An indicative timetable for participating Funds to invest through BCPP Ltd was set out in the July 2016 submission to Government and this has been updated as progress has been made. For reasons of commercial sensitivity, the Governance Calendar has not been replicated in the Investment Strategy Statement.

3.3.2 At the time of preparing this statement, the Fund has made commitments to the following funds, which is incorporated into the Asset Allocation in Section 2.

- Global Equities
- Infrastructure
- Climate Opportunities Fund
- Private Credit
- Private Equity
- Multi Asset Credit

3.1.4 BPF has previously determined that all asset allocation and investment decisions should be made primarily on a financial assessment of risk and return. The Fund's Equity Allocations that sit within Life Funds are not at the current time expected to transfer to BCPP as the cost would be prohibitive and there would be no expected longer-term cost savings.

3.1.5 Therefore, along with the majority of Funds in BCPP, it is not proposed that BPF makes an application to request a dispensation from pooling in this regard.

4 APPROACH TO ENVIRONMENT, SOCIAL OR CORPORATE GOVERNANCE

4.1 How environmental, social or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments

4.1.1 It is recognised that ESG factors influence long term investment performance and the ability to achieve long term sustainable returns. The Committee considers the Fund's approach to responsible investment in two key areas:

- **Sustainable investment / ESG factors** – considering the financial impact of environmental, social and governance (ESG) factors on its investments.

- **Stewardship and governance** – acting as responsible and active investors/owners, through considered voting of shares, and engaging with investee company management via Fund managers as part of the investment process.

4.1.2 The Committee takes ESG matters very seriously, and has established a Responsible Investment Sub-Committee to take forward this important agenda. The Committee has established their RI Beliefs and guiding principles which are set out in Appendix 2. These beliefs alongside the wider RI policy are shared with each investment manager for completeness. Furthermore, each year the Pension Fund Committee conducts a review of its policies in this area and the approach of its investment managers' to ESG.

4.1.3 At the present time the Committee does not make investments purely on non-financial factors, however it may take into account non-financial factors such as environmental, social and governance (ESG) issues when selecting, retaining, or realising its investments.

4.1.4 To date, the Fund's approach to Social Investments has largely been to delegate this to their underlying investment managers as part of their overall ESG duties. The Fund's managers report on this matter as part of the Fund's annual ESG review.

4.1.5 The Fund does not currently hold any assets which it deems to be Social Investments.

4.2 Voting rights

4.2.1 The Committee has delegated the exercise of voting rights to the investment manager(s) on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. Accordingly, the Fund's managers have produced written guidelines of their process and practice in this regard. The managers are strongly encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings of companies under Regulation 7(2)(f). The Committee monitors the voting decisions made by all its investment managers on a regular basis.

4.3 Stewardship

4.3.1 The Committee has agreed to adhere to the UK Stewardship Code as published by the Financial Reporting Council (FRC). The FRC has revised the Stewardship Code for 2020 which requires asset owners and asset managers to achieve higher standards stewardship through twelve apply and explain principles. The Fund is working towards being recognised as a signatory to the Code in 2022/2023. As part of this process the Committee is in the process of drafting a new voting and engagement policy that will note key engagement themes to share with managers and to inform relevant voting guidelines. The Pension Fund Committee expects both the BCPP Pool and any directly appointed fund managers to be signatories to the UK Stewardship Code 2020.

4.3.2 As part of its compliance with the UK Stewardship Code, the Fund has adopted a set of Voting Intention Guidelines (See Appendix 1). The Committee publishes an annual report of voting activity as part of the Fund's annual report. The Fund believes in collective engagement and is a member of the Local Authority Pension Fund Forum (LAPFF), through which it collectively exercises a voice across a range of corporate governance issues. The Fund is also a member of the Institutional Investors Group on Climate Change (IIGCC) and the Carbon Disclosure Project (CDP). BPF is also a signatory to the Paris Pledge for Action 2015 and the letter to G20 leaders setting out recommendations for achieving the Paris Agreement's goals.

Appendix 1

Voting Policy Directors' Contracts

1.	Combination of Chairman and Chief Executive posts	**Vote Against**
2.	No requirement for subsequent re-election	**Vote Against**
3.	Rolling contracts up to 1 year	**Vote For**
4.	Rolling contracts longer than one year	**Vote Against**
5.	Fixed contracts up to 2 years	**Vote For**
6.	Fixed contracts over 2 years	**Vote Against**

Share Options or Incentive Schemes

7.	Where full disclosure of all emoluments received by Directors is not made	**Vote Against reappointment of all Directors**
8.	Where full and clear disclosure of the basis of performance related payments is not made	**Vote against reappointment of Chairman of Remuneration Committee as a Director**
9.	Share Options or Incentive schemes with no performance targets	**Vote against**
10.	Share Options with unclear or unambitious targets	**Vote against**

Internal Committees

11.	Where the Remuneration Committee is not composed solely of Independent Non Executive Directors	**Vote Against all Executive Directors on Remuneration Committee**
12.	Where there is no Audit Committee	**Vote Against acceptance of Accounts**
13.	Where the Audit Committee does not have a majority of Non Executive Directors	**Vote Against acceptance of Accounts**

Other Issues

14.	Issue of shares not consistent with pre-emption guidelines	**Vote Against**
15.	Material inadequacies in the Annual Report and accounts	**Vote Against acceptance of Accounts**
16.	Resolution to make party political donations	**Vote Against**

Remuneration

The Pension Fund Committee recognises that remuneration has become an emotive subject which, because of media focus, can cloud the real issues. It is considered that investee companies should have an approved remuneration policy in place which:

- regards performance related bonuses as an investment by the company to improve its performance. Any remuneration committee should satisfy itself that, as with any other investment, the returns justify the expenditure;
- should not be based upon performance reward criteria which encourage short term thinking and disregard the long term interests of the company;
- rewards recipients for exceptional and not for average performance;
- awards bonuses in the form of shares (held in trust) thereby subjecting Directors to the same risks and interests as shareholders;
- requires any contractual compensation for loss of office to be paid annually and be dependent upon the individual not acquiring another comparable post.

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Investment Managers to the Fund will be expected to monitor companies' compliance with these guidelines and, in the event of any material variation, will vote against the reappointment of remuneration committee members.

The Committee also recognise that there are certain areas of Corporate Governance where it is more difficult to be prescriptive. In these circumstances it has asked the Investment Managers to the Fund to judge each issue on a case-by-case basis and vote the shares in the best long term interests of the Fund. Issues which fall into this area are:

1 The Board shall consist of at least 3 Non-Executive Directors;
2 Insufficient biographical information on any Director;
3 Bundled resolutions at AGM;
4 Resolutions not supported by the Board.

APPENDIX 2

Responsible Investment Beliefs

Objective agreed:

To deliver a better, more sustainable investment return over the long-term consistent with funding plans.

Beliefs articulated

The output of the meeting (to be ratified at the September Committee meeting) were the following set of beliefs.

Investment strategy

1. Having a responsible investment policy that is specific to the Fund should lead to better financial outcomes.
2. Having a responsible investment policy should lead to better outcomes for society.
3. Businesses with more sustainable practices and more effective management of ESG risks should outperform over the long term.
4. Allowing for the impact of ESG issues has many dimensions to it, including its interaction with the increasing development and use of technology and the impact of that on labour relations.
5. Financial risks should take precedence, so ESG investing needs to seek to have a positive impact on long- term returns
6. The Fund should consider avoiding exposure to securities where environmental or social aspects will be financially detrimental to the portfolio.

Engagement and voting

1. Engagement in a company is more effective then disinvesting from the company.
2. Engagement and voting are influential and can be effective in changing behaviour and improving the Fund's performance as well as having a positive impact on the environment/society.
3. Collaboration with other investors gives the Fund a stronger voice.

Managers

1. The Fund's investment managers should embed the consideration of ESG factors into their investment process and decision making.
2. ESG is one of many factors that plays a part in the investment decisions making process.
3. ESG factors will evolve over time and the Fund's investment managers should seek to take a long-term view, allowing for direction of travel of investee companies and not only current scoring.
4. The choice of benchmark for a passive manager is important as it defines the investment portfolio.

5 The key influence an investor has on a passive manager is the choice of benchmark and level and type of engagement.

6 The Fund should be an active owner seeking to influence behaviour in investee companies.

7 The Fund should consider alternative indices that reflect ESG factors, but also be wary of conflicts of interest that exist for the providers of those indices.

Monitoring and Governance

1 The Fund needs to engage and challenge managers on integrating ESG issues in their investment process in line with the Fund's RI beliefs.

2 The Committee should expect its investment managers to provide investment solutions in line with its RI beliefs.

3 Given their resource and expertise the Pool (BCPP) have a responsibility to provide leadership on ESG issues.

4 The Committee should consider all stakeholders' views when developing its RI policy.

5 ESG factors should be incorporated into manager's standard reporting as part of wider transparency principle.

Priority for RI consideration and engagement

The Committee identified Company Stewardship, Climate and involvement in anti-social activities (e.g. weapons) as its priorities for RI consideration.

Bedfordshire Pension Fund
Funding Strategy Statement

Contents

Introduction

This is the Funding Strategy Statement for the Bedfordshire Pension Fund (the Fund). It has been prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 as amended (the Regulations) and describes Bedford Borough Council's strategy, in its capacity as administering authority, for the funding of the Bedfordshire Pension Fund.

The Fund's employers and the Fund Actuary, Barnett Waddingham LLP, have been consulted on the contents of this statement.

This statement should be read in conjunction with the Fund's Investment Strategy Statement (ISS) and has been prepared with regard to the guidance (*Preparing and Maintaining a funding strategy statement in the LGPS 2016 edition)* issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Purpose of the Funding Strategy Statement

The purpose of this Funding Strategy Statement (FSS) is to:

- Establish a clear and transparent fund-specific strategy that will identify how employers' pension liabilities are best met going forward;
- Support the desirability of maintaining as nearly constant a primary contribution rate as possible, as defined in Regulation 62(6) of the Regulations;
- Ensure that the regulatory requirements to set contributions to meet the future liability to provide Scheme member benefits in a way that ensures the solvency and long-term cost efficiency of the Fund are met; and
- Take a prudent longer-term view of funding those liabilities.

Aims and purpose of the Fund

The aims of the Fund are to:

- Manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due;
- Enable primary contribution rates to be kept as nearly constant as possible and (subject to the administering authority not taking undue risks) at reasonable cost to all relevant parties (such as the taxpayers, scheduled, resolution and admitted bodies), while achieving and maintaining Fund solvency and long-term cost efficiency, which should be assessed in light of the risk profile of the Fund and employers, and the risk appetite of the administering authority and employers alike; and
- Seek returns on investment within reasonable risk parameters.

The purpose of the Fund is to:

- Pay pensions, lump sums and other benefits to Scheme members as provided for under the Regulations;
- Meet the costs associated in administering the Fund; and
- Receive and invest contributions, transfer values and investment income.

Funding objectives

Contributions are paid to the Fund by Scheme members and the employing bodies to provide for the benefits which will become payable to Scheme members when they fall due.

The funding objectives are to:

- Ensure that pension benefits can be met as and when they fall due over the lifetime of the Fund;
- Ensure the solvency of the Fund;
- Set levels of employer contribution rates to target a 100% funding level over an appropriate time period and using appropriate actuarial assumptions, while taking into account the different characteristics of participating employers;
- Build up the required assets in such a way that employer contribution rates are kept as stable as possible, with consideration of the long-term cost efficiency objective; and
- Adopt appropriate measures and approaches to reduce the risk, as far as possible, to the Fund, other employers and ultimately the taxpayer from an employer defaulting on its pension obligations.

In developing the funding strategy, the administering authority should also have regard to the likely outcomes of the review carried out under Section 13(4)(c) of the Public Service Pensions Act 2013. Section 13(4)(c) requires an independent review of the actuarial valuations of the LGPS funds; this involves reporting on whether the rate of employer contributions set as part of the actuarial valuations are set at an appropriate level to ensure the solvency of the Fund and the long-term cost efficiency of the Scheme so far as relating to the pension Fund. The review also looks at compliance and consistency of the actuarial valuations.

Key parties

The key parties involved in the funding process and their responsibilities are set out below.

The administering authority

The administering authority for the Fund is Bedford Borough Council. The main responsibilities of the administering authority are to:

- Operate the Fund in accordance with the LGPS Regulations and the Fund's Pension Administration Strategy (the statement which outlines the policies and performance standards of the Fund);
- Collect employee and employer contributions, investment income and other amounts due to the Fund as stipulated in the Regulations;
- Invest the Fund's assets in accordance with the Fund's Investment Strategy Statement (ISS);
- Pay the benefits due to Scheme members as stipulated in the Regulations;
- Ensure that cash is available to meet liabilities as and when they fall due;
- Take measures as set out in the Regulations to safeguard the Fund against the consequences of employer default;
- Manage the actuarial valuation process in conjunction with the Fund Actuary;
- Prepare and maintain this FSS and also the ISS after consultation with other interested parties;
- Monitor all aspects of the Fund's performance;
- Effectively manage any potential conflicts of interest arising from its dual role as both Fund administrator and Scheme employer; and
- Enable the Local Pension Board to review the valuation process as they see fit.

Scheme employers

In addition to the administering authority, a number of other Scheme employers participate in the Fund.

The responsibilities of each 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;
- Develop a policy on certain discretions and exercise those discretions as permitted under the Regulations;
- Meet the costs of any augmentations or other additional costs in accordance with agreed policies and procedures; and
- Pay any exit payments due on ceasing participation in the Fund.

Scheme members

Active Scheme members are required to make contributions into the Fund as set by the Department for Levelling Up, Housing and Communities (DLUHC).

Fund Actuary

The Fund Actuary for the Fund is Barnett Waddingham LLP. The main responsibilities of the Fund Actuary are to:

- Prepare valuations including the setting of employers' contribution rates at a level to ensure Fund solvency and long-term cost efficiency after agreeing assumptions with the administering authority and having regard to the FSS and the Regulations;
- Prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters such as pension strain costs, ill-health retirement costs, compensatory added years costs, etc.;
- Provide advice and valuations on the exiting of employers from the Fund;
- Provide advice and valuations relating to new employers, including recommending the level of bonds or other forms of security required to protect the Fund against the financial effect of employer default;
- Assist the administering authority in assessing whether employer contributions need to be revised between valuations as permitted or required by the Regulations;
- Ensure that the administering authority is aware of any professional guidance or other professional requirements which may be of relevance to their role in advising the Fund; and
- Advise on other actuarial matters affecting the financial position of the Fund.

Funding strategy

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.

The most recent actuarial valuation of the Fund was carried out as at 31 March 2022. The results of the 2022 valuation are set out in the table below:

2022 valuation results	
Surplus (Deficit)	(£251m)
Funding level	92%

On a whole Fund level, the primary rate required to cover the employer cost of future benefit accrual was 20.0% of payroll p.a.

The individual employer contribution rates are set out in the Rates and Adjustments Certificate which forms part of the Fund's 2022 valuation report. The employers must pay contributions in line with the Rates and Adjustment Certificate but they may be able to alter the timing of contributions payable and/or pay in additional contributions with agreement from the administering authority.

The actuarial valuation involves a projection of future cashflows 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. A summary of the methods and assumptions adopted is set out in the sections below.

Funding method

The key objective in determining employers' contribution rates is to establish a funding target and then set levels of employer contribution rates to meet that target over an agreed period.

The funding target is to have sufficient assets in the Fund to meet the accrued liabilities for each employer in the Fund.

For all employers, the method adopted is to consider separately the benefits accrued before the valuation date (past service) and benefits expected to be accrued after the valuation date (future service). These are evaluated as follows:

- The past service funding level of the Fund. This is the ratio of accumulated assets to liabilities in respect of past service of all members. It makes allowance for future increases to members' pay and pensions and includes all member types. If the value of the assets exceeds the value of the liabilities this will result in surplus in the Fund; whilst if the value of the liabilities exceeds the value of the assets this will results in a deficit in the Fund; and
- The future service funding rate (also referred to as the primary rate as defined in Regulation 62(5) of the Regulations) is the level of contributions required from the individual employers which, in combination with employee contributions is expected to cover the cost of benefits accruing in future.

The adjustment required to the primary rate to calculate an employer's total contribution rate is referred to as the secondary rate, as defined in Regulation 62(7) which is the additional amount needed to fund any deficit or surplus in the Fund. Further details of how the secondary rate is calculated for employers is given below in the Deficit recovery/surplus amortisation periods section.

The approach to the primary rate will depend on specific employer circumstances and in particular may depend on whether an employer is an "open" employer – one which allows new recruits access to the Fund, or a "closed" employer – one 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 total contribution rate.

For open employers, the actuarial funding method that is adopted is known as the Projected Unit Method. The key feature of this method is that, in assessing the future service cost, the primary rate represents the cost of one year's benefit accrual only.

For closed employers, the actuarial 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 a specific period, such as the length of a contract or the remaining expected working lifetime of active members.

The approach by employer may vary to reflect an employer's specific circumstance, however, in general the closed employers in the Fund are admission bodies who have joined the Fund as part of an outsourcing contract and therefore the Attained Age Method is used in setting their contributions. All other employers (for example councils, higher education bodies and academies) are generally open employers and therefore the Projected Unit Method is used. The administering authority holds details of the open or closed status of each employer.

Valuation assumptions and funding model

In completing the actuarial valuation it is necessary to formulate assumptions about the factors affecting the Fund's future finances such as price inflation, pay increases, investment returns, rates of mortality, early retirement and staff turnover etc.

The assumptions adopted at the valuation can therefore be considered as:

- The demographic (or statistical) assumptions which are essentially estimates of the likelihood or timing 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

The base assumption in any valuation is the future level of price inflation over a period commensurate with the duration of the liabilities, as measured by the Retail Price Index (RPI). This is derived using the 20 year point on the Bank of England implied Retail Price Index (RPI) inflation curve, with consideration of the market conditions over the six months straddling the valuation date. The 20 year point on the curve is taken as 20 years is consistent with the average duration of an LGPS Fund.

A deduction of 0.3% p.a. is applied to the yield at the 20 year point to reflect the shape of the yield curve. A further deduction of 0.4% p.a. is applied to reflect the view that investors are willing to pay a premium for inflation-linked products in return for protection against unexpected inflation.

Future pension increases

Pension increases are linked to changes in the level of the Consumer Price Index (CPI). Inflation as measured by the CPI has historically been less than RPI due mainly to different calculation methods. However, RPI is due to be aligned with CPIH (CPI but with allowance for housing costs) from 2030.

Therefore, reflecting the anticipated amendment to RPI from 2030 and therefore the relative difference between RPI and CPI, a deduction of 0.35% p.a. is made to the RPI assumption to derive the CPI assumption.

Future pay increases

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 increases. Historically, there has been a close link between price inflation and pay increases with pay increases exceeding price inflation in the longer term. The long-term pay increase assumption adopted as at 31 March 2022 was CPI plus 1.0% p.a. which includes allowance for promotional increases.

Future investment returns/discount rate

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.

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 Fund's long-term 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.

It may be appropriate for an alternative discount rate approach to be taken to reflect an individual employer's situation. This may be, for example, to reflect an employer targeting a cessation event or to reflect the administering authority's views on the level of risk that an employer poses to the Fund. The Fund Actuary will incorporate any such adjustments after consultation with the administering authority.

A summary of the financial assumptions adopted for the 2022 valuation is set out in the table below:

Financial assumptions as at 31 March 2022	
CPI inflation	2.9% p.a.
Pension/deferred pension increases and CARE revaluation	In line with CPI inflation
Pay increases	CPI inflation + 1.0% p.a.
Discount rate	4.6% p.a.

Asset valuation

For the purpose 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. This is referred to as the smoothed asset value and is calculated as a consistent approach to the valuation of the liabilities.

The Fund's assets are allocated to employers at an individual level by allowing for actual Fund returns achieved on the assets and cashflows paid into and out of the Fund in respect of each employer (e.g. contributions received and benefits paid).

Demographic assumptions

The demographic assumptions incorporated into the valuation are based on Fund-specific experience and national statistics, adjusted as appropriate to reflect the individual circumstances of the Fund and/or individual employers.

Further details of the assumptions adopted are included in the Fund's 2022 valuation report.

McCloud/Sargeant judgments

When the Government reformed public service pension schemes in 2014 and 2015 they introduced protections for older members. In December 2018, the Court of Appeal ruled that younger members of the Judges' and Firefighters' Pension schemes have been discriminated against because the protections do not apply to them. The Government has confirmed that there will be changes to all main public sector schemes, including the LGPS, to remove this age discrimination. A consultation has been run in relation to the changes proposed for the LGPS and legislation is now being drafted to bring forward these changes. We understand the updated Regulations are to be consulted on over the course of 2022/2023 with revised Regulations effective from October 2023.

For the 2022 valuation, as required by the Department for Levelling Up, Housing & Communities, in calculating the value of members' liabilities it was assumed that:

- The current underpin (which only applies to those members within 10 years of their NPA at 31 March 2012) will be revised and will apply to all members who were active in the Scheme on or before 31 March 2012 and who join the post 1 April 2014 scheme without a disqualifying service gap;
- The period of protection will apply from 1 April 2014 to 31 March 2022 but will cease when a member leaves active service or reaches their final salary scheme normal retirement age (whichever is sooner);
- Where a member remains in active service beyond 31 March 2022 the comparison of their benefits will be based on their final salary when they leave the LGPS or when they reach their final salary scheme normal retirement age (again whichever is sooner);
- Underpin protection will apply to qualifying members who leave active membership of the LGPS with an immediate or deferred entitlement to a pension; and
- The underpin will consider when members take their benefit.

Further details of this can be found below in the Regulatory risks section.

Guaranteed Minimum Pension (GMP) indexation and equalisation

On 23 March 2021, the Government published the outcome to its Guaranteed Minimum Pension Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching State Pension Age (SPA) beyond 5 April 2021. This is a permanent extension of the existing 'interim solution' that has applied to members with a GMP reaching SPA on or after 6 April 2016. Details of the consultation outcome can be found here.

The 2022 valuation approach for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the government providing the remainder of the inflationary increase. For members that reach SPA after this date, the Fund will be required to pay the entire inflationary increase.

Deficit recovery/surplus amortisation periods

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. This theory applies down to an individual employer level; each employer in the Fund has their own share of deficit or surplus attributable to their section of the Fund.

Where the valuation for an employer discloses a deficit then the level of required employer contributions includes an adjustment to fund the deficit over a maximum period of 14 years unless transition arrangements apply. The adjustment is set either as a percentage of payroll or as a fixed monetary amount but must be agreed with the administering authority.

Where the valuation for an employer discloses a surplus then the level of required employer contribution may include an adjustment to amortise the surplus over a period as agreed with the administering authority.

The deficit recovery period or amortisation 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 (including any security in place) and any limited period of participation in the Fund;
- The remaining contract length of an employer in the Fund (if applicable); and
- The implications in terms of stability of future levels of employers' contribution.

A general summary of the approach used for employers in the Fund is set out in the table below, however, the approach adopted may differ to reflect the situation specific to the employer.

Type of employer	Examples	Maximum recovery period	Basis of calculation of rates	Basis of Secondary Rate
Major scheduled bodies	Local Authorities, Police, Fire	14 years	Funding basis	Fixed sum
Small scheduled bodies	Town and parish councils	14 years	Funding basis	Percentage of payroll
Higher and further education bodies	Colleges, universities	9 years	Minimum risk basis	Fixed sum
Academies	Academies, free schools	9 years	Funding basis	Percentage of payroll
Admission bodies	Contractors	9 years or remaining contract length	Funding basis where a guarantor exists, otherwise a minimum risk basis	Fixed sum

Stability of future levels of employer contribution rates

One of the Fund's key objectives is to build up the required assets in such a way that employer contribution rates are kept as stable as possible, with consideration of the long-term cost efficiency objective. In the interests of stability and affordability of employer contributions, the administering authority, on the advice of the Fund Actuary, believes that contributions will be kept stable where appropriate. However, where the contribution rate paid is less than the theoretical contribution rate this is likely to result in an increasing deficit position for an individual employer and so the employers should be aware of the risks of this approach and should consider making additional payments to the Fund if possible.

In circumstances where the employer contributions need to be increased at a material rate, the administering authority will engage with individual employers around the stability and affordability of employer contributions. They may seek some form of security in the form of a bond of guarantee, in order to provide a more stable arrangement in the form of stepped contributions.

Pooling of individual employers

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.

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.

The funding pools adopted for the Fund at the 2022 valuation are summarised in the table below:

Pool	Type of pooling	Notes
Town and Parish Councils	Past and future service pooling	All town and parish councils in the pool pay the same total contribution rate and have the same funding level. Bedford Borough Council, Luton Borough Council and Central Bedfordshire Council collectively act as guarantor to this funding pool.
Academies	Past and future service pooling	A single academy pool was established as part of the 2022 valuation. Contribution rates for each academy in the pool are set to target the same total contribution rate from 1 April 2029. In order to manage the change in contribution rates for the academies, annual changes in contribution rates will be subject to a maximum of 1.5% p.a. unless agreed separately with the administering authority. Academies have the same funding level.

Pool	Type of pooling	Notes
Ill-health and death-in-service risk pooled employers	Ill-health and death-in service risk only	Applies to all employers in the Fund apart from the three unitary councils.

The main purpose of pooling is to produce more stable employer contribution levels, although recognising that ultimately there will be some level of cross-subsidy of pension cost amongst pooled employers.

Forming/disbanding a funding pool

Where the Fund identifies a group of employers with similar characteristics and potential merits for pooling, it is possible to form a pool for these employers. Advice should be sought from the Fund Actuary to consider the appropriateness and practicalities of forming the funding pool.

The Fund is keen to help academies move to full past and future service pooling within individual multi-academy trusts. This can help to stabilise contribution rates (at the expense of cross-subsidy between the employers in the pool during the period between valuations). This would result in all academies participating in a single trust to pay the same (pooled) contribution rate and have the same funding levels. These employers would share experience and risks within the trust which would reduce volatility over the long-term as well as being easier to administrate. The administering authority would be keen to engage with multi-academy trusts from an early stage to target implementing this change in approach by the next valuation or this valuation.

Conversely, the Fund may consider it no longer appropriate to pool a group of employers. This could be due to divergence of previously similar characteristics or an employer becoming a dominant party in the pool (such that the results of the pool are largely driven by that dominant employer). Where this scenario arises, advice should be sought from the Fund Actuary.

Funding pools should be monitored on a regular basis, at least at each actuarial valuation, in order to ensure the pooling arrangement remains appropriate.

Risk-sharing

There may be employers that participate in the Fund who would wish to operate a risk-sharing arrangement in place with another employer in the Fund.

For example, employers may want to consider pass-through provisions: whereby the employer does not take on the risk of underfunding as this risk remains with the letting authority or relevant guaranteeing employer. In general, when the pass-through employer ceases participation in the Fund, it is not responsible for making any exit payment, nor receiving any exit credit, as any deficit or surplus ultimately falls to the letting authority or relevant guaranteeing employer. Any arrangement should be clearly documented and would need approval by the administering authority to be administered through the Fund.

At the 2022 valuation, risk-sharing arrangements were allowed for by allocating any deficit/liabilities covered by the risk-sharing arrangement to the relevant responsible employer following agreement of the letting authority.

Contribution payments

Employers pay contributions on a monthly basis. Primary contributions are certified as a percentage of payroll and therefore amounts paid by employers each month will fluctuate in line with payroll each month. Secondary contributions can be certified as a percentage of payroll or as a monetary amount. Monetary amounts are payable in 12 equal monthly instalments throughout the relevant year.

Employers must pay contributions in line with the Rates and Adjustments Certificate but they may be able to alter the timing of contributions payable and/or pay in additional contributions earlier with agreement from the administering authority.

New employers joining the Fund

When a new employer joins the Fund, the Fund Actuary is required to set the contribution rates payable by the new employer and allocate a share of Fund assets to the new employer as appropriate. The most common types of new employers joining the Fund are admission bodies and new academies. These are considered in more detail below.

Admission bodies

New admission bodies in the Fund are commonly a result of a transfer of staff from an existing employer in the Fund to another body (for example as part of a transfer of services from a council or academy to an external provider under Schedule 2 Part 3 of the Regulations). Typically these transfers will be for a limited period (the contract length), over which the new admission body employer is required to pay contributions into the Fund in respect of the transferred members.

Funding at start of contract

Generally, when a new admission body joins the Fund, they will become responsible for all the pensions risk associated with the benefits accrued by transferring members and the benefits to be accrued over the contract length. This is known as a full risk transfer. In these cases, it may be appropriate that the new admission body is allocated a share of Fund assets equal to the value of the benefits transferred, i.e. the new admission body starts off on a fully funded basis. This is calculated on the relevant funding basis and the opening position may be different when calculated on an alternative basis (e.g. on an accounting basis).

However, there may be special arrangements made as part of the contract such that a full risk transfer approach is not adopted. In these cases, the initial assets allocated to the new admission body will reflect the level of risk transferred and may therefore not be on a fully funded basis or may not reflect the full value of the benefits attributable to the transferring members.

Contribution rate

The contribution rate may be set on an open or a closed basis. Where the funding at the start of the contract is on a fully funded basis then the contribution rate will represent the primary rate only; where there is a deficit allocated to the new admission body then the contribution rate will also incorporate a secondary rate with the aim of recovering the deficit over an appropriate recovery period.

Depending on the details of the arrangement, for example if any risk sharing arrangements are in place, then additional adjustments may be made to determine the contribution rate payable by the new admission body. The approach in these cases will be bespoke to the individual arrangement.

The total employer contribution rate will be subject to a minimum of 10% p.a.

Security

To mitigate the risk to the Fund that a new admission body will not be able to meet its obligations to the Fund in the future, the new admission body must provide a form of security in accordance with Schedule 2 Part 3 of the Regulations, which may take the form of a bond, if required by the letting authority and administering authority.

If, for any reason, it is not desirable for a new admission body to enter into a bond, the new admission body may provide an alternative form of security which is satisfactory to the administering authority.

Risk-sharing

Although a full risk transfer (as set out above) is most common, subject to agreement with the administering authority where required, new admission bodies and the relevant letting authority may make a commercial agreement to deal with the pensions risk differently. For example, it may be agreed that all or part of the pensions risk remains with the letting authority.

Although pensions risk may be shared, it is common for the new admission body to remain responsible for pensions costs that arise from:

- above average pay increases, including the effect on service accrued prior to contract commencement; and
- redundancy and early retirement decisions.

The administering authority may consider risk-sharing arrangements as long as the approach is clearly documented in the admission agreement, the transfer agreement or any other side agreement. The arrangement also should not lead to any undue risk to the other employers in the Fund.

Legal and actuarial advice in relation to risk-sharing arrangements should be sought where required.

New academies

When a school converts to academy status, the new academy (or the sponsoring multi-academy trust) becomes a Scheme employer in its own right.

Funding at start

On conversion to academy status, the new academy will become part of the Academies funding pool and will be allocated assets based on the funding level of the pool at the conversion date.

Contribution rate

All new academies who join the Fund after 1 April 2023 should pay the contribution rate certified for the Academies funding pool at the 2022 valuation. Please note, this includes new academies that are part of a multi academy trust currently paying a stepped rate.

Contribution reviews between actuarial valuations

It is anticipated for most Scheme employers that the contribution rates certified at the formal actuarial valuation will remain payable for the period of the rates and adjustments certificate. However, there may be circumstances where a review of the contribution rates payable by an employer (or a group of employers) under Regulation 64A is deemed appropriate by the administering authority.

A contribution review may be requested by an employer or be required by the administering authority. The review may only take place if one of the following conditions are met:

(i) it appears likely to the administering authority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation;

(ii) it appears likely to the administering authority that there has been a significant change in the ability of the Scheme employer or employers to meet the obligations of employers in the Scheme; or

(iii) a Scheme employer or employers have requested a review of Scheme employer contributions and have undertaken to meet the costs of that review. A request under this condition can only be made if there has been a significant change in the liabilities arising or likely to arise and/or there has been a significant change in the ability of the Scheme employer to meet its obligations to the Fund.

Guidance on the administering authority's approach considering the appropriateness of a review and the process in which a review will be conducted is set out the Fund's separate Contribution Review Policy. This includes details of the process that should be followed where an employer would like to request a review.

Once a review of contribution rates has been agreed, unless the impact of amending the contribution rates is deemed immaterial by the Fund Actuary, then the results of the review will be applied with effect from the agreed review date, regardless of the direction of change in the contribution rates.

Note that where a Scheme employer seems likely to exit the Fund before the next actuarial valuation then the administering authority can exercise its powers under Regulation 64(4) to carry out a review of contributions with a view to providing that assets attributable to the Scheme employer are equivalent to the exit payment that will be due from the Scheme employer. These cases do not fall under the separate contribution review policy.

With the exception of any cases falling under Regulation 64(4), the administering authority will not accept a request for a review of contributions where the effective date is within 12 months of the next rates and adjustments certificate.

Cessation valuations

When a Scheme employer exits the Fund and becomes an exiting employer, as required under the Regulations the Fund Actuary will be asked to carry out an actuarial valuation in order to determine the liabilities in respect of the benefits held by the exiting employer's current and former employees. The Fund Actuary is also required to determine the exit payment due from the exiting employer to the Fund or the exit credit payable from the Fund to the exiting employer.

Any deficit in the Fund in respect of the exiting employer will be due to the Fund as a single lump sum payment, unless it is agreed by the administering authority and the other parties involved that an alternative approach is permissible. For example, the assets and liabilities relating to the employer may transfer within the Fund to another participating employer.

In assessing the value of the liabilities attributable to the exiting employer, the Fund Actuary may adopt differing approaches depending on the employer and the specific details surrounding the employer's cessation scenario.

Managing exit payments

Where a cessation valuation reveals a deficit and an exit payment is due, the expectation is that the employer settles this debt immediately through a single cash payment. However, should it not be possible for the employer to settle this amount, providing the employer puts forward sufficient supporting evidence to the administering authority, the administering authority may agree a deferred debt agreement (DDA) with the employer under Regulation 64(7A) or a debt spreading agreement (DSA) under Regulation 64B.

Under a DDA, the exiting employer becomes a deferred employer in the Fund (i.e. they remain as a Scheme employer but with no active members) and remains responsible for paying the secondary rate of contributions to fund their deficit. The secondary rate of contributions will be reviewed at each actuarial valuation until the termination of the agreement.

Under a DSA, the cessation debt is crystallised and spread over a period deemed reasonable by the administering authority having regard to the views of the Fund Actuary.

Whilst a DSA involves crystallising the cessation debt and the employer's only obligation is to settle this set amount, in a DDA the employer remains in the Fund as a Scheme employer and is exposed to the same risks (unless agreed otherwise with the administering authority) as active employers in the Fund (e.g. investment, interest rate, inflation, longevity and regulatory risks) meaning that the deficit will change over time.

Guidance on the administering authority's policy for entering into, monitoring and terminating a DDA or DSA is set out in the Fund's separate DSA and DDA policies document here. This includes details of when a DDA or a DSA may be permitted and the information required from the employer when putting forward a request for a DDA or DSA.

Exit credit policy

Any surplus in the Fund in respect of the exiting employer may be paid from the Fund to the employer as an exit credit, subject to the agreement between the relevant parties and any legal documentation.

Under advice from DLUHC, administering authorities should set out their exit credit policy in their Funding Strategy Statement.

In assessing the exit credit payable to the exiting employer, the administering authority will consider whether the level of funding risk that the exiting employer was exposed to. Where the exiting employer demonstrates that no funding risk was taken by them, it may be appropriate to transfer all the former employer's assets and liabilities in the Fund to the subsuming body with no requirement for the exiting employer to pay any deficit and therefore no return of surplus to the departing employer, as agreed with the departing employer. The administering authority would require evidence of the agreement of the exiting employer and subsuming body to such an arrangement with written instruction to this effect. In the absence of satisfactory evidence of such an arrangement being in place, the administering authority should pay any exit credit to the departing employer as required by the Regulations.

Therefore, having regard to any relevant considerations, the administering authority will take the following approach to the payment of exit credits:

- Any employer who cannot demonstrate that they have been exposed to underfunding risk during their participation in the Fund will not be entitled to an exit credit payment. This is on the basis that these employers would not have not been asked to pay an exit payment had a deficit existed at the time of exit.
- The administering authority does not need to enquire into the precise risk sharing arrangement adopted by an employer but it must be satisfied that the risk sharing arrangement has/has not been in place before it will pay out an exit credit. The level of risk that an employer has borne will be taken into account when determining the amount of any exit credit. It is the responsibility of the exiting employer to set out why the arrangements make payment of an exit credit appropriate.
- Any exit credit payable will be subject to a maximum of the actual employer contributions paid into the Fund as certified in the Rates and Adjustments certificate only which will therefore exclude early retirement costs.
- As detailed above, the Fund Actuary may adopt differing approaches depending on the specific details surrounding the employer's cessation scenario. The default approach to calculating the cessation position will be on a minimum-risk basis unless it can be shown that there is another employer in the Fund who will take on financial responsibility for the liabilities in the future. If the administering authority is satisfied that there is another employer willing to take on responsibility for the liabilities (or that there is some other form of guarantee in place) then the cessation position may be calculated on the ongoing funding basis.
- The administering authority will pay out any exit credits within six months of the cessation date where possible. A longer time may be agreed between the administering authority and the exiting employer where necessary. For example if the employer does not provide all the relevant information to the administering authority within one month of the cessation date the administering authority will not be able to guarantee payment within six months of the cessation date.
- Under the Regulations, the administering authority has the discretion to take into account any other relevant factors in the calculation of any exit credit payable and they will seek legal advice where appropriate.

Town and Parish Councils

A Town or Parish Council in the Fund will participate in the Fund as part of the Town and Parish Councils funding pool.

Bedford Borough Council, Luton Borough Council and Central Bedfordshire Council collectively act as guarantor for the Town and Parish Councils funding pool. Therefore, when a Town or Parish Council becomes an exiting employer, the exit valuation will generally be carried out by the Fund Actuary on an ongoing funding basis and the residual assets and liabilities in respect of the Town or Parish Council will remain in the Town and Parish Councils funding pool. Circumstances may arise where this approach is not appropriate and these will be reviewed on a case by case basis.

A Town or Parish Council may defer their exit if the last member leaves the Fund but the Town or Parish Council is intending to offer the scheme to a new employee within the next three years. This will be in agreement with the Fund, and any suspension period will be time-limited and at the discretion of the Fund.

Bulk transfers

Bulk transfers of staff into or out of the Fund can take place from other LGPS Funds or non-LGPS Funds. In either case, the Fund Actuary for both Funds will be required to negotiate the terms for the bulk transfer – specifically the terms by which the value of assets to be paid from one Fund to the other is calculated.

The agreement will be specific to the situation surrounding each bulk transfer but in general the Fund will look to receive the bulk transfer on no less than a fully funded transfer (i.e. the assets paid from the ceding Fund are sufficient to cover the value of the liabilities on the agreed basis).

A bulk transfer may be required by an issued Direction Order. This is generally in relation to an employer merger, where all the assets and liabilities attributable to the transferring employer in its original Fund are transferred to the receiving Fund.

Links with the Investment Strategy Statement (ISS)

The Investment strategy is set by the administering authority and the ISS sets out the overarching asset allocation and target returns of the various different assets held by the Fund. The ISS is normally reviewed alongside the FSS but it will be kept under regular review to ensure that it remains appropriate.

The main link between the FSS and the ISS 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 long-term investment strategy as set out in the ISS.

As explained above, the ongoing discount rate that is adopted in the actuarial valuation is derived by considering the expected return from the long-term investment strategy. This ensures consistency between the funding strategy and investment strategy.

Risks and counter measures

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.

The major risks to the funding strategy are financial, although there are other external factors including demographic risks, regulatory risks and governance risks.

Financial risks

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.

The valuation results are most sensitive to the real discount rate (i.e. the difference between the discount rate assumption and the price inflation assumption). Broadly speaking an increase/decrease of 0.5% p.a. in the real discount rate will decrease/increase the valuation of the liabilities by 10%, and decrease/increase the required employer contribution by around 2.5% of payroll p.a.

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.

The Committee may also seek advice from the Fund Actuary on valuation related matters.

In addition, the Fund Actuary provides funding updates between valuations to check whether the funding strategy continues to meet the funding objectives.

Demographic risks

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 increase the liabilities by approximately 4%.

The actual mortality of pensioners in the Fund is monitored by the Fund Actuary at each actuarial valuation and assumptions are kept under review. Since the 2016 actuarial valuation, the Fund has commissioned a bespoke longevity analysis by Club Vita at each actuarial valuation in order to assess the mortality experience of the Fund and help set an appropriate mortality assumption for funding purposes.

The liabilities of the Fund can also increase by more than has been planned as a result of the additional financial costs of early retirements and ill-health retirements. 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.

From 1 April 2020, the administering authority put in place a self-insurance arrangement to cover ill-health retirement benefits for all employers excluding the three main councils. When an ill-health retirement occurs a funding strain (i.e. the difference between the value of the benefits payable to the member and the value that was assumed as part of the actuarial valuation) is generated in the employer's section of the Fund. As part of the self-insurance policy, assets equal to the funding strain are transferred from the segregated section of the Fund to the employer's section of the Fund to cover the funding strain.

The Fund reserves the right to preclude the use of the ill-health self-insurance reserve where there is evidence to suggest a higher than anticipated experience for an individual employer. The Fund also reserves the right to enforce Regulation 36(3) of the Regulations as appropriate.

Climate risk

There are a large number of interlinked systemic long-term financial risks related to climate change which could potentially have a material impact on the assets and/or the liabilities of the Fund. The most obvious of these climate change risks will be the financial risks to the value of the Fund's assets, the potential increased volatility of markets and potential changes in life expectancy. It is possible that some of these factors may impact the assets and liabilities of the Fund in the same direction, although not necessarily by the same amount.

The Fund therefore has a fiduciary duty to consider climate change risk when making investment decisions and to ensure any decisions support the effective management of climate change. The Fund therefore expects their appointed investment managers to be informed about climate change risks and take investment opportunities accordingly within their processes. More detail is included in the Fund's Investment Strategy Statement.

As part of the 2022 valuation, the Fund Actuary provided the Fund with a climate risk analysis which assessed the potential exposure of the Fund's funding position to climate risk under different climate scenarios. The principles behind the analysis were agreed with the Government Actuary's Department (GAD).

The results of this analysis demonstrated that the funding strategy agreed as part of the 2022 valuation was sufficiently robust in the context of climate scenario analysis and any potential contribution impacts.

The Fund will continue to assess this risk on a regular basis.

Maturity risk

The maturity of a Fund (or of an employer in the Fund) is an assessment of how close on average the members are to retirement (or already retired). The more mature the Fund or employer, the greater proportion of its membership that is near or in retirement. For a mature Fund or employer, the time available to generate investment returns is shorter and therefore the level of maturity needs to be considered as part of setting funding and investment strategies.

The cashflow profile of the Fund needs to be considered alongside the level of maturity: as a Fund matures, the ratio of active to pensioner members falls, meaning the ratio of contributions being paid into the Fund to the benefits being paid out of the Fund also falls. This therefore increases the risk of the Fund having to sell assets in order to meets its benefit payments.

The government has published a consultation (*Local government pension scheme: changes to the local valuation cycle and management of employer risk*) which may affect the Fund's exposure to maturity risk. More information on this can be found in the Regulatory risks section below.

Regulatory risks

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 the government.

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.

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.

There are a number of general risks to the Fund and the LGPS, including:

- If the LGPS was to be discontinued in its current form it is not known what would happen to members' benefits.
- More generally, as a statutory scheme the benefits provided by the LGPS or the structure of the scheme could be changed by the government.
- The State Pension Age is due to be reviewed by the government in the next few years.

At the time of preparing this FSS, specific regulatory risks of particular interest to the LGPS are in relation to the McCloud/Sargeant judgments and the timing of future funding valuations consultation. These are discussed in the sections below.

McCloud/Sargeant judgments

The Court of Appeal judgment on the McCloud and Sargeant cases, relate to age discrimination against the age-based transitional provisions put into place when the new judicial pension arrangements were introduced in 2015. The members argued that these transitional provisions were directly discriminatory on grounds of age and indirectly discriminatory on grounds of sex and race, based on the correlation between these two factors reflected in the judicial membership. The Tribunal ruled against the Government, deeming the transitional provisions as not a proportionate means of achieving a legitimate aim.

The Government subsequently applied to the Supreme Court to appeal the judgment but their application was denied on 27 June 2019. On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases. A ministerial statement in response to this was published on 13 May 2021 and revised Regulations are awaited to bring a remedy into play.

At the time of drafting this FSS, Regulations and therefore confirmation of the remedy are not yet finalised and are expected in 2023.

Cost control mechanism

As a result of the public service pension schemes reforms, the Government established a cost control mechanism for all those schemes to ensure a fair balance of risks between scheme members and the taxpayer. The process has been complex and has still not been fully resolved. Although the 2016 cost cap valuation report for the LGPS has been published, at the time of writing there is still a challenge outstanding regarding the inclusion of McCloud in the cost cap. Therefore, there is still a possibility that the 2016 valuation may have to be revisited with the small chance that benefit improvements will be required and potentially backdated to April 2019.

For the purposes of the 2022 valuation, we have made no allowance for any potential benefit changes. The Fund's prudence allowance already allows for an element of regulatory uncertainty and any potential impact is not deemed to be material.

Consultation: Local government pension scheme: changes to the local valuation cycle and management of employer risk

On 8 May 2019, the government published a consultation seeking views on policy proposals to amend the rules of the LGPS in England and Wales. The consultation covered:

- amendments to the local fund valuations from the current three year (triennial) to a four year (quadrennial) cycle;
- a number of measures aimed at mitigating the risks of moving from a triennial to a quadrennial cycle;
- proposals for flexibility on exit payments;
- proposals for further policy changes to exit credits; and
- proposals for changes to the employers required to offer LGPS membership.

The proposals for flexibility on exit payments and for further policy changes to exit credits have been finalised, however, are still to be finalised for the remaining three proposals. This FSS will be revisited once the outcomes are known for the remaining items.

Detail of the outstanding policy proposals are outlined below:

Timing of future actuarial valuations

LGPS valuations currently take place on a triennial basis which results in employer contributions being reviewed every three years. In September 2018 it was announced by the Chief Secretary to HMT, Elizabeth Truss, that the national Scheme valuation would take place on a quadrennial basis (i.e. every four years) along with the other public sector pension schemes. The results of the national Scheme valuation are used to test the cost control mechanism and HMT believed that all public sector scheme should have the cost control test happen at the same time.

Changes to employers required to offer LGPS membership

At the time of drafting this FSS, under the current Regulations further education corporations, sixth form college corporations and higher education corporations in England and Wales are required to offer membership of the LGPS to their non-teaching staff.

With consideration of the nature of the LGPS and the changes in nature of the further education and higher education sectors, the government has proposed to remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer new employees access to the LGPS. Given the significance of these types of employers in the Fund, this could impact on the level of maturity of the Fund and the cashflow profile. For example, increased risk of contribution income being insufficient to meet benefit outgo, if not in the short term then in the long term as the payroll in respect of these types of employers decreases with fewer and fewer active members participating in the Fund.

This also brings an increased risk to the Fund in relation to these employers becoming exiting employers in the Fund. Should they decide not to admit new members to the Fund, the active membership attributable to the employers will gradually reduce to zero, triggering an exit under the Regulations and a potential significant exit payment. This has the associated risk of the employer not being able to meet the exit payment and thus the exit payment falling to the other employers in the Fund.

Employer risks

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.

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.

The Fund has an employer covenant review procedure in place which feeds into the results of each actuarial valuation. The procedure is arranged by the administering authority who takes advice from the Fund Actuary.

In the case where a formal independent covenant review is required, the Fund currently engages with external providers as well as using credit risk reports where appropriate to form a view on the covenant strength of individual employers. The procedure will to help identify the employers in the Fund that might be considered as high risk. Information may also be used to set the deficit recovery period adopted for the employers. The Fund also holds information regarding any security that has been put in place by employers.

In the case of admitted bodies, the Fund has a policy of requiring some form of security from the employer, in the form of a guarantee or a bond, in case of employer default where the risk falls to the Fund. Where the risk of default falls on the liabilities of an original letting authority, the Fund provides advice to the letting authority to enable them to make a decision on whether a guarantee, some other form of security or a bond should be required.

In addition, the administering authority keeps in 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.

Governance risks

Accurate data is necessary to ensure that members ultimately receive their correct benefits. The administering authority is responsible for keeping data up to date and results of the actuarial valuation depend on accurate data. If incorrect data is valued then there is a risk that the contributions paid are not adequate to cover the cost of the benefits accrued.

Monitoring and review

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.

The most recent valuation was carried out as at 31 March 2022, certifying the contribution rates payable by each employer in the Fund for the period from 1 April 2023 to 31 March 2026.

The timing of the next funding valuation is due to be confirmed as part of the government's *Local government pension scheme: changes to the local valuation cycle and management of employer risk* consultation which closed on 31 July 2019. At the time of drafting this FSS, it is anticipated that the next funding valuation will be due as at 31 March 2025.

The administering authority also monitors the financial position of the Fund between actuarial valuations and may review the FSS more frequently if necessary.

Bedfordshire Pension Fund

Communications Policy Statement

March 2023

Contents

Introduction

This is the Communications Policy Statement of Bedfordshire Pension Fund, administered by Bedford Borough Council (the Administering Authority). The policy statement has been prepared in line with regulation 61 of the Local Government Pension Scheme (LGPS) Regulations 2013.

Bedfordshire Pension Fund has over 200 scheme employers and over 750,000 scheme members, as at 31 March 2022.

Our main aim is to pay Local Government Pension Scheme (LGPS) members their pension benefits when the benefits are due. In support of this aim, we must communicate with a range of important audience groups in order to ensure:

a) scheme members know about the benefits the LGPS offers, and what choices and decisions they need to make when planning for their retirement

b) pension records are accurate and up to date

c) scheme employers are aware of their responsibilities in assisting their employees and providing information to the pension fund.

This communications policy statement sets out how we communicate with scheme members, prospective members, scheme employers, representatives of members and other interested parties.

Contact us

Please send any questions about this Communication Policy Statement to:

Claire Bennett, Pensions Administration Manager

Bedfordshire Pension Fund
Borough Hall
Cauldwell Street
Bedford MK42 9AP

Tel: 01234 276912
Email: pensions@bedford.gov.uk
Website: www.bedspensionfund.org

Our audience

Bedfordshire Pension Fund communicates regularly with a number of groups:

- Scheme members, including
    - current contributors to the scheme (“active members”)
    - members who have previously paid into the scheme but have not yet reached pension age (“deferred members”)
    - members who are being paid a pension (“pensioner members” or “dependants”)
- Prospective scheme members and members who have opted out
- Scheme employers and prospective employers
- Elected members of the Pension Fund Committee and Pensions Board
- Union representatives
- Pension fund staff (both internally and at other pension funds)

Other groups also have an interest in the LGPS. These include: tax payers; the media; HM Revenue and Customs; the Department of Levelling Up, Housing and Communities; the Scheme Advisory Board; the Pensions Regulator; the Money and Pensions Service; solicitors; other pension providers. We consider as part of this policy how we communicate with all these interested parties.

Communication principles and use of resources

When developing our communications, we follow key principles to make sure that our communications are relevant and effective. Our key principles are:

1) Communications are clear and easy to understand

2) Communications are appropriate for the target audience

3) Communications are easily accessible and are in a suitable format

4) Communications will be reviewed regularly to make sure they continue to be effective

The Pensions Administration Manager is responsible for communication material, with the assistance of the Communications and Employer Liaison Officer. They are also responsible for arranging all forums, workshops and meetings covered within this statement.

We recognise that individuals may have specific needs in relation to the format of our information or the language in which it is provided. Demand for alternative formats/languages is not high enough to allow us to prepare alternative format/language material automatically but it is available on request.

When deciding on methods of communication, we consider whether the communication is cost-effective and the best use of resources.

Bedfordshire Pension Fund is part of a Joint Communications group, made up of representatives from LGPS funds. The aim of the group is to minimise duplication of work across funds and to reduce costs and pressure on resources. We develop some of our communications in partnership with this group.

Representatives from the Joint Communications Group also attend the Communications Working Group formed by the Local Government Association. In the interest of providing consistent communications to LGPS members across England and Wales, we use template letters and leaflets produced by the Local Government Association as the basis for some of our communications.

We will review our communication policy at least every three years, to ensure it meets audience needs and regulatory requirements. A current version of the policy statement is available on our website at www.bedspensionfund.org Paper copies are available on request.

How we communicate

Later sections of this document contain more detailed information about our communications with specific groups, but an overview of our regular methods of communication is as follows:

Printed documents

We send letters to members on a daily basis, using Bedfordshire Pension Fund headed paper. We issue paper copies of annual benefit statements and newsletters to scheme members and annual pensions increase letters to our pensioner members.

Email

A large proportion of our daily communication with members, employers and other parties is sent via email. E-mails containing sensitive data are sent using Bedford Borough Council's ICT secure email solution.

Telephone

We provide direct telephone numbers as well as having a call-routing system, which has a short menu of options to help direct enquiries to the correct member of the pensions team. Additional phone system software allows the pension fund to report on telephone data e.g. number of calls received; length of calls; peak times for calls which enables us to make sure that cover for phone lines is kept at an appropriate level.

Website

The pension fund has a website: www.bedspensionfund.org The site has information for scheme members and employers. Copies of the Fund's governance documents are also available on the website.

My Pension Online

We have introduced a 'member self-service' website, where members of the scheme can log on and view details of their pension record, carry out their own retirement estimates and update their details.

Appointments

We offer telephone appointments and virtual meetings via Microsoft Teams. Individual members can meet with a member of the pension fund team at the pension fund offices by appointment.

Presentations

We deliver presentations on the LGPS to scheme members, usually arranged with scheme employers.

Training

We provide training for pension fund staff and can provide tailored training for scheme employers on request.

We promote training offered by the Local Government Association for scheme employers, including the free bite-size training now available on the lgpsregs.org website.

Communication with scheme members

When communicating with members, our objectives are:

- To provide clear, easy to understand and accessible information about the scheme
- To improve the members' knowledge of the scheme
- To make it easy for members to contact the fund
- To make sure members' queries are answered quickly and effectively
- To reduce complaints through effective communication
- To ensure members have confidence in the service we provide.

We will meet our objectives by providing the communications described below. These are in addition to individual communications with members (for example, notifications of benefits or responses to individual queries).

Please also see Appendix A for a summary table of the fund's communications.

Communications sent to new joiners

All new members of the scheme receive a set of documents sent directly to their home address. The documents confirm membership of the scheme and direct members to where they can find more information, including how they can sign up for their My Pension Online account (see below).

My Pension Online

This website allows each individual member of the scheme access to their pension record. They can view details of their scheme membership and pension benefits, as well as carry out their own benefit calculations and update their details. The site provides access to scheme guides and factsheets that the members can view online or download and print.

Guides to the scheme

A guide to the LGPS is available on the fund's website at www.bedspensionfund.org The website also has a number of factsheets on specific topics, for example: reductions in pay; annual and lifetime allowance; planning for retirement.

Annual Benefit Statements

We send paper benefit statements to active and deferred members of the scheme. The benefit statements show the current value of benefits and for active members also include projected retirement benefits. A newsletter is sent with the statements, updating members on the latest news about the LGPS.

Payslips, P60s and pensions increase

Pensioner members receive a payslip each April and in any month when the value of their pension payment changes by £1 or more. P60s are also issued in April, as is a letter confirming the annual rate of Pensions Increase. Pensioner members can also view details of their monthly pension payments through My Pension Online.

Presentations

We provide presentations to contributing or prospective members of the pension scheme. These can offer an overview of the scheme and its benefits, or can be tailored to cover specific areas in more detail.

Communication with prospective members

We do not have details of prospective members of the scheme therefore communication with this group takes place via scheme employers.

The brief guide to the LGPS is shared with Scheme employers and they are asked to distribute it to employees, as appropriate. Employees can then make an informed decision about whether or not they want to pay into the LGPS.

We also make sure that scheme employers are aware of guide and template letters provided by the Local Government Association, which may help when they are dealing with particular pension-related projects such as re-enrolment, which is required under automatic enrolment legislation.

Communication with scheme employers

When communicating with scheme employers, our objectives are:

- to assist and support employers in their knowledge of the LGPS, ensuring that they know about the benefits of the scheme and their responsibilities as an LGPS employer
- to build good working relationships
- to work together to keep pension records accurate and up-to-date
- to assist them in understanding costs/funding issues
- to ensure efficient transfers of staff
- to assist them in making the most of the discretionary areas within the LGPS.

We will meet our objectives by providing the communications described below. These are in addition to individual communications with employers (for example, responses to specific queries). Please also see Appendix A for a summary table.

Employers' area of website

The employer area of the Bedfordshire Pension Fund website can be found at https://www.bedspensionfund.org/Employers/Employers.aspx This area contains information for employers, including: guidance notes on data submission; forms for employers; specific guides to periods of absence, admission bodies and the Internal Disputes Resolution Procedure (IDRP).

Employer contact group

We send employers email updates about the scheme, including information on regulation changes, scheme consultations and changes to pension fund processes. The contact details are updated regularly to make sure the communication is reaching the right people.

Annual employers meeting

We invite all our employers to attend the annual general meeting, which is a formal, seminar-style event with a number of speakers covering topical LGPS issues.

Employer training

We can provide employers with training on specific areas of the LGPS and also share details of training offered by the Local Government Association.

Pension Fund Accounts – Summary

The summary provides details of the value of the Pension Fund during the financial year and its income and expenditure as well as other related details, for example, the current employers and scheme membership numbers.

Employer contact meetings

Pension fund staff can meet with employers either virtually or in person to give them an opportunity to discuss their involvement in the scheme.

Communication with the Pension Fund Committee and Pension Board

The Pension Fund Committee is made up of elected members of Bedford Borough Council, Central Bedfordshire Council and Luton Borough Council and supervises the overall arrangements for management of the fund's assets.

The Pension Board is made up of scheme employer and scheme member representatives and assists the administering authority in its scheme management and responsibility for effective and efficient administration of the scheme.

When communicating with elected members / members of the Pension Fund Committee or Pension Board, our objectives are:

- to ensure they are aware of their responsibilities in relation to the scheme
- to seek their approval for the development or amendment of discretionary policies, where required
- to seek their approval of formal responses to government consultations about the scheme

We will meet our objectives by providing the communications described below. Please also see Appendix A for a summary table of the fund's communications.

Training

This is provided when new members join the Pension Fund Committee or Pension Board and gives a broad overview of the main provisions of the LGPS, and committee/board members' responsibilities within it. Additional training is provided as and when required, to maintain knowledge levels as regulations change.

Briefing papers

Briefing papers highlight key issues and developments to the LGPS and the fund. Papers on LGPS topics are distributed to the group as and when required.

Pension Fund Committee meetings

The Committee holds formal meetings of elected members, attended by senior managers, at which local decisions in relation to the scheme (policies, etc) are taken.

Pension Board meetings

The Board holds formal meetings of appointed Employer and Member representatives, attended by senior managers, at which decisions of the Pension Fund Committee are reviewed.

Communication with union representatives

When communicating with union representatives, our objectives are:

- to build effective working relationships to communicate the benefits of the LGPS to their members
- to ensure they are aware of the pension fund's policy in relation to any decisions that need to be taken concerning the scheme
- to engage in discussions over the future of the scheme
- to provide opportunities to educate union representatives about the scheme

We will meet our objectives by providing the communications described below. Please also see Appendix A for a summary table of the fund's communications.

Briefing papers

Briefing papers highlight key issues and developments relating to the LGPS and the Fund. The papers are distributed to union representatives as and when required.

Pension Board

A union representative sits on the Pensions Board in order to represent members of the scheme, attending meetings on a regular basis.

Face to face meetings on specific LGPS topics:

These are education sessions that are available on request for union representatives. For example, the representative may want to improve their understanding of the LGPS, or proposed changes to policies.

Communication with pension fund staff

When communicating with pension fund staff, our objectives are:

- to make sure staff members are aware of changes and proposed changes to the LGPS
- to provide on the job training to new staff
- to improve customer service
- to adapt and update processes as required
- to agree and monitor service standards

We will meet our objectives by providing the communications described below. Please also see Appendix A for a summary table of our communications.

In-house training sessions

This training provides new staff with an overview of the basics of the scheme and gives a foundation on which they can build their knowledge. Existing staff receive more in-depth training, either as part of their career development or to keep up-to-date with changes to the scheme.

The fund has also invested in a training module called 'TEC', which is provided by Heywood. It has training modules which staff members can access to receive comprehensive training on the pensions administration database and an introduction to the LGPS.

Staff meetings

These meetings are held so that staff can discuss any matters concerning the local administration of the scheme, including improvements to services or timescales.

Monthly team bulletin

The Pensions Administration Manager emails a monthly bulletin, giving staff a regular update on current issues.

External training

This training provides targeted training on specific issues. Any key issues are shared with the rest of the staff.

Regional pension officers group

The Pensions Administration Manager attends quarterly meetings with staff from southeast region pension funds. The group provides an opportunity for staff from different funds to meet and discuss LGPS issues.

Joint Communications Group

The Pensions Communications and Employer Liaison Office attends meetings of the Joint Communications Group, which is made up of representatives from LGPS funds in England and Wales. The group’s objective is to share ideas and resources when developing communications, to promote consistency and efficiency across funds.

Communication with other interested parties

Other groups that may have an interest in the LGPS include, but are not limited to: tax payers, the media, HM Revenue and Customs, the Department of Levelling Up, Housing and Communities, Actuaries, the Scheme Advisory Board, the Pension Regulator, the Money and Pensions Service, solicitors and other pension providers.

Our objectives when communicating with these parties are as follows:

- to provide access to information about the management of the scheme and the fund's policies
- to ensure accurate reporting of the fund's performance including valuation results and the overall performance of the fund
- to meet our obligations under various legislative requirements
- to ensure the proper administration of the scheme
- to deal with the resolution of pension disputes

We will meet our objectives by providing the communications described below. Please also see Appendix A for a summary table of our communications.

Pension Fund Report and Accounts

This document shows the value of the pension fund during the financial year and its income and expenditure as well as other related details, for example, the current employers and scheme membership numbers.

Pension Fund Committee papers

These papers are formal documents setting out relevant issues in respect of the LGPS, in many cases seeking specific decisions or directions from elected members.

Valuation report

This is a report issued every three years, showing the estimated assets and liabilities of the fund as a whole, as well as setting individual employer contribution rates for a three year period commencing one year from the valuation date.

Details of new employers

There is a legal requirement to notify the relevant Government departments of the name and type of employer entered into the fund.

Completion of questionnaires

Various questionnaires may be received which request specific information about the fund.

Investment Strategy Statement

This is a document setting out the pension fund's policies on investments of fund money that is not needed immediately to make payments from the fund.

Governance Policy

This document sets out how the Pension Fund is administered by Bedford Borough Council.

Media, including the local and national press

All enquiries from the media, as well as any news releases and statements, will be handled through the Bedford Borough Council communications team. News releases provide statements setting out the Fund's opinion of the matters concerned (i.e. Fund valuation results). These tend to be in response to specific queries.

Measuring performance

To measure the success of our communications with active, deferred and pensioner members, we will regularly assess if we are meeting the following targets:

Table 1: Pension fund communications and timeframes

Communication	Audience	Statutory delivery period
Scheme information for new joiners	New joiners to the LGPS	Within two months of joining
Annual benefit statements as at 31 March	Active members	By 31 August
Telephone calls	All	Not applicable
Payment of retirement benefits	Active and deferred members retiring	Within two months of retirement
Issue of statement of deferred benefits	Leavers	Within two months of leaving the scheme
Transfers in	Joiners/active members	Within two months of request

Appendix A

Appendix A: Summary of Bedfordshire Pension Fund communications

Communication	Format	When issued	Audience
Statutory notification of joining the scheme	Paper	On joining the scheme; sent to home address	Active members
Scheme guide	Online; paper copies on request	Always available online; promoted with statutory notification of joining; issued by employer	Active, deferred and pensioner members
Benefit statements	Paper; online	Annually, to home address	Active and deferred members
Members' newsletter	Paper; online	Annually, to home addresses	Active and deferred members
A guide for new pensioners	Paper; online	At retirement, to home address	Pensioner members
Pensions increase letter	Paper; online	Annually, to home address	Pensioner members
Planning for retirement leaflet	Paper; online	When member requests an estimate of benefits, sent to home address	Active members
Fund website	Online	Always available	All scheme members; scheme employers; other interested parties
My Pension Online website	Online	Always available	All scheme members
Additional contribution leaflets	Online; paper copy on request	On request	Active members

Communication	Format	When issued	Audience
Factsheets	Online; paper copies on request	On request	All scheme members
Guide to the Internal Disputes Resolution procedure	Online documents	Always available online; emailed on request	Scheme members; employers
One to one meetings	Face to face	On request	Scheme members; employers
Employer annual general meetings	Face to face	Annually	Scheme employers
Forms and guides for employers	Online	Always available online; emailed on request	Scheme employers
Employer training	Face to face	On request	Scheme employers
Update emails	By email	As required	Scheme employers
Employer one to one meetings	Face to face	On request	Scheme employers
Briefing papers	Paper and email	As required	Trade union representatives; members of the Pension Fund Committee / Pension Board
Pension Board representatives	Meetings	Quarterly	Trade union; scheme employer; scheme members
Training on fund governance	Face to face	When new members join pension committee or board; as required	Members of the Pension Fund Committee / Pension Board
Pension Fund Committee meetings	Meeting	Quarterly	Members of the Pension Fund Committee

Communication	Format	When issued	Audience
Pension Board meetings	Meeting	Quarterly	Members of the Pension Board
In-house training	Face to face; online	As required	Pension fund staff
External training	Provided externally	As required	Pension fund staff
Joint Communications Group meetings	External meeting	3 – 4 times annually	Pension fund staff / other pension fund staff
Regional Pensions Officer meeting	External meeting	Quarterly	Pension fund staff / other pension fund staff
Pension fund report and accounts	Online document; paper copy on request	Annually	Scheme members; employers; other interested parties
Summary pension fund report and accounts	Online document; paper copy on request	Annually	Scheme members; employers; other interested parties
Investment Strategy	Online document	Always available online	All
Governance Policy	Online document	Always available online	All
Pension Fund valuation report	Online document	Every three years; emailed on request	All
New employer details	Paper	When new employers join the fund	DLUHC / HMRC
Completion of questionnaires / scheme returns	Online or paper	As required	DLUHC / HMRC / Pensions Regulator

Bedfordshire Pension Fund

Pension Administration Strategy

March 2023

Contents

1. Introduction and Regulatory Context

1.1 The Local Government Pension Scheme (LGPS) Regulations 2013 allow Pension Fund Administering Authorities to prepare a Pension Administration Strategy ("the Strategy") for improving the administrative processes within their LGPS Fund (Regulation 59). In carrying out their roles and responsibilities under these regulations, Pension Funds and Scheme employers are also required to comply with any relevant overriding legislation and recognise any regulatory guidance or Codes of Practice issued by the Pension Regulator (tPR).

1.2 This document sets out a framework for the Administration Strategy by outlining the policies and expected performance standards of both Employers ("employers" or "employer") and Bedfordshire Pension Fund ("the Fund"), in order to provide a cost-effective and high quality pension administration service. The strategy is reviewed at least every three years and will be revised to reflect changes to LGPS regulations and Fund policies.

1.3 From April 2015, the Pensions Regulator assumed responsibility for setting standards of administration and governance on all administrative aspects of the scheme. Local Pension Boards provide an independent scrutiny role to assist the Fund with its 'regulatory compliance, effective and efficient administration and governance'.

1.4 This strategy has been developed in consultation with employers and adopted to improve the overall administration of the Fund. It is intended to apply in a spirit of partnership and co-operation, where assistance and support will be provided to improve administration performance and meet the requirements of the strategy.

1.5 This policy introduces the principles of recovering costs from employers. Regulation 70 of the LGPS Regulations 2013 allows a Fund to recover costs from an employer where costs have been incurred because of that employer's level of performance in carrying out its functions under these Regulations. A schedule of penalty charges is set out in section Appendix 1. If an employer is struggling to meet its obligations and is at risk of incurring a penalty, the Fund will contact the employer to discuss the cause of the poor performance and the employer will be given the opportunity to make the necessary improvements to their performance before a penalty is enforced. The employer will need to demonstrate that efforts are being made to improve performance.

2. Aims and objectives

2.1 To ensure that we are administering the scheme correctly and we continue to improve and enhance the service we offer, the Fund has set the following administration objectives:

- deliver a high-quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers
- ensure benefits are paid to, and income collected from, the right people at the right time at the right amount
- ensure data is protected to guarantee security and authorised use only.

2.2 The aims of this strategy are to:

- support delivery of a high-quality pension service for members
- set out and deliver the quality and performance standards expected of the Fund and its employers; and
- promote good working relationships and improve efficiency between the Fund and its employers.

2.3 The efficient payment of the benefits of the scheme relies upon effective administrative procedures between the Fund and employers, most notably for the timely exchange of accurate information in relation to scheme members.

2.4 This strategy sets out the expected levels of performance of the Fund and the employers and provides details about the monitoring of performance levels and the action(s) that might be taken where standards are not met by employers and/or when persistent non-compliance occurs.

2.5 The objectives of this strategy are to ensure that:

- the Fund and employers are aware of, and understand, their respective roles and responsibilities under the LGPS Regulations
- the Fund operates in accordance with LGPS Regulations and the Pensions Regulator's guidance in demonstrating compliance and scheme governance.
- communication processes are in place to enable both the Fund and employers to proactively and responsively engage with each other and other partners.

- accurate records are maintained for the purpose of calculating pension entitlements and employer liabilities, ensuring all information and data is communicated satisfactorily, securely and in a timely manner
- the Fund and employers have appropriate skills, and guidance/training is in place, to deliver a high-quality service and effectively contribute to the changing pensions agenda
- administrative services are developed and delivered digitally where possible in order to streamline processes and maximise efficient use of resources.

3. Roles and responsibilities – the Fund

3.1 Fund responsibilities

3.1.1 This section outlines the key responsibilities of the Fund, what the Fund will do and by when. It focusses on the key activities that employers and members are involved in and should not be viewed as an exhaustive list. See section 3.2 for a list of key tasks that are benchmarked annually against other LGPS Funds and are reported to the Local Pension Board and Pension Fund Committee.

Fund responsibilities table 1: General information

Reference number	General information - fund function/task	Expected timeframe
1.1	Regularly review the Fund's pensions administration strategy and consult with all employers	In advance of the policy being adopted
1.2	Review the Fund's funding strategy statement at each triennial valuation, following consultation with employers and the Fund's actuary	Publish by 31 March following the valuation date or as otherwise required
1.3	Regularly review the Fund's communication policy	Review every three years
1.4	Regularly review the Fund's governance and compliance statement	Review annually

Reference number	General information - fund function/task	Expected timeframe
1.5	Publish the Fund's annual report and accounts	By 1 December, following the year-end
1.6	Publish the Fund's final audited and approved accounts	By 31 July following the year-end

Fund responsibilities table 2: Contribution requirements

Reference number	Contribution requirements - fund function/task	Expected timeframe
2.1	Consult with employers on the outcomes of the triennial valuation	At least two months in advance of the signing of the final rates and adjustment certificate
2.2	Notify employers of contribution requirements for three years effective from the April following the actuarial valuation date	On or before 1st April following final issue of rates and adjustments certificate by the actuary
2.3	Notify new employers of their contribution requirements	Within six weeks of receipt of the notification of admission application or commencement as an employer

Fund responsibilities table 3: Support for employers

Reference number	Support for employers - fund function/task	Expected timeframe
3.1	Provide support for employers through: • written guidance and communications; and • face to face meetings	Written communication as per the Fund's communication policy. Employer forum held at least annually.

Reference number	Support for employers - fund function/task	Expected timeframe
3.2	Notify employers and scheme members of changes to the scheme rules	As per disclosure requirements
3.3	Production and maintenance of an IDRP employer guide	On an ongoing basis
3.4	Assist employers with the implementation of i-Connect	Commencing in 2023

Fund responsibilities table 4: Member information and general administration

Reference number	Member information and general administration - fund function/task	Expected timeframe
4.1	Produce annual benefit statements for active members as at 31 March	By 31 August following the year-end
4.2	Produce annual benefit statements for deferred members as at pensions increase date in April	By 31 August following pensions increase date
4.3	Produce and issue pension savings statements each year to members who have exceeded their standard annual allowance	By 6 October following the end of the tax year (assuming receipt of all relevant information from the employer)
4.4	Issue P60s to pensioners and beneficiaries	By 31 May following the year-end
4.5	Publish and keep up to date all forms required for completion by scheme members or employers	Within 30 days from any revision
4.6	Letters/e-mails from members (or member's representatives)	Answer or acknowledge within 10 working days

3.2 Performance measurement and key tasks

3.2.1 The Fund monitors its performance against the following tasks and a number of the key tasks are also benchmarked annually against industry standard performance indicators. The Fund's performance against these key tasks, and its performance in comparison with other Funds, is reported to the Local Pension Board, Pension Fund Committee and is included in the Fund's annual report.

The table below sets out the Fund's performance indicators in relation to processing scheme member records and benefits.

Fund performance table 1: New joiners and changes

Reference number	New joiners and changes - performance area	Measurement
1.1	Set up a new starter and provide statutory notification	Within 10 working days of receipt of correct data from employer
1.2	Changes to a member's details	Within 10 working days of receipt of notification from employer

Fund performance table 2: Transfers

Reference number	Transfers - performance area	Measurement
2.1	Transfer-in quotations processed	Within 10 working days of receipt of all necessary information
2.2	Transfer notification of transferred-in membership to be notified to the scheme member	Within 10 working days of receipt of payment
2.3	Transfer-out quotations processed	Within 10 working days of receipt of all necessary information
2.4	Transfer-out payments processed	Within 10 working days of receipt of all necessary information
2.5	Provision of estimate for divorce purposes	Within 10 working days of receipt of all necessary information

Fund performance table 3: Additional Contributions

Reference number	Additional contributions - performance area	Measurement
3.1	Notify the employer of any scheme member's election to pay additional pension contributions (APCs), including all required information to enable deductions to commence	Within 10 working days of receipt of all necessary information

Fund performance table 4: Leavers

Reference number	Leavers - performance area	Measurement
4.1	Notify members of their deferred options	Within 10 working days of receipt of all necessary information
4.2	Deferred benefits calculated	Within 10 working days of receipt of all necessary information
4.3	Deferred benefits processed for payment following receipt of election	Within 10 working days from receipt of all necessary information
4.4	Refund payments	Within 10 working days from receipt of all necessary information

Fund performance table 5: Retirements

Reference number	Retirements - performance area	Measurement
5.1	Provision of retirement options to members	Within working 10 days of the later of (i) the member's leaving date or (ii) receipt of all necessary documentation

Reference number	Retirements - performance area	Measurement
5.2	New retirement benefits processed for payment following receipt of election	Lump-sum payment within 10 working days of receipt of all necessary documentation First pension payment on next available payroll run
5.3	Changes to bank details made	By next payroll cut-off date

Fund performance table 6: Deaths

Reference number	Deaths - performance area	Measurement
6.1	Acknowledgement of a death	Within 10 working days of receiving the notification.
6.2	Notification of benefits payable to dependents will be issued	Within 10 working days of receiving the necessary information
6.3	Payment of death lump-sum	Within 10 working days of receipt of all necessary information

Fund performance table 7: Customer service

Reference number	Customer service - performance area	Measurement
7.1	Provide an answer or acknowledgement to scheme members / employers / personal representatives / dependents and other authorised persons	Within 10 working days from receipt of enquiry

4. Roles and responsibilities – employers

4.1 Employer responsibilities

4.1.1 Each employer shall nominate a person who will act as the Fund's primary contact. There may be additional contacts for finance, contributions, payroll etc.

4.1.2 It is the employer's responsibility to ensure that the primary contact and contact details held by the Fund are correct, and to notify the Fund of any changes immediately.

4.1.3 The employer must ensure the nominated primary contact and other key staff are aware of their employer duties and keeps up to date with guidance issued by the Fund.

4.1.4 The employer must ensure it retains a good level of LGPS knowledge and has a succession plan in place should the nominated primary contact leave or is expected to be absent for a prolonged period of time.

4.1.5 During the year, the employer should provide the required data and notifications to the Fund, in a timely manner. Persistent failure by an employer to meet the required performance standards could result in any additional costs to the Fund being recovered from the employer – see section 6 and Appendix A.

4.1.6 The employer must comply with its obligations under Data Protection Law including the secure transfer of members' personal data.

4.1.7 Key Employer responsibilities

This section outlines the key responsibilities of employers, what employers are required to do and by when. It should not be viewed as an exhaustive list; employers have a statutory duty to provide the Fund with all information necessary to enable the Fund to administer the scheme.

Employer responsibilities table 1: General tasks

Reference number	General - employer function/task	Expected timeframe
1.1	**Confirm nominated representative(s)** to receive information from the Fund via the submission of a completed contacts form	Within 30 days of change or becoming an employer in the Fund
1.2	**Appoint a person (the adjudicator) to consider disputes** under stage 1 of the pension internal dispute process (IDRP) and provide full up to date contact details to the Fund	Within 30 days of becoming an employer in the fund, or following the resignation of the current adjudicator
1.3	**Formulate, publish and keep under review policies** in relation to all areas where the employer may exercise a discretion within the LGPS	A copy of the policy document is to be submitted to the Fund within 60 days of the change in policy
1.4	**Distribute any information** provided by the Fund to scheme members/potential scheme members (e.g. scheme benefits or benefit statement production)	In a timely manner as required

Employer responsibilities table 2: New starters

Reference number	New starters - employer function/task	Expected timeframe
2.1	**Decide who is eligible** for LGPS membership (and the date from which membership of the LGPS starts).	On joining (or at point becomes eligible if later)
2.2	**Determine rate of employee contributions**	From the first pay period in which the employee joins the LGPS

Reference number	New starters - employer function/task	Expected timeframe
2.3	**Notify BPF** of new joiner	Within the first two weeks of the month following the month in which the employee joined (e.g. if employee joined in April, we need notification in the first two weeks in May)
2.4	**Provide new employees, who are eligible for the LGPS, with details about the LGPS** This may be in the form of directing them to the Fund's website	Within 30 days of commencing eligible employment

Employer responsibilities table 3: Contributions

Reference number	Contributions - employer function/task	Expected timeframe
3.1	**Pay employer and employee contributions** to the Fund and complete monthly contributions form containing detail of the contributions payment.	By the 7th working day following the month end, but no later than the legal timeframe of the 19th of the month following (both payment and relevant accompanying paperwork) if payment by cheque or 21st if payment is electronic
3.2	**Implement changes to employer contribution rates** as instructed by the Fund at the date specified by the Fund's actuary	In line with the Rates & Adjustment Certificate as per the valuation or on commencement as an employer in the fund
3.3	**Manage the correct deduction of employee contributions** from a member's pensionable pay and throughout their membership in the scheme (including any periods of leave)	As required, typically monthly

Reference number	Contributions - employer function/task	Expected timeframe
3.4	**Manage the deduction of all additional contributions** or amend such deductions, as appropriate	As required
3.5	Arrange for the **deduction of AVCs** and payment over of contributions to the AVC provider(s)	As required, typically monthly
3.6	**Make additional fund payments** in relation to: • an early payment of benefits from flexible, redundancy or business efficiency retirement, or • a member retiring early with employer's consent, or • the employer 'switching on' the 85 year rule which has resulted in an actuarial **strain cost**	Within 30 days of receipt of invoice from the Fund
3.7	**Refund contributions through the payroll** to any employee who **opts out** of the scheme **with less than 3 months'** membership.	From the next available pay period after receiving the employee's request to opt out

Employer responsibilities table 4: Responsibilities during an employee's membership of the scheme

Reference number	During an employee's membership of the scheme - employer function/task	Expected timeframe
4.1	Move employees into the **50:50 section** or Main section	From the next available pay period after receiving the employee's election

Reference number	During an employee's membership of the scheme - employer function/task	Expected timeframe
4.2	Move employee back into the **Main section**	If the employee • is in the 50/50 section and goes onto no pay due to sickness or injury and is still on nil pay at the beginning of the next pay period or • or is in the 50/50 section at the time of the employer's re-enrolment date then the employee must be moved into the main section from the beginning of the next available pay period.
4.3	Notify members of the scheme of their right to buy back pension 'lost' during any period of unpaid leave (including unpaid additional maternity leave) and tell them that if they do so within 30 days of their return to work then the employer contributes $2/3^{rds}$ of the cost	When member applies for unpaid leave, or as soon as possible on the member's return to work.
4.3	**Notify BPF of changes** affecting pension entitlement via Notification of Changes form	Within the first two weeks of the month following the month in which the change took place (e.g. if change happened in April, we need notification in the first two weeks in May)

Employer responsibilities table 5: Early leavers

Reference number	Early leavers - employer function/task	Expected timeframe
5.1	**Early leavers (non-retirement)** Notify BPF via form TERM2014 or TERM5050	Within the first two weeks of the month following the month in which the employee left (e.g. if the member left in April we would expect notification within the first two weeks of May). If the reason for leaving is not 'retirement' we will preserve benefits with the scheme, or calculate a refund if membership of the scheme is under two years.

Employer responsibilities table 6: Retirement

Reference number	Retirement - employer function/task	Expected timeframe
6.1	**Notification of retirement** Notify BPF via form TERM2014 or TERM5050	As early as possible but no later than 10 working days after the member's final payroll has run.
6.2	**Ill Health Retirement notification** Notify BPF via form TERM2014 or TERM5050 and Employer Certificate	Form TERM2014 or TERM5050, Employer Certificate and the IRMP medical certificate to be sent to the Fund as soon as the possible and no later than 10 working days after the member's final payroll has run.
6.3	**Redundancy or Business Efficiency with Early Retirement** Notify BPF via form TERM2014 or TERM5050 and Employer Certificate	Form TERM2014 or TERM5050 and Employer Certificate should be sent to the Fund as soon as the possible and no later than 10 working days after the member's final payroll has run

Reference number	Retirement - employer function/task	Expected timeframe
6.4	**Flexible retirement notification** Notify BPF via form TERM2014 or TERM5050 and Employer Certificate	Form TERM2014 or TERM5050 and Employer Certificate should be sent to the Fund as soon as possible and no later than 10 working days after the member's final payroll has run. Even where a Discretionary Policy Statement allows it, the rule of 85 'switch on' will not be applied unless explicit instruction on a case by case basis is received.

Employer responsibilities table 7: Contracting-out of services

Reference number	Contracting-out of services - employer function/task	Expected timeframe
7.1	**Contact the Fund to discuss the pension implications of contracting-out services** which will involve a TUPE transfer of staff to another organisation.	Immediately if contracting-out services is being considered as a possibility and before making any decisions to contract-out services
7.2	**Notify the Fund of the intention to contract-out services** which will involve a TUPE transfer of staff to another organisation. See the 'Guide to outsourcing staff in the LGPS' available on the Bedfordshire Pension Fund website	At least 6 weeks **before** going out to tender.
7.3	Work with the Fund to **arrange for an admission agreement to be put in place** when contracting-out a service, and assist in ensuring it is complied with	In advance of the date of contract (admission agreement must be completed and signed before the contract signing)

Reference number	Contracting-out of services - employer function/task	Expected timeframe
7.4	Notify the Fund if the employer ceases to admit new scheme members or is considering terminating membership of the Fund	During exploratory discussions or as soon as the decision is made

Employer responsibilities table 8: Annual year end data return

Reference number	Annual year end data return - employer function/task	Expected timeframe
8.1	Provide the Fund with an annual return to 31 March each year. Due to the critical nature of this data for statutory reporting and annual benefit statement production, there is a separate charging policy for late and/or inaccurate returns – see Appendix 1	An accurate return to be submitted in the approved format no later than 30 April.

4.2 Payroll Services and Providers

4.2.1 All employers must ensure that they procure payroll services and systems that:

- securely store the personal and financial data of its scheme member employees as required by the Fund in order for the Fund to be able to maintain records and meet its duties and obligations as a pension fund
- are able to provide data extracts that meet the reporting requirements of the Fund and the Scheme and are in the appropriate format to interface with the Fund’s pensions administration system.

4.2.2 Where an employer takes its payroll services from a third party or from a payroll located in another part of the organisation or parent company then responsibility for providing timely, quality data from the payroll remains with the employer that is participating in the Fund.

4.2.3 Where an employer changes payroll providers then that employer must ensure that the new provider is able to:

- store the personal and financial data of its scheme member employees as required by the Fund in order for the Fund to maintain records and meet its duties and obligations as a pension fund
- provide data extracts that meet the reporting requirements of the Fund and the Scheme and are in the appropriate format to interface with the Fund's pensions administration system.

4.2.4 The employer must also ensure that the new service provider has advance knowledge of the requirements of the LGPS in terms of data supply and reporting. The new provider must have a system in place that is able to meet those requirements and needs sufficient notice of its duties and responsibilities to enable a seamless takeover to ensure that the provision of member data is maintained from the first month of the new provider's contract. Failure to ensure this will result in a financial penalty for the employer responsible, as outlined in Appendix A of this document.

4.2.5 Additionally, for scheme management, accounting and data quality control, and to ensure continuity of service for members, data on the previous payroll up to the date of termination and change must remain available for extraction and provision to the Fund as appropriate and necessary for at least one year after the contract has ceased.

5. Achieving the Objectives

5.1 The Fund currently has more than 208 participating employers. The employers differ in size, structure and resources, which presents a significant logistical challenge to the management of information, processes and services within the Fund. The number of employers in the Fund continues to grow, as does the volume of accurate information required to administer the scheme effectively. We need to meet the expectations of scheme members and be able to demonstrate excellent data quality under increased scrutiny at a local and national level. In line with guidance issued by the Pensions Regulator, the Fund is required to evidence good governance and administrative efficiency.

5.2 There are four key elements necessary to achieving the Fund's administrative objectives:

(a) Communications

The Fund aims to provide clear, relevant, accurate, accessible and timely information to all stakeholders. To this end, the Fund's communications strategy is already in place, providing a wide range of solutions for all parties. However, with growing membership numbers creating an increased need for information, the Fund is developing its communications strategy, embracing technology to enable member online access to pension records.

(b) Training and engagement

The objectives of the Fund have always included keeping stakeholders informed of new developments and providing guidance and workshops for employers and Fund staff when new regulations are implemented or are under consideration.

Additionally, the Fund offers guidance and training on an ongoing basis to new employers or new HR/Payroll staff whose responsibilities include providing LGPS data. With this in mind, it is important that employers and the Fund ensure that their staff have the right skills to support any changes, starting with a sound foundation of knowledge of existing regulations and administrative processes.

Notwithstanding future changes, there is an ongoing need to maintain good quality data on member records and streamline administrative processes by improving the quality of information received from employers.

With this aim, the Fund's guidance and training aims are:

- to help and ensure each employer has staff with sufficient knowledge and skills to carry out administrative processes, by working with employers' Human Resources, Payroll and other staff to identify relevant skills and knowledge gaps and provide appropriate guidance and training;
- to ensure that employers are fully aware of the risks involved in poor administration and maintenance of member pension records and failure to discharge their discretionary functions;
- to continue to develop the technical skills and competencies of the Fund's staff and retain knowledge of historic regulations.

The Fund will provide guidance and training for employers' relevant staff, to build up and maintain a level of professional expertise, which, together with the employer's own systems and processes, will enable employers to deliver information required by the Fund.

The primary contact at the employer has an important role to play in ensuring both they and other relevant staff (or their successor) build up and retain sufficient knowledge and skills to enable the employer to comply with its statutory LGPS duties.

(c) Information & Communications Technology

As part of its digital ambitions, the Fund is investing in upgraded software called i-Connect which has the facility to enable employers to submit data online, via a web portal.

This development allows employers to submit certain changes, notifications and requests online, including joiners, 50/50 switches, changes of address, changes of personal circumstances, changes of hours and breaks in service and early leaver notifications.

The long-term vision is to have all Fund employers submitting data electronically.

(d) Performance standards

Overriding legislation dictates minimum standards that pension schemes should meet in providing certain information to the various parties associated with the scheme. The scheme itself sets out a number of requirements for the Fund or employers to provide information to each other, scheme members and prospective scheme members, dependants, other pension arrangements or other regulatory bodies.

The locally agreed performance standards, covered in section 3.3 above, cover all aspects of the administration of the scheme and, where appropriate, go beyond the overriding legislative requirements.

The Fund and employers will ensure that all functions / tasks are carried out to agreed quality standards. The standards to be met are:

- work to be completed and submitted in the required format and/or on the appropriate forms;
- information to be legible and accurate;
- communications to be in a plain language style
- information provided to be checked for accuracy by an appropriately trained member of staff before submission
- information submitted to be appropriately authorised; and

- actions carried out, or information provided, within the timescales set out in this strategy document.

For the avoidance of doubt, "accuracy" in this Strategy means we have received a completed form/data with no gaps in mandatory areas and with no information which is either contradictory within the document or which we need to query.

Specific dates for timescales are determined by the date of an event, this being either the date the member joined or left the Fund or any other material change that affects a scheme member's pension record.

6. Procedures for ensuring compliance

6.1 Compliance with the scheme's regulatory requirements is the responsibility of the Fund and employers. We will work closely with all employers to ensure compliance with all statutory requirements, whether they are specifically referenced in the LGPS Regulations, in overriding legislation, or in this Administration Strategy.

6.2 We will also work with employers to ensure that overall quality and timeliness continues to be improved. Various means will be employed to ensure such compliance and service improvement, seeking views from as wide an audience as possible. These include:

Performance monitoring

6.3 The employer should monitor its own performance against its employer duties and responsibilities and seek to improve its performance where it is not achieving the required level of performance.

6.4 The Fund will also monitor the employer's performance against the agreed performance levels and will work with employers in identifying any areas of poor performance and will provide the opportunity for necessary training and development in order to assist with implementing appropriate processes to improve the level of service delivery in the future.

6.5 The Fund will also monitor its own performance against its Fund duties and responsibilities. The Fund participates each year in the SF3 benchmarking to measure its performance against other LGPS funds and performance against key performance indicators is reported to the Local Pension Board, Pension Committee and is included in the Fund’s annual report.

Unsatisfactory performance

6.6 Where persistent and ongoing failure occurs and an employer does not demonstrate improvement, and willingness to resolve the identified issue(s), the Fund will take the following steps in dealing with the situation in the first instance:

- contact and/or meet with the employer to discuss the area(s) of poor performance and how it can be addressed.
- agree an improvement plan setting out the improvements required in liaison with the employer and a timescale for achieving those improvements.
- where no improvement has been demonstrated by the employer within the agreed timescale, or where there has been a failure to take agreed action by the employer, the Fund will issue a formal written notice to the employer setting out the area(s) of poor performance identified, the steps taken to resolve those area(s) and giving notice that the additional costs may now be reclaimed.
- set out the calculations of any loss or additional costs incurred by the Fund, taking account of time and resources in resolving the specific area of poor performance; and
- make a claim against the employer, setting out the reasons for doing so, in accordance with the Regulations

7. Work not included in the administration charge (and for which the Fund will make an additional charge)

7.1 The administration charge for the Fund’s services is included in an employer’s pension contribution rate.

Some items of work undertaken by the Fund or by third parties (for example, the Fund’s actuary) may result in additional charges which are payable by employers over and above their standard administration charge. This may be because there is no statutory requirement for the Fund to undertake the work, or because not all employers will require the work.

Examples of work for which additional charges may be due include IAS19/FRS102 productions for accounts; admitted body applications; academy conversions; bond reviews; cessation valuations and non-standard actuarial work. This list is not exhaustive. Employers will be informed of additional costs before the work is undertaken.

Appendix A

Table 1: Penalties for late, incomplete or inaccurate submission of data

Data item	Description of issue resulting in a penalty being paid	Penalty
Annual returns	Failure to submit a usable, balanced annual end of year return by the deadline of 30 April	A fixed penalty of £500 plus a further fixed penalty of £50 per working day for every further working day late following that deadline
Queries arising from the annual return	Bedfordshire Pension Fund being unable to reconcile year end information with the member record and necessitating a query	£5 per case per query
Further queries arising from the annual return	Responses to queries necessitating a re-query	£2 per case per query
Implementing i-Connect	Failure to engage and provide required data via i-Connect	A fixed penalty of £200 plus a further fixed penalty of £50 per working day for every further working day late following that deadline
Submission of monthly contributions	Failure to submit a balanced monthly return by the 19th of the month following the month of the deduction	A fixed penalty of £500 plus a further fixed penalty of £50 per working day for every further working day late following that deadline
Discretionary policy statements	Failure to devise and publish any statement of policy on the use of discretionary powers under the LGPS regulations by any statutory deadline	A fixed penalty of £500 plus a further fixed penalty of £250 per working week for every further working week late following that deadline

Data item	Description of issue resulting in a penalty being paid	Penalty
Payroll provider service	Failure to ensure that any new Payroll Service Provider is able to maintain the continuity of i-Connect	Applicable from month 1 of the new contract - a fixed penalty of £1,000 for every monthly report that fails to be submitted by the standard monthly deadline, plus the standard penalty for late submission of returns

Contact Points

Further information regarding the Pension Fund or the report and accounts may be obtained from the following contacts:

Accounts, Investments and Contributions
Mike Batty
Acting Chief Officer Bedfordshire Pension Fund: Governance & Investments
Telephone: 01234 718396

Benefits
Claire Bennett
Pensions Administration Manager
Telephone: 01234 228873

The Pensions Ombudsman
10 South
Colonnade
Canary Wharf
London E14 4PU
www.pensions-ombudsman.org.uk
Telephone: 0800 917 4487

The Money and Pensions Service
www.moneyandpensionsservice.org.uk Telephone: 0800 0113797

Glossary

2014 Scheme

Regulations introduced in 2013, effective from 1 April 2014, changed the LGPS from a Final Salary scheme to a Career Average Revalued Earnings (CARE) Scheme.
This has resulted in increased complexity in benefit membership calculations. More information on the changes to the scheme can be found on our website at:
https://www.bedspensionfund.org/Active_members/guides_to_the_lgps.aspx

50/50 Option

The LGPS offers the flexibility to pay half of the normal contribution rate and build up half of the normal pension whilst retaining full life and ill-health cover.

Absolute Return

This is an approach to active investment management that focuses on an absolute return rather than a traditional index-based benchmark. Freed from following an index, absolute return managers have the flexibility to pursue a range of strategies and are not pushed into holding certain assets just because they are in the benchmark.

Actuarial valuation

Every three years the Fund undergoes an actuarial valuation. An actuary assesses whether the Fund has enough money to pay everyone, and how much will need to be paid into the Fund in future to make sure all the benefits can be paid.

Actuary

An actuary is a business professional who analyses the financial consequences of risk. Actuaries use mathematics, statistics and financial theory to study uncertain future events, especially those relating to pensions and insurance.

Annual allowance

The annual allowance is set by HM Revenue and Customs (HMRC) and is the amount that an individual's pensions savings can increase in any one year before the individual has to pay a tax charge. If the value of pension benefits increases by more than the annual allowance in one year, then the excess growth may be taxed. There is 'carry forward' which allows allowance from the three previous years to be offset against any excess in the current year. The annual allowance was set at £40,000 for 2022/23. This is set to rise to £60,000 for 2023/2024.

Assets

The Fund's investments.

Bonds

Governments issue bonds in order to borrow money. The purchaser gets a fixed annual interest payment as well as eventual repayment of the purchase price.

The Fund has some bonds from many of the largest governments, as well as "company bonds", which are similar but are issued by companies not governments.

CIPFA/LASSAC

The Chartered Institute of Public Finance and Accountancy and the Local Authority Scotland Accounts Advisory Committee.

Consumer Price Index (CPI)
The Consumer Price Index measures the change in the cost of living by assessing the changes in prices of a cross-section of goods and services over time.

Public service pensions increase by the rise in the Consumer Price Index (CPI). The rate is measured by the Office for National Statistics (ONS) in the twelve months to September of each year. The rate is then confirmed by the Treasury, and the increase to pensions applies from the following April, effective from the first Monday in the new tax year.

Deficit
If assets are less than liabilities, the Fund is said to be in deficit - there isn't enough money in the Fund to pay all future pension payments, so contributions may need to increase.

Discretion
This is the power given by the LGPS to enable employers or administering authorities to choose how they will apply the scheme in respect of certain provisions. Under the LGPS, employers or administering authorities are obliged to consider how to exercise their discretion and, in respect of some (but not all) of these discretionary provisions, to have a written policy on how they will apply their discretion.

Equities
Equities are shares in companies. The owner shares the profits (or losses) and growth (or fall) in the value of the company. The Fund owns shares in all the major markets in the world as well as some smaller, emerging markets.

ESG
Environmental, Social and Governance refers to the three main areas of concern that have developed as central factors in measuring the sustainability and ethical impact of an investment in a company or business. There is growing evidence that suggests that ESG factors, when integrated into investment analysis and decision making, may offer investors potential long-term performance advantages.

Final pay / final salary
This figure is used to calculate LGPS pension benefits built up before 1 April 2014. It's normally the pensionable pay that the employee received over the last year before leaving the scheme or retiring. If they employee's pay decreased in the last year, it could be the pay from one of the two previous years.

Funding level
The percentage of the Fund's liabilities which can be paid out of the Fund. If the funding level falls below 100%, more will need to be paid into the Fund.

Global equity
Investors in global equity can invest in equities from anywhere in the world, although they are limited by other aspects of their mandate. They are expected to give better returns than standard indices like the FTSE 100 or the local equivalent.

IAS 19
International Account Standard number 19 concerning "employee benefits"

Index-linked bonds
A type of bond where the annual interest payment varies with inflation.

Liabilities
The total expected value of future pension payments from the Fund to its members.

Lifetime Allowance
The lifetime allowance is the maximum amount of pension and/or lump sum that you can get from your pension schemes that benefit from tax relief. The current lifetime allowance is £1.073 million. The charge for breaching the LTA will be removed from 6 April 2023, with the allowance abolished entirely from April 2024.

Managed Funds
Managed Funds are defined as Insurance Managed Funds.

Multi-asset passive investment
Multi-asset passive investors can invest in global markets and need only match the returns given by indices like the FTSE 100 (or the local equivalent)

Net Asset Value
The value of the Fund's assets minus the value of its liabilities

Overseas Unit Trusts
Overseas Unit Trusts are categorised as all unitised funds that are not included within the Managed Fund category.

Pension Account
Employees contributing to the LGPS on or after 1 April 2014 have a pension account. Each scheme year the amount of pension the employee has built up during the year is worked out and this amount is added into the employee's active pension account.

Pensionable pay
This is an employee's salary or wages plus shift allowance, bonuses, contractual and non-contractual overtime, maternity pay, paternity pay, adoption pay and any other taxable benefit specified in a contract as pensionable. An employee's pension contributions are deducted as a percentage of pensionable pay.

Pensionable pay doesn't include expenses, payment in lieu of notice, pay in lieu of lost holidays, any payment as inducement not to leave ("golden handcuffs") or company cars or payment in lieu of a company car.

Policy statement
Employers must produce a policy statement. It sets out how they will treat discretionary items within the pension scheme.

Property
In investment, property can refer to offices, shops, shopping centres, retail parks and warehouses. Returns from property can include rental income and growth in value (capital growth).

Retail Prices Index (RPI)
The Retail Price Index is a measure of inflation.
It measures the changes in prices of a cross-section of goods and services over time.

The annual increase to LGPS pensions used to be based on the Retail Prices Index but from April 2011 increases have been based on the Consumer Prices Index.

Specialist mandate

An investor with a specialist mandate will invest only in a particular geographical area, industry sector, or other limited field.

State Pension Age

This is the earliest age that someone can receive the state basic pension. You can use the Government's State Pension Age calculator (www.gov.uk/state-pension-age) to find out your State Pension Age.

Surplus

If assets are greater than liabilities, the Fund is said to have a surplus - there's enough to pay all future pensions to fund members, with some to spare. This is the ideal situation to be in.

Finding out more

If you would like further copies, a large-print copy or information about us and our services, please telephone or write to us at our address below.

Për Informacion

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برای اطلاع

Per Informazione

معلومات کے لئے

Informacja

Za Informacije

তথ্যের জন্য

01234 267422

Bedfordshire Pension Fund
Bedford Borough Council
Borough Hall
Cauldwell Street
Bedford
MK42 9AP

pensions@bedford.gov.uk www.bedspensionfund.org

www.bedspensionfund.org