

Annual Report

Bedfordshire Pension Fund • 2019/20

Registration number: 00328861RF



Bedfordshire
Pension
Fund



BEDFORD
BOROUGH COUNCIL

Contents

Foreword	3
Section 1: Management Report	4
Management and Advisers	5
Legal Framework and Administration	6
Contributions and Benefits	15
Membership	16
Participating Employers	16
Section 2: Financial Statements	21
Independent Auditor's Statement	22
Notes to the Accounts	24
Section 3: Investment Report	56
Investment Management	57
Investment Strategy Statement	59
Actuarial Statement	71
Investment Activity and Performance	74
Funding Strategy Statement	81
Section 4: Pooling	96
Partner Funds	97
Pooling Costs	97
Risks	98
Section 5: Communications Policy Statement	99
How we communicate	103
Measuring performance	107
Section 6: Pensions Administration Strategy	110
Section 7: Bedfordshire Local Pension Board	124
Annual Report	125
Contact Points	131
Glossary	132

Cover Photo: The Wind Turbine at the Forest of Marston Vale in Bedfordshire which helps to power the Forest Centre and 1000 houses on the national grid. It can capture energy from between 5mph to 80mph and can move around to face the wind.

Foreword

As Chair of Pension Fund Committee, I am pleased to present the Bedfordshire Pension Fund Annual Report for the year ending 31 March 2020.

In many respects, 2019/20 was a challenging year for Pension Funds. There was inescapable pressure from government regulations. Also, from an investment perspective, the Fund experienced volatile markets partly the result of uncertainty across weakening developed economies and fractious relations between the United States and China.

The Fund value was £2.21 billion at 31 March 2020 compared to £2.30 billion the previous year. Despite difficult global markets, the Fund demonstrated resilience due to the diversification of its assets and complementarity of the fund managers.

The year marked another positive milestone in the development of Border to Coast Pensions Partnership, the Fund's 'pool' partner. Border to Coast, in collaboration with the eleven partner Funds, made great strides in product development and transition of assets. Also, it continued to strengthen the internal investment and research and client service teams with smart new hires. During the year, the Fund invested with Border to Coast through the Global Equity Alpha fund and made a commitment to the Private Credit vehicle.

Border to Coast expanded its underlying fund managers' stable with the appointment of 5 new managers for the flagship Global Equity Alpha Fund, new managers for the Multi Asset Credit Fund and 3 managers for the Investment Grade Credit Fund. The Pool is increasingly influential in the pensions industry and achieved recognition for its Responsible Investment (RI) initiatives, including an award for Best ESG Programme at the Institutional Investor UK & Ireland Peer to Peer Awards in June 2019. Border to Coast also won the coveted "Pool of the Year" at the LAPF Investments Awards in 2019.

The triennial actuarial valuation of the Fund at 31 March 2019 put the funding level at 80%. The result and subsequent in-year monitoring of the funding position indicate significant improvement since the previous formal valuation in 2016.

I would like to thank members of the Pension Fund Committee for their work in 2019/20 and members of the Local Pension Board for their oversight, ensuring that Bedford Borough Council, as administering authority for Bedfordshire Pension Fund, carried out its obligations during the year in line with the Regulations.

The Committee's Work Programme for the year was diverse, including Governance review, Funding Strategy review following the triennial actuarial valuation at 31 March 2019, Investment Strategy review, Investment Pooling, a new Pensions Administration Strategy and review of the Fund's approach to RI, Voting Policy and Engagement with investee companies. In my other roles as Chair of the Local Authority Pension Funds Forum (LAPFF) and Chair of the Joint Committee of Border to Coast, I spearheaded RI and other campaigns during the year.

Finally, on behalf of the Pensions Committee, I would like to thank the Assistant Chief Executive (Enabling) and Fund Administrator and the Pensions Team for their service during the year and for completing the year-end statutory reporting during the challenging circumstances of the COVID-19 global pandemic and lockdown.

I would also like to extend the Committee's gratitude to the fund managers, Fund Actuary, investment consultant, independent adviser, custodian and other external partners for their professional support during the year.



Councillor Doug McMurdo
Chairman of the Pension Fund Committee

SECTION 1

Management Report

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

Management & Advisers as at 31 March 2020

Administering Authority	Bedford Borough Council	www.bedford.gov.uk
Administrator	Andy Watkins, Assistant Chief Executive (Enabling)	andy.watkins@bedford.gov.uk
Pension Fund Committee Members		
Bedford Borough Council	Doug McMurdo (Chair)	doug.mcmurdo@bedford.gov.uk
	Mohammed Nawaz	mohammed.nawaz@bedford.gov.uk
	David Sawyer	sawyerbedford@hotmail.com
	Jon Gambold	jonathan.gambold@btinternet.com
Central Bedfordshire Council	Richard Wenham	richard.wenham@centralbedfordshire.gov.uk
	Ian Dalgarno	ian.dalgarno@centralbedfordshire.gov.uk
Luton Borough Council	John Young (Deputy Chair)	john.young@luton.gov.uk
Scheme Member Representative (non-voting)	Will White	will.white@bedford.gov.uk
Independent Pension Board Chairman	Gerard Moore	gfm@gerardmoore.co.uk
Independent Advisor	Betty 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
	Invesco Perpetual	www.invesco.co.uk
	Legal & General Investment Management	www.lgim.com/uk/en
	Newton Investment Management	www.newtonim.com
Custodian	Pantheon Ventures	www.pantheon.com
Investment Consultant	The Northern Trust Company	www.northerntrust.com
	Matt Woodman	Matt.Woodman@hymans.co.uk
Actuary	Hymans Robertson	www.hymans.co.uk
	Melanie Durrant	Melanie.Durrant@Barnett-waddingham.co.uk
External Auditor	Barnett Waddingham	www.barnett-waddingham.co.uk
	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
	Standard Life Assurance Company	www.standardlife.co.uk
Bankers	National Westminster Bank	81 High St, Bedford MK40 1YN
	Goldman Sachs Asset Management International	www.global-liquidity.gs.com
	Santander UK plc	www.santander.co.uk

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 (Enabling).

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 role. The Committee takes advice from Bedford Borough Council officers, principally the Assistant Chief Executive (Enabling) and the Chief Officer for Corporate Finance and Pensions, and from external professional investment advisers, Hymans Robertson. The membership of the Pension Fund Committee at 31 March 2020 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 (Enabling), 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 has already 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 automatically entered into the pension scheme 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 fulfills 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:

	Investment Panel, 21 June	Pensions Committee, 23 July	Investment Panel, 20 September	Pensions Committee, 20 September	Pensions Committee, 17 October	Investment Panel, 15 November	Pensions Committee, 3 December	Investment Panel, 7 February	Pensions Committee, 26 February
Councillor Doug McMurdo (Chair)	Y	Y	Y	Y	Y	Y	Y	Y	Y
Councillor Richard Wenham (Vice Chair)	N	Y	Y	Y	Y	N	Y	Y	Y
Councillor Jon Gambold	Y	Y	Y	Y	N	Y	Y	N	Y
Councillor Mohammed Nawaz	Y	Y	Y	Y	Y	Y	Y	N	Y
Councillor Ian Dalgarno	Y	Y	Y	Y	Y	Y	Y	Y	Y
Councillor David Sawyer	Y	Y	Y	Y	Y	Y	N	Y	Y
Councillor John Young	Y	Y	Y	Y	Y	Y	Y	N	Y

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 Pensions 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. This year the Annual Report contains a Pensions Administration Strategy for the first time.

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.

	Target days to complete	Total cases outstanding 31 March 2020	Cases ready to action 31 March 2020	2019/2020 Average days to complete	2019/2020 Number of cases	Cases completed within target 2019/2020	
						Number	%
Creation of member records	10	250	226	7.96	4758	4711	99.0%
Payment of refunds	10	12	11	2.79	743	738	99.3%
Process retirement							
Normal	10	41	14	2.28	279	277	99.3%
Ill Health	10	8	1	2.41	36	36	100.0%
Flexible	10	4	0	1.51	21	21	100.0%
Early Retirement (redundancy or Efficiency)	10	8	0	2.31	81	81	100.0%
Preserved Benefit into Payment	10	157	15	0.86	752	752	100.0%
Total Retirements		218	30	1.33	1169	1167	99.0%
Retirement Estimates							
Normal	10	29	12	2.99	767	764	99.6%
Long Term forecasts	20	11	4	3.62	244	244	100.0%
Ill Health	10	1	0	2.29	42	41	97.6%
Early Retirement (redundancy or Efficiency)	10	3	0	2.20	267	267	100.0%
Total Retirement Estimates		44	16	2.92	1320	1316	99.7%
Transfers In	35	30	3	2.18	317	317	100.0%
Transfers in LG	35	48	14	4.27	229	229	100.0%
Transfers Out	10	14	7	2.07	65	65	100.0%
Transfers Out LG	60	32	13	2.05	175	175	100.0%
Preserved Benefits	60	289	231	14.95	2532	2433	96.1%
Death entitlement	10	98	34	0.97	555	555	100.0%

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 key elements of the 2019/2020 budget approved by the Pension Fund Committee in March 2019 are shown below together with actual performance.

Administrative cash flows	Budget	Actual	Variance
	£000	£000	£000
Contributions Received	-138,700	-137,810	890
Transfer Values Received	-7,000	-11,365	-4,365
Benefits Paid	104,300	99,628	-4,672
Transfer Values Paid	7,500	6,464	-1,036
Cost of Administering the fund	5,700	4,874	-826
Net additions from dealings with members	-28,200	-38,209	-10,009

Contributions are payable by participating employers on a monthly basis, due in arrears by the 7th working day of the following month. During 2019/2020, 91% 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 2019/2020 the average employee contribution rate as a percentage of pensionable pay was 6.6%. The average employer contribution rate was 26.5%. The Fund has not exercised any interest levy on late contributions.

During the year historical overpayment schedules which were agreed with members have been paid and settled. One payment schedule remains outstanding for less than £1,300. There have been no new cases in 2019/2020.

On the rare occasion where a delay in notification of death results in an overpayment of less than £250, this can be written off. Any amount in excess of £250 the Fund seeks to recover the overpayment.

The Pension Fund Committee formally agreed a budget for 2019/2020 at its meeting on 4 March 2019. The Committee receives regular reports on progress against the budget during the year.

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 2018 bi-annual data matching exercise, there were no cases where a pension had continued to be paid following the member's death.

Bedfordshire Pension Fund Budget Monitoring 2018/2019

	2019/2020 Current Budget	2019/2020 Outturn	2019/2020 Variance
	£000	£000	£000
Investment Management Fees			
Investment Management - Basic Fees	4,538	4,338	-200
Investment Management - Underlying Property Fees	2,217	2,053	-164
Investment Management - Performance	300	0	-300
Total Investment Management Fees	7,055	6,391	-664
Oversight & Governance			
Actuarial & Other professional fees	407	251	-156
Audits - Internal & external	49	49	0
Other Expenses	569	649	80
Total Oversight & Governance	1,025	949	-76
Administration			
Running Expenses	133	118	-15
Computer Costs	274	206	-68
Fund Administration - BBC Recharge	1,165	1,076	-89
Total Administration	1,572	1,400	-172
Total Management Expenses	9,652	8,740	-912

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 2018/2019 and is summarised in the following table:

Cost per Scheme Member (£)	2018/2019		2017/2018	
	Bed PF	All LGPS	Bed PF	All LGPS
Investment management: base fee	84.35		83.26	
Performance fee	0.00		3.93	
Investment advice/ support:	13.33		9.54	
Total Investment Costs	97.68	199.97	96.73	184.40
Administration	17.76	22.20	23.81	20.85

Staffing Levels

Administration staff as reported in the SF3 data for 2018/2019 was 25 Full Time Equivalents (FTE's) with 25 FTE's being reported for 2019/2020 when the data collection exercise is available. The table below show the number of members to FTE equivalent for the last three years.

Year	2017/2018	2018/2019	2019/2020
Total Membership	68,871	70,729	72,105
FTE's	27	25	25
Membership to FTE's	2,551	2,829	2,884

Communications

The Pension Fund is committed to establishing and maintaining effective communications with its members and other interested parties. 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 page 99.

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 developments in 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 provisions.

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

All Borough Council staff involved in Pension Fund administration and investment activities 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 a self-service portal referred to as "My Pension Online". This commenced during 2018/2019 and has been completed during the 2019/2020 so that it 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

All public sector organisations charged with the financial management of pension schemes will be aware of the schemes' growing complexity.

Public sector pension scheme financial management demands appropriate skills, including knowledge of:

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

Every public sector organisation should secure appropriate training, having assessed the professional competence of both those involved in pension scheme financial management and those with a policy, management and/or oversight role. They should also ensure that those charged with pension scheme governance have access to the skills and knowledge they require to carry out this role effectively.

CIPFA has published its Pensions Finance Knowledge and Skills Framework as a basis for the training and development of those involved in pension scheme finances. The six areas within the Knowledge and Skills framework are:

1. Pensions legislative and governance context
2. Pensions accounting and auditing standards
3. Financial services procurement and relationship management
4. Investment performance and risk management
5. Financial markets and product knowledge
6. Actuarial methods, standards and practices

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 the Bedfordshire Pension Fund, the Council recognises the importance of ensuring that all staff and members charged with the financial management and decision making with regard to the Fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them. It therefore seeks to appoint individuals who are both capable and experienced and will provide training for staff and members to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

The Fund's training plan sets out how it intends to acquire, maintain and develop the pension finance knowledge and skills necessary. 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 formulated a training plan.

The following training against the plan has been provided during the year. The table reviews the training received by the Fund in 2019/2020.

Bedfordshire Pension Fund – 2019/2020 training plan review

The table shows the key training received by the Fund in 2019/2020. Suggested optional events are shown shaded whilst others are suggested to be essential whilst Members in the first two years in the committee.

Event	Length & timing of Training	Legislative & Governance	Accounting & Audit	Procurement & Relationships	Investment & Risk	Financial Markets	Actuarial	Attended
Local Event led by Investment Consultant/ investment managers	½ day Tied into Panel Training 21 June 2019, 20 Sept 2019 15 Nov 2019	X	X	X	X	X		21 June 2019 6 members/ 5 officers 20 Sept 2019 7 members/ 2 officers 15 Nov 2019 6 members/ 3 officers 7 Feb 2020 4 members/ 4 officers
Local Government Association (LGA) Trustee training	3 days	X	X	X	X	X	X	3 Board /4 Members Total to date 11 Members/ 4 officers 1 Observer/ 11 Board
PLSA Local Authority Conference	2 days 13/14 May 2019	X	X		X	X		0 members/ 2 officers
BCPP Annual Conference	1.5 days 10/11 Oct 2019	X		X	X	X		4 Members/ 3 Officers/
LGC – Investment Seminar	2 days 26/27 Feb 2019	X		X	X	X		2 Members/ 1 officer
16th Annual LGPS Governance Conference	1.5 days 23/24 Jan 2020	X	X		X		X	2 Board/ 1 officer
Local Government Pension Investment Forum	2 days 3/4 Oct 2019	X			X	X		1 Member
CIPFA – Pensions Network Conference	22 Nov 2018	X		X	X	X		2 Members/ 1 officer/ 2 Board
LAPF Strategic Investment Forum	3 days 3/4 July 2019				X	X		1 Member
LAPFF Annual Conference	4/5 Dec 2019				X			1 Member
LGC – Investment Summit	2 days 5/6 Sept 2019	X		X	X	X	X	1 Member/ 1 officer

Officers also attended a CIPFA Pension network events on 6 June 2019; Pensions Administration Managers Conference 18/20 November 2019; Pensions Audit and Accounting Technical Update 10 Feb 2020; HMRC – Issues for administrators workshop; various other events hosted by Fund Managers and Advisors relating to, Risk Management, Cyber Crime, Preparing the Fund Accounts and other client conferences; and Pension Board members also attended a number of seminars organised by CIPFA & Barnett Waddingham and Northern Trust.

Additionally, Members have been encouraged to undertake the Pensions Regulator Public Sector toolkit.

Risk

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

- The value of liabilities rises too quickly;
- The value of the investments does not rise quickly enough;
- Individual employer circumstances make paying liabilities challenging;
- The Governance capability.

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 (page 81), see Appendix C – Key risks and controls. and the Investment Strategy Statement (page 59), see section 2.5, the approach to risk, including the ways in which risks are measured and managed. The formal risk register is considered 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, contributions receivable and governance to ensure that internal controls are working correctly. In 2019/2020 the Fund received full or substantial assurance in all areas. Investment Managers and the Fund's custodian also make available a report detailing their internal control system being subject to audit. These reports can be of different formats including 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). Each report is reviewed when available and the conclusion of each was that the control procedures are suitably designed and operated as described 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 Pension Fund’s 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 2019/2020 was carried out as at 31 March 2016. The employer contribution rates resulting from this valuation were implemented from 1 April 2017 (see also Actuarial Statement on page 71).

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 increase 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 2019/2020 the number of pensioners increased from 17,435 at 31 March 2019 to 18,160 at 31 March 2020; the number of contributors within the fund increased from 22,404 to 22,493.

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.

	2019	Active Membership by Employer as at 31 March	2020
	5,361	Luton Borough Council	5,200
	4,818	Central Bedfordshire Council	4,966
	3,072	Bedford Borough Council	3,159
	5,374	Academies	5,290
	1,046	Chief Constable and Police and Crime Commissioner for Bedfordshire	1,007
	688	University of Bedfordshire	791
	404	Cranfield University	423
	1,641	Other Bodies	1,657
	22,404	Total	22,493

Participating Employers

Five Year Membership Summary as at 31 March					
	2020	2019	2018	2017	2016
Active members	22,493	22,404	22,275	21,140	20,428
Pensioners	18,160	17,435	16,436	15,538	14,889
Deferred Pensioners	31,452	30,890	30,160	29,456	27,409
Total	72,105	70,729	68,871	66,134	62,726

The following are the employers participating in the Bedfordshire Pension Fund as at 31 March 2020. The contribution rates shown are the percentage of its employees' pensionable pay that each employer paid into the fund during 2019/2020. Common contribution rate is set at a level so as to bring the fund to 100% funding over a period of twenty years. However, some employers have opted to fund the deficit by making additional annual monetary payments and consequently have a lower contribution rate. The additional payments in 2019/2020 are included in the table below.

Scheduled Bodies:	Contribution Rate %	Additional payments £000
Academy Of Central Bedfordshire	22.40	
Active Education Academy Trust	18.50	
Advantage MAT - Bedford Free School	15.90	
Advantage MAT – Elstow	26.60	
Alameda Academy	20.90	
Aley Green Parish Council	23.80	
All Saints Academy (Dunstable)	19.80	
All Saints Lower (Post 01/10/2013) (Clifton)	26.20	
Amphill Town Council	23.80	
Arlesey Town Council	21.70	
Arnold Academy	20.00	
B.C.A.T Wixams Academy	20.00	
B.C.A.T Wixams Tree Primary	20.20	
B.I.L.T.T - Grange (formerly Grange Academy)	20.20	
B.I.L.T.T – Greys	20.20	
B.I.L.T.T – St Johns	16.90	
Bedford Borough Council	18.40	6,544
Bedford College (including Tresham)	23.80	474
Bedfordshire & River Ivel Drainage Board	17.30	
Bedfordshire Fire And Rescue Service	17.50	191
Beecroft Academy	23.80	
Biddenham Parish Council	26.10	
Biggleswade Academy Trust	23.80	
Biggleswade Town Council	23.80	
Blunham Parish Council	23.80	
Bolnhurst Parish Council	23.80	
Brickhill Parish Council	23.80	
Bromham Parish Council	19.70	
Brooklands Middle School	23.80	
Caddington Parish Council	18.80	
Central Bedfordshire College	16.90	180
Central Bedfordshire Council	16.70	8,296
Chief Constable	23.50	733
Chiltern Learning - Ardley Hill	23.50	
Chiltern Learning - Cedars (formerly Cedars Academy)	23.00	
Chiltern Learning - Challney Girls	22.40	
Chiltern Learning - Chiltern Academy	22.40	
Chiltern Learning - Lark Rise (formerly Lark Rise Academy)	20.40	
Chiltern Learning - Linslade (formerly Linslade Academy Trust)	21.40	
Chiltern Learning - Marston Vale	23.30	
Chiltern Learning – Putteridge	22.40	
Chiltern Learning Trust	20.10	
CMAT – Daubeney	25.10	61
CMAT – Kempston Challenger Academy	26.40	
CMAT – Lancot	23.40	
CMAT – Springfield	26.60	

Scheduled Bodies:	Contribution Rate %	Additional payments £000
Cranfield Church of England Academy	19.90	
D.S.A.M.A.T - Caldecote	25.20	
D.S.A.M.A.T - Kensworth	25.20	
D.S.A.M.A.T - Manshead	25.20	
D.S.A.M.A.T - Roxton	26.60	
D.S.A.M.A.T - Thomas Whitehead	25.20	
D.S.A.M.A.T - Totternhoe	25.20	
Dunstable Town Council	23.80	
Eaton Bray Academy	19.40	
Etonbury Academy	23.80	
Eversholt Lower	22.20	
Everton Heath Primary	25.20	
Ferrars Academy	19.60	
Flitwick Town Council	23.80	
Fullbrook Academy	22.90	
Gilbert Inglefield Academy	24.60	
Goldington Academy	22.40	
Goldington Green Academy	24.40	
Gothic Mede Lower Academy	23.80	
Gravenhurst Academy	23.80	
Great Barford Parish Council	23.80	
Greenfield & Pulloxhill Academy	22.60	
Hadrian Academy	22.40	
Harlington Academy	21.10	
Harlington And Sundon Academy Trust	26.40	
Harlington Parish Council	23.80	
Haynes Parish Council	23.80	
HEART Academies - Cauldwell	26.60	
HEART Academies - Shackleton	26.60	
HEART Academies - Shortstown	26.60	
Heart Academies Trust (formerly Bedford Academy)	18.60	
Henlow Church Of England Academy	22.50	
Holywell Academy	22.30	
Houghton Conquest Parish Council	23.80	
Houghton Regis Academy	23.60	
Houghton Regis Town Council	23.80	
Icknield Academy	24.10	
Kempston Burial Joint Board	23.80	
Kempston Rural Parish Council	23.80	
Kempston Town Council	23.80	
Kensworth Parish Council	23.80	
Langford Lower Academy	23.80	
Lawnside Academy	25.20	
Leighton Linlade Town Council	23.80	
Luton Borough Council	17.30	8,307
Luton Sixth Form College	19.40	116
Mark Rutherford School Trust	19.40	
Marston Moretaine Parish Council	23.80	
Maulden Parish Council	23.80	
Meppershall Lower Academy School	23.90	
Northill Parish Council	23.80	
Oak Bank Special School Academy *	19.00	
Oakley Parish Council	23.80	
Pioneer Ltrust - Chantry (formerly Chantry Academy)	22.00	
Pioneer Ltrust - Southfield	23.00	
Pioneer Ltrust - Whitefield	24.80	

Scheduled Bodies:	Contribution Rate %	Additional payments £000
Pix Brook Academy	23.80	
Police and Crime Commissioner	16.70	
Potton Town Council	23.80	
Putnoe Academy	21.00	
Queens Park Academy	20.30	
Queensbury Academy	26.50	
Raynsford Church Of England Academy	23.90	
Redborne Academy	20.10	
Robert Bloomfield Academy	23.80	
S.A.C.A.T – Cardinal Newman	24.10	
S.A.C.A.T – St Margaret Of Scotland	24.10	
S.A.C.A.T – St Martin De Porres	24.10	
S.A.C.A.T - St Marys Caddington	24.10	
S.A.C.A.T - St Vincents	24.10	
Samuel Whitbread Academy	23.80	
Sandy Town Council	23.80	
Scholars' Edcn Trust - Priory	23.10	
Shared Learning Trust	17.10	59
Sharnbrook Academy Federation	21.10	
Sharnbrook Parish Council	23.80	
Sharnbrook Primary (formerly John Gibbard Academy)	22.20	
Shefford Town Council	23.80	
Shortstown Parish Council	23.80	
St Augustine's Academy	24.40	
St Christopher's Academy	17.10	
St Francis Of Assisi Academies Trust	23.50	
St Mary's School (Stotfold)	22.80	
Stanbridge Parish Council	23.80	
Staploe Parish Council	23.80	
Stotfold Town Council	23.80	
Stratton Education Trust	23.60	
Tennyson Road Primary School	25.70	
The Firs Academy	20.60	
The Hills Academy	23.40	
The Rushmere Park Academy	17.10	
Tilsworth Parish Council	23.80	
Toddington Parish Council	23.80	
Toddington St George Church Of England School	25.40	
Turvey Parish Council	23.80	
UNITY CofE MAT - Great Barford	26.60	
University of Bedfordshire	18.00	1,413
Ursula Taylor Academy	22.40	
Vandyke Upper School	21.90	
Weatherfield Academy	22.10	
Whipperley Infant Academy	21.70	
Woodland Middle	19.60	
Wootton Academy Trust	21.00	
Wootton Parish Council	23.80	

Admitted Bodies:	Contribution Rate %	Additional payments £000
ABM Catering Ltd	30.80	
Active Luton Trust	19.50	37
Aragon Housing Association	21.10	561
Aramark	28.30	
BPHA	21.10	1,181
Churchill (Chalk Hill)	28.80	
Civica UK Limited	26.50	
Compass – Sharnbrook Academy	23.30	
Cranfield University	19.20	2,544
Creative Support	24.20	
Edwards & Blake Ltd (SACAT)	16.50	
ELFT Bedfordshire - East London NHS Foundation Trust Bedfordshire	27.90	133
ELFT Luton - East London NHS Foundation Trust Luton	27.20	
Enterprise Support Services UK	26.80	
Fusion Lifestyle	23.70	47
Grand Union Housing	21.10	
LGSS Law Ltd	16.60	
The Culture Trust Luton	21.30	99
Mitie	27.00	
Mountain Healthcare	21.40	
Multi Active Holiday Courses	15.80	
Ridge Crest Cleaning (M&D)	26.60	
Ridge Crest Cleaning (SAF)	24.30	
Ringway Jacobs	29.10	
St. Francis Children's Society	32.30	
Stevenage Leisure Limited	26.90	
Stevenage Leisure LL (dunst,grv,tid)	28.70	
XMA Limited	20.10	

Further to this the following is a summary of the number of employers in the fund analysed by Scheduled bodies and Admitted bodies, showing active and ceased where there are still outstanding liabilities.

	Active	Ceased
Scheduled Body	149	7
Admitted Body	28	0
Administering Authority	1	0
Total	178	7

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

	2019/2020	2018/2019	2017/2018	2016/2017	2015/2016
Scheduled Body	150	152	147	127	126
Admitted Body	28	23	24	22	19
Total	178	175	171	149	145



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

INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS OF BEDFORD BOROUGH COUNCIL ON THE PENSION FUND FINANCIAL STATEMENTS

Opinion

We have examined the pension fund financial statements for the year ended 31 March 2020, which comprise the Fund Account, the Net Assets Statement and the related notes.

In our opinion, the pension fund financial statements are consistent with the full annual statement of accounts of Bedford Borough Council for the year ended 31 March 2020 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Respective responsibilities of the Assistant Chief Executive (Enabling Services) & Chief Finance Officer and the auditor

As explained more fully in the Statement of the Responsibilities for the Statement of Accounts, the Assistant Chief Executive (Enabling Services) & Chief Finance Officer is responsible for the preparation of the pension fund's financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the pension fund financial statements in the statement of accounts of Bedford Borough Council, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

We also read the other information contained in the pension fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists only the:

- Foreword
- Management Report
- Financial Statements
- Investment Report
- Pooling.

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the administering authority's full annual statement of accounts describes the basis of our opinion on those financial statements.

Debbie Hanson
Ernst + Young LLP

Debbie Hanson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Luton
22 December 2020

Bedfordshire Pension Fund 2019/2020

Fund Account for the Year Ended 31 March 2020

2018/2019		2019/2020	See
£000		£000	Note
	Contributions and Benefits		
126,934	Contributions	137,810	6
9,812	Transfers in from other pension funds	11,365	7
47	Other Income	23	
136,793		149,198	
-97,734	Benefits	-99,628	8
-30,497	Payments to and on account of leavers	-6,464	9
8,562	Net additions/(withdrawals) from dealings with members	43,106	
-8,165	Management Expenses	-8,740	10
397	Net additions/(withdrawals) including Management Expenses Returns on Investments	34,366	
9,317	Investment income	12,457	11
-36	Taxes on income	-1	
114,733	Profit and losses on disposal of investments and changes in value of investments	-136,458	12a
124,014	Net return on investments	-124,002	
124,411	Net increase/(decrease) in the fund during the year	-89,636	
2,174,629	Opening Net Assets of the Fund	2,299,040	
2,299,040	Closing Net Assets of the Fund	2,209,404	

Net Assets Statement for the Year Ended 31 March 2020

31 March 2019		31 March 2020	See
£000		£000	Note
833	Long Term Investment Assets	833	12.1
833	Total Long Term Investment Assets	833	
2,245,055	Investment Assets	2,116,541	12.2
0	Investment Liabilities	0	12.3
2,245,055	Total Net Current Investments	2,116,541	
2,245,888	Total Net Investments	2,117,374	
608	Long Term Assets	0	18
75,165	Current Assets	94,722	19
-22,621	Current Liabilities	-2,692	20
2,299,040	Net assets of the fund available to fund benefits at the end of the Reporting Period	2,209,404	

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 17.

Notes to the Accounts

1. Description of the Pension Fund

The 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 2019/2020 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 (Management and Investment of Funds) Regulations 2016 (as amended)
- The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (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 2020, the total number of employees (i.e. from Councils within Bedfordshire and the other scheduled and admitted bodies) contributing to the Fund was 22,493 (22,404 at 31 March 2019), the number of pensioners was 18,160 (17,435) and the number of deferred pensioners was 31,452 (30,890).

A full list of participating bodies as at 31 March 2020 is shown at the end of this section. 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.

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 2019/2020 (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.

Under IFRS the Fund is required to disclose the actuarial present value of promised retirement benefits, either in the net assets statement, in the notes to the accounts or in an accompanying actuarial report. The financial statements include a separate actuarial report to meet this requirement.

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 such liabilities.

The Administering Authority is satisfied that Bedfordshire Pension Fund is a going concern. The return for 2019/2020 of -5.6% was less than the actuary's long term target return for the Fund of +4.6% pa, however, the Fund still has the remaining 3 years of the actuarial period to achieve the target return, and beyond this has agreed a 17 year recovery period should this be necessary to make good an increase in the funding deficit at the next actuarial valuation. The Fund's cashflow remains robust. 76% of deficit contributions were paid in advance in April 2020. The Fund held cash of £80.7 million at the Balance Sheet date, equivalent to 3% of the Fund Assets. In addition, the Fund held £1.9 billion in Level 1 and Level 2 investment assets which could be realised within 3 months if required. However, based upon review of its operational cash flow projections the fund is satisfied it has sufficient cash to meet its obligations to pay pensions, for at least 12 months from the date of authorisation of these accounts, without the need to sell any of these investments. As such the accounts have been prepared on a going concern basis.

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. As per the code of Practice on Local

Authority Accounting in the United Kingdom 2019/20 (the Code), there are no new Accounting Standards in the 2019/20 financial year.

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.

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

Where an investment manager's fee note has not been received by 31 March 2020, 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 NAV (Net Asset Value) of each separate fund.

Investments

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

- Quoted securities are valued by reference to market bid price at the close of business on 31 March 2020.
- Traded futures are valued by reference to their exchange prices as at 31 March 2020.
- Other unquoted securities are valued having regard to latest dealings, professional valuations, asset values and other appropriate financial information.
- Unit trust and managed fund investments are valued by reference to the latest bid prices quoted by their respective managers prior to 31 March 2020. If bid prices are unavailable, mid prices or net asset value will be used.
- Assets, including investments, denominated in foreign currencies are valued on the relevant basis and translated into sterling at the rate ruling on 31 March 2020. 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

- 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.
- 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.
- 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.
- 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 2019/2020 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 has 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 the Actuarial Report on page 42. 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 2020 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
Pooled Property	The ongoing Covid-19 pandemic has created uncertainty surrounding the valuation of illiquid asset values. This has impacted on the Pension Fund's investment in property funds where the professional valuer has advised that as at the 31 March 2020, there was material valuation uncertainty due the uncertainty and volatility of market conditions caused by the impact of Covid-19. Therefore the valuation derived as at the 31 March 2020, as disclosed in note 13, may be inaccurate to the true year-end position	There is a risk that these may be over or understated in the accounts
Private Equity	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

6. Contributions Receivable

2018/2019	Contributions	2019/2020
£000		£000
25,340	Employees' normal contributions	26,831
380	Employees' additional voluntary contributions	231
69,453	Employers' normal contributions	76,905
29,481	Employers' deficit funding	32,214
2,280	Employers' augmentation contributions	1,629
126,934		137,810
19,977	Administering authority	21,761
95,150	Scheduled bodies	104,254
11,807	Admitted and other bodies	11,795
126,934		137,810

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.

7. Transfers In From Other Pension Funds

2018/2019		2019/2020
£000	Transfers in from other pension funds	£000
0	Transfers in from other pension funds - bulk	0
9,812	Individual transfers from other pension funds	11,365
9,812		11,365

There were no bulk transfers into the Fund in 2019/2020.

8. Benefits Payable

2018/2019		2019/2020
£000	Benefits	£000
77,339	Pensions	81,388
17,270	Commutations of pensions and lump sum retirement benefits	16,165
3,125	Lump sum death benefits	2,075
97,734		99,628
	Further analysed as:	
12,303	Administering authority	13,442
75,912	Scheduled bodies	76,410
9,519	Admitted and other bodies	9,776
97,734		99,628

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

9. Payments To and On Account of Leavers

2018/2019		2019/2020
£000	Payments to and on account of leavers	£000
574	Refunds of contributions	553
21,000	Transfers to other schemes – bulk	0
8,437	Transfers to other schemes – individuals	5,580
486	Annual Allowance - Tax Charge	331
0	Lifetime Allowance - Tax Charge	0
30,497		6,464

Barnfield College transferred to Hertfordshire Pension Fund in 2018/2019. A final full payment of £19.2m was transferred in March 2020.

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.

10. Management Expenses

2018/2019		2019/2020
£000	Management Expenses	£000
1,256	Administrative Costs	1,400
5,966	Investment Management Expenses	6,391
943	Oversight and Governance Costs	949
8,165		8,740

The external audit fees paid in 2019/2020 was £0.026 million and £0.031 million in 2018/2019.

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

2018/2019		2019/2020
£000	Investment Management Expenses	£000
62	Transaction Costs	0
4,086	Management Fees	4,288
0	Performance Related Fees	0
1,751	Underlying Property Fees	2,053
67	Custody Fees	50
5,966		6,391

11. Investment Income

2018/2019		2019/2020
£000	Investment Income	£000
0	Dividends from equities	0
7,917	Income from pooled investment vehicles	11,433
1,400	Interest on cash deposits	1,024
9,317	Total Investment Income	12,457

12. Investments

2018/2019		2019/2020	
£000	Investments	£000	Note
	Long Term Investments		
833	Pool Share Capital	833	12.1
833	Total Long Term Investments Equities	833	
0	UK quoted equities	0	
0	Overseas quoted equities	0	
0	Total Equities	0	12.2
	Managed and Unitised Funds		
1,420,997	UK insurance managed funds	1,193,129	
214,788	UK property unit trusts	204,846	
537,456	Overseas unit trusts	517,987	
0	Global Equity Funds	116,223	
16,190	Private Equity	28,737	
15,665	Infrastructure	35,871	
2,205,096	Total Managed and Unitised Funds	2,096,793	12.2
	Cash Deposits & Other Investment Assets		
0	Amount receivable for sales of investments	0	
116	Investment income outstanding	40	
116	Other Investment Assets	40	
39,843	Cash deposits	19,708	
39,959	Total Cash and Other Investment Assets	19,748	12.2
	Investment Liabilities		
0	Other liabilities	0	
0	Total Other Liabilities	0	12.3
2,245,888	Total	2,117,374	

12a Value of Investments					
2019/2020	Market Value at 31 March 2019	Purchases at cost & derivative payments	Sale proceeds & derivative receipts	Change in Market Value	Market Value at 31 March 2020
	£000	£000	£000	£000	£000
Long Term Investments					
Pool Share Capital	833		0	0	833
Equities					
UK	0	0	0	0	0
Overseas	0	0	0	0	0
	0	0	0	0	0
Managed Funds	1,420,997	12,836	-3,483	-120,998	1,309,352
Unit Trusts					
Property	214,788	13,334	-9,550	-13,728	204,844
Other	569,311	39,248	-24,231	-1,732	582,596
	784,099	52,582	-33,781	-15,460	787,440
Other Assets	0	0	0	0	0
Total	2,205,929	65,418	-37,264	-136,458	2,097,625
Cash	38,222				19,708
Currency Movements	1,737				41
	39,959				19,749
Total	2,245,888				2,117,374

12.b Value of Investments					
2018/2019	Market Value at 31 March 2018	Purchases at cost & derivative payments	Sale proceeds & derivative receipts	Change in Market Value	Market Value at 31 March 2019
	£000	£000	£000	£000	£000
Long Term Investments					
Pool Share Capital	0	833	0	0	833
Equities					
UK	0	0	0	0	0
Overseas	0	0	0	0	0
	0	0	0	0	0
Managed Funds	1,208,075	6,989	0	205,933	1,420,997
Unit Trusts					
Property	189,951	38,534	-17,497	3,800	214,788
Other	632,005	46,964	-12,921	-96,737	569,311
	821,956	85,498	-30,418	-92,937	784,099
Other Assets	0	0	0	0	0
Total	2,030,031	93,320	-30,418	112,996	2,205,929
Cash	35,525				38,222
Currency Movements				1,737	1,737
	35,525				39,959
Total	2,065,556				2,245,888

12.c Investments Analysed by Fund Manager				
2018/2019		Fund Manager	2019/2020	
£ million	%		£ million	%
537,898	23.40%	Legal & General - Global Equities	356,357	16.13%
344,686	14.99%	Blackrock - Equities	322,969	14.62%
227,643	9.90%	CBRE - Indirect Property	215,195	9.74%
199,482	8.68%	Legal & General - UK Equities	162,512	7.36%
193,245	8.41%	Insight - Absolute Return Bonds	186,115	8.42%
185,709	8.08%	Blackrock -Gilts inc. Index Linked	195,065	8.83%
153,618	6.68%	Pyrford-Absolute Return Multi-Asset	150,116	6.80%
153,220	6.66%	Invesco - Absolute Return Multi Asset	156,225	7.07%
122,546	5.33%	Newton - Absolute Return Multi Asset	119,866	5.43%
68,046	2.96%	Blackrock - Emerging Markets	61,890	2.80%
17,309	0.75%	Aberdeen Standard - Private Equity	30,775	1.39%
15,665	0.68%	Pantheon - Infrastructure	21,840	0.99%
0	0%	BCPP Global Equity Alpha	116,223	5.26%
0	0%	BCPP Infrastructure Series 1	14,031	0.64%
833	0.04%	Pool Share Capital - Equities	833	0.04%
2,219,900	96.56%	Net Assets Managed by External Bodies	2,109,501	95.49%
79,139	3.44%	Net Assets Managed by the Administering Authority	99,391	4.50%
2,299,040	100.00%	Total Assets	2,209,404	100.00%

It is required to disclose where there is a concentration of investment (other than in the UK Government Securities) which exceeds a 5% of the total value of the net assets of the scheme. The investments that fall into this category are as follows:-

2018/2019	% of Total	Managed and Unitised Investment	2019/2020	% of Total
£000	Market Value		£000	Market Value
737,380	32.07%	Legal & General	518,869	23.49%
530,395	23.07%	Blackrock Advisers	579,924	26.25%
193,245	8.41%	Insight	186,115	8.42%
153,618	6.68%	Pyrford	150,116	6.80%
153,220	6.66%	Invesco	156,225	7.07%
122,546	5.33%	Newton	119,866	5.43%
0	0%	Border to Coast Pensions Partnership	116,223	5.26%

12.d Stock Lending

The Fund did not undertake any stock lending during 2019/2020.

13. 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
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
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
Private Equity	3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	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 2020.

Level 3 Assets	Valuation Range +/-	Value at 31 March 2020 £000	Valuation Increase £000	Valuation Decrease £000
Property Unit Trust	10	107,311	118,042	96,580
Private Equity	15	28,737	33,048	24,426
Infrastructure	15	35,871	41,252	30,490
		171,919	192,342	151,496

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.

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.

	31 March 2020			
	Quoted Market Price	Using Observable Inputs	With significant unobservable inputs	
	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Financial Assets				
Financial Assets at Fair Value through profit and loss		1,924,872	171,919	2,116,500
Financial Assets at amortised cost	105,968			105,968
Total Financial Assets	105,968	1,924,872	171,919	2,202,760
Financial Liabilities				
Financial liabilities at fair value through profit and loss	-11			-11
Financial liabilities at amortised cost	-2,680			-2,680
Total financial liabilities	-2,691	0	0	-2,691
Net financial assets	103,277	1,924,872	171,919	2,200,069
	31 March 2019			
	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	
	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Financial Assets				
Financial Assets at Fair Value through profit and loss	690,676	1,338,314	176,938	2,205,929
Financial assets at amortised cost	111,877	0		111,877
Total Financial Assets	802,554	1,338,314	176,938	2,317,806
Financial Liabilities				
Financial Liabilities at Fair Value through profit and loss	-11	0		-11
Financial Liabilities at amortised cost	-22,610	0		-22,610
Total Financial Liabilities	-22,621	0	0	-22,621
Net Financial Assets	779,933	1,338,314	176,938	2,295,185

The following assets have been carried at cost (£833,000 in 2018/19):

Values at 31 March 2020	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Share Capital in Border to Coast Pool	0	0	833	833
Investments held at cost	0	0	833	833

Reconciliation of Fair Value Measurement within Level 3

	2018/2019	Transfer Into	Transfer Out of	Purchases	Sales	Unrealised Gains/ Losses	Realised Gains/ Losses	2019/2020
	£000	£000	£000	£000	£000	£000	£000	£000
Private Equity	16,190	0	0	15,907	-7,299	2,841	1,098	28,737
Infrastructure	15,665	0	0	19,516	0	690	0	35,871
Property	145,083	-18,545	0	5,193	-9,550	-9,651	-5,219	107,311
Total	176,938	-18,545	0	40,616	-16,849	-6,120	-4,121	171,919

14. 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.

2018/2019			2019/2020			
Fair value through profit & loss	Financial assets at amortised cost	Financial liabilities at amortised cost		Fair value through profit & loss	Financial assets at amortised cost	Financial liabilities at amortised cost
£000	£000	£000		£000	£000	£000
			Financial Assets			
833	0	0	Equities	833	0	0
2,205,096	0	0	Managed & unitised funds	2,096,280	0	0
0	107,672	0	Cash	0	100,426	0
0	116	0	Other investment assets	0	40	0
0	4,089	0	Debtors	0	5,502	0
2,205,929	111,877	0		2,097,113	105,968	0
			Financial Liabilities			
0	0	0	Other investment liabilities	0	0	0
-11	0	-22,610	Creditors	-11	0	-2,680
-11	0	-22,610		-11	0	-2,680
2,205,918	111,877	-22,610		2,097,102	105,968	-2,680

Net Gains and Losses on Financial Instruments

2018/2019		2019/2020
£000		£000
	Financial Assets	
114,733	Designated at fair value through profit and loss	-136,458

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

15. 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.

Carrying value at 31/03/2019	Change in year in net assets available to pay benefits		Asset type	Carrying value at 31/03/2020	Change in year in net assets available to pay benefits	
	+100 bps	-100 bps			+100 bps	-100 bps
£000	£000	£000		£000	£000	£000
808,340	8,083	-8,083	Fixed interest securities	687,522	6,875	-6,875
97,732	977	-977	Cash & cash equivalents	101,234	1,012	-1,012
906,072	9,061	-9,061	Total	788,756	7,887	-7,887

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 2020 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

Asset Type	2019/2020			
	Value £000	Change %	Value on Increase £000	Value on Decrease £000
Overseas Equities	492,818	5.50%	519,923	465,713
Overseas Property	0	5.50%	0	0
Overseas Absolute Return	186,115	5.50%	196,351	175,879
Overseas Diversified Growth	150,117	5.50%	158,373	141,860
Overseas Alternatives	66,132	5.50%	69,769	62,494
Overseas Cash	7	5.50%	8	7
Total	895,189	5.50%	944,424	845,953

Asset Type	2018/2019			
	Value £000	Change %	Value on Increase £000	Value on Decrease £000
Overseas Equities	993,641	4.16%	1,034,976	952,306
Overseas Property	0	4.16%	0	0
Overseas Absolute Return	169,431	4.16%	176,479	162,383
Overseas Diversified Growth	96,570	4.16%	100,587	92,553
Overseas Alternatives	55,997	4.16%	58,326	53,668
Overseas Cash	0	4.16%	0	0
Total	1,315,638	4.16%	1,370,367	1,260,910

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 2019/2020 reporting period.

Asset Type	% Change
UK Equities	14.00%
Overseas Equities	14.00%
Property	15.00%
Absolute Return Bonds	10.00%
Diversified Growth Funds	12.00%
Gilts	10.00%
Private Equity	25.00%
Infrastructure	25.00%
Cash	0.50%
Total	12.67%

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.

Asset Type	2019/2020			
	Value £000	Change %	Value on Increase £000	Value on Decrease £000
UK Equities	203,789	14.00%	232,320	175,259
Overseas Equities	816,996	14.00%	931,376	702,617
Property	204,863	15.00%	235,593	174,134
Absolute Return Bonds	186,115	10.00%	204,727	167,504
Diversified Growth Funds	426,208	12.00%	477,353	375,063
Gilts	195,065	10.00%	214,572	175,559
Private Equity	30,773	25.00%	38,466	23,080
Infrastructure	35,359	25.00%	44,199	26,519
Cash	110,235	0.50%	110,786	109,684
Total	2,209,404	12.67%	2,489,391	1,929,417

Asset Type	2018/2019			
	Value £000	Change %	Value on Increase £000	Value on Decrease £000
UK Equities	247,365	18.00%	291,890	202,839
Overseas Equities	903,581	18.00%	1,066,227	740,937
Property	214,805	14.00%	244,878	184,732
Absolute Return Bonds	193,245	10.00%	212,570	173,921
Diversified Growth Funds	429,384	12.00%	480,911	377,859
Gilts	185,709	10.00%	204,280	167,138
Private Equity	16,190	29.00%	20,885	11,495
Infrastructure	15,665	29.00%	20,207	11,122
Cash	93,096	1.00%	94,027	92,165
Total	2,299,040	14.65%	2,635,875	1,962,208

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.
- a significant proportion of the Fund being held in highly liquid investments such as actively traded equities and unit trusts. The level 1 highly liquid funds total £711 million representing 33% of the Fund.

16. Funding Arrangements – Actuary Statement

The Fund's Actuary has provided the following Statement on the valuation of the retirement benefits as at 31 March 2020 and the assumptions made in the valuation.

Bedfordshire Pension Fund ("the Fund") Actuary's Statement as at 31 March 2020

Introduction

The last full triennial valuation of the Bedfordshire Pension Fund (the Fund) was carried out as at 31 March 2019 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 26 March 2020.

Asset value and funding level

The results for the Fund at 31 March 2019 were as follows:

- the market value of the Fund's assets as at 31 March 2019 for valuation purposes was £2,291m.
- the Fund had a funding level of 80% i.e. the assets were 80% 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 £556m.

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 19.2% 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 2020.

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 Adjustment Certificate in the triennial valuation report.

Assumptions

The key assumptions used to value the liabilities at 31 March 2019 are summarised below:

Assumption	31 March 2019
CPI inflation	2.6% p.a.
Long-term salary increases	3.6% p.a.
Discount rate	4.6% p.a.

Demographic assumptions	
Post-retirement mortality	
Base tables	Based on Club Vita analysis
Projection model	CMI 2018
Long-term rate of improvement	1.25% p.a.
Smoothing parameter	7.5
Initial addition to improvements	0.5% p.a.

Assumed life expectancies at age 65:	
Average life expectancy for current pensioners - men currently age 65	22.1 years
Average life expectancy for current pensioners - women currently age 65	24.3 years
Average life expectancy for future pensioners - men currently age 45	23.1 years
Average life expectancy for future pensioners - women currently age 45	26.1 years

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 2019 valuation report.

Updated position since the 2019 valuation

Returns were strong for the first three quarters following the valuation date, however, recent market movements have seen significant falls in equity values. As at 31 March 2020, in market value terms, the Fund assets were significantly less than where they were projected to be based on the previous valuation.

The projected liabilities will have increased due to the accrual of new benefits net of benefits paid, but offset by lower levels of projected future inflation. However the potential reduction in the value of the liabilities will be offset by lower expected future investment returns reflected in the discount rate underlying the valuation model.

On balance, we estimate that the funding position is likely to have fallen slightly when compared on a consistent basis to 31 March 2019. The change in inflation and discount rates is likely to place a lower value of the cost of future accrual but due to the worsening in funding position, this is likely to be offset by an increase in deficit contributions.

Future investment returns that will be achieved by the Fund in the short term are more uncertain than usual, in particular the return from equities due to actual and potential reductions and suspensions of dividends. There are also the other uncertainties around future benefits, relating to the McCloud and Sargeant cases and the ongoing cost cap management process.

The administering authority have requested that we monitor this funding level on a quarterly basis so we will estimate the funding level again at 30 June 2020 and review the appropriateness of the assumptions used in our funding model.

Graeme D Muir FFA

Partner, Barnett Waddingham LLP

17. Actuarial Present Value of Promised Retirement Benefits

We have been instructed by Bedford Borough Council, the administering authority to the Bedfordshire Pension Fund (the Fund), to undertake pension expense calculations in respect of pension benefits provided by the Local Government Pension Scheme (the LGPS) to members of the Fund as at 31 March 2020. We have taken account of current LGPS Regulations, as amended, as at the date of this report.

This report is addressed to the administering authority and its advisers; in particular, this report is likely to be of relevance to the Fund's auditor.

These figures are prepared in accordance with our understanding of IAS26. In calculating the disclosed numbers we have adopted methods and assumptions that are consistent with IAS19.

This advice complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100).

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings.

An allowance has been made for the recent Court of Appeal judgement in relation to the McCloud & Sargeant cases which relate to age discrimination within the Judicial & Fire Pension schemes respectively. On 27 June 2019 the Supreme Court denied the Government's request for an appeal, and on 15 July 2019 the Government released a statement to confirm that it expects to have to amend all public service schemes, including the LGPS.

The estimated impact on the total liabilities at 31 March 2020 has been allowed for as a past service cost and has resulted in a slight increase in the defined benefit obligation as at 31 March 2020. Please see the impact of the McCloud/Sargeant judgement section below and in the 31 March 2020 employer briefing note post-accounting date for further information.

It should be noted that this adjustment is an estimate of the potential impact on the Fund's defined benefit obligation based on analysis carried out by the Government Actuary's Department (GAD) and the Fund's liability profile. It is not yet clear how this judgement may affect LGPS members' past or future service benefits.

Valuation data

Data sources

In completing our calculations for pension accounting purposes we have used the following items of data, which we received from Bedford Borough Council:

- The results of the valuation as at 31 March 2019 which was carried out for funding purposes and the results of the 31 March 2019 IAS26 report which was prepared for accounting purposes;

- Estimated whole Fund income and expenditure items for the period to 31 March 2020;
- Estimated Fund returns based on Fund asset statements provided (or estimated where necessary) as at 31 March 2019, and 31 March 2020; and
- Details of any new early retirements for the period to 31 March 2020 that have been paid out on an unreduced basis, which are not anticipated in the normal service cost.

Although some of these data items have been estimated, we do not believe that they are likely to have a material effect on the results of this report. Further, we are not aware of any material changes or events since we received the data. The data has been checked for reasonableness and we are happy that the data is sufficient for the purposes of this advice.

Fund membership statistics

The table below summarises the membership data, as at 31 March 2019.

Member data summary	Number	Salaries/Pensions £000s	Average age
Actives	22,008	395,697	45
Deferred pensioners	31,224	40,794	46
Pensioners	17,521	80,789	71

Early retirements

We requested data on any early retirements in respect of the Fund from the administering authority for the year ending 31 March 2020.

We have been notified of 68 new early retirements during the year which were not allowed for at the previous accounting date. The total annual pension that came into payment was £347,400.

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2020 is estimated to be -6%. The actual return on Fund assets over the year may be different.

The estimated asset allocation for Bedfordshire Pension Fund as at 31 March 2020 is as follows:

Asset breakdown	31 Mar 2020		31 Mar 2019	
	£000s	%	£000s	%
Equities	1,476,933	67%	1,595,689	69%
Bonds	381,180	17%	378,954	16%
Property	250,519	11%	230,453	10%
Cash	88,882	4%	94,936	4%
Total	2,197,514	100%	2,300,032	100%

We have estimated the bid values where necessary. The final asset allocation of the Fund assets as at 31 March 2020 may be different from that shown due to estimation techniques.

Unfunded benefits

We have excluded any unfunded benefits as these are liabilities of employers rather than the Fund.

Actuarial methods and assumptions

Valuation approach

To assess the value of the Fund's liabilities at 31 March 2020, we have rolled forward the value of Fund's liabilities calculated for the funding valuation as at 31 March 2019, using financial assumptions that comply with IAS19.

The full actuarial valuation involved projecting future cashflows to be paid from the Fund and placing a value on them. These cashflows include pensions currently being paid to members of the Fund as well as pensions (and lump sums) that may be payable in future to members of the Fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

It is not possible to assess the accuracy of the estimated liability as at 31 March 2020 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2020 should not introduce any material distortions in the results provided that the actual experience of the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate.

This has been updated since the last accounting date when the results were based on a continuation of the roll forward from the 31 March 2016 funding valuation.

Experience items allowed for since the previous accounting date

Results are based on a roll forward of a full valuation of funded membership data at 31 March 2019. As a result of allowing for actual experience, which may be different from that assumed previously, an experience item may be observed in the reconciliation of liabilities to 31 March 2020. The effect of allowing for the actual experience is shown in Appendix 2.

Guaranteed Minimum Pension (GMP) Equalisation

As a result of the High Court's recent Lloyds ruling on the equalisation of GMPs between genders, a number of pension schemes have made adjustments to accounting disclosures to reflect the effect this ruling has on the value of pension liabilities. It is our understanding that HM Treasury have confirmed that the judgement "does not impact on the current method used to achieve equalisation and indexation in public service pension schemes". More information on the current method of equalisation of public service pension schemes can be found [here](#).

On 22 January 2018, the Government published the outcome to its Indexation and equalisation of GMP in public service pension schemes consultation, concluding that the requirement for public service pension schemes to fully price protect the GMP element of individuals' public service pension would be extended to those individuals reaching State Pension Age (SPA) before 6 April 2021. HM Treasury published a Ministerial Direction on 4 December 2018 to implement this outcome, with effect from 6 April 2016. Details of this outcome and the Ministerial Direction can be found [here](#).

Our valuation assumption 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, we have assumed that the Fund will be required to pay the entire inflationary increase. Therefore we do not believe we need to make any adjustments to the value placed on the liabilities as a result of the above outcome.

Impact of McCloud/Sargeant judgement

The Scheme Advisory Board, with consent of the Ministry of Housing, Communities and Local Government (MHCLG), commissioned GAD to report on the possible impact of the McCloud/Sargeant judgement on LGPS liabilities, and in particular, those liabilities to be included in local authorities' accounts as at 31 March 2019.

This followed an April 2019 CIPFA briefing note which said that local authorities should consider the materiality of the impact. This analysis was to be carried out on a "worst-case" basis, (i.e. what potential remedy would incur the highest increase in costs/liabilities). The results of this analysis are set out in GAD's report dated 10 June 2019.

We have used this analysis provided by GAD to estimate the possible impact of the McCloud/Sargeant judgement for the Fund. The key assumption is the assumed rate of future salary increases which is set out in the Financial assumptions section of this disclosure. The average age of the Fund's membership can be found in the table on page 45.

We have included a summary of our impact assessment below.

GAD estimated the impact on past service liabilities to be 3.2% of active liabilities based on a salary increase assumption of CPI plus 1.5% p.a.

⇒ Adjusting this to reflect the Fund's salary increase assumption (which is that salaries will increase at 1.0% p.a. above CPI), gives an estimated impact of 2.1% of active liabilities.

⇒ Adjusting this to allow for the additional accrual of liabilities since 31 March 2019 and an approximate adjustment to strip out members who joined the Scheme who are unlikely to be affected by the outcome of the judgement gives an estimated impact of 2.0% of active liabilities.

⇒ **This is equivalent to 0.7% of the Fund's total liabilities at the accounting date** (i.e. active liabilities are estimated to be 36% of the Fund's total liabilities at the accounting date).

Demographic/Statistical assumptions

We have adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2019. These assumptions have been updated from those adopted at the last accounting date. The post retirement mortality tables have been constructed based on Club Vita analysis. These base tables are then projected using the CMI_2018 Model, allowing for a long-term rate of improvement of 1.25% p.a., smoothing parameter of 7.5 and an initial addition to improvements of 0.5% p.a.

This has been updated since the last accounting date where the demographic assumptions were based on those adopted for the Fund's 31 March 2016 valuation updated to use the CMI_2018 Model with a smoothing parameter of 7 with no initial addition. The impact of updating the demographic assumptions is set out in the Change in demographic assumptions figure in Table 1 of Appendix 2.

The assumed life expectations from age 65 are:

Life expectancy from age 65 (years)				
Retiring today		31 March 2020		31 March 2019
	Males	22.2	Males	20.7
	Females	24.3	Females	23.2
Retiring in 20 years				
	Males	23.4	Males	21.7
	Females	26.1	Females	24.7

We have also assumed that:

- Members will exchange half of their commutable pension for cash at retirement;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age; and
- The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

These other demographic assumptions have been updated since the previous report to be in line with the most recent actuarial valuation. For more information on the assumptions used in the 2019 disclosures please see last year's report.

Financial assumptions

The financial assumptions used to calculate the results in the Appendices are as follows:

Assumptions as at	31 Mar 2020	31 Mar 2019
	% p.a.	% p.a.
Discount rate	2.35%	2.40%
Pension increases	1.70%	2.40%
Salary increases	2.70%	2.70%

These assumptions are set with reference to market conditions at 31 March 2020.

Our estimate of the Fund's past service liability duration is 21 years.

An estimate of the Fund's future cashflows is made using notional cashflows based on the estimated duration above. These estimated cashflows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cashflows, discounted at this single rate, equates to the net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point). This is consistent with the approach used at the previous accounting date.

Similar to the approach used to derive the discount rate, the Retail Prices Index (RPI) increase assumption is set using a Single Equivalent Inflation Rate (SEIR) approach, using the notional cashflows described above. The single inflation rate derived is that which gives the same net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, as applying the BoE implied inflation curve. As above, the Merrill Lynch AA rated corporate bond yield spot curve is assumed to be flat beyond the 30 year point and the BoE implied inflation spot curve is assumed to be flat beyond the 40 year point. This is consistent with the approach used at the previous accounting date.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, we have made a further assumption about CPI which is that it will be 1.0% p.a. below RPI i.e. 1.7% p.a. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts. This is consistent with the approach used at the previous accounting date.

Salaries are assumed to increase at 1.0% p.a. above CPI. This differs from the salary increase assumption at the previous accounting date and has been updated in line with the most recent funding valuation.

Results and disclosures

We estimate that the net liability as at 31 March 2020 is a liability of £1,599,086,000.

The results of our calculations for the year ended 31 March 2020 are set out in the appendices below:

- Appendix 1 sets out the Statement of financial position as at 31 March 2020;
- Appendix 2 details a reconciliation of assets and liabilities during the year; and
- Appendix 3 shows a sensitivity analysis on the major assumptions.

The figures presented in this report are prepared only for the purposes of IAS19. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

We would be pleased to answer any questions arising from this report.

Melanie Durrant FIA

Principal

Appendix 1 Statement of position as at 31 March 2020

Net pension asset as at	31 Mar 2020	31 Mar 2019	31 Mar 2018
	£000s	£000s	£000s
Present value of the defined benefit obligation	3,796,600	3,820,443	3,633,000
Fair value of Fund assets (bid value)	2,197,514	2,300,032	2,174,629
Net liability in balance sheet	1,599,086	1,520,411	1,458,371

*Present value of funded obligation consists of £3,738,205,000 in respect of vested obligation and £58,395,000 in respect of non-vested obligation.

Appendix 2 Asset and benefit obligation reconciliation for the year to 31 March 2020

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	Year to	Year to
	31 Mar 2020	31 Mar 2019
	£000s	£000s
Opening defined benefit obligation	3,820,443	3,633,000
Current service cost	160,728	146,235
Interest cost	90,816	97,026
Change in financial assumptions	(497,068)	218,887
Change in demographic assumptions	154,609	(173,698)
Experience loss/(gain) on defined benefit obligation	113,238	-
Liabilities assumed / (extinguished) on settlements	-	(31,273)
Estimated benefits paid net of transfers in	(102,804)	(97,533)
Past service costs, including curtailments	29,575	2,085
Contributions by Scheme participants	27,063	25,714
Unfunded pension payments	-	-
Closing defined benefit obligation	3,796,600	3,820,443

We have allowed for the estimated impact of the recent McCloud judgement as a past service cost. We have estimated the impact on the total liabilities as at 31 March 2020 to be £27,484,000 (or 0.7% as a percent of total liabilities).

Reconciliation of opening & closing balances of the fair value of Fund assets	Year to	Year to
	31 Mar 2020	31 Mar 2019
	£000s	£000s
Opening fair value of Fund assets	2,300,032	2,174,629
Interest on assets	55,648	59,004
Return on assets less interest	(198,539)	62,854
Other actuarial gains/(losses)	5,086	-
Administration expenses	(2,199)	(3,739)
Contributions by employer including unfunded	113,227	100,145
Contributions by Scheme participants	27,063	25,714
Estimated benefits paid plus unfunded net of transfers in	(102,804)	(97,533)
Settlement prices received / (paid)	-	(21,042)
Closing Fair value of Fund assets	2,197,514	2,300,032

The total return on the Fund's assets for the year to 31 March 2020 is (£142,891,000).

Appendix 3 Sensitivity analysis

Sensitivity analysis	£000s	£000s
Present value of total obligation	3,796,600	
Sensitivity to	+0.1%	-0.1%
Discount rate	3,719,001	3,875,897
Long term salary increase	3,802,699	3,790,549
Pension increases and deferred revaluation	3,870,231	3,724,485
Sensitivity to	+1 Year	- 1 Year
Life expectancy assumptions	3,938,210	3,660,241

END OF ACTUARY REPORT

18. Long Term Debtors

In 2005, Magistrates Courts' staff transferred from the Local Government Pension Scheme to the Civil Service Scheme. Whilst transfer values were effected at that time, an agreement on funding the deficit position was not finalised until February 2011. The agreement set out that the Bedfordshire Pension Fund would receive ten annual payments of £0.608 million, commencing April 2011. The fair value of these payments have been recognised in the Fund's accounts for 2019/2020. There are no instalments falling due more than one year from the balance sheet date which are shown as a long term debtor, £0 million at 31 March 2020 (£0.608 million at 31 March 2019). The amount falling due within less than a year is shown as current assets.

19. Current Assets

2018/2019	Current Assets	2019/2020
£000		£000
1,589	Contributions due from Administering Authority	1,386
8,919	Contributions due from other scheme employers	11,318
586	Civil Service Pensions Scheme - see note 189 above	608
0	Bulk Transfer due from other Local Authorities	0
879	Other	693
11,973		14,005
63,192	Cash	80,717
75,165	Current Assets	94,722

The cash balance of £80.7 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

2018/2019	Current Liabilities	2019/2020
£000		£000
202	Administration costs etc. due to Administering Authority	378
586	Investment managers' fees	801
7	Other professional fees	26
2	AVCs in transit	0
0	Death grants	0
21,813	Other	1,475
22,610		2,680
11	Provision for Tax Reclaims over 1 Year	11
22,621	Current liabilities	2,691

An accrual of £21 million was made in 2018/2019 to reflect the bulk transfer of Barnfield College as a prudent estimate of the liabilities transferring to Hertfordshire Pension Fund. The final amount was paid before the year end in 2019/2020 having been agreed between the Funds' actuaries at £19.2 million.

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.

2018/2019	Additional Voluntary Contributions	2019/2020
£000		£000
4,746	Value at 1 April	4,970
	Income	
913	Contributions received	809
	Expenditure	
-955	Retirements	-543
4	Transfers values paid	-3
-951		-546
262	Change in market value	-269
4,970	Value at 31 March	4,964

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.

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. 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.
- A member of Councillor Sawyer's family is a scheme member through Bedford College.
- Councillor Wenham is a Director at Raynsford Church of England Academy.
- Councillor Young is a Director at London Luton Airport Limited and Active Luton.
- Councillor Nawaz is a member of the Bedfordshire & River Ivel Drainage Board.

There were no material transactions between members and officers and the Fund during 2019/2020. The only material related party transactions during 2019/2020 were in respect of contributions paid by the employing bodies into the Fund. See Note 6.

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 2019/2020 these amounted to £1.1 million (2018/2019 £1.2 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 2019/2020, £3.0 million (2018/2019 £3.1 million) was paid and recovered from employers

Key Management Personnel

There are two senior officers of Bedford Borough Council involved in the financial management of Bedfordshire Pension Fund. They are the Assistant Chief Executive (Enabling), (The Fund Administrator) and the Chief Officer for Corporate Finance & Pensions. Both of these officers charge a proportion of their time to the Pension Fund as part of Bedford Borough Council's role as administering authority. In 2019/2020, their remuneration was as follows:

2018/2019		2019/2020
£000		£000
62	Short-term benefits	67
11	Post-employment benefits	11
73		78

23. Contingent Liabilities and Contractual Commitments

There were no material contingent liabilities as at 31 March 2020. But there were outstanding capital commitments to investment vehicles of up to £166.5 million (31 March 2019: £38.3 million). These commitments relate to outstanding call payments (including callable distributions) due on unquoted investments in infrastructure £96.1 million; private equity £17.4 million; real assets £6.9 million; and private debt £46.0 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.

24. Events after the Reporting Date

Uncertainty due to COVID

The period since the 2019/20 financial year end has been exceptional with unprecedented global political, social and economic challenge and disruption to global industry and civic life as the world battles the impact of the coronavirus.

The Pension Fund is following advice from the administering authority and all staff are working from home with technology provided by the Council's IT Service under the business continuity plans already in place. The investment team continue to manage treasury transactions, which were already managed on-line. The Administration Team is continuing to support our members, although there are some delays in response times. The Team are not conducting face-to-face meetings at this time, and members are encouraged to communicate by email rather than post where possible. The Fund continues to follow the guidance of the Scheme Advisory Board (SAB) and the Pensions Regulator (tPR).

Global markets have been volatile due, in part, to investors' concern about the state of the global economy, increasing trade tensions between the US and China, and negative oil prices. The outbreak of COVID-19 pandemic exacerbated the market volatility with markets falling at a greater rate than during the Great Financial Crisis. Whilst markets have somewhat recovered from the position at 31 March 2020, there remains uncertainty, despite the fiscal stimulus from governments and banks around the world, as global GDP falls and the UK faces recession.

The Fund has valued its assets based on the 31 March 2020 position as reported by its investment managers. However, there is uncertainty over asset valuations, in particular for real and private market assets. The Fund believes that these valuations are the most reliable, as there are not alternative reliable estimates given the absence of trading in these asset classes.

The Fund Actuary, Barnett Waddingham, have confirmed the principles adopted for the 2019 Valuation are robust and as such do not propose to review the funding position of the Fund as a result of the economic downturn. The next statutory Valuation is due to take place in 2022.

In response to the financial challenge that may be faced by employers, the Pension Fund has put in place a Deferred Contributions Policy to help support employers who may experience cashflow difficulties. It is not envisaged this will have a significant impact on the Fund. This event is for context and therefore non-adjusting.

Value of the Fund at 30 September 2020

The market value of the Fund was £2.51 billion at 30 September 2020, up £0.3 billion since 31 March 2020. The significant increase in value in six months was largely due to the strong rebound in global markets influenced by quantitative easing pursued by many developed economies in the wake of the COVID-19 global pandemic.

Other Events

In April 2020, in a judicial review challenge brought by Palestine Solidarity Campaign Ltd and a LGPS member, the UK Supreme Court ruled that the Secretary of State for Housing, Communities and Local Government exceeded his powers when issuing Guidance in 2016 to LGPS administering authorities prohibiting the adoption of investment policies deemed contrary to UK foreign policy or UK defence policy. In the LGPS Scheme Advisory Board's (SAB) opinion, the Supreme Court's judgement does not alter administering authorities' responsibility for investment decisions. This is a non-adjusting event.

Northumberland County Council Pension Fund merged into Tyne and Wear Pension Fund on 1 April 2020. The Local Government Pension Scheme (Northumberland and Tyne and Wear Pension Fund Merger) Regulations 2020 (UK Statutory Instrument 2020 No 502) came into force on 3 June 2020 giving this merger retrospective effect. Both Funds are a partner in the Border to Coast Pensions Partnership (BCPP), with the result that the existing partners increase their shareholding in the Pool to 1/11th. For Bedfordshire Pension Fund the investment will increase from £0.833 million to £0.908 million. For the avoidance of doubt, this is a non-adjusting event in 2019/2020.

A close-up photograph of a person's hands holding a pink piggy bank. The person is wearing a bright yellow sweater. One hand is holding the piggy bank steady while the other is inserting a coin into the slot on its back. The background is softly blurred, suggesting an indoor setting.

SECTION 3

Investment Report

- *Investment Management*
- *Investment Strategy Statement*
- *Report of the Actuary*
- *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 the Fund 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 page 59.

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. Each manager has 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 2020.

Manager	Asset Class	2019/2020	
		£ million	%
Legal & General	Global Equities	356.4	16.1%
Blackrock Advisors	Equities	323.0	14.6%
CBRE Global Investors	Indirect Property	215.2	9.7%
Legal & General	UK Equities	162.5	7.4%
Insight Investment	Absolute Return Bonds	186.1	8.4%
Blackrock Advisors	Gilts inc. Index Linked	195.1	8.8%
Pyrford	Absolute Return Multi-Asset	150.1	6.8%
Invesco Asset Management	Absolute Return Multi-Asset	156.2	7.1%
Newton Investment Management	Absolute Return Multi-Asset	119.9	5.4%
Blackrock Advisors	Emerging Markets	61.9	2.8%
Aberdeen Standard Investments	Private Equity	30.8	1.4%
Pantheon	Infrastructure	21.7	1.0%
Border to Coast	Global Equities	116.2	5.3%
Border to Coast	Infrastructure	13.5	0.6%
Pool Share Capital	Equities	0.8	0.04%
Net Assets Managed by the Administering Authority		99.9	4.5%
Total Assets		2,209.4	100.0%

The benchmarks and target returns 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.

Custody Arrangements

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

Stock lending

There were no direct stock lending arrangements in place during 2019/2020.

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.

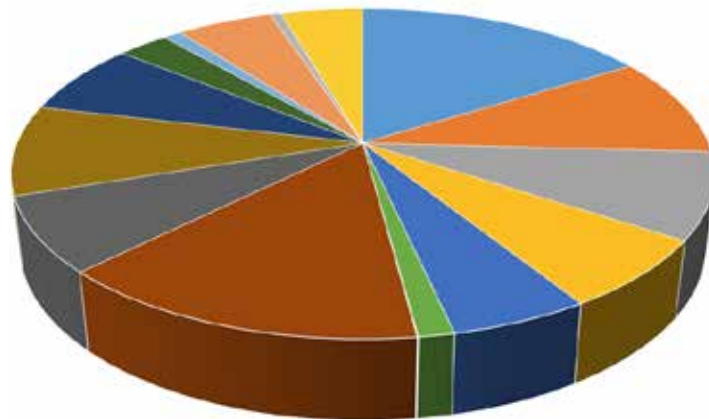
Funding Strategy Statement (FSS)

The current FSS was updated and approved by the Pension Fund Committee on 26 February 2020. It is included in this report on page 81.

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.

Composition of the Fund by portfolio as at 31 March 2020



- Global Equities - Legal & General (£356.4m)
- Absolute Return Bonds - Insight Investment (£186.1m)
- Absolute Return Multi-Asset - Newton Investment Management (£119.9m)
- Equities - Pool Share Capital (£0.8m)
- UK Equities - Legal & General (£162.5m)
- Absolute Return Multi-Asset - Invesco Asset Management (£156.2m)
- Infrastructure - Pantheon (£21.8m)
- Infrastructure - Border to Coast (£13.5m)
- Indirect Property - CBRE Global Investors (£215.2m)
- Absolute Return Multi-Asset - Pyrford (£150.1m)
- Private Equity - Aberdeen Standard (£30.8m)
- Equities - BlackRock Advisors (£323.0m)
- Gilts incl. Index Linked - BlackRock Advisors (£195.1m)
- Emerging Markets - BlackRock Advisors (£61.9m)
- Global Equities - Boarder to Coast (£116.2m)
- Net Assets managed by the Administering Authority (£99.9m)

Investment Strategy Statement

1. INTRODUCTION

1.1 Fund Details

1.1.1 This is the Investment Strategy Statement (“ISS”) of the [Bedfordshire] Pension Fund (“the Fund”), which 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 Fund’s Pension Committee (“the Committee”) having taken advice from the Fund’s investment adviser, Hymans Robertson LLP. The Committee acts on the delegated authority of the Administering Authority.

1.1.3 The ISS, which was approved by the Committee on 26 February 2020, is subject to periodic review at least every three years and without delay after any significant change in investment policy. The previous review took place in 2019 and was approved by Committee on 4 March 2019. The Committee has consulted on the contents of the Fund’s investment strategy with such persons it considers appropriate.

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 February 2020)

1.1.5 Administration of the Fund is the responsibility of the 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 - Enabling Services (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 Pension Board.

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

1.1.8 In December 2019, in line with the Competition and Market Authority’s Order, the Committee agreed a set of objectives with Hymans Robertson LLP. These will be reviewed on, at least, 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 will be reviewed at each triennial actuarial valuation, or more frequently as required.

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 and that 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 seriously. Each year it 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 risk and 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 due 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 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
- 2.1.7 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) and this will be repeated on additional cash available for investing subject to market conditions or other factors providing compelling reasons not to do so.
- 2.1.8 The Committee has the following long-term assumptions (as at 31 December 2019) about investment.

Table 1: Asset Classes

Asset class	Expected return %	Expected Volatility %
Listed equities	5.6	17
Property	3.9	15
Multi-asset credit	4.7	7
Infrastructure (equity)	5.8	22
Private Credit	5.5	6
Government Bonds	0.9	7
Absolute Return Multi Asset	4.4	12
Cash	1.9	1

2.2 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 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 advice is sought and considered to ensure its suitability and diversification for the Fund.
- 2.2.3 The Fund's target investment strategy is set out overleaf. The table shows both the long-term target and the interim stage, reflecting the time it takes to transition to the new mandates. The table also includes the maximum percentage of total Fund value that it will invest 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 of fund money 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	Interim phase target	Long-term Target Allocation %	Allocation Range %
Listed Equities	50%	50%	40%-60%
“Opportunities”	5%	5%	0%-10%
Growth assets	55%	55%	
Property	10%	10%	5%-15%
Infrastructure	5%	10%	0%-15%
Private Credit	2%	7.50%	0%-10%
Multi-asset credit	7%	7.50%	5%-15%
Absolute Return Multi Asset	11%	0%	0%-15%
Diversifiers	35%	35%	
Investment Grade Bonds	10%	10%	5%-15%
Protection	10%	10%	
Total	100%	100%	

2.2.5 The Committee has agreed that over time the Fund’s strategic allocation to absolute return multi-asset will be removed. The proceeds from this mandate will be used to fund allocations to asset classes such as infrastructure, private credit and multi-asset credit. However, the Committee is aware that private market investments take time to invest in, with money committed but not drawn down immediately. This investment phase can take several years. During this investment period the Fund will retain a much-reduced allocation to absolute return multi-asset which will be monitored and reassessed as part of future reviews.

2.2.6 The strategic asset allocation permits up to 5% of Fund assets to be invested in ‘Opportunistic’ investments. Such investments are defined as follows:

- Opportunities that are genuinely different from the Fund’s existing assets, and so would

be expected to offer a diversifying source of returns;

- Target relatively high levels of absolute return and so provide an opportunity to enhance the Fund’s overall returns with a commensurate level of increase in risk;
- Specific opportunities that aim to take advantage of market fluctuations and/or market inefficiencies and thus scope for generating value;
- May be illiquid in nature, with an expectation that loss of liquidity is a potential source of enhanced returns for the Fund.

These investments will also take time to be build up. In the interim, the Fund is likely to hold an above target allocation to equities.

2.2.7 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 Ministry of Housing, Communities and Local Government (MHCLG) 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.

2.2.8 For each asset class the Fund has set an appropriate benchmark (please see table 3 below). Each mandate also has a target allocation (also shown below). It is expected this target will be worked towards over time.

Table 3: Mandate benchmarks and targets

Asset class	Benchmark %	Target of Fund assets
UK Equities	67% - FTSE All Share 33% - FTSE 250	10%
Global Regional Equities	4.5% - FTSE All Share 42% - FTSE North America 18.5% - FTSE Developed Europe ex UK 21.5% - MSCI Emerging Markets 9% - FTSE Japan 4.5% - FTSE Developed Pacific ex Japan	9%
Global Equities - Active	MSCI All Country World	6%
Global Equities - Passive	MSCI All Country World	8.5%
Global Equities - Passive	FTSE All World	5.5%
Global equities - RAFI	FTSE RAFI AW 3000	11%
Opportunities	Absolute 9%	5%
Property	AREF/IPD UK QPFI All Balanced Property Fund Index	10%
Multi Asset	3-month LIBOR + 5% & 1 month LIBOR + 4%, RPI + 5%	11%
Private credit	Absolute 6%	2%
Infrastructure	Absolute 8%	5%
Multi-asset 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 (All GBP Hedged)	7%
Government bonds	38 % - FTSE A All Stocks Gilt 62% - FTSE A Index-Linked (all stocks)	5%
A/Return Bonds	3-month LIBOR + 3	5%

2.3 Restrictions on investment

2.3.1

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 the Border to Coast Pension Partnership pool	15%
5. Total investment in illiquid assets ^[1]	30%

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

2.4 Managers

- 2.4.1 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.
- 2.4.2 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.

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

- 2.5.1 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 only to take as much investment risk as is necessary.
- 2.5.2 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:

- 2.5.3 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.
- 2.5.4 The Committee measures and manages financial mismatch 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 probability of success and 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.
- 2.5.5 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.
- 2.5.6 The Committee uses passive investments where it does not believe active management can add value, and it uses fundamental (non-market cap) indices for a proportion of index-tracking mandates to avoid index biases and manage overall style risk
- 2.5.7 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.

- 2.5.8 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.
- 2.5.9 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. 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. Details of the Fund's approach to managing ESG risks is set out later in this document.
- The Committee has considered the risk of underperformance by any single investment manager and have attempted to reduce this risk by appointing a number of manager and having a large proportion of the Fund's assets managed on a passive basis. The Committee assess the Fund's managers' performance on a regular basis, and will take steps, including potentially replacing one or more of their managers, if underperformance persists (Other factors include that the Committee believes that the Manager is not capable of achieving these performance objectives in the future; and/or; the Manager's company status changes or there are significant staff changes to their investment team).
- 2.5.10 Other provider risk
- **Transition risk** - The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the Committee seeks suitable professional advice.
 - **Custody risk** - The risk of losing economic rights to Fund assets, when held in custody or when being traded;
 - **Credit default** - The possibility of default of a counterparty in meeting its obligations.
 - **Stock-lending** - The possibility of default and loss of economic rights to Fund assets.
- 2.5.11 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 or has delegated such monitoring and management of risk to the appointed investment managers as appropriate (e.g. custody risk in relation to pooled funds). The Committee has the power to replace a provider should serious concerns exist.
- 2.5.12 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 Department for Communities and Local Government (DCLG) in November 2015, the Administering Authority has elected to become a shareholder in BCPP Limited.

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 12 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
- Northumberland 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 12 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 twelve 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 12 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 12 Funds. These groups meet to discuss issues and give input to both Elected Members and BCPP. The OOG meets monthly, part of the meeting being attended by Border to Coast, 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.

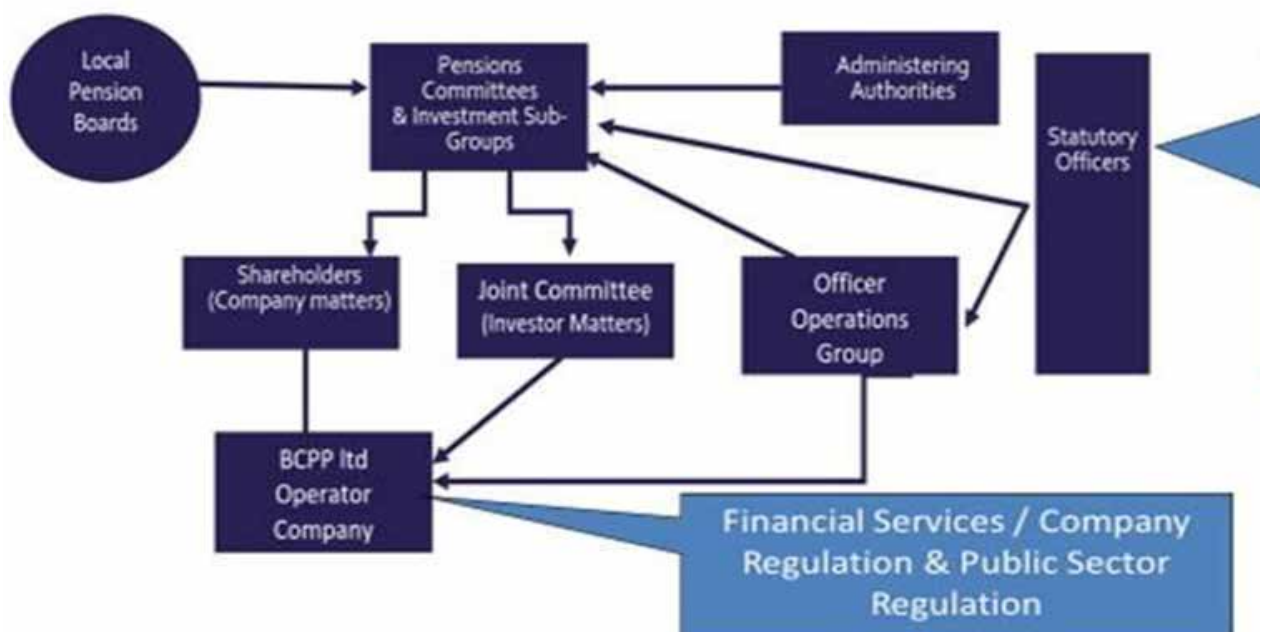
Local Pension Boards

In line with their role in other administrative and governance matters, the local pension boards provide support and challenge to the Pension 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 Committee and Officers to ensure that the strategic asset allocation can be effectively implemented through the use of the sub-funds available at BCPP.

BCPP Governance Structure



- 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
 - Private Credit
- 3.3.3 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 therefore not at the current time expected to transfer to BCPP as the cost would be prohibitive.
- 3.3.4 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 can 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:
- 4.1.2 Sustainable investment / ESG factors – considering the financial impact of environmental, social and governance (ESG) factors on its investments.
- 4.1.3 Stewardship and governance – acting as responsible and active investors/owners, through considered voting of shares, and engaging with investee company management as part of the investment process.
- 4.1.4 The Committee takes ESG matters very seriously and each year it conducts a review of its policies in this area and its investment managers’ approach to ESG. Details of the most recent review can be found on the Fund’s website. The Committee has also developed a set of beliefs and guiding principles which are available on the Fund’s website.
- 4.1.5 At the present time the Committee does not take into account non-financial factors when selecting, retaining, or realising its investments. The Committee understands the Fund is not able to exclude investments in order to pursue boycotts, divestment and sanctions against foreign nations and UK defence industries, other than where formal legal sanctions, embargoes and restrictions have been put in place by the Government.

4.1.6 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.

4.1.7 The Fund does not 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 formally agreed to adhere to the UK Stewardship Code as published by the Financial Reporting Council (FRC). The Committee/Panel expects both the BCPP Pool and any directly appointed fund managers also comply with the UK Stewardship Code and this is monitored on an annual basis. A copy of the Fund's statement of compliance with the UK Stewardship Code can be found on the Fund's website. At the FRC's most recent review, the Fund was rated as a tier 1, which is the highest possible.

4.3.2 The FRC has revised the requirements of the Stewardship Code in 2020. The Fund will be looking to be a signatory to the revised Code for the 2020/2021.

4.3.3 As part of its compliance with the UK Stewardship Code, the Fund has adopted a set of Voting Intention Guidelines (See Appendix 1). The current guidelines can be found on the Fund's website. The Committee publishes an annual report of voting activity as part of the Fund's annual report. In addition to the Fund's compliance with the UK Stewardship Code, 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 Committee is a member of the Institutional Investors Group on Climate Change and of the Carbon Disclosure Project. It 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 excess media attention, can cloud the real issues. Nevertheless it feels that there should be an approved remuneration policy in place which:

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

Bedfordshire Pension Fund – Investment Strategy Statement

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.

Actuary's Statement as at 31 March 2020

Introduction

The last full triennial valuation of the Bedfordshire Pension Fund (the Fund) was carried out as at 31 March 2019 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 26 March 2020.

Asset value and funding level

The results for the Fund at 31 March 2019 were as follows:

- The market value of the Fund's assets as at 31 March 2019 for valuation purposes was £2,291m.
- The Fund had a funding level of 80% i.e. the assets were 80% 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 £556m.

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 19.2% 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 2020.

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 Adjustment Certificate in the triennial valuation report.

Assumptions

The key assumptions used to value the liabilities at 31 March 2019 are summarised below:

Assumption	Assumptions used for the 2019 valuation
Financial assumptions	
Market date	31 March 2019
CPI inflation	2.6% p.a.
Long-term salary increases	3.6% p.a.
Discount rate	4.6% p.a.
Demographic assumptions	
Post-retirement mortality	
	Base tables
	Projection model
	Based on Club Vita analysis
	CMI 2018
	Long-term rate of improvement
	1.25% p.a.
	Smoothing parameter
	7.5
	Initial addition to improvements
	0.5% p.a.

The mortality assumptions translate to life expectancies as follows:

Assumed life expectancies at age 65:	
Average life expectancy for current pensioners - men currently age 65	22.1 years
Average life expectancy for current pensioners - women currently age 65	24.3 years
Average life expectancy for future pensioners - men currently age 45	23.1 years
Average life expectancy for future pensioners - women currently age 45	26.1 years
The mortality assumptions translate to life expectancies as follows:	

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 2019 valuation report.

Updated position since the 2019 valuation

Returns were strong for the first three quarters following the valuation date, however, recent market movements have seen significant falls in equity values. As at 31 March 2020, in market value terms, the Fund assets were significantly less than where they were projected to be based on the previous valuation.

The projected liabilities will have increased due to the accrual of new benefits net of benefits paid, but offset by lower levels of projected future inflation. However the potential reduction in the value of the liabilities will be offset by lower expected future investment returns reflected in the discount rate underlying the valuation model.

On balance, we estimate that the funding position is likely to have fallen slightly when compared on a consistent basis to 31 March 2019. The change in inflation and discount rates is likely to place a lower value of the cost of future accrual but due to the worsening in funding position, this is likely to be offset by an increase in deficit contributions.

Future investment returns that will be achieved by the Fund in the short term are more uncertain than usual, in particular the return from equities due to actual and potential reductions and suspensions of dividends. There are also the other uncertainties around future benefits, relating to the McCloud and Sargeant cases and the ongoing cost cap management process.

The administering authority have requested that we monitor this funding level on a quarterly basis so we will estimate the funding level again at 30 June 2020 and review the appropriateness of the assumptions used in our funding model.

Graeme D Muir FFA

Associate, Barnett Waddingham LLP

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 2020, 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 Northern Trust, 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 2020 was -5.7% compared to the benchmark of -3.2%. Over the 3-year period to 31 March 2020, the Fund delivered overall return of 0.6% pa, underperforming the benchmark return of 3.0% pa. Also, the Fund underperformed the , over a 5-year period, achieving total return of 3.9% pa, against a benchmark of 4.5% pa.

The returns of the underlying mandates and asset classes over 1-year, 3-year and 5-year periods are summarized in the table below. The returns on investments with Aberdeen, Pantheon and Border to Coast (Global Equity Alpha and Infrastructure) are excluded due to the short period since inception.

	1 Year	1 Year	1 Year	3 Year	3 Year	3 Year	5 Year	5 Year	5 Year
	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative
BlackRock - Global Equity	-6.16	-6.0	-0.1	1.9	1.9	0.0	5.8	5.8	0.0
LGIM - Global Equity	-14.4	-14.4	0.0	-2.3	-2.3	0.0	2.8	2.8	0.0
Property	-1.2	0.0	-1.2	4.2	4.9	-0.7	5.3	5.8	-0.5
CBRE - UK Property	-1.2	0.0	-1.2	4.2	4.9	-0.7	5.3	5.8	-0.5
Absolute Return	-0.6	5.9	-6.5	0.4	5.8	-5.4	1.6	5.7	-4.1
Invesco - Absolute Return	2.0	6.0	-4.0	1.4	5.8	-5.4	1.5	5.7	-4.2
Newton - Absolute Return	-1.6	4.8	-6.4	1.4	4.6	-3.2	1.7	4.6	-2.9
Pyrford - Absolute Return	-2.4	7.6	-10.0	-0.5	7.8	-8.3	1.7	7.6	-5.9
Absolute Return Bonds	-3.3	3.6	-6.9	-2.4	3.2	-5.6	-0.4	2.9	-3.3
Insight - Absolute Return Bonds	-3.3	3.6	-6.9	-2.4	3.2	-5.6	-0.4	2.9	-3.3
Government Bonds	5.1	5.0	0.1	4.3	4.3	0.0	n/a	n/a	n/a
BlackRock - Gilts	5.1	5.0	0.1	4.3	4.3	0.0	n/a	n/a	n/a
Total	-5.7	-3.2	-2.5	0.6	3.0	-2.4	3.9	4.5	-0.6

Source: Northern Trust, Investment Managers.

Market review – Year to 31 March 2020

The global economy experienced difficult challenges in the year to 31 March 2020. Much of the period was characterised by protectionist action by countries especially the US and China. Trade negotiations between the two superpowers threatened global economic growth.

2019 witnessed escalating trade tension between the US and China, weak global manufacturing and more dovish approach by leading central banks. The impact of the global manufacturing downturn was more severe in the Euro region, Emerging Markets and Japan.

In the US, stocks significantly outperformed both economic and earnings growth. As stock market returns and economic growth diverged, investor confidence fell. The dislocation and disruption manifested in stagnant earnings growth and collapse in global GDP but most asset classes, uncharacteristically, achieved positive returns. Unemployment shrank from 4% in January to 3.5% in December but subdued global activity slowed labour markets.

The cocktail of weak global manufacturing, tense US/China relations and loose monetary policy by monetary authorities impacted negatively on global GDP and market sentiment. However, the soft monetary stance boosted asset valuations and returns. This was particularly evident in a strong US housing market.

Global equity markets delivered strong performance in 2019 driven, largely, by valuations close to their long-term average. By contrast, in mid to late 2019, tail risks pushed global bond yields to record lows. Generally, bonds were constrained by low riskless rates. Inflation was largely unchanged.

Europe was in limbo as weak manufacturing, Brexit, US/China trade negotiations and declining global auto demand hindered progress. Bond yields in Europe, Japan and the US were severely hampered by low economic growth. As the year wore on, policy rate cuts improved the financial condition and equity and bonds performance strengthened.

Long duration assets performed strongly in 2019 as investors chased yield. The standout performance came from Austria where, the benchmark 10-year yield began the year at 40 basis points and by Q3, the AA+ sovereign bond rocketed to 80% return for the year before retreating to still an impressive 44% up towards the end of the year.

In the UK, the Bank of England became more cautious particularly in late 2019 as economic data weakened and uncertainty increased about post-Brexit negotiations and future relations with the EU.

In Emerging Markets, business investment plummeted as a consequence of global trade tensions.

For the third time in the current global expansion, there was intra-cycle slowdown during most of 2019. The risk of a global recession eased in late 2019. But the relative calm and signs of stabilisation in market confidence in the semblance of a lull in the tit-for-tat hike in tariffs, equity gains and slope of the yield curve were obliterated unexpectedly by the outbreak of COVID-19 global pandemic.

COVID-19, suspected to have started in China, spread to other countries with Italy initially the hardest hit outside China before the virulent pandemic engulfed much of the world in Q1, 2020 disrupting global economic activity and consumer spending.

In February 2020, China lowered its policy rate by 10 basis points and the US Fed responded by slashing its rates, in a surprise move, by 50 basis points in March thus putting pressure on other central banks of developed economies to follow suit.

Renewed risk aversion amongst investors dragged the S&P500 more than 12% lower. Conversely, investors' flight to safety pushed yields on US Treasuries to record lows with 10-year yields falling below 1%.

Near record low yields meant that developed markets government bonds achieved positive price return. Also, there were gains on US investment grade credit for the same reason, despite some widening in spreads in mid-Q1, 2020 and in sharp contrast to the significant widening in high yield debt spreads precipitated by the threat of recession and risk of corporate defaults. Some investors took refuge in cash in late Q1.

The speed and scale of the impact of COVID-19 on global society, business and economy could have long-term consequences including accelerating trends, such as digitisation, e-commerce and remote working that are already disrupting society and industry. These, together with other major issues such as environmental, social and governance (ESG) provide some insights to the challenges facing pension funds going forward.

Global Equities

Bedfordshire Pension Fund's largest mandate is the global equity portfolio, with UK tilt, managed on a passive basis by LGIM. BlackRock manage the Fund's second largest mandate – also a passively managed global equity portfolio with emerging markets and other regional tilt.

In Q3, 2019 the Fund invested in BCPP Global Equity Alpha fund to increase the diversification of its equity investment managers. The BCPP fund-of-funds investment was funded from the ex-Trilogy portfolio that was temporarily held by LGIM.

In Q1, 2020, global equity markets fell 20% in local currency terms (15.9% in sterling terms). Weak sterling benefitted investors with unhedged foreign investments. The UK equity market bore the brunt of the volatility with the FTSE 100 falling by a magnitude not seen since 1987. However, global equities managed to rebound somewhat in late Q1.

Real Estate

The Fund's indirect property mandate is managed by CBRE tasked with delivering longer term outperformance relative to the broader market.

In Q1, 2020, heightened uncertainty caused by the global pandemic and government lockdown meant that property valuations by professional valuers contained material uncertainty clause in line with RICS guidance to reflect the challenge in determining asset values given the dearth of comparable transactions in the COVID-19 environment. This prompted some UK property funds to suspend dealing. The UK lockdown had a significant impact on rent collection and could lead to higher provisions for debtors for the foreseeable future.

Multi Asset Absolute Return

The Fund's circa 20% allocation to multi asset absolute return is managed by Invesco, Newton and Pyrford. The strategic mix of assets and management styles is designed to provide growth over the medium term with lower volatility than equities. Overall, the mandate has demonstrated resilience in challenging markets and current economic cycle.

Absolute Return Bonds

The absolute return bonds portfolio is managed by Insight. The manager distributes portfolio risk across a range of exposures within two sub-portfolios. The intention is to seek modest investment growth in proportion to the risk taken in order to preserve capital values in the medium term.

Government Bonds

Exposure to UK Government and index-linked bonds is managed by BlackRock on a passive basis. The results of the buy-and-hold approach are in line with benchmark. The recent bout of market volatility and heightened uncertainty increased the demand for 'safe' assets. Sharp fall in government bond yields, partly the result of the government's quantitative easing led to higher valuations and positive price returns. Index-linked bonds were subdued because of low inflation expectation.

Private Equity/Infrastructure/Real Assets

The Fund's private equity, infrastructure and real assets mandates are managed by Aberdeen Standard, BCPP and Pantheon respectively.

The objective of the private equity/infrastructure and real assets investments is to deliver suitable and sustainable long-term return and greater diversification of the Fund's assets. The value of the Fund's underlying commitments and currency exposure is as at 31 December 2019, due to the lag in reporting from alternative asset managers, with cashflows and impact of COVID-19 reflected in the 31 March 2020 valuation.

Future Developments

In Q4, 2019, the Fund increased the allocation to BCPP in the form of a commitment to BCPP's Private debt vehicle. As at the end of March 2020, no drawdown had taken place.

The Pension Fund Committee's decision in late Q1, 2020, to pre-fund the BCPP Multi Asset Credit was awaiting implementation as at the end of March 2020.

Statement of Compliance with the UK Stewardship Code for Institutional Investors (pending review to the UK Stewardship Code 2020)

Bedfordshire Pension Fund has a long-standing commitment to the values of stewardship, in relation to its conduct as an asset owner. It considers the responsibilities of stewardship to be part of its fiduciary duty to its stakeholders.

Principle 1 – Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities

Bedfordshire Pension Fund takes its responsibilities as a shareholder seriously. It seeks to adhere to the Stewardship Code and encourages its appointed asset managers to do so too.

In practice the Fund's policy is to apply the Code both through its arrangements with its asset managers and other agents and through membership of collaborative groups. The Fund makes this explicit in its Statement of Investment Strategy Statement (ISS) and directly refers to the Stewardship Code in Section 6 of the ISS, 'Corporate Governance and Socially Responsible Investment'.

The Fund has previously required its asset managers to state their approach to the ISC (Institutional Shareholders Committee) Code on the Responsibilities of Institutional Investors on a comply or explain basis. The Fund's investment strategy seeks long-term returns from investing in equities and appoints asset managers who best reflect this long-termism in their investment philosophy and process.

The Fund does not delegate all responsibility for stewardship to its asset managers. It publishes within its ISS a Voting Policy that its asset managers are expected to follow.

The Fund publishes a section on its website dedicated to Responsible Investment. This includes the following:

- Listing of the Fund's Investments
- The Fund's Investment Strategy Statement (ISS)
- Statements of commitment to Responsible Investing Outcomes such as Paris Pledge for Action and Global Investor Statement on Climate Change
- Voting Reports
- Reports of lobbying groups of which the Fund is a member e.g. LAPFF

The Fund uses external Fund Managers to carry out its investment activities by allocating a proportion of its portfolio to different mandates. The Fund's Investment Advisor advises on the selection of Fund Managers and procurement is made with reference to the Public Contracts Regulations (2015)

Principle 2 – Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed

The Fund encourages the asset managers it employs to have effective policies addressing potential conflicts of interest, when it comes to matters of stewardship. Actual, apparent or potential conflicts of interest should be clearly identified and where such conflicts exist, then the recommendation of a voting service provider should take precedence. Codes of Conduct, where they exist, should emphasise high ethical standards.

Conflicts policies should be clearly available on asset managers' websites for public scrutiny and the policy should be subject to regular review.

The Fund will review the Independent Internal Controls Document which is expected to be published on at least an annual basis. Management should address any exceptions that have been noted in the testing and how they expect to resolve them.

The Fund requires all those who are directly involved in its management and governance to disclose any interest in any company, or other entity, in which the Fund has an ownership interest. This falls within the administering authority's Code of Conduct for Officers, where all potential conflict of interests must be declared and registered on a Register of Interests. The Pensions Committee Chairman will take appropriate action when this turns into an actual conflict of interest to ensure that the decision making process is not affected.

Principle 3 – Institutional investors should monitor their investee companies

Day-to-day responsibility for managing equity holdings is delegated to appointed asset managers. The Fund expects asset managers to monitor companies, and intervene where necessary, and to report back regularly on activity undertaken. The Fund expects that asset managers provide a regular report on engagement activity and voting decisions. Quarterly review meetings with asset managers are used to raise particular issues of note or concern. All of the Fund's investments are currently in pooled investment vehicles.

In addition, the Fund receives an 'Alerts' service from the Local Authority Pension Fund Forum (LAPFF), which highlights corporate governance issues of concern at investee companies.

Effectiveness of each Fund Manager is assessed by their compliance with the Voting policy as laid out in the ISS. It is also measured by an assessment of how they compare to their original response to the investment mandate requirements. The Fund will use different targets and benchmarks to consider this depending on the type of portfolio.

Principle 4 – Institutional investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value

As highlighted above, responsibility for day-to-day interaction with companies is delegated to the Fund's asset managers, including the escalation of engagement when necessary. Their guidelines for such activities are expected to be disclosed in their own statement of adherence to the Stewardship Code. They should reflect the circumstances in which they would intervene and how they would escalate their actions. Leading asset managers will include the steps to be taken in engaging with companies, which ideally would be to make contact with the Board initially, and subsequently, if there is no response, collaborative engagement with other institutional investors.

Assessing the effectiveness of intervention should be based on clear objectives set at the start of an engagement. The Fund would expect to see that a Fund Manager is consistently reviewing progress against objectives and operates a lessons learned approach to improve future effectiveness

However, the Fund may itself choose to escalate activity, principally through engagement activity with LAPFF. When The Fund believes it is warranted by the egregious conduct of a company board causing a loss of shareholder value, the Fund will seek redress by pursuing shareholder litigation, of whatever form and in whatever jurisdiction deemed suitable. The Fund considers this an appropriate tool for use by long-term shareholders to send a powerful message of reproach to a company's directors and to the wider industry.

Whilst not an exhaustive list, issues that may precede escalation of engagement activity would include:

- Concerns over remuneration packages
- Board structure
- Management succession
- Loss of confidence in management
- Acquisitions or disposals

Principle 5 – Institutional investors should be willing to act collectively with other investors where appropriate

The Fund seeks to work collaboratively with other institutional shareholders in order to maximise the influence that it can have on individual companies. The Fund seeks to achieve this through membership of the LAPFF, which engages with companies over environmental, social and governance issues on behalf of its members. Bedfordshire Pension Fund strives to provide active leadership within LAPFF and currently the Chairman of Bedfordshire Pension Fund, Councillor Doug McMurdo is a member of the LAPFF Executive. The advantage of collective engagement is that there is greater leverage over the company due to the pooling of holdings. This will increase the individual power and influence of investors in order to push for change. Meetings may deal with company specific matters or broad industry concerns.

On environmental issues in particular, the Fund also pursues engagement with companies through membership of the Institutional Investors Group on Climate Change (IIGCC). One of the core objectives of the IIGCC is to engage in dialogues with companies to standardize and improve disclosure on climate change and improve performance.

The Fund will work collaboratively with other Local Government Pension Scheme (LGPS) Funds on issues relating to public sector regulations especially and as part of the Border to Coast Pensions Partnership (BCPP) will act as a member of that group where appropriate. BCPP comprises the Funds of Cumbria, East Riding, Lincolnshire, Surrey, Tyne and Wear, Warwickshire, Bedfordshire, South Yorkshire Transport, South Yorkshire, North Yorkshire, Northumberland, Teesside and Durham.

The main officer contact for collaborative purposes is Geoff Reader, Chief Officer for Corporate Finance & Pensions, who can be contacted on 01234 718389 or on email at julie.mccabe@bedford.gov.uk

Principle 6 – Institutional investors should have a clear policy on voting and disclosure of voting activity

The Fund has its voting policy detailed as part of its ISS. This voting policy applies to all of its UK holdings under the Code and where practical, the Fund seeks to mirror this with its non-UK equity holdings. The Fund views stewardship as part of the responsibilities of share ownership, and, therefore, an integral part of the investment strategy. As an active shareholder the Fund will seek to use its own efforts, its Fund Managers and alliances with other investors to promote the standards of best practice as set out in the Fund's policies.

Voting policies are aligned with its views on best practice as set out in fund's ESG policies. In practice, investment managers have delegated authority to exercise the Funds' voting rights in line with the fund's corporate governance policy. The Fund managers/ proxy agencies are responsible for reporting, on a quarterly basis, a statement of voting instruction submitted to Company meetings on behalf of the Fund and any significant company issues, if any, which arose during the quarter. Voting decisions are published on the Fund's website which can be found here. Engagement with investee companies is undertaken to encourage accountability between directors, shareholders, and other stakeholders to strengthen the integrity of relationships between these bodies, and improve board transparency in the way companies are run. This includes engagement to ensure companies are minimising the risks and maximising the opportunities presented by climate change and climate policy

The Fund seeks to work collaboratively with other institutional shareholders in order to maximise the influence that it can have on individual companies. The fund seeks to achieve this through membership of the Local Authority Pension Fund Forum, which engages with companies over environmental, social and governance issues on behalf of its members and membership of the Institutional Investors Group on Climate Change, which has an aim to encourage companies and markets in which its members invest to address any material risks and opportunities to their businesses associated with climate change. The Fund also monitors and receives reports back on engagement activity undertaken by its Asset Managers.

The Fund's ISS contains an Appendix 1 which clearly states its Voting Policy in detail on Directors' Contracts, Share Options or Incentive Schemes, Internal Committees and Other Issues. A link to this is [here](#).

The Pension Fund does not currently allow stocklending in its segregated accounts although it may occur in pooled investments.

Principle 7 – Institutional investors should report periodically on their stewardship and voting activities

The Fund maintains a Responsible Investment section on its website. This can be found [here](#). Annual reporting on stewardship activity has formed part of the report and accounts. In future the annual report will include information about the Fund's voting and engagement work.

The Fund expects Fund Managers to incorporate independent assurance within its Assurance Reports on Internal Controls of Service Organisations and to be made available to third parties. Guidance from the Institute of Chartered Accountants of England and Wales (ICAEW) on this clearly states that Reporting Accountants should be able to provide assurance against Principles 1,2,4,6 and 7 as they can be objectively verified. Principles 3 and 5 are not considered "objectively verifiable ". If this is not available, then an internal audit review would be considered the most appropriate way of ensuring that the Stewardship Code is fully observed.

Date Agreed: 3 July 2018

Funding Strategy Statement

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 Ministry of Housing, Communities and Local Government (MHCLG).

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 2019. The results of the 2019 valuation are set out in the table below:

2019 valuation results	
Surplus (Deficit)	(£556m)
Funding level	80%

On a whole Fund level, the primary rate required to cover the employer cost of future benefit accrual was 19.2% 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 2019 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 result 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.

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. A deduction of 1.0% p.a. is therefore 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 2019 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 adopted will depend on the funding target adopted for each Scheme employer.

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 2019 valuation is set out in the table below:

Financial assumptions as at 31 March 2019	
RPI inflation	3.6% p.a.
CPI inflation	2.6% 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 2019 valuation report.

McCloud/Sargeant judgements

The McCloud/Sargeant judgements were in relation to two employment tribunal cases which were brought against the government in relation to possible age and gender discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. These judgements were not directly in relation to the LGPS, however, do have implications for the LGPS.

In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounted to unlawful discrimination. On 27 June 2019 the Supreme Court denied the government's request for an appeal in the case. A remedy is still to be either imposed by the Employment Tribunal or negotiated and applied to all public service schemes, so it is not yet clear how this judgement may affect LGPS members' past or future service benefits. It has, however, been noted by government in its 15 July 2019 statement that it expects to have to amend all public service schemes, including the LGPS.

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

At the time of drafting this FSS, it is still unclear how this will affect current and future LGPS benefits. Therefore, as part of the Fund's 2019 valuation, the potential impact of McCloud is incorporated into the prudence allowance in the discount assumption in order to mitigate the risk of member benefits being uplifted and becoming more expensive. We estimate this to be less than 0.05% of the prudence allowance.

Guaranteed Minimum Pension (GMP) indexation and equalisation

As part of the restructuring of the state pension provision, the government needs to consider how public service pension payments should be increased in future for members who accrued a Guaranteed Minimum Pension (GMP) from their public service pension scheme and expect to reach State Pension Age (SPA) post-December 2018. In addition, a resulting potential inequality in the payment of public service pensions between men and women needs to be addressed. Information on the current method of indexation and equalisation of public service pension schemes can be found [here](#).

On 22 January 2018, the government published the outcome to its Indexation and equalisation of GMP in public service pension schemes consultation, concluding that the requirement for public service pension schemes to fully price protect the GMP element of individuals' public service pension would be extended to those individuals reaching SPA before 6 April 2021. HMT published a Ministerial Direction on 4 December 2018 to implement this outcome, with effect from 6 April 2016. Details of this outcome and the Ministerial Direction can be found [here](#).

The 2019 valuation assumption 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, it is assumed that 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 17 years. 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.

The Fund will be formalising its employer covenant review procedure to feed into the next actuarial valuation. In the case where a formal 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 new procedure will help to 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.

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 Secondary Rate
Major scheduled bodies	Local Authorities, Police, Fire	17 years	Fixed sum
Small scheduled bodies	Town and parish councils	17 years	Percentage of payroll
Higher and further education bodies	Colleges, universities	12 years	Fixed sum
Academies	Academies, free schools	17 years	Percentage of payroll
Admission bodies	Contractors	12 years or remaining contract length	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.

Grouping 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 grouped (or 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 2019 valuation are summarised in the table below:

Pool	Type of grouping	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
Academies	Past and future service pooling	Some Multi Academy Trusts have opted to adopt a pooled total contribution rate and have the same funding level
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 major scheduled bodies

The main purpose of employer grouping 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.

The Fund is keen to help academies move to full past and future service pooling within individual multi-academy trusts as set out in the section below and in the table above.

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. 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 2019 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.

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 be allocated assets based on the active cover of the relevant local authority at the conversion date. The active cover approach is based on the funding level of the local authority's active liabilities, after fully funding the local authority's deferred and pensioner liabilities.

Contribution rate

Where an academy joins an existing multi-academy trust in the Fund, additional contributions will be certified for the multi-academy trust in respect of the academy.

The administering authority is happy to offer the option for all academies in a multi-academy trust to pay a single (pooled) contribution rate based on the membership profile of the multi-academy trust as a whole. This would be on the basis that the academies in the trust would form a pool to share risk and experience. Any new employers joining the trust would then pay contributions in line with the other academies in the trust until the contribution rate was reviewed as part of the next valuation.

When an academy becomes a Scheme employer and does not join a multi-academy trust paying a pooled rate, then the academy will be required to pay employer contributions in line with the ceding local authority. As soon as practical, the academy will then be certified a contribution rate by the Fund Actuary which is appropriate to their funding level and active membership profile. The certified rate may be different from the rate of the ceding local authority.

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

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:

- It may be agreed with the administering authority, after taking advice of the Fund Actuary, that the exit payment can be spread over some agreed period;
- the assets and liabilities relating to the employer may transfer within the Fund to another participating employer; or
- the employer's exit may be deferred subject to agreement with the administering authority, for example if it intends to offer Scheme membership to a new employee within the following three years.

Similarly, any surplus in the Fund in respect of the exiting employer may be treated differently to a payment of an exit credit, subject to the agreement between the relevant parties and any legal documentation.

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.

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.

Regulatory factors

At the date of drafting this FSS, the government is currently consulting on potential changes to the Regulations, some which may affect the regulations surrounding an employer's exit from the Fund. This is set out in the Local government pension scheme: changes to the local valuation cycle and the management of employer risk consultation document.

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

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. For the past two funding valuations, the Fund has commissioned a bespoke longevity analysis by Club Vita 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.

The Fund currently has arrangements in place whereby external insurance is provided for all employers with fewer than 300 active members whereby a portion of the employers' contributions into the Fund are allocated to a segregated account to pay insurance premiums.

The administering authority is currently reviewing this policy and considering moving to a self-insurance pooling arrangement. There would also be an option to include death-in-service benefits as an insured cost within the new arrangements. When an ill-health retirement or a death-in-service 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.

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 meet 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.
- The potential effects of GMP equalisation between males and females, if implemented, are not yet known.
- 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 judgements, the cost cap mechanism and the timing of future funding valuations consultation. These are discussed in the sections below.

McCloud/Sargeant judgements and cost cap

The 2016 national Scheme valuation was used to determine the results of HM Treasury's (HMT) employer cost cap mechanism for the first time. The HMT cost cap mechanism was brought in after Lord Hutton's review of public service pensions with the aim of providing protection to taxpayers and employees against unexpected changes (expected to be increases) in pension costs. The cost control mechanism only considers "member costs". These are the costs relating to changes in assumptions made to carry out valuations relating to the profile of the Scheme members; e.g. costs relating to how long members are expected to live for and draw their pension. Therefore, assumptions such as future expected levels of investment returns and levels of inflation are not included in the calculation, so have no impact on the cost management outcome.

The 2016 HMT cost cap valuation revealed a fall in these costs and therefore a requirement to enhance Scheme benefits from 1 April 2019. However, as a funded Scheme, the LGPS also had a cost cap mechanism controlled by the Scheme Advisory Board (SAB) in place and HMT allowed SAB to put together a package of proposed benefit changes in order for the LGPS to no longer breach the HMT cost cap. These benefit changes were due to be consulted on with all stakeholders and implemented from 1 April 2019.

However, on 20 December 2018 there was a judgement made by the Court of Appeal which resulted in the government announcing their decision

to pause the cost cap process across all public service schemes. This was in relation to two employment tribunal cases which were brought against the government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. Transitional protection enabled some members to remain in their pre-2015 schemes after 1 April 2015 until retirement or the end of a pre-determined tapered protection period. The claimants challenged the transitional protection arrangements on the grounds of direct age discrimination, equal pay and indirect gender and race discrimination.

The first case (McCloud) relating to the Judicial Pension Scheme was ruled in favour of the claimants, while the second case (Sargeant) in relation to the Fire scheme was ruled against the claimants. Both rulings were appealed and as the two cases were closely linked, the Court of Appeal decided to combine the two cases. In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounts to unlawful discrimination. On 27 June 2019 the Supreme Court denied the government's request for an appeal in the case. A remedy is still to be either imposed by the Employment Tribunal or negotiated and applied to all public service schemes, so it is not yet clear how this judgement may affect LGPS members' past or future service benefits. It has, however, been noted by government in its 15 July 2019 statement that it expects to have to amend all public service schemes, including the LGPS.

At the time of drafting this FSS, it is not yet known what the effect on the current and future LGPS benefits will be.

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 consultation is currently ongoing: the consultation was closed to responses on 31 July 2019 and an outcome is now awaited. This FSS will be revisited once the outcome is known and reviewed where appropriate.

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. This results of the national Scheme valuation are used to test the cost control cap mechanism and HMT believed that all public sector scheme should have the cost cap test happen at the same time with the next quadrennial valuation in 2020 and then 2024.

At the time of drafting the FSS we understand the next Fund valuation will be at 31 March 2022.

Managing employer exits from the Fund

The consultation covers:

- Proposals for flexibility on exit payments. This includes:
 - Formally introducing into the Regulations the ability for the administering authority to allow an exiting employer to spread the required exit payment over a fixed period.
 - Allowing employers with no active employees to defer payment of an exit payment in return for an ongoing commitment to meeting their existing liabilities (deferred employer status).
- Proposals for further policy changes to exit credits. The proposed change would require the exiting employer's exposure to risk to be taken into account in calculating any exit credit due (for example a pass through employer who is not responsible for any pensions risk would likely not be due an exit credit if the amendments are made to the Regulations).

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 will be formalising its employer covenant review procedure to feed into the next actuarial valuation. In the case where a formal 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 new procedure will 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 2019, certifying the contribution rates payable by each employer in the Fund for the period from 1 April 2020 to 31 March 2023.

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 2022 but the period for which contributions will be certified at that valuation remains unconfirmed.

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

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 11 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
Northumberland Pension Fund*	

*As of 1 April 2020 Northumberland Pension Fund merged with Tyne and Wear Pension Fund.

Border to Coast's contact details are: 5th Floor, Toronto Square, Leeds, LS1 2HJ
Telephone 0113 487 2550 Company Registration Number 10795539
BCPP is regulated by the Financial Conduct Authority (FRN 800511)

Key personnel include Rachel Elwell (Chief Executive Officer) and Chris Hitchen (Chairman). The Border to Coast Pensions Partnership Joint Committee is chaired by Councillor Doug McMurdo, who is also Chair of Bedfordshire Pension Fund.

Pooling Costs

The table below shows the costs Bedfordshire Pension Fund expects will be incurred in running BCPP in 2019/2020:

Pool Operating Costs	Governance	Asset Under Management	AUM Charge	Development	Alternatives Commitments	Alternatives	Advisory	2018/2019 Underspend
	£000	£m	£000	£000	£m	£000	£000	£000
Partner Fund								
Bedfordshire	194	116	58	127	156	132	0	-1
Cumbria	194	696	83	114	100	103	0	-71
Durham	194	977	191	312	105	90	0	0
East Riding	194	1,601	969	373	85	76	0	-291
Lincolnshire	194	525	29	82	0	0	0	-5
North Yorkshire	194	934	195	329	145	113	0	-78
Northumberland	194	0	10	28	0	0	0	-5
South Yorkshire	194	4,156	2,067	392	340	320	79	-455
Surrey	194	810	179	300	250	214	0	-182
Teesside	194	1,218	1,378	222	200	207	0	-330
Tyne & Wear	194	2,464	296	515	300	248	0	-182
Warwickshire	194	664	64	133	75	62	0	-77
Total Operating Costs	2,328	14,161	5,519	2,927	1,756	1,565	79	-1,677

Bedfordshire Pension Fund owns £1 Type A Shares and Regulatory Capital Type B Shares of £833,000 in BCPP.

During 2019/20, Bedfordshire Pension Fund transitioned assets valued at £116m into the FCA approved Border to Coast Global Equity Alpha fund. Also, the Fund made commitments to BCPP's Infrastructure and Private Credit vehicles.

Risks Relating To Pooling

Bedfordshire Pension Fund has a risk register which is reviewed regularly to reflect the current risks facing the Pension Fund. There has been significant progress with pooling, including the strategic objective to accelerate the development and enhancement of the internal BCPP team. The focus of the last review in 2019/2020 has been to ensure that BCPP'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. Risk reference FCB0027 of the document specifically refers to pooling risks. The document can be found using the following link Risk Register. https://www.bedspensionfund.org/Media_Library/fund_information/fund_governance/Risk_Register_Post_230719.pdf.

Cost Comparative Analysis						
Costs Type	AUM		Investment Management Costs		Cost Saving 2019/20	Cumulative (since inception)
	Legacy £m	Pool £m	Legacy £m	Pool £m	£m	£m
Investment Management						
a) Pooled assets/mandate						
Global Equity	116.0	116.0	0.5	0.1	0.4	0.4
Infrastructure		13.5		0.1	n/a	n/a
b) Non-pooled (segregated) assets/mandate						
Sub-total	116.0	129.5	0.5	0.2	0.4	0.4
Non-Investment Management						
a) Set up costs					0	(1.5)
b) Operating costs				0.5	(0.5)	(0.5)
c) Transition costs					0	0
Sub-total	0	0	0	0.5	(0.5)	(2.0)
Grand Total	116.0	129.5	0.5	0.7	(0.1)	(1.6)

Notes	YES	NO	Detail
1. Change in the value of assets under management (AUM)		√	
2. Change in investment strategy and/or asset allocation	√		Mandate changed from Overseas equity to Global equity
3. Post pooling re-balancing:			
a. Direct v indirect investments		√	
b. Active v passive investments		√	
4. Other post-pooling change (including; restructured mandate, renegotiated fees, new fee structure – ad valorem, performance related, rebates, implicit or in-the spread arrangement, benchmark, performance target, relative v absolute return, hedging, stock lending, net/gross of fee, etc.)	√		Mandate changed from Overseas equity to Global equity

A close-up photograph of an elderly man and woman smiling and looking at a tablet computer together. The man is on the left, wearing a blue shirt, and the woman is on the right, wearing a light yellow top. They are both pointing at the screen of the tablet. The background is bright and out of focus.

SECTION 5

Communications Policy Statement

- *Bedfordshire Pension Fund*
- *February 2020*

Contents

Introduction	100
Our audience	101
Communication principles and use of resources	101
How we communicate	102
Communication with scheme members	102
Communication with prospective members	103
Communication with scheme employers	103
Communication with the Pension Fund Committee and Pension Board	104
Communication with Union Representatives	104
Communication with Pension Fund staff	105
Communication with other interested parties	105
Measuring performance	106

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 140 scheme employers and over 70,000 scheme members, as at 31 March 2019.

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



01234 276912



pensions@bedford.gov.uk



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
- Scheme 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 Ministry of Housing, Communities and Local Government; the Scheme Advisory Board; the Pension 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.

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 are available to meet with individual members at the pension fund offices, five days a week during office hours.

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.

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: full and brief versions of the guide to the LGPS are 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; periods of absence; annual and lifetime allowance; planning for retirement.

Annual Benefit Statements: we send paper benefit statements to active and deferred members of the scheme. 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 communications 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 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 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: a briefing that highlights 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: a formal meeting of elected members, attended by senior managers, at which local decisions in relation to the scheme (policies, etc) are taken.

Pension Board meetings: a formal meeting 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: a briefing that highlights 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.

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: 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 Ministry of Housing, Communities and Local Government, 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: 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: formal documents setting out relevant issues in respect of the LGPS, in many cases seeking specific decisions or directions from elected members.

Valuation report: 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 that may be received which request specific information about the fund.

Investment Strategy Statement: 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: a document setting out how the Pension Fund is administered by Bedford Borough Council.

Media: 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:

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

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 (long and short versions)	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 homeaddress	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
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

Summary of Bedfordshire Pension Fund communications, continued

Communication	Format	When issued	Audience
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 / board; as required	Members of the Pension Fund Committee / Pension Board
Pension Fund Committee meetings	Meeting	Quarterly	Members of the Pension Fund Committee
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	MHCLG / HMRC
Completion of questionnaires / scheme returns	Online or paper	As required	MHCLG / HMRC / Pensions Regulator



SECTION 6

Pensions Administration Strategy

- *Aims and objectives*
- *Roles and responsibilities*

Contents

1. Introduction and regulatory context	112
2. Aims and objectives	112
3. Roles and responsibilities - the Fund	113
4. Roles and responsibilities - employers	116
5. Achieving the Objectives	119
6. Procedures for ensuring compliance	121
7. Work not included in the administration charge	122
Appendix A - Penalties for late and/or inaccurate data submissions	123

1. INTRODUCTION AND REGULATORY CONTEXT

- 1.1 This document sets out a framework of the Administration Strategy by outlining the policies and expected performance standards of both Employers and Bedfordshire Pension Fund (“the Fund”), which will enable provision of a cost-effective and high quality pension administration service. The strategy is kept under review not least on a triennial basis and will be revised to reflect changes to LGPS regulations and Fund policies.
- 1.2 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, the Fund and Scheme employers (“employers” or “employer”) 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).
- 1.3 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.
- 1.6 Regulation 70 of the LGPS Regulations 2013 allows a Fund to recover costs

- 1.7 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 is reliant 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 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 3.3 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 Function / task		Expected timeframe
1	General information	
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
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
2	Contribution requirements	
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 Function / task		Expected timeframe

3	Support for employers	
3.1	Provide support for employers through:written guidance and communications; andface to face meetings	Written communication as per the Fund's communication policy Employer forum held at least annually Annual review meeting
3.2	Notify employers and scheme members of changes to the scheme rules	As per disclosure requirements
3.3	Production and maintenance of an IDRPs employer guide	On an ongoing basis
3.4	Assist employers with the implementation of i-Connect	Commencing in 2020
4	Member information and general administration	
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 (provided 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

3.3 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 comparative

to other Funds, is reported to the Local Pension Board, Pension Fund Committee and is included in the Fund's annual report & accounts.

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

Performance Area		Measurement
1	New joiners & changes	
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
2	Transfers	
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
Performance Area		Measurement

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
3	Additional contributions	
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
4	Leavers	
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
5	Retirements	
5.1	Provision of retirement options to members	Within working 10 days of the later of the member's leaving date or receipt of all necessary documentation
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
6	Deaths	
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 will be made	Within 10 working days of receipt of all necessary information
7	Customer service	
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 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

4.1.8 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 function / task		Expected timeframe
1	General	
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
2	New Starters	
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
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 function / task		Expected timeframe

3 Contributions		
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
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
4 During an employee's membership of the scheme		
4.1	Move employees into the 50:50 section or Main section	From the next available pay period after receiving the employee's election
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 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 2/3rds 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)
5 Early Leavers		
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.

Employer function / task		Expected timeframe
6	Retirement	
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
6.4	Flexible retirement notification Notify BPF via form TERM2014 or TERM505 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.
7	Contracting out of services	
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)
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
8	Annual year-end data return	
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 150 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 & accounts.

- 6.6 **Unsatisfactory performance**
- 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

Penalties for late / incomplete / inaccurate submission of data

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 Responses to queries necessitating a re-query	£ 5 per case per 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
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

SECTION 7

Bedfordshire Local Pension Board



- *Annual Report of the Bedfordshire Local Pension Board*

Annual Report of The Bedfordshire Local Pension Board – 2019/2020

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 It held its first meeting 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. There is a non-voting independent Chair.
- 1.3 The Board met on four occasions during the year, on 24 June, 4 September, 31 October 2019 and 13 January 2020. Overall attendance during the year was 74%. Individual records are shown in the Appendix.
- 1.4 Board meetings are open to the public, other than when considering exempt items.
- 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.
- 2.2 It therefore has a monitor/assist/review/scrutinize 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 can be selective and probe particular topics in more depth than the Committee, which has a wider range of statutory responsibilities. As such, the general approach of the Board is to seek

assurances with evidence from the Fund and external bodies, that it is meeting its objectives, producing its required statements, managing its risks, etc. so as to achieve the overall objectives as set out in paragraph 2.1 above. It can and does commission its own reports, and where appropriate, makes recommendations to the Committee and to officers.

- 2.3 In so doing, the Board is helping 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 Ministry of Housing, Communities and Local Government (MHCLG) and the Pensions Regulator (TPR) as its regulators. The Administering Authority, and in extreme circumstances Board members, can be fined by TPR, who also has other powers available.

- 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. 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 url for current Terms of Reference is shown in paragraph 7.1. Other information regarding the Pension Board can be located from that webpage.

- 2.5 In 2019/2020 the direct costs of operating the Board, covering travel and training expenses relating to Board members and the fees and expenses of the Independent Chair amounted to £12,188. These costs do not include any indirect costs relating to officer time nor any apportioned costs for the use of the Council’s 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 Overview

- 3.1.1 This is the fifth Annual Report produced by the Board, and the second written by the Independent Chair. Since their inception, Local Pension Boards have become increasingly visible, as have the expectations of both TPR and the Scheme Advisory Board (SAB), who now 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 number of ways. There is an increasing dialogue with and between Board members between formal meetings, and between the Board Chair and officers. There are also half yearly meetings between the Board Chairs of the Pensions Funds who are members of the Border to Coast Pensions Partnership (BCPP).
- 3.1.3 As Board Chair, I formally present to the Committee an Executive Summary from each Board meeting indicating any specific recommendations made by the Board, with justifications, what assurances it has gained on behalf of the Committee, and any other matters considered to be relevant to the Committee. This report would also include any areas where the Board had concerns over any Committee decisions, although no such concerns were reported in the year. Helpfully, Board meetings are now scheduled before Committee meetings, which, for some reports, allows any observations from the Board to be considered prior to the Committee reaching its decision.
- 3.1.4 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 administration report is scrutinised at each Board meeting. The Board has requested a few minor presentational improvements to help its understanding. Regularly reviewing the performance of the administration function, and probing when certain tasks appear to be missing targets, helps the Board appreciate the need to prioritise and achieve the basic key objective

of accurate and timely payment of pensions at times when the workload is subject to a spike in volume.

- 3.1.5 Amongst other objectives, the Board is endeavouring to help manage the reputational risk of the Fund. Such a focus seeks assurances that the Fund is complying with its responsibilities and obligations. Where appropriate, these reviews are extended to ensure that all scheme employers are similarly complying, as their complete, accurate, timely and secure supply of information and data is critical. Provision of such quality data prevents a chain reaction of poor key performance indicators, breaches of the law, inaccurate payment of pensions, inaccurate employer contribution rates and inappropriate investment decisions. With these objectives in mind, the Board informally previewed a draft Pensions Administration Strategy, primarily from the viewpoints of process, procedures and communications, and made a number of recommendations.

3.2 Risk Management

- 3.2.1 The Pension Fund Committee owns the Risk Register. The separate Risk Register for Bedfordshire Pension Fund (BFP) was re-formatted prior to the start of the year. The detailed assessment of the likelihood of each risk occurring and its impact had been judged in the light of the existence of the Board as an additional scrutiny resource. Review of the Risk Register is now a standing item at Board meetings, and each meeting scrutinised a particular area of the Register. At each meeting the Board reviewed a particular section of the Risk Register and is expected to complete its first full cycle at its next meeting.
- 3.2.2 During the year, the Board made various recommendations regarding the Risk Register. In the main they related to the inclusion of specific additional risk controls and processes which help mitigate the related risk. As an example, the approval by the Committee of a Pensions Administration Strategy will in itself mitigate risks by clarifying and bringing appropriate transparency to procedures, thus improving

the understanding by scheme employers of what the Fund expects from them. This example indicates that the Risk Register is seen as a live, not a static document.

3.2.3 In addition, the Board has further considered the planned mitigation of risks regarding the roll out of on-line access to their personal data by individual scheme members. The Board has been helped by an independent assessment of the processes by Internal Audit to ensure compliance with appropriate standards.

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's). The Board was pleased to note that BFP once again produced its ABS's by the due date but nevertheless continues to seek assurances that the next set of ABS's will once again be delivered on time.

3.3.2 The Board undertakes an annual review of the Fund against the standards and expectations as reflected in TPR's Code of Practice 14, on a red, amber, green basis: RAG. The assessment identifies areas in which the Fund needs to make improvements. No areas have red status. The Board has studied and makes recommendations on amber items but would also challenge those areas assessed as "green", so seeking on-going assurance that the evidence supports this level. 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, and reflects these in agenda setting. The Bedfordshire Fund was not in the LGPS cohort of 10 Funds visited by TPR. Our local review of the TPR's report and recommendations will now be considered as part of the 2020/2021 work programme. A particular focus of TPR is cyber security, which has featured appropriately on Board agendas.

3.3.4 The Board continues to be mindful of TPR's Scheme Annual Return, which is a statutory, factual document to be returned within a set deadline, with which Bedfordshire complied. The return shows percentages for completeness and accuracy of "common data" and "scheme specific data". Using 2018/2019 data as a baseline, TPR will be measuring and seeking annual improvements in data quality. Whilst data quality for Bedfordshire is at a high level, nevertheless a Data Improvement Plan is in place, which the Board will continue to monitor as a key part of its Work Programme.

3.4 Reporting and Recording Breaches

3.4.1 The Board, and all associated with the Fund, other than individual scheme members, have a responsibility to report significant breaches of law to TPR. Following the improved procedures implemented in the previous year, the Board reviews any breaches of the law as a standing item on its agenda. During 2019/20, none of the recorded breaches were deemed to be of material significance to the TPR, hence no breaches were formally reported via the Administering Authority. A considerable amount of time was spent reviewing a handful of examples of late payment of contributions by employers. The Board supported the continuous monitoring and liaison by officers with one employer to ensure timely payments, which will hopefully continue to be successful and thus avoid the need to formally report a breach.

3.4.2 Following a previous recommendation from the Board, a defined fast track reporting system is now in place for reporting breaches of material significance to TPR in a timely manner.

3.5 Scheme Advisory Board (SAB)

3.5.1 The Board monitors the focus and priorities of the SAB, takes them into account in setting its Work Programme, and also receives minutes of SAB meetings.

3.5.2 The SAB commissions periodic surveys of local pension boards. The survey scheduled for 2019/20 was postponed.

3.6 Review of Investment Issues

- 3.6.1 Whilst the vast majority of the Board's work programme focuses on administration and governance issues, investment issues are not ignored.
- 3.6.2 As expected under the relevant Investment Regulations, the Board continues to monitor the on-going consideration and development of an appropriate strategy for responsible investment, as reflected in the Fund's Investment Strategy Statement and noted BPF's Tier 1 status as a Responsible Investor under the 2012 version of the Stewardship Code. The Board welcomed the decision to establish a Responsible Investment sub group and noted the more challenging requirements of asset owners who sign up to the updated 2020 Stewardship Code.
- 3.6.3 The Board continued to receive updates on progress by Border to Coast Pensions Partnership (BCPP) regarding the pooling of investment assets. A representative of the scheme members of the partner Funds observes the Joint Committee of BCPP and reports back to partner Boards.
- 3.6.4 The Board Chair participates, along with the other Board Chairs of the partner Funds, in half yearly discussion re aspects of governance and procedures with regard to the BCPP and the Joint Committee.
- 3.6.5 The Board keeps a watchful eye on on-going compliance with MiFID II, particularly should there be any changes of key staff and a loss of investment expertise.

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 An increasing component of the Board's 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 with the Board considering whether any recommendations are needed to help meet the deadlines.
- 4.2 Annual requirements include producing Annual Benefit Statements for active members, Pension Savings Statements, the submission of the Scheme Annual Return to the TPR and publication of the Pension Fund Annual Report and Accounts. BPF complied with these deadlines.
- 4.3 The Fund complied with the specific deadline of 31 March 2020 for the certification by the Fund's Actuary of scheme employer contribution rates following the Triennial Valuation as at 31 March 2019.
- 4.4 Whilst the commencement date of some recently implemented legislation has passed, nevertheless the Board feels it is appropriate to continue to review on-going compliance in areas such as General Data Protection Regulation (GDPR) and MiFID II.

5. TRAINING

- 5.1 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.
- 5.2 Board members are encouraged to attend at least two LGPS-focussed seminars/conferences each year.
- 5.3 Board members are invited to training provided for Committee members. New Board members receive one to one training with the Board Chair on appointment. In addition, all new Board members attend the three-day LGA Fundamentals course.
- 5.4 A specific training session is often provided immediately before the Board considers a particular topic. In the last 12 months this occurred prior to discussions on the Triennial Valuation and on the Internal Dispute Resolution Procedure (IDRP).

6. WORK PLAN

- 6.1 The work plan for 2020/21 covers the separate activity areas of:
- Pension Fund Annual Report and Accounts administration, including Key Performance Indicators, the Data Improvement Plan and, potentially, Value for Money studies
 - audit and risk management, including the Risk Register
 - governance; including conflicts of interest, recording and if appropriate reporting breaches, and compliance with TPR's Code of Practice 14
 - monitoring direction, outcomes and guidance from both TPR and SAB
 - investments, including developments with the BCPP covering implications for Administering Authorities

- monitoring developments in responsible investment, including the further requirements under the Stewardship Code and climate change
- external deadlines
- training
- member communications
- participating in and learning from relevant surveys, e.g. of SAB and TPR.
- lessons learned from the Covid-19 pandemic

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

7. PUBLIC ACCOUNTABILITY

- 7.1 As well as being open to the public, the agendas, minutes and the Board's Terms of Reference are available on the Authority's website at the following address:
www.bedspensionfund.org/fund_information/pension_board.aspx

The Chair of the LGPS Local Pension Board wishes to thank his fellow Board members who have volunteered their time and energies in their roles. Thanks are also expressed to the Board Secretary, the Chief Officer for Corporate Finance & Pensions, the Pensions Administration Manager, the Chair of the Pension Fund Committee, Democratic Services and other support officers.



Gerard Moore
Independent Chair
Bedfordshire LGPS Local Pension Board
18 May 2020

Attendance at Pension Board Meetings
2019/2020

Board member	24th June 2019	4th Sept 2019	31st Oct 2019	13th Jan 2020
Stephen Moon (Employer Representative - Bedford Borough Council)		X		
Mike Blair (Employer Representative -Central Bedfordshire Employer rep)				
Jacqui Burnett (Employer Representative - Luton Borough Council)		X		X
Stuart Goodwin (Employer Representative – Bedfordshire Police)				
Martin Foster (Member representative)			X	X
Alison Knox/ John Wallace (Member Representative)	N/A	N/A		
Frances Bowler (Member Representative)		X		X
Kiran Mal (Member Representative)	X		X	
Total Attendance including Chairman = 74%	89%	63%	78%	67%

All meetings were attended by the Independent Chair.

Contact Points

Further information regarding the Pension Fund or the report and accounts may be obtained from the following contacts:

Accounts, Investments and Contributions

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Chief Officer Corporate Finance and Pensions

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Benefits

Claire Bennett

Pensions Administration Manager

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The Pensions Ombudsman

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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: 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 2019/20.

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 million.

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/calculate-statepension) 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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المعلومات

Informacja

ਜਾਣਕਾਰੀ ਲਈ

Za Informacije

برای اطلاع

তথ্যের জন্য

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