Bedfordshire Pension Fund
Report and Accounts 2008/2009
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FOREWORD

It has been a momentous year for this Pension Fund.

Although this report is dated 31 March 2009, on the 1 April 2009 a new era in its management was started.

Bedford Borough Council is the new home and virtually all the Pensions team has transferred.

We have a new Committee to work with and its details are available on: http://www.councillorsupport.bedford.gov.uk/mgCommitteeDetails.aspx?ID=378

Last year the Chairman mentioned that he was interested in relative investment performance. The year 2008/09 was a challenging one in which to invest in, and we released three investment managers: Henderson Global Investors; Alliance Bernstein Asset Management and JP Morgan Asset Management. In spite of this our relative performance placed us 47th out of the 100 Funds in the local authority universe.

To provide more about what happened last year, I quote from the Chairmans final report to the County Council.

"Pension Fund Committee – Chairman’s final report.

The environment for the local government pension scheme (LGPS) has proved to be extremely tough over the last few years.

Economic conditions have deteriorated rapidly, with many forecasters now anticipating the first global recession since World War II

Global stock markets now stand far below their levels of four years ago

Increasing longevity means that pensioners will be drawing their pensions for longer, and therefore the fund has to increase in size to be able to afford to pay these index linked pensions

Against this background, members of the Pension Fund Committee have sought to meet the challenge of ensuring that the Bedfordshire scheme remains viable and, importantly, affordable for both employers and members. To do so we have to make the best use of our investments of about £1 billion, and recognise that, despite the current doom and gloom, the Fund is a long-term investor looking not just 5 or 10 years ahead but 40 to 50 years ahead, and that it needs to seek the maximum returns from the markets commensurate with an acceptable degree of risk.

Much of the focus of the last four years has been to reposition the Fund to broaden the range of investments. This has led to the proportion of the Fund held as equities reducing from 74% to 51% and enabled us to hold other investments that are not simply reliant on the vagaries of the stock market, including bonds, commodities, property and currency. We have also increased the proportion of the funds assets held in overseas equities at the expense of UK equities.

Having agreed the Fund’s investment strategy the next important ingredient was to find skilled investment managers to produce high returns. In common with many other schemes we have found this to be a real challenge. Our concerns about the ability of active fund managers to out-perform the market in highly researched areas (such as UK equities) has led to an increase in the proportion of assets placed with passive (or tracker) managers from 35% to 54% over the last four years. These funds attract considerably lower management fees.

The decision to diversify the Fund has proved to be beneficial given the current poor performance of the stock markets. However, this strategy has been offset by disappointing performance of some managers meaning that in 2008 the Fund’s overall return was at the
average of local authority funds. We constantly monitor the performance of our managers and have recently removed mandates from two managers.

The overall health of the Fund is measured by the Actuary every three years. At the 2007 valuation our funding position improved to 80% (from 73% three years previously). Unless there is a dramatic improvement in the general investment returns over the next 12 months the prospect for the 2010 valuation do not look promising.

The Government has implemented changes to the LGPS including:
- member benefits
- introduction of tiered employee contribution rates
- establishing the framework for the sharing of costs between employers and employees in the future
- governance arrangements

All these changes need implementing and the administration team in County Hall have kept up with these extremely well. It is a small team looking after about 36,000 members of the scheme, and we constantly make more and more demands on them. Within Bedfordshire we have continued to develop the service provided to scheme members and employers and seek efficiency improvements – notably the switch of the pensioner payroll system to use the existing pension software.

........

Roger Gwynne Jones.
Chairman.
March 26 2009

The Local Government Pension Scheme changed significantly on the 1 April 2008 and the changes to employee contribution rates and the new benefit structure have been implemented well.

Within this report you will find a lot of information about the fund and its operations.

The scheme will continue to evolve so if you are interested in its future please watch either the Department for Communities and Local Government website or our own website for consultation papers.

Geoff Reader
Head of Pension Fund Management
August 09
MANAGEMENT REPORT

- Management and Advisers
- Legal Framework and Administration
- Contributions and Benefits
- Membership
- Participating Employers
- Funding Strategy Statement
- Governance Compliance Statement
- Communications Policy Statement
- Benchmarking Report
MANAGEMENT & ADVISERS AS AT 31 MARCH 2009

Administering Authority
Bedfordshire County Council

Administrator
Peter Lewis, Director of Human & Financial Resources

Pension Fund Panel Members
County Council & Pension Committee Members
Roger Gwynne Jones (Chairman)
Madeline Russell
Richard Stay
Gordon Willey
Duncan Ross

Director of Human & Financial Resources
Peter Lewis

Independent Adviser
Malcolm Gray

Representative from Luton Borough Council (non-voting)
Dave Kempson

Scheme Member Representative (non-voting)
Willy White

Investment Managers
Barclays Global Investors Ltd
ING Real Estate Investment Management
Aberdeen Asset Management Ltd
Credit Suisse Asset Management
Legal & General Investment Management
FX Concepts
Lazard Asset Management
Trilogy Global Advisors

Custodian
The Northern Trust Company

Investment Consultant
Martin Kraus
Hewitt Associates

Actuary
Douglas Anderson
Hymans Robertson

External Auditor
Debbie Hanson
Audit Commission

AVC Providers
Standard Life Assurance Company

Bankers
National Westminster Bank
LEGAL FRAMEWORK & ADMINISTRATION

The Scheme
The local government pension scheme is statutorily based and was governed by the Local Government Pension Scheme Regulations 1997 and subsequent amendments and regulations to 31 March 2008. A new scheme was introduced on 1 April 2008.

Local Government Re-organisation
Under legislation enacted in 2008, the Bedfordshire County Council was abolished with effect from 1st April 2009. On that date the role of administering authority for the Bedfordshire Pension Fund transferred to Bedford Borough Council. The Borough Council will continue with the existing structures for fund administration for the time being, although individual committee members will change, dependent upon local elections in May 2009. Similarly, the role of Fund Administrator will be taken over by the Borough Council’s Director of Finance. All references in this report to the Bedfordshire County Council and its officers should be read in this context.

Role of the Pension Fund Committee
The County Council’s responsibility as Administering Authority is undertaken via the Pension Fund Committee, consisting of five council members. The Committee takes advice from the Pension Fund Panel, which currently consists of the five Pension Fund Committee members, supported by an independent investment adviser and the County Council’s Director of Resources. A representative from Luton Borough Council and a scheme member representative nominated by the trade unions are invited to sit on the Panel in an observer role. During the year the Directors of Finance from the two new unitary councils were also invited as observers. The Panel receives advice from other Council Officers, principally the Assistant Director (Financial Strategy) and the Head of Pensions & Treasury Management, and from external professional investment advisers, Hewitt Associates.

The membership of the Pension Fund Panel at 31 March 2009 is shown on page 4.

The Panel 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 optimum balance between risk and return. The Panel 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 County Council’s functions as administering authority is delegated to the Pensions Committee. The Director of Human & Financial Resources, as Fund Administrator, has delegated authority for the day-to-day management of the Fund. This delegation includes the power to seek advice and the authority to appoint external managers to handle the day-to-day investment of the fund’s assets.

Corporate Governance
The County Council has issued a Governance Policy Statement in respect of the Pension Fund. This document describes how the Council will fulfil 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.bedford.gov.uk/pensions](http://www.bedford.gov.uk/pensions)  

In addition, the Pension Fund Committee has published a governance compliance statement in accordance with current regulations. This statement is reproduced in full on page 31.

**Changes in Legislation**

The Department of Communities and Local Government issued regulations that would transfer the administering authority role of the Fund to Bedford Borough Council from 1 April 2009.

**Administration of the Scheme**

The County Council is the administering authority and fund investment and administration is the responsibility of the Fund Administrator. The costs of administration and paying pensions and benefits are charged to the Pension Fund.

The local government pension fund administered by the County Council was established in 1974 to cover the future pension entitlements of all eligible employees of the County Council and the Borough and District Councils, other than teaching staff who have their own pension scheme. A number of other bodies also participate in the pension scheme as of right (scheduled bodies) or are admitted to the scheme following application for membership (admitted bodies).

With the advent of personal pensions, employees are free to choose whether to join or remain within the scheme or to make their own personal pension arrangements.

The local government pension scheme is required to be ‘funded’, ie 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 not immediately required to meet 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 an actuarial review of the fund by the fund’s actuary.

**Financial Performance (Administrative)**

A budget for the administrative cashflows of the Pension Fund is prepared prior to the beginning of each financial year. The key elements of the 2008-09 budget approved by the Pension Fund Panel in February 2008 are shown below together with actual performance.

<table>
<thead>
<tr>
<th>Administrative cash flows</th>
<th>£000s</th>
<th>Budget</th>
<th>Actual</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions received</td>
<td>81,100</td>
<td>83,569</td>
<td>2,469</td>
<td></td>
</tr>
<tr>
<td>Transfers of value received</td>
<td>9,000</td>
<td>10,143</td>
<td>1,143</td>
<td></td>
</tr>
<tr>
<td>Benefits paid</td>
<td>-51,900</td>
<td>-54,834</td>
<td>-2,934</td>
<td></td>
</tr>
<tr>
<td>Transfers of value paid</td>
<td>-9,000</td>
<td>-10,312</td>
<td>-1,312</td>
<td></td>
</tr>
<tr>
<td>Cost of administering the fund</td>
<td>-3,837</td>
<td>-3,462</td>
<td>375</td>
<td></td>
</tr>
<tr>
<td>Net additions/withdrawals from dealings with members</td>
<td>25,363</td>
<td>25,104</td>
<td>-259</td>
<td></td>
</tr>
</tbody>
</table>

In addition, the Fund earned £1.3m interest on in-house managed cash balances.

Contributions are payable by participating employers on a monthly basis, due in arrears by the 19th of the following month. During 2008-09, 97% of contributions were received by the
due date and less than 1% were more than a month late. All contributions due were collected and there were no bad debt write-offs in respect of contributions.

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 published in October 2008 and officers’ report to the Pension Fund Panel based on that data is reproduced in full on pages 37-39.

Communications
The Pension Fund is committed to establishing and maintaining effective communications with its members and other interested parties. To this end, the fund has issued a Communications Policy Statement formalising the processes by which this will be achieved. This policy statement may be seen on the fund’s website at www.bedford.gov.uk/pensions. and is reproduced in full on page 41.

Systems & Technological Innovation
The Pension Fund’s records and administration system are computerised, using hardware provided by the County Council and AXISe software provided under licence by Aquila Heywood. This licence provides for regular updates to keep abreast of changes in regulation and developments in best practice.

The Pension Fund’s financial data was collected on the County Council’s SAP system. This system was maintained in-house by the Council’s IT team and includes comprehensive contingency and business continuity provisions.

Until September 2007 the Pension Fund payroll was managed under contract by Serco Ltd. Since October 2007 the payroll has been managed in-house utilising AXISe software.

All County Council staff involved in Pension Fund administration and investment activities have access to the internet and the Council’s intranet.

Resources, Equality and Diversity
The County Council, as Administering Authority, is committed to providing the resources necessary for the efficient administration of the Pension Fund and for the proper management of its investments. This commitment includes ensuring that officers involved in the management of the Pension Fund have relevant and sufficient expertise to enable them to properly discharge their duties and responsibilities. Suitable training is made available so that officers are able to update their skills as necessary.

The Council’s approach to equality and diversity was summarised in its Equality & Diversity Policy Statement:

“Bedfordshire County Council will help Bedfordshire become a place that provides people with the opportunity to reach their full potential by:

- Delivering high quality, accessible services that meet the needs of all our customers
- Understanding issues relating to disability, gender, gender reassignment, race, religion or belief, and sexual orientation.
- Engaging with service users, local communities, staff, stakeholders and contractors to identify and implement improvements.
- Tackling barriers which restrict access to services”
CONTRIBUTIONS AND BENEFITS

The Pension Fund provides for the payment of pensions and other benefits to eligible former employees of the participating bodies. The following summary is only an illustrative guide. Full details of benefits payable are explained in the scheme booklet “A Guide to the Local Government Pension Scheme”, available from the Council’s pensions administration division or on the internet at www.bedford.gov.uk/pensions.

Contributions
Legislation requires regular three-yearly actuarial valuations of local authority pension funds to establish the annual contribution to be made by the employing bodies. The valuation on which the employers’ contributions for 2008-09 were based was carried out as at 31 March 2007. The employers’ contributions resulting from this valuation were implemented from 1 April 2008 (see also Report of the Actuary on page 79).

Employees contribute to the scheme at a rate set by statute. For 2007-08 this was 6% of gross pay. From 1 April 2008, a tiered structure, in which rates vary according to salary, has been introduced for all new and existing members.

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 then in force. A secondary employer’s contribution rate is calculated for each employing body to reflect their particular individual circumstances.

The administering authority is also required to enable employees to make additional voluntary contributions (AVCs) to obtain enhanced pension benefits. The Standard Life Assurance Company has been appointed to provide this facility.

Pension Benefits
The local government pension scheme is a “defined benefit final salary” scheme, with employees' pensions and benefits determined in accordance with statute and regulation. The annual pension and the retirement lump sum are based on length of service and, usually, the final twelve months pay. On retirement, members can elect to commute part of their pension to increase their lump sum payment.

Contributors can transfer accumulated benefits between pension funds on change in employment, where regulations allow.

When an employee leaves the scheme with over three months service counting towards pension entitlement and does not transfer their benefits to another pension scheme, the employee is awarded a pension and lump sum, the payment of which is deferred until the individual’s earliest retirement age (deferred benefits).

Pension Increases
Mandatory increases in pensions and deferred benefits are made, in accordance with annual Statutory Pensions Increase (Review) Orders, to maintain the purchasing power of the benefit. The pension increase is effective from April each year and is based on the annual movement in the retail price index as at the previous September. The increase applying from 1 April 2008 was 3.9%. 

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MEMBERSHIP

During 2008/09 the number of pensioners increased from 10,432 at 31 March 2008 to 10,772 at 31 March 2009; the number of contributors within the fund increased from 17,025 to 17,288.

Whilst local government remains the main employment, the higher education sector and civilian employees of the emergency services are also major sources of membership. The diversity of employers is likely to increase in the future.

<table>
<thead>
<tr>
<th>Active Membership by Employer as at 31 March</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>2009</td>
</tr>
<tr>
<td>--------------------------------------------</td>
<td>-------</td>
</tr>
<tr>
<td>7,005  Bedfordshire County Council</td>
<td>7,237</td>
</tr>
<tr>
<td>4,811  Luton Borough Council</td>
<td>4,834</td>
</tr>
<tr>
<td>853   Bedfordshire Police Authority</td>
<td>876</td>
</tr>
<tr>
<td>659   Bedford Borough Council</td>
<td>669</td>
</tr>
<tr>
<td>557   Cranfield University</td>
<td>536</td>
</tr>
<tr>
<td>493   University of Bedfordshire</td>
<td>475</td>
</tr>
<tr>
<td>372   South Bedfordshire District Council</td>
<td>366</td>
</tr>
<tr>
<td>262   Mid-Bedfordshire District Council</td>
<td>263</td>
</tr>
<tr>
<td>2,013  Other Bodies</td>
<td>2,032</td>
</tr>
<tr>
<td>17,025  Total</td>
<td>17,288</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Five Year Membership Summary as at 31 March</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>2006</td>
</tr>
<tr>
<td>--------------------------------------------</td>
<td>-------</td>
</tr>
<tr>
<td>Active members</td>
<td>14,944</td>
</tr>
<tr>
<td>Pensioners</td>
<td>9,435</td>
</tr>
<tr>
<td>Deferred Pensioners</td>
<td>8,013</td>
</tr>
<tr>
<td>Total</td>
<td>32,392</td>
</tr>
</tbody>
</table>
PARTICIPATING EMPLOYERS

The following are the employers participating in the Bedfordshire Pension Fund as at 31 March 2009. The contribution rates shown are the percentage of its employees’ pensionable pay that each employer paid into the fund during 2008/09. Contribution rates are 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 2008/09 are included in the table below.

<table>
<thead>
<tr>
<th>Scheduled Bodies:</th>
<th>Contribution Rate %</th>
<th>Additional payments £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amphill Town Council</td>
<td>17.3</td>
<td></td>
</tr>
<tr>
<td>Arlesey Town Council</td>
<td>17.3</td>
<td></td>
</tr>
<tr>
<td>Barnfield College</td>
<td>14.8</td>
<td></td>
</tr>
<tr>
<td>Barnfield South Academy</td>
<td>12.7</td>
<td></td>
</tr>
<tr>
<td>Barnfield West Academy</td>
<td>12.0</td>
<td></td>
</tr>
<tr>
<td>Bedford Borough Council</td>
<td>13.3</td>
<td>1,530</td>
</tr>
<tr>
<td>Bedford College</td>
<td>11.9</td>
<td></td>
</tr>
<tr>
<td>Bedfordshire County Council</td>
<td>21.9</td>
<td></td>
</tr>
<tr>
<td>Bedfordshire Police Authority</td>
<td>12.9</td>
<td></td>
</tr>
<tr>
<td>Bedfordshire Probation Service</td>
<td>16.2</td>
<td></td>
</tr>
<tr>
<td>Bedfordshire and River Ivel Drainage Board</td>
<td>17.3</td>
<td></td>
</tr>
<tr>
<td>Biggleswade Town Council</td>
<td>17.3</td>
<td></td>
</tr>
<tr>
<td>Bromham Parish Council</td>
<td>17.3</td>
<td></td>
</tr>
<tr>
<td>Caddington Parish Council</td>
<td>17.3</td>
<td></td>
</tr>
<tr>
<td>Dunstable College</td>
<td>15.1</td>
<td></td>
</tr>
<tr>
<td>Dunstable Town Council</td>
<td>17.3</td>
<td></td>
</tr>
<tr>
<td>Eastcotts Parish Council</td>
<td>17.3</td>
<td></td>
</tr>
<tr>
<td>Flitwick Town Council</td>
<td>17.3</td>
<td></td>
</tr>
<tr>
<td>Harlington Parish Council</td>
<td>17.3</td>
<td></td>
</tr>
<tr>
<td>Houghton Regis Town Council</td>
<td>17.3</td>
<td></td>
</tr>
<tr>
<td>Kempston Burials Joint Committee</td>
<td>17.3</td>
<td></td>
</tr>
<tr>
<td>Kempston Town Council</td>
<td>17.3</td>
<td></td>
</tr>
<tr>
<td>Leighton Linslade Town Council</td>
<td>17.3</td>
<td></td>
</tr>
<tr>
<td>Luton Borough Council</td>
<td>12.6</td>
<td>5,190</td>
</tr>
<tr>
<td>Luton VI Form College</td>
<td>12.6</td>
<td></td>
</tr>
<tr>
<td>Marston Moretaine Parish Council</td>
<td>17.3</td>
<td></td>
</tr>
<tr>
<td>Mid-Bedfordshire District Council</td>
<td>16.0</td>
<td></td>
</tr>
<tr>
<td>Potton Town Council</td>
<td>17.3</td>
<td></td>
</tr>
<tr>
<td>Sandy Town Council</td>
<td>17.3</td>
<td></td>
</tr>
<tr>
<td>South Bedfordshire District Council</td>
<td>24.4</td>
<td></td>
</tr>
<tr>
<td>Stotfold Town Council</td>
<td>17.3</td>
<td></td>
</tr>
<tr>
<td>Toddington Parish Council</td>
<td>17.3</td>
<td></td>
</tr>
<tr>
<td>University of Bedfordshire</td>
<td>15.3</td>
<td></td>
</tr>
<tr>
<td>Admitted and Other Member Bodies:</td>
<td>Contribution Rate %</td>
<td>Additional payments £000</td>
</tr>
<tr>
<td>------------------------------------------------------</td>
<td>---------------------</td>
<td>-------------------------</td>
</tr>
<tr>
<td>Active Luton (Leisure Trust)</td>
<td>14.7</td>
<td></td>
</tr>
<tr>
<td>Amey Infrastructure Services</td>
<td>18.1</td>
<td></td>
</tr>
<tr>
<td>Aragon Housing Association</td>
<td>12.9</td>
<td>49</td>
</tr>
<tr>
<td>Bedford Bereavement Care Ltd.</td>
<td>14.9</td>
<td>22</td>
</tr>
<tr>
<td>Bedfordshire &amp; Luton Mental Health Trust</td>
<td>15.0</td>
<td></td>
</tr>
<tr>
<td>Bedfordshire Pilgrims Housing Association</td>
<td>17.7</td>
<td></td>
</tr>
<tr>
<td>Bedford Town Centre Co. Ltd.</td>
<td>8.2</td>
<td></td>
</tr>
<tr>
<td>Christian Family Care</td>
<td>17.6</td>
<td></td>
</tr>
<tr>
<td>Community Housing Association</td>
<td>19.1</td>
<td></td>
</tr>
<tr>
<td>Cranfield University</td>
<td>14.0</td>
<td>740</td>
</tr>
<tr>
<td>Galliford Try Services</td>
<td>13.8</td>
<td></td>
</tr>
<tr>
<td>Luton Cultural Services Trust</td>
<td>12.8</td>
<td></td>
</tr>
<tr>
<td>St Christopher’s Fellowship</td>
<td>15.9</td>
<td></td>
</tr>
<tr>
<td>St Francis Children’s Society</td>
<td>19.0</td>
<td></td>
</tr>
</tbody>
</table>
FUNDING STRATEGY STATEMENT

The funding strategy statement is prepared by the Fund’s actuary and is reproduced in full below:

1. Introduction
This is the Funding Strategy Statement (FSS) of the Bedfordshire County Council Pension Fund (“the Fund”), which is administered by Bedfordshire County Council, (“the Administering Authority”).

It has been prepared by the Administering Authority in collaboration with the Fund’s actuary, David Cumming of Hymans Robertson LLP and after consultation with the Fund's employers and investment adviser and is effective from 31 March 2008.

1.1 Regulatory Framework
Members’ accrued benefits are guaranteed by statute. Members’ contributions are fixed in the Regulations at a level which covers only part of the cost of accruing benefits. Employers pay the balance of the cost of delivering the benefits to members. The FSS focuses on the pace at which these liabilities are funded and, insofar as is practical, the measures to ensure that employers or pools of employers pay for their own liabilities.

The FSS forms part of a framework which includes:

- the Local Government Pension Scheme Regulations 1997 (regulations 76A and 77 are particularly relevant);
- the Rates and Adjustments Certificate, which can be found appended to the Fund actuary’s triennial valuation report;
- actuarial factors for valuing early retirement costs and the cost of buying extra service; and
- the Statement of Investment Principles.

This is the framework within which the Fund’s actuary carries out triennial valuations to set employers' contributions, and provides recommendations to the Administering Authority when other funding decisions are required, such as when employers join or leave the Fund. The FSS applies to all employers participating in the Fund.

1.2 Reviews of FSS
The FSS is reviewed in detail at least every three years ahead of triennial valuations being carried out, with the next full review due to be completed by 31 March 2011. More frequently, Annex A is updated to reflect any changes to employers.

The FSS is a summary of the Fund's approach to funding liabilities. It is not an exhaustive statement of policy on all issues. If you have any queries please contact Geoff Reader in the first instance at Geoff.Reader@bedford.gov.uk or on 01234 228562.
2.  Purpose

2.1  Purpose of FSS
The Office of the Deputy Prime Minister (ODPM) (now the Department for Communities and Local Government, CLG) has stated that the purpose of the FSS is:

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

These objectives are desirable individually, but may be mutually conflicting.

This statement sets out how the Administering Authority has balanced the conflicting aims of affordability of contributions, transparency of processes, stability of employers’ contributions, and prudence in the funding basis.

2.2  Purpose of the Fund
The Fund is a vehicle by which scheme benefits are delivered. The Fund:

- receives contributions, transfer payments and investment income;
- pays scheme benefits, transfer values and administration costs.

One of the objectives of a funded scheme is to reduce the variability of pension costs over time for employers compared with an unfunded (pay-as-you-go) alternative.

The roles and responsibilities of the key parties involved in the management of the pension scheme are summarised in Annex B.

2.3  Aims of the Funding Policy
The objectives of the Fund’s funding policy include the following:

- to ensure the long-term solvency of the Fund and of the share of the Fund attributable to individual employers;
- to ensure that sufficient funds are available to meet all benefits as they fall due for payment;
- not to restrain unnecessarily the investment strategy of the Fund so that the Administering Authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk;
- to help employers recognise and manage pension liabilities as they accrue;
- to minimise the degree of short-term change in the level of each employer’s contributions where the Administering Authority considers it reasonable to do so;
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations; and
• to address the different characteristics of the disparate employers or groups of employers to the extent that this is practical and cost-effective.
3. Solvency Issues and Target Funding Levels

3.1 Derivation of Employer Contributions

Employer contributions are normally made up of two elements:

(a) the estimated cost of future benefits being accrued, referred to as the “future service rate”; plus

(b) an adjustment for the funding position (or “solvency”) of accrued benefits relative to the Fund’s solvency target, “past service adjustment”. If there is a surplus there may be a contribution reduction; if there is a deficit a contribution addition, with the surplus or deficit spread over an appropriate period.

The Fund’s actuary is required by the regulations to report the Common Contribution Rate\(^1\), for all employers collectively at each triennial valuation. It combines items (a) and (b) and is expressed as a percentage of pay. For the purpose of calculating the Common Contribution Rate, the surplus or deficit under (b) is currently spread over a period of 20 years.

The Fund’s actuary is also required to adjust the Common Contribution Rate for circumstances which are deemed “peculiar” to an individual employer\(^2\). It is the adjusted contribution rate which employers are actually required to pay. The sorts of peculiar factors which are considered are discussed in Section 3.5.

In effect, the Common Contribution Rate is a notional quantity. Separate future service rates are calculated for each employer together with individual past service adjustments according to employer-specific spreading and phasing periods.

For some employers it may be agreed to pool contributions, see Section 3.7.6.

Annex A contains a breakdown of each employer’s contributions following the 2007 valuation for the financial years 2008/09, 2009/10 and 2010/11. It includes a reconciliation of each employer’s rate with the Common Contribution Rate. It also identifies which employers’ contributions have been pooled with others.

Any costs of non ill-health early retirements must be paid as lump sum payments at the time of the employer’s decision in addition to the contributions described above (or by instalments shortly after the decision).

Employers’ contributions are expressed as minima, with employers able to pay regular contributions at a higher rate. Employers should discuss with the Administering Authority before making one-off capital payments.

3.2 Solvency and Target Funding Levels

The Fund’s actuary is required to report on the “solvency” of the whole fund at least every three years.

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\(^1\) See Regulation 77(4)
\(^2\) See Regulation 77(6)
“Solvency” for ongoing employers is defined to be the ratio of the market value of assets to the value placed on accrued benefits on the Fund actuary’s ongoing funding basis. This quantity is known as a funding level.

The ongoing funding basis is that used for each triennial valuation and the Fund actuary agrees the financial and demographic assumptions to be used for each such valuation with the administering authority.

The fund operates the same target funding level for all ongoing employers of 100% of its accrued liabilities valued on the ongoing basis. Please refer to paragraph 3.8 for the treatment of departing employers.

3.3 Ongoing Funding Basis

The demographic assumptions are intended to be best estimates for the future experience in the Fund based on past experience of LGPS funds advised by the actuary. It is acknowledged that future life expectancy and, in particular, the allowance for future improvements in life expectancy, is uncertain. Allowance has been made for improvements in line with PMA92/PFA92 series projections up to calendar year 2033 for prospective pensioners and 2017 for current pensioners, with age ratings applied to fit past LGPS experience. Contributions may increase in future if life expectancy exceeds the funding assumptions. The approach taken is considered reasonable in light of the long term nature of the Fund and the assumed level of security underpinning members’ benefits.. The demographic assumptions vary by type of member and so reflect the different profile of employers.

The key financial assumption is the anticipated return on the Fund’s investments. The investment return assumption makes allowance for anticipated returns from equities in excess of bonds. There is, however, no guarantee that equities will out-perform bonds. The risk is greater when measured over short periods such as the three years between formal actuarial valuations, when the actual returns and assumed returns can deviate sharply.

It is therefore normally appropriate to restrict the degree of change to employers’ contributions at triennial valuation dates.

Given the very long-term nature of the liabilities, a long term view of prospective returns from equities is taken. For the purpose of the triennial funding valuation at 31 March 2007 and setting contribution rates effective from 1 April 2008, the Fund actuary has assumed that future investment returns earned by the Fund over the long term will be 1.9% per annum greater than the return available from investing in index-linked government bonds at the time of the valuation. The long term in this context would be 20 to 30 years or more. In the opinion of the Fund actuary, based on the current investment strategy of the Fund, an asset outperformance assumption (AOA) of 1.9% per annum is within a range that would be considered acceptable for the purposes of the funding valuation.

The same financial assumptions are adopted for all ongoing employers. All employers have the same asset allocation.
3.4 Future Service Contribution Rates

The future service element of the employer contribution rate is calculated on the ongoing valuation basis, with the aim of ensuring that there are sufficient assets built up to meet future benefit payments in respect of future service. The approach used to calculate each employer’s future service contribution rate depends on whether or not new entrants are being admit. Employers should note that it is only Admission Bodies that may have the power not to admit automatically all eligible new staff to the Fund, depending on the terms of their Admission Agreements and employment contracts.

3.4.1 Employers that admit new entrants

The employer’s future service rate will be based upon the cost (in excess of members’ contributions) of the benefits which employee members earn from their service each year. Technically these rates will be derived using the Projected Unit Method of valuation with a one year control period.

If future experience is in line with assumptions, and the employer’s membership profile remains stable, this rate should be broadly stable over time. If the membership of employees matures (e.g. because of lower recruitment) the rate would rise.

3.4.2 Employers that do not admit new entrants

Certain Admission Bodies have closed the scheme to new entrants. This is expected to lead to the average age of employee members increasing over time and hence, all other things being equal, the future service rate is expected to increase as the membership ages.

To give more long term stability to such employers’ contributions, the Attained Age funding method is normally adopted. This will limit the degree of future contribution rises by paying higher rates at the outset.

Both funding methods are described in the Actuary’s report on the valuation.

Both future service rates will include expenses of administration to the extent that they are borne by the Fund and include an allowance for benefits payable on death in service and ill health retirement.

3.5 Adjustments for Individual Employers

Adjustments to individual employer contribution rates are applied both through the calculation of employer-specific future service contribution rates and the calculation of the employer’s funding position.

The combined effect of these adjustments for individual employers applied by the Fund actuary relate to:

- past contributions relative to the cost of accruals of benefits;
- different liability profiles of employers (e.g. mix of members by age, gender, manual/non manual);
- the effect of any differences in the valuation basis on the value placed on the employer’s liabilities;
• any different deficit/surplus spreading periods or phasing of contribution changes;
• the difference between actual and assumed rises in pensionable pay;
• the difference between actual and assumed increases to pensions in payment and deferred pensions;
• the difference between actual and assumed retirements on grounds of ill-health from active status;
• the difference between actual and assumed amounts of pension ceasing on death;
• the effect of more or fewer withdrawals than assumed;
• the additional costs of any non ill-health retirements relative to any extra payments made;
over the period between each triennial valuation.

Actual investment returns achieved on the Fund between each valuation are applied proportionately across all employers. Transfers of liabilities between employers within the Fund occur automatically within this process, with a sum broadly equivalent to the reserve required on the ongoing basis being exchanged between the two employers.

The Fund actuary does not allow for certain relatively minor events occurring in the period since the last formal valuation [where Hymans Robertson calculates asset shares – see section 3.6 below], including, but not limited to:
• the actual timing of employer contributions within any financial year;
• the effect of the premature payment of any deferred pensions on grounds of incapacity.

These effects are swept up within a miscellaneous item in the analysis of surplus, which is split between employers in proportion to their liabilities.

3.6 Asset Share Calculations for Individual Employers
The Administering Authority does not account for each employer’s assets separately. The Fund’s actuary is required to apportion the assets of the whole fund between the employers at each triennial valuation using the income and expenditure figures provided for certain cash flows for each employer. This process adjusts for transfers of liabilities between employers participating in the Fund, but does make a number of simplifying assumptions. The split is calculated using an actuarial technique known as “analysis of surplus”. The methodology adopted means that there will inevitably be some difference between the asset shares calculated for individual employers and those that would have resulted had they participated in their own ring-fenced section of the Fund. The asset apportionment is capable of verification but not to audit standard.

The Administering Authority recognises the limitations in the process, but having regard to the extra administration cost of building in new protections, it considers that the Fund actuary’s approach addresses the risks of employer cross-subsidisation to an acceptable degree.
3.7 Stability of Employer Contributions

3.7.1 Deficit Recovery Periods
The Administering Authority instructs the actuary to adopt specific deficit recovery periods for all employers when calculating their contributions.

The Administering Authority normally targets the recovery of any deficit over a period not exceeding 20 years. However, these are subject to the maximum lengths set out in the table below.

<table>
<thead>
<tr>
<th>Type of Employer</th>
<th>Maximum Length of Deficit Recovery Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory bodies with tax raising powers</td>
<td>a period to be agreed with each employer not exceeding 20 years</td>
</tr>
<tr>
<td>Admission Bodies with significant Central Government Funding</td>
<td>a period to be agreed with each employer not exceeding 15 years</td>
</tr>
<tr>
<td>Community Admission Bodies with funding guarantees</td>
<td>a period to be agreed with each employer not exceeding expected future working lifetime of the remaining scheme members allowing for expected leavers</td>
</tr>
<tr>
<td>Best Value Admission Bodies</td>
<td>the period from the start of the revised contributions to the end of the employer’s contract or not exceeding expected future working lifetime of the remaining scheme members allowing for expected leavers (whichever is shorter)</td>
</tr>
<tr>
<td>All other types of employer</td>
<td>a period equivalent to the expected future working lifetime of the remaining scheme members</td>
</tr>
</tbody>
</table>

This *maximum* period is used in calculating each employer’s *minimum* contributions. Employers may opt to pay higher regular contributions than these minimum rates.

The deficit recovery period starts at the commencement of the revised contribution rate (1 April 2008 for 2007 valuation). The Administering Authority would normally expect the same period to be used at successive triennial valuations, but would reserve the right to propose alternative spreading periods, for example to improve the stability of contributions.

3.7.2 Surplus Spreading Periods
Any employers deemed to be in surplus may be permitted to reduce their contributions below the cost of accruing benefits, by spreading the surplus element over the maximum periods shown above for deficits in calculating their *minimum* contributions.
However, to help meet the stability requirement, employers may prefer not to take such reductions and fix their contributions at the level of accruing benefits.

3.7.3 Phasing in of Contribution Rises
Best Value Admission Bodies are not eligible for phasing in of contribution rises. For the 2007 Valuation, all other employers are eligible for phasing in of contribution rises over a period of three years.

3.7.4 Phasing in of Contribution Reductions
Any contribution reductions will be phased in over six years for all employers except Best Value Admission Bodies who can take the reduction with immediate effect.

3.7.5 The Effect of Opting for Longer Spreading or Phasing-In
Employers which are permitted and elect to use a longer deficit spreading period than was used at the 2004 valuation or to phase-in contribution changes will be assumed to incur a greater loss of investment returns on the deficit by opting to defer repayment. Thus, deferring paying contributions will lead to higher contributions in the long-term.

However any adjustment is expressed for different employers the overriding principle is that the discounted value of the contribution adjustment adopted for each employer will be equivalent to the employer’s deficit.

3.7.6 Pooled Contributions

3.7.6.1 Smaller Employers
The Administering Authority allows smaller employers, such as Town and Parish Councils, to pool their contributions as a way of sharing experience and smoothing out the effects of costly but relatively rare events such as ill-health retirements or deaths in service.

Community Admission Bodies that are deemed by the Administering Authority to have closed to new entrants are not permitted to participate in a pool. Best Value Admission Bodies are also ineligible for pooling.

As at the 2007 valuation separate pools were operated for Town and Parish Councils.

3.7.6.2 Other Contribution Pools
Schools are also pooled with their funding Council.

Some Admission Bodies with guarantors are pooled with their Council.

Those employers that have been pooled are identified in Annex A.

3.8 Admission Bodies ceasing
Admission Agreements for Best Value contractors are assumed to expire at the end of the contract.

Admission Agreements for other employers are generally assumed to be open-ended and to continue until the last pensioner dies. Contributions, expressed as capital payments, can continue to be levied after all the employees have retired. These Admission Agreements can however be terminated at any point.
If an Admission Body’s admission agreement is terminated, the Administering Authority instructs the Fund actuary to carry out a special valuation to determine whether there is any deficit.

The assumptions adopted to value the departing employer’s liabilities for this valuation will depend upon the circumstances. For example:

(a) For Best Value Admission Bodies, the assumptions would be those used for an ongoing valuation to be consistent with those used to calculate the initial transfer of assets to accompany the active member liabilities transferred.

(b) For non Best Value Admission Bodies that elect to voluntarily terminate their participation, the Administering Authority must look to protect the interests of other ongoing employers and will require the actuary to adopt valuation assumptions which, to the extent reasonably practicable, protect the other employers from the likelihood of any material loss emerging in future. This could give rise to significant payments being required.

(c) For Admission Bodies with guarantors, it is possible that any deficit could be transferred to the guarantor in which case it may be possible to simply transfer the former Admission Bodies members and assets to the guarantor, without needing to crystallise any deficit.

Under (a) and (b), any shortfall would be levied on the departing Admission Body as a capital payment.

3.9 Early Retirement Costs

3.9.1 Non Ill Health retirements
The actuary’s funding basis makes no allowance for premature retirement except on grounds of ill-health. Employers are required to pay additional contributions wherever an employee retires before attaining the age at which the valuation assumes that benefits are payable. The current costs of these are specified in letters sent by the Actuary on the 16 April 1998 and 20 March 2003.

It is assumed that members’ benefits on age retirement are payable from the earliest age that the employee could retire without incurring a reduction to their benefit and without requiring their employer’s consent to retire.

The additional costs of premature retirement are calculated by reference to these ages.

3.9.2 Ill health monitoring
The Fund monitors each employer’s, or pool of employers, ill health experience on an ongoing basis. If the cumulative number of ill health retirement in any financial year exceeds the allowance at the previous valuation, the employer will be charged additional contributions on the same basis as apply for non ill-health cases.
4. **Links to Investment Strategy**

Funding and investment strategy are inextricably linked. Investment strategy is set by the administering authority, after consultation with the employers and after taking investment advice.

4.1 **Investment Strategy**

The investment strategy currently being pursued is described in the Fund’s Statement of Investment Principles.

The investment strategy is set for the long-term, but is reviewed from time to time, normally every year, to ensure that it remains appropriate to the Fund’s liability profile. The Administering Authority has adopted a benchmark, which sets the proportion of assets to be invested in key asset classes such as equities, bonds and property. As at 31 March 2007, the proportion held in equities and property was 79.3% of the total Fund assets.

The investment strategy of lowest risk – but not necessarily the most cost-effective in the long-term – would be 100% investment in index-linked government bonds.

The Fund’s benchmark includes a significant holding in equities in the pursuit of long-term higher returns than from index-linked bonds. The Administering Authority’s strategy recognises the relatively immature liabilities of the Fund and the secure nature of most employers’ covenants.

The same investment strategy is currently followed for all employers. The Administering Authority does not currently have the facility to operate different investment strategies for different employers.

4.2 **Consistency with Funding Basis**

The current funding policy for the purpose of placing a value on liabilities at the triennial funding valuation at 31 March 2007 and setting contribution rates effective from 1 April 2008, is to assume that future investment returns earned by the Fund over the long term will be 1.9% per annum greater than the redemption yield on index-linked government bonds at the time of the valuation. The long term in this context would be 20 to 30 years or more.

Based on the asset allocation of the Fund at 31 March 2007, this would be equivalent to anticipating excess returns relative to index-linked gilts of 2.5% per annum from equities and 1% per annum from property and little or no outperformance from other non-equity assets.

In the opinion of the Fund actuary, the current funding policy is consistent with the current investment strategy of the Fund, the asset outperformance assumption is within a range that would be considered acceptable for the purposes of the funding valuation and consistent with the requirement to take a “prudent longer-term view” of the funding of liabilities.

However, in the short term – such as the three yearly assessments at formal valuations – there is the scope for considerable volatility and there is a material chance that in the short-term and even medium term, asset returns will fall short of this target. The stability measures described in Section 3 will damp down, but not remove, the effect on employers’ contributions.

The Fund does not hold a contingency reserve to protect it against the volatility of equity investments.
4.3 Balance between risk and reward
Prior to implementing its current investment strategy, the Administering Authority considered the balance between risk and reward by altering the level of investment in potentially higher yielding, but more volatile, asset classes like equities. This process was informed by the use of Asset-Liability techniques to model the range of potential future solvency levels and contribution rates.

4.4 Intervaluation Monitoring of Funding Position
The Administering Authority monitors investment performance relative to the growth in the liabilities by means of quarterly interim valuations (Navigator). It reports back to employers via an annual meeting, an annual letter on how the Fund performed and the Annual report.
5. Key Risks & Controls

5.1 Types of Risk

The Administering Authority has an active risk management programme in place. The measures that the Administering Authority has in place to control key risks are summarised below under the following headings:

- financial;
- demographic;
- regulatory; and
- governance.

5.2 Financial Risks

<table>
<thead>
<tr>
<th>Risk</th>
<th>Summary of Control Mechanisms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund assets fail to deliver returns in line with the anticipated returns underpinning valuation of liabilities over the long-term</td>
<td>Only anticipate long-term return on a relatively prudent basis to reduce risk of under-performing.</td>
</tr>
<tr>
<td></td>
<td>Analyse progress at three yearly valuations for all employers.</td>
</tr>
<tr>
<td></td>
<td>Inter-valuation roll-forward of liabilities between formal valuations at whole fund level, provided on an annual basis.</td>
</tr>
<tr>
<td>Inappropriate long-term investment strategy</td>
<td>Set Fund-specific benchmark, informed by Asset-Liability modelling of liabilities.</td>
</tr>
<tr>
<td></td>
<td>Consider measuring performance and setting managers' targets relative to bond based target, absolute returns or a Liability Benchmark Portfolio and not relative to indices.</td>
</tr>
<tr>
<td>Fall in risk-free returns on Government bonds, leading to rise in value placed on liabilities</td>
<td>Inter-valuation monitoring, as above.</td>
</tr>
<tr>
<td></td>
<td>Some investment in bonds helps to mitigate this risk.</td>
</tr>
<tr>
<td>Active investment manager under-performance relative to benchmark</td>
<td>Short term (quarterly) investment monitoring analyses market performance and active managers relative to their index benchmark.</td>
</tr>
<tr>
<td></td>
<td>This is now supplemented with an analysis of absolute returns against those under-pinning the valuation, and against a Liability Benchmark.</td>
</tr>
</tbody>
</table>
This gives an early warning of contribution rises ahead. In the short term, volatility damped down by stability measures on contributions. However, if underperformance is sustained over periods over 5 years contributions would rise more.

| Pay and price inflation significantly more than anticipated | The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases.  
Inter-valuation monitoring, as above, gives early warning.  
Some investment in bonds also helps to mitigate this risk.  
Employers pay for their own salary awards and are reminded of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees. |
|---|---|
| Effect of possible increase in employer’s contribution rate on service delivery and admission/scheduled bodies | Seek feedback from employers on scope to absorb short-term contribution rises.  
Mitigate impact through deficit spreading and phasing in of contribution rises. |
### 5.3 Demographic Risks

<table>
<thead>
<tr>
<th>Risk</th>
<th>Summary of Control Mechanisms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pensioners living longer.</td>
<td>Set mortality assumptions with some allowance for future increases in life expectancy. Fund actuary monitors combined experience of around 50 funds to look for early warnings of lower mortality rates than assumed in Valuation report. Administering Authority encourage any employers concerned at costs to promote later retirement culture. Each 1 year rise in the average age at retirement would save roughly 5% of pension costs.</td>
</tr>
<tr>
<td>Deteriorating patterns of early retirements</td>
<td>Employers are charged the extra capital cost of non ill health retirements following each individual decision. Employer ill health retirement experience is monitored.</td>
</tr>
</tbody>
</table>

### 5.4 Regulatory

<table>
<thead>
<tr>
<th>Risk</th>
<th>Summary of Control Mechanisms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes to regulations, e.g. more favourable benefits package, potential new entrants to scheme, e.g. part-time employees</td>
<td>The Administering Authority is alert to the potential creation of additional liabilities and administrative difficulties for employers and itself. It considers all consultation papers issued by the CLG and comments where appropriate. The Administering Authority will consult employers where it considers that it is appropriate. Copies of all submissions are available for employers to see at <a href="http://www.bedford.gov.uk/pensions">www.bedford.gov.uk/pensions</a>.</td>
</tr>
<tr>
<td>Changes to national pension requirements and/or HMRC rules e.g. effect of abolition of earnings cap for post 1989 entrants from April 2006, abolition of the Rule of 85 and the new 2008 scheme.</td>
<td></td>
</tr>
</tbody>
</table>
### 5.5 Governance

<table>
<thead>
<tr>
<th>Risk</th>
<th>Summary of Control Mechanisms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administering Authority unaware of structural changes in an employer’s membership (e.g. large fall in employee members, large number of retirements).</td>
<td>The Administering Authority monitors membership movements on a quarterly basis, via a report from the administrator at quarterly meetings. The Actuary may be instructed to consider revising the rates and Adjustments certificate to increase an employer’s contributions (under Regulation 78) between triennial valuations. Deficit contributions are expressed as monetary amounts (see Annex A).</td>
</tr>
<tr>
<td>Administering Authority not advised of an employer closing to new entrants.</td>
<td></td>
</tr>
<tr>
<td>Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body and losing the opportunity to call in a debt.</td>
<td>In addition to the Administering Authority monitoring membership movements on a quarterly basis, it requires employers with Best Value contractors to inform it of forthcoming changes. It also operates a diary system to alert it to the forthcoming termination of Best Value Admission Agreements.</td>
</tr>
<tr>
<td>An employer ceasing to exist with insufficient funding or adequacy of a bond.</td>
<td>The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure. The risk is mitigated by:</td>
</tr>
<tr>
<td></td>
<td>• Seeking a funding guarantee from another scheme employer, or external body, wherever possible.</td>
</tr>
<tr>
<td></td>
<td>• Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice.</td>
</tr>
<tr>
<td></td>
<td>• Vetting prospective employers before admission.</td>
</tr>
<tr>
<td></td>
<td>• Where permitted under the regulations requiring a bond to protect the scheme from the extra cost of early retirements on redundancy if the employer failed.</td>
</tr>
</tbody>
</table>
Annex A – Employers’ Contributions, Spreading and Phasing Periods

The minimum employer contributions shown in the Rates and Adjustment certificate attached to the 2007 valuation report are based on the deficit recovery periods and phasing periods shown in the table below. The table also shows the individual adjustments under Regulation 77(6) to each employer’s contributions from the ‘Common Contribution Rate’.

<table>
<thead>
<tr>
<th>Employer</th>
<th>Deficit recovery period (years)</th>
<th>Phasing period (years)</th>
<th>Minimum Contributions for the year ending</th>
<th>31 March 2009</th>
<th>31 March 2010</th>
<th>31 March 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Major Scheduled Bodies</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bedfordshire County Council</td>
<td>20</td>
<td>N/A</td>
<td></td>
<td>21.9%</td>
<td>21.9%</td>
<td>21.9%</td>
</tr>
<tr>
<td>Luton Borough Council</td>
<td>20</td>
<td>N/A</td>
<td></td>
<td>12.6%</td>
<td>12.6%</td>
<td>12.6%</td>
</tr>
<tr>
<td>Bedfordshire Probation Committee</td>
<td>20</td>
<td>N/A</td>
<td></td>
<td>16.2%</td>
<td>16.2%</td>
<td>16.2%</td>
</tr>
<tr>
<td>Bedford Borough Council ^2</td>
<td>20</td>
<td>N/A</td>
<td></td>
<td>13.3%</td>
<td>13.3%</td>
<td>13.3%</td>
</tr>
<tr>
<td>Mid Beds District Council</td>
<td>20</td>
<td>3</td>
<td></td>
<td>16.0%</td>
<td>17.2%</td>
<td>18.1%</td>
</tr>
<tr>
<td>South Beds District Council</td>
<td>20</td>
<td>N/A</td>
<td></td>
<td>24.4%</td>
<td>24.4%</td>
<td>24.4%</td>
</tr>
<tr>
<td>Bedfordshire Police Authority</td>
<td>20</td>
<td>N/A</td>
<td></td>
<td>12.9%</td>
<td>12.9%</td>
<td>12.9%</td>
</tr>
<tr>
<td>Bedfordshire &amp; Luton Combined Fire Authority ^3</td>
<td>20</td>
<td>N/A</td>
<td></td>
<td>11.9%</td>
<td>11.9%</td>
<td>11.9%</td>
</tr>
<tr>
<td><strong>Parish and Town Councils</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beds &amp; River Ivel Internal Drainage Board</td>
<td>20</td>
<td>N/A</td>
<td></td>
<td>17.3%</td>
<td>17.3%</td>
<td>17.3%</td>
</tr>
<tr>
<td>Kempston Boreal Board</td>
<td>20</td>
<td>N/A</td>
<td></td>
<td>17.3%</td>
<td>17.3%</td>
<td>17.3%</td>
</tr>
<tr>
<td>Ampthill Town Council</td>
<td>20</td>
<td>N/A</td>
<td></td>
<td>17.3%</td>
<td>17.3%</td>
<td>17.3%</td>
</tr>
<tr>
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<td>Cranfield University ^4</td>
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### Admission Bodies

<table>
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<tr>
<th>Employer</th>
<th>Deficit recovery period (years)</th>
<th>Phasing period (years)</th>
<th>Minimum Contributions for the year ending</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FWL</td>
<td>3</td>
<td>17.6% 21.5% 25.5%</td>
</tr>
<tr>
<td>Christian Family Care</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aragon (formerly Mid Beds Housing Association)</td>
<td>15</td>
<td>N/A</td>
<td>12.9% 12.9% 12.9%</td>
</tr>
<tr>
<td>SPHA (formerly Pilgrim Housing Association)</td>
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<tr>
<td>St Francis Children's Society</td>
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<td></td>
</tr>
<tr>
<td>Superclean</td>
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<td></td>
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<tr>
<td>Galliford Try Services</td>
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<td>Bedford Town Centre Company Ltd</td>
<td>FWL</td>
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<tr>
<td>Active Luton</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Beds &amp; Luton Mental Health And Social Care Partnership NHS Trust</td>
<td>FWL</td>
<td>N/A</td>
<td>18.1% 18.1% 18.1%</td>
</tr>
<tr>
<td>St. Christophers</td>
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<td>N/A</td>
<td>15.9% 15.9% 15.9%</td>
</tr>
<tr>
<td>Barnfield Academy - South</td>
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<td>N/A</td>
<td>12.7% 12.7% 12.7%</td>
</tr>
<tr>
<td>Barnfield Academy - West</td>
<td>N/A</td>
<td>N/A</td>
<td>12.0% 12.0% 12.0%</td>
</tr>
</tbody>
</table>

FWL = Future Working Lifetime

Please note that all monetary amounts listed below are for 2008/09 and should increase by 4.7% each year:

1. Luton Borough Council has an additional annual monetary payment of £5190k (this includes £475k p.a. relating to the shortfall for London Luton Airport)
2. Bedford Borough Council has an additional annual monetary payment of £1530k
3. Bedfordshire & Luton Combined Fire Authority has an additional annual monetary payment of £105.4k
4. Cranfield University has stepped additional monetary amounts of £750k for 2008/09, £950k for 2009/10 and £1,131k for 2010/11
5. Bedford Bereavement Care Ltd has an additional annual monetary payment of £22.3k
6. Aragon (formerly Mid Beds Housing Association) has an additional annual monetary payment of £48.7k
7. These employers were set up on a fully funded basis so had no starting deficit
Annex B – Responsibilities of Key Parties

The Administering Authority should:
- collect employer and employee contributions;
- invest surplus monies in accordance with the regulations;
- ensure that cash is available to meet liabilities as and when they fall due;
- manage the valuation process in consultation with the fund’s actuary;
- prepare and maintain an FSS and a SIP, both after proper consultation with interested parties; and
- monitor all aspects of the fund’s performance and funding and amend FSS/SIP

The Individual Employer should:
- deduct contributions from employees’ pay correctly;
- pay all contributions, including their own as determined by the actuary, promptly by the due date;
- exercise discretions within the regulatory framework;
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain; and
- notify the administering authorities promptly of all changes to membership or, as may be proposed, which affect future funding.

The Fund actuary should:
- prepare valuations including the setting of employers’ contribution rates after agreeing assumptions with the Administering Authority and having regard to the FSS; and
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters.
GOVERNANCE COMPLIANCE STATEMENT

The fund is required to publish a statement disclosing the degree to which it complies with best practice in its governance procedures. This statement is reproduced in full below:

Governance Best Practice: Compliance Statement
Approved by the Bedfordshire Pension Fund Panel 20 February 2008
(Based on draft guidance issued 08 October 2007)

Structure

a. The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council. Fully Compliant – Pension Committee

b. That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee. Partially Compliant – Observers for Luton Borough Council and scheme member

c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels. Fully Compliant: membership is the same.

d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel. Fully Compliant: membership is the same.

<table>
<thead>
<tr>
<th></th>
<th>Not Compliant*</th>
<th>Fully Compliant</th>
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<tr>
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<td>✓</td>
</tr>
<tr>
<td>b)</td>
<td>✓</td>
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</tr>
<tr>
<td>c)</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>d)</td>
<td></td>
<td>✓</td>
</tr>
</tbody>
</table>

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above

b) Due to the preferred size of the Panel more observers not invited. The current Panel structure covers 64% of the active membership (based on 2007 Valuation Report).
Representation

a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:-

i) employing authorities (including non-scheme employers, e.g., admitted bodies);
ii) scheme members (including deferred and pensioner scheme members),
iii) independent professional observers, and
iv) expert advisors (on an ad-hoc basis).

Partially compliant as not all scheme employers or admitted bodies have the opportunity to be represented

b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.

Full compliance

<table>
<thead>
<tr>
<th>Not Compliant*</th>
<th>Fully Compliant</th>
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</thead>
<tbody>
<tr>
<td>a)</td>
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</tr>
<tr>
<td>b)</td>
<td>✓</td>
</tr>
</tbody>
</table>

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

a) Due to the preferred size of the Panel more employers not invited. The current Panel structure covers 64% of the active membership (based on 2007 Valuation Report).

Selection and role of lay members

a) That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.

Full compliance – See governance statement

<table>
<thead>
<tr>
<th>Not Compliant*</th>
<th>Fully Compliant</th>
</tr>
</thead>
<tbody>
<tr>
<td>a)</td>
<td>✓</td>
</tr>
</tbody>
</table>

- 32 -
Voting

a) The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.

* Partial compliance – See governance statement – not fully transparent

<table>
<thead>
<tr>
<th>Not Compliant*</th>
<th>Fully Compliant</th>
</tr>
</thead>
<tbody>
<tr>
<td>a)</td>
<td>✓</td>
</tr>
</tbody>
</table>

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Training/Facility time/Expenses

a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.

* Full compliance

b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.

* Full compliance

Please use this space if you wish to add anything to explain or expand on the ratings given above:

Currently, implicit within the Policy Statement
Meetings (frequency/quorum)

a) That an administering authority’s main committee or committees meet at least quarterly. *Not Compliant: Only meets twice a year*

b) That an administering authority’s secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits. *Fully Compliant – Panel meets at least 4 times a year and two of those meetings follow a Committee meeting*

c) That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented. *Fully compliant: via annual general meeting*

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

The Pension Fund Panel operates in an advisory capacity to the Committee and shares Chairman and membership. It meets and discusses the agenda without public and press being present as it is a Panel. The Panel minutes are accepted by the Committee which also receives a six monthly report that is then reported onto full Council

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

- 34 -
Access

a) That subject to any rules in the council’s constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.

Full compliance

<table>
<thead>
<tr>
<th>Not Compliant*</th>
<th>Fully</th>
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</thead>
<tbody>
<tr>
<td>a)</td>
<td>✓</td>
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</tbody>
</table>

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

Scope

a) That administering authorities have taken steps to bring wider scheme issues, such as administration issues, within the scope of their governance arrangements

Full compliance – See governance statement

<table>
<thead>
<tr>
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<th>Fully</th>
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</thead>
<tbody>
<tr>
<td>a)</td>
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</table>

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-
Publicity

a) That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.

* Full Compliance

<table>
<thead>
<tr>
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<th>Fully Compliant</th>
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<tbody>
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</tr>
</tbody>
</table>

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above:

There was consultation on the latest Governance Statement and an employer did express an interest in increasing the membership of the Panel. This interest was reported to the Panel.
1 SUMMARY

1.1 The recently released benchmarking information shows that the investment and administration costs of the Bedfordshire Pension Fund are in line with similarly sized funds within the Local Government Pension Scheme (LGPS).

2 BACKGROUND

2.1 The Statement of Investment Principles (SIP) requires that 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 County Council are benchmarked against annual data derived from a return completed for all LGPS Funds (known as Form SF3). The SF3 return also provides comparative administration costs.

2.2 The information for 2006/07 and 2007/08 was published on 15 October 2008.

2.3 The table below compares the Fund against all LGPS funds in England and Wales.

<table>
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<th>2006/07</th>
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<td>Bedfordshire</td>
<td>All LGPS</td>
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<tr>
<td>Investment Management: - base fee</td>
<td>70.09</td>
<td>38.81</td>
</tr>
<tr>
<td>Investment Management: - performance fee</td>
<td>13.14</td>
<td>22.95</td>
</tr>
<tr>
<td>Investment Advice/ support</td>
<td>4.90</td>
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</table>
Total Investment Costs

<table>
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<td></td>
<td></td>
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<tr>
<td>- Payroll Project</td>
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<tr>
<td>Total</td>
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<td>28.16</td>
<td>26.46</td>
<td>26.58</td>
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</table>

2.4 The above table shows that the Fund has been paying increasing investment management fees, due largely to the new active global equity managers. In recognition of this fact performance targets are now net of fees to ensure that fees paid can be considered in the context of the performance delivered by managers.

2.5 The table also demonstrates that although the administration service was relatively expensive in 2007/08, this included the one-off cost of the payroll project during that year. This investment has helped to reduce the ongoing costs of the service such that we are forecasting a reduction in administration cost per member to £24 in 2008/09.

2.6 The cost per member varies according to the size of the Fund and this is illustrated in the appendices to this report. Appendix 1 compares the investment cost with the value of the Funds’ assets and Appendix 2 shows the administration costs compared to the number of scheme members.

2.7 The appendices demonstrate that the investment and administration costs of the Bedfordshire Pension Fund are in line with other comparable Funds.

3 ALTERNATIVES CONSIDERED
Not applicable.

4 CONSULTATION
Not applicable.

5 RISK ASSESSMENT
5.1 Financial implications/risks including value for money
The investment and administration costs of the Fund are in line with the average cost of similarly sized funds.

5.2 Legal implications/risks
No specific implications arising from this report.

5.3 Human Resources implications/risks
No specific implications arising from this report

5.4 Equality & Diversity implications/risks
No specific implications arising from this report

5.5 Sustainability implications/risks
No specific implications arising from this report

Background Information
SF3 data for 2006/07 and 2007/08
Appendix 1

Administration Cost per Scheme Member 2007-08

- Average Cost
- Bedfordshire (incl one-off)
- Bedfordshire (excl one-off)

Appendix 2
Investment Cost per Scheme Member 2007-08

Market Value of Fund (£m)

Cost per Member

Average Cost

Bedfordshire
Communications Policy Statement

BEDFORDSHIRE PENSION FUND

March 2006
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<td>PERFORMANCE MEASUREMENT</td>
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Page numbers have been altered from the original to reflect their position within this report
Introduction

This is the Communications Policy Statement of Bedfordshire Pension Fund, administered by Bedford Borough Council (the Administering Authority).

The Fund liaises with over 40 employers and approximately 32,500 scheme members in relation to the Local Government Pension Scheme. The delivery of the benefits involves communication with a number of other interested parties. This statement provides an overview of how we communicate and how we intend to measure whether our communications are successful.

It is effective from 1 March 2006.

Any enquiries in relation to this Communication Policy Statement should be sent to:

Mrs Claire Bennett
Pensions Administration Manager
Bedford Borough Council
Cauldwell Street
Bedford
MK42 9AP
01234 228873
claire.bennett@bedford.gov.uk
Regulatory Framework

This policy statement is required by the provisions of Regulation 106B of the Local Government Pension Scheme Regulations 1997. The provision requires us to:

"....prepare, maintain and publish a written statement setting out their policy concerning communications with:

(a) members.
(b) representatives of members.
(c) prospective members.
(d) employing authorities."

In addition it specifies that the statement must include information relating to:

“(a) the provision of information and publicity about the Scheme to members, representatives of members and employing authorities;
(b) the format, frequency and method of distributing such information or publicity; and
(c) the promotion of the Scheme to prospective members and their employing authorities.”

As a provider of an occupational pension scheme, we are already obliged to satisfy the requirements of the Occupational Pension Schemes (Disclosure of information) Regulations and other legislation, for example the Pensions Act 2004. Previously the disclosure requirements have been prescriptive, concentrating on timescales rather than quality. From 6 April 2006 more generalised disclosure requirements are to be introduced, supported by a Code of Practice. The type of information that pension schemes are required to disclose will remain very much the same as before, although the prescriptive timescales are being replaced with a more generic requirement to provide information within a “reasonable period”. The draft Code of Practice issued by the Pensions Regulator in September 2005 sets out suggested timescales in which the information should be provided. While the Code itself is not a statement of the law, and no penalties can be levied for failure to comply with it, the Courts or a tribunal must take account of it when determining if any legal requirements have not been met. A summary of our expected timescales for meeting the various disclosure of information requirements are set out in the Performance Management section of this document, alongside those proposed by the Pension Regulator in the draft Code of Practice.

1 Code of Practice – Reasonable periods for the purposes of the Occupational Pension Schemes (Disclosure of Information) Regulations 2006 issued September 2005
Responsibilities and Resources

Within the Pensions Section the responsibility for communication material is performed by our Pension Administration Manager with the assistance of a pensions administrator. The administrator post is a new one to help meet the communication policy.

The Finance Department write and design all communications including any web based or electronic material. They are also responsible for arranging all forums, workshops and meetings covered within this statement.

Printing is carried out by an external supplier, which is usually decided based on the most economic of three quotations from local suppliers. In exceptional circumstances (either due to lack of skills or inability to meet delivery timescales), we may use external consultants to assist with the preparation or design of communications. Any such circumstances are agreed in advance with the Fund Administrator.
Communication with key audience groups

Our audience

We communicate with a number of stakeholders. For the purposes of this communication policy statement, we are considering our communications with the following audience groups:

- active members;
- deferred members;
- pensioner members;
- prospective members;
- employing authorities (scheme employers and admission bodies);
- union representatives;
- elected members/the Pension Panel;
- Pension Section staff;
- tax payers;
- the specialist media.

In addition there are a number of other stakeholders with whom we communicate on a regular basis, such as Her Majesty’s Revenue and Customs, the Communities and Local Government Department, solicitors, the Pensions Advisory Service, and other pension providers. We also consider as part of this policy how we communicate with these interested parties.
How we communicate

*General communication*

We will use paper based communication as our main means of communicating. For security reasons, we will only use e-mail for communicating non-sensitive issues. So as to minimise costs, we will tend to develop alternative means of communication only where necessary.

Our pension section staff are responsible for specific tasks and a specific proportion of our scheme members. Any phone calls or visitors are then passed to the relevant person within the section. Direct line phone numbers are advertised to allow easier access to the correct person.

*Branding*

As the Pension Fund is administered by Bedford Borough Council, all literature and communications will conform to the branding of the Council.

*Accessibility*

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. However, on all communication from the Pension Fund office we will include a statement offering the communication in large print, Braille, on cassette or in another language on request.
Policy on Communication with Active, Deferred and Pensioner Members

Our objectives with regard to communication with members are:

- for better education on the benefits of the LGPS.
- to provide more opportunities for face to face communication.
- as a result of improved communication, for queries and complaints to be reduced.
- to reassure stakeholders.

Our objectives will be met by providing the following communications, which are over and above individual communications with members (for example, the notifications of scheme benefits or responses to individual queries). The communications are explained in more detail beneath the table:

<table>
<thead>
<tr>
<th>Method of Communication</th>
<th>Media</th>
<th>Frequency of issue</th>
<th>Method of Distribution</th>
<th>Audience Group (Active, Deferred, Pensioner or All)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scheme booklet</td>
<td>Paper based and on website</td>
<td>At joining and major scheme changes</td>
<td>Post to home address/via employers</td>
<td>All</td>
</tr>
<tr>
<td>Newsletters</td>
<td>Paper based and on website</td>
<td>Annually and after any scheme changes</td>
<td>Via employers</td>
<td>Separately for active, deferred and pensioners</td>
</tr>
<tr>
<td>Pension Fund Report and Accounts</td>
<td>Paper based and on website</td>
<td>Annually</td>
<td>On request</td>
<td>All</td>
</tr>
<tr>
<td>Pension Fund Accounts – Summary</td>
<td>Paper based</td>
<td>Annually</td>
<td>Post to home address/via employers for actives. Post to home address for pensioner and deferred members</td>
<td>All</td>
</tr>
<tr>
<td>Estimated Benefit Statements</td>
<td>Paper based</td>
<td>Annually</td>
<td>Post to home address/via employers for active members. To home address for deferred members.</td>
<td>Active and Deferred</td>
</tr>
</tbody>
</table>
### Explanation of communications

**Scheme booklet** - A booklet providing a relatively detailed overview of the LGPS, including who can join, how much it costs, the retirement and death benefits and how to increase the value of benefits.

**Newsletters** - An annual/biannual newsletter which provides updates in relation to changes to the LGPS as well as other related news, such as national changes to pensions, forthcoming roadshows, a summary of the accounts for the year, contact details, etc.

**Pension Fund Report and Accounts** – Details of the value of the Pension Fund during the financial year, income and expenditure as well as other related details, for example, the current employing authorities and scheme membership numbers. This is a somewhat detailed and lengthy document and, therefore, it will not be routinely distributed except on request. A summary document, as detailed below, will be distributed.

**Estimated Benefit Statements** – For active members these include the current value of benefits as well as the projected benefits at age 65. In relation to deferred members, the benefit statement includes the current value of the deferred benefits and the earliest payment date of the benefits as well.

**Factsheets** – These are leaflets that provide some detail in relation to specific topics, such as topping up pension rights, transfer values in and out of the scheme, death benefits and, for pensioners, annual pensions increases.

**Website** – The website will provide scheme specific information, forms that can be printed or downloaded, access to documents (such as newsletters and report and accounts), frequently asked questions and answers, links to related sites and contact information.

<table>
<thead>
<tr>
<th>Factsheets</th>
<th>Paper based and on website</th>
<th>On request</th>
<th>On request</th>
<th>Active and deferred</th>
</tr>
</thead>
<tbody>
<tr>
<td>Website</td>
<td>Electronic</td>
<td>Continually available</td>
<td>Advertised on all communications</td>
<td>All</td>
</tr>
<tr>
<td>Roadshows</td>
<td>Face to face</td>
<td>Annually</td>
<td>Advertised in newsletters and via posters.</td>
<td>All</td>
</tr>
<tr>
<td>Face to face education sessions</td>
<td>Face to face</td>
<td>On request</td>
<td>On request</td>
<td>All</td>
</tr>
<tr>
<td>Joiner packs</td>
<td>Paper based</td>
<td>On joining</td>
<td>Post to home addresses/via employer</td>
<td>Active members</td>
</tr>
</tbody>
</table>

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**Scheme booklet** - A booklet providing a relatively detailed overview of the LGPS, including who can join, how much it costs, the retirement and death benefits and how to increase the value of benefits.

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**Factsheets** – These are leaflets that provide some detail in relation to specific topics, such as topping up pension rights, transfer values in and out of the scheme, death benefits and, for pensioners, annual pensions increases.

**Website** – The website will provide scheme specific information, forms that can be printed or downloaded, access to documents (such as newsletters and report and accounts), frequently asked questions and answers, links to related sites and contact information.
Roadshows – Every year a number of staff will tour the geographical area of the fund. The roadshows provide the opportunity to have a face to face conversation about your pension rights.

Face to face education sessions – These are education sessions that are available on request for small groups of members. For example, where an employer is going through a restructuring, it may be beneficial for the employees to understand the impact any pay reduction may have on their pension rights.

Joiner packs – These complement the joiner booklet and enclose information on AVCs and the paperwork needed to join the scheme.

Policy on provision of information about the scheme to Prospective Members and their Employing Authorities

Our objectives with regard to communication with prospective members are:

• to inform about LGPS.
• for public relations purposes.

As we, in the Pension Fund office, do not have direct access to prospective members, we will work in partnership with the employing authorities in the Fund to meet these objectives. We will do this by providing the following communications:

<table>
<thead>
<tr>
<th>Method of Communication</th>
<th>Media</th>
<th>Frequency of Issue</th>
<th>Method of Distribution</th>
<th>Audience Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overview of the LGPS leaflet</td>
<td>Paper based</td>
<td>On issuing contract</td>
<td>Via employers</td>
<td>New employees</td>
</tr>
</tbody>
</table>

Explanation of communications

Overview of the LGPS leaflet - A short leaflet that summarises the costs of joining the LGPS and the benefits of doing so.
Policy on communication with Employing Authorities

Our objectives with regard to communication with employers are:

- to improve relationships.
- to assist them in understanding costs/funding issues.
- to work together to maintain accurate data.
- to ensure smooth transfers of staff.
- to ensure they understand the benefits of being an LGPS employer.
- to assist them in making the most of the discretionary areas within the LGPS.

Our objectives will be met by providing the following communications:

<table>
<thead>
<tr>
<th>Method of Communication</th>
<th>Media</th>
<th>Frequency of issue</th>
<th>Method of Distribution</th>
<th>Audience Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employers’ Guide (Under development)</td>
<td>Paper based and on employer website</td>
<td>At joining and updated as necessary</td>
<td>Post or via email</td>
<td>Main contact for all employers</td>
</tr>
<tr>
<td>Newsletters (Under development)</td>
<td>Electronic (e-mail) and Pension Fund website</td>
<td>Quarterly or more frequent if necessary</td>
<td>Post</td>
<td>All contacts for all employers</td>
</tr>
<tr>
<td>Annual employers meeting</td>
<td>Face to face</td>
<td>Annually</td>
<td>Invitations by post</td>
<td>All contacts for all employers</td>
</tr>
<tr>
<td>Employers focus groups</td>
<td>Face to face</td>
<td>Quarterly</td>
<td>Invitations by e-mail</td>
<td>Either main contacts or specific groups (e.g. HR or payroll) depending on topics</td>
</tr>
<tr>
<td>Pension Fund Report and Accounts</td>
<td>Paper based and employer website</td>
<td>Annually</td>
<td>Post</td>
<td>Main contact for all employers</td>
</tr>
</tbody>
</table>
### Explanation of communications

Employers’ Guide - A detailed guide that provides guidance on the employer responsibilities including the forms and other necessary communications with the Pension Section and scheme members.

Newsletters – A technical briefing newsletter that will include recent changes to the scheme, the way the Pension Section is run and other relevant information so as to keep employers fully up to date.

Annual employers meeting – A formal seminar style event with a number of speakers covering topical LGPS issues.

Employers’ focus groups – Generally workgroup style sessions set up to debate current issues within the LGPS.

Pension Fund Report and Accounts – Details of the value of the Pension Fund during the financial year, income and expenditure as well as other related details, for example, the current employing authorities and scheme membership numbers.

Adviser meeting – Gives employers the opportunity to discuss their involvement in the scheme with advisers.

### Policy on communication with union representatives

Our objectives with regard to communication with union representatives are:

- to foster close working relationships in communicating the benefits of the scheme 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 education union representatives on the provisions of the scheme

Our objectives will be met by providing the following communications:

<table>
<thead>
<tr>
<th>Method of communication</th>
<th>Media</th>
<th>Frequency of Issue</th>
<th>Method of Distribution</th>
<th>Audience Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Briefing papers</td>
<td>Paper based and electronic</td>
<td>As and when required</td>
<td>Email or hard copy</td>
<td>All</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>Method of Communication</th>
<th>Media</th>
<th>Frequency of Issue</th>
<th>Method of Distribution</th>
<th>Audience Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training sessions</td>
<td>Face to face</td>
<td>When new Pension Fund Panel and as and when required</td>
<td>Face to face or via the Employers Organisation for local government</td>
<td>All members of the Pension Fund Panel</td>
</tr>
<tr>
<td>Briefing papers</td>
<td>Paper based and electronic</td>
<td>As and when required</td>
<td>Email or hard copy</td>
<td>All members of the Pension Fund Panel</td>
</tr>
<tr>
<td>Pension Fund Panel Meetings</td>
<td>Meeting</td>
<td>Monthly/quarterly/half yearly</td>
<td>Members elected onto Pension Fund Panel</td>
<td>All members of the Pension Fund Panel</td>
</tr>
</tbody>
</table>

**Explanation of communications**

Briefing papers – a briefing that highlights key issues and developments relating to the LGPS and the Fund.

Face to face education sessions – these are education sessions that are available on request for union representatives and activists, for example to improve their understanding of the basic principles of the scheme, or to explain possible changes to policies.

**Policy on communication with elected members/the Pension Fund Panel**

Our objectives with regard to communication with elected members/the Pension Fund Panel are:

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

Our objectives will be met by providing the following communications:
**Explanation of communications**

Training Sessions – providing a broad overview of the main provisions of the LGPS, and elected member’s responsibilities within it.

Briefing papers – a briefing that highlights key issues and developments to the LGPS and the Fund.

Pension Fund Panel meetings - a formal meeting of elected members, attended by senior managers, at which local decisions in relation to the scheme (policies, etc) are taken.

**Policy on communication with pension section staff**

Our objectives with regard to communication with pension section staff are:

- ensure they are aware of changes and proposed changes to the scheme
- to provide on the job training to new staff
- to develop improvements to services, and changes to processes as required
- to agree and monitor service standards

Our objectives will be met by providing the following communications:

<table>
<thead>
<tr>
<th>Method of Communication</th>
<th>Media</th>
<th>Frequency of Issue</th>
<th>Method of Distribution</th>
<th>Audience Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Face to face training sessions</td>
<td>Face to face</td>
<td>As required</td>
<td>By arrangement</td>
<td>All</td>
</tr>
<tr>
<td>Staff meetings</td>
<td>Face to face</td>
<td>As required, but no less frequently than monthly</td>
<td>By arrangement</td>
<td>All</td>
</tr>
<tr>
<td>Attendance at seminars</td>
<td>Externally provided</td>
<td>As and when advertised</td>
<td>By email, paper based</td>
<td>All</td>
</tr>
</tbody>
</table>

**Explanation of communications**

Face to face training sessions – which enable new staff to understand the basics of the scheme, or provide more in depth training to existing staff, either as part of their career development or to explain changes to the provisions of the scheme.

Staff meetings – to discuss any matters concerning the local administration of the scheme, including for example improvements to services or timescales.

Attendance at seminars – to provide more tailored training on specific issues.
Policy on communication with tax payers

Our objectives with regard to communication with tax payers are:

- to provide access to key information in relation to the management of the scheme
- to outline the management of the scheme

Our objectives will be met by providing the following communications:

<table>
<thead>
<tr>
<th>Method of Communication</th>
<th>Media</th>
<th>Frequency of Issue</th>
<th>Method of Distribution</th>
<th>Audience Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension Fund Report and Accounts</td>
<td>Paper based and on Pension Fund website</td>
<td>Annually</td>
<td>Post</td>
<td>All, on request</td>
</tr>
<tr>
<td>Pension Fund Committee Papers</td>
<td>Paper based and on Pension Fund website</td>
<td>As and when available</td>
<td>Website</td>
<td>All, on request</td>
</tr>
<tr>
<td>SIP</td>
<td>Paper based</td>
<td>As and when available</td>
<td>Website</td>
<td>All, on request</td>
</tr>
<tr>
<td>Governance Policy</td>
<td>Paper based</td>
<td>As and when available</td>
<td>Website</td>
<td>All, on request</td>
</tr>
<tr>
<td>Media</td>
<td>Newspapers, radio etc.</td>
<td>As and when</td>
<td>News releases</td>
<td>All, on request</td>
</tr>
</tbody>
</table>

Explanation of communications

Pension Fund Report and Accounts – details of the value of the Pension Fund during the financial year, income and expenditure as well as other related details, for example, the current employing authorities and scheme membership numbers.

Pension Fund Committee Papers - a formal document setting out relevant issues in respect of the LGPS, in many cases seeking specific decisions or directions from elected members

SIP – Statement of Investment Principles – a formal document setting out relevant issues in respect of the Pension Fund investments

Governance Policy – a formal document setting out how the Pension Fund is administered by the Borough Council.

Media – use of the local and national press
**Policy on communication with the specialist press**

Our objectives with regard to communication with the media are:

- to ensure the accurate reporting of Fund valuation results, the overall performance of the Fund and the Fund’s policy decisions against discretionary elements of the scheme

Our objectives will be met by providing the following communications:

<table>
<thead>
<tr>
<th>Method of Communication</th>
<th>Media</th>
<th>Frequency of Issue</th>
<th>Method of Distribution</th>
<th>Audience Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>News releases</td>
<td>Paper based or electronic</td>
<td>Every three years following the valuation of the Fund, annually on the publication of the Fund accounts and as and when required for other matters</td>
<td>Post or email</td>
<td>Specialist</td>
</tr>
<tr>
<td>Specific queries</td>
<td>Paper based, electronic or telephone</td>
<td>As and when</td>
<td>As requested</td>
<td>Specialist</td>
</tr>
</tbody>
</table>

**Explanation of communications**

News releases – provide statements setting out the Fund’s opinion of the matters concerned (i.e. Fund valuation results). These tend to be reactive to specific queries.

Specific queries – respond to specific questions about the Fund e.g. current size and make up.

All enquiries from the media will be handled through the Bedford Borough Council communications team.

All news releases and statements will also be issued by the Bedford Borough Council communications team.

**Policy on communication with other stakeholders/interested parties**

Our objectives with regard to communication with other stakeholder/interested parties are:

- to meet our obligations under various legislative requirements
• to ensure the proper administration of the scheme

• to deal with the resolution of pension disputes

• Our objectives will be met by providing the following communications

<table>
<thead>
<tr>
<th>Method of Communication</th>
<th>Media</th>
<th>Frequency of Issue</th>
<th>Method of Distribution</th>
<th>Audience Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension Fund valuation reports</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• R&amp;A certificates</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Revised R&amp;A certificates</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Cessation valuations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electronic</td>
<td>Every three years</td>
<td>Via email and post</td>
<td>Office of the Deputy Prime Minister ODPM)/Her Majesty's Revenue and Customs HMRC)/all scheme employers</td>
<td></td>
</tr>
<tr>
<td>Details of new employers entered into the Fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hard copy</td>
<td>As new employers are entered into the Fund</td>
<td>Post</td>
<td>ODPM/HMRC</td>
<td></td>
</tr>
<tr>
<td>Completion of questionnaires</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electronic or hard copy</td>
<td>As and when required</td>
<td>Via email or post</td>
<td>ODPM/HMRC/the Pensions Regulator</td>
<td></td>
</tr>
</tbody>
</table>

Explanation of communications

Pension Fund Valuation Reports – a report issued every three years setting out the estimated assets and liabilities of the Fund as a whole, as well as setting out individual employer contribution rates for a three year period commencing one year from the valuation date.

Details of new employers – a legal requirement to notify both organisations of the name and type of employer entered into the Fund (i.e. following the admission of third party service providers into the scheme)

Completion of questionnaires – various questionnaires that may received, requesting specific information in relation to the structure of the LGPS or the make up of the Fund.
Performance Measurement

So as to measure the success of our communications with active, deferred and pensioner members, we will use the following methods:

We will measure against the following target delivery timescales:

<table>
<thead>
<tr>
<th>Communication</th>
<th>Audience</th>
<th>Statutory delivery period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scheme booklet</td>
<td>New joiners to the LGPS</td>
<td>Within two months of joining</td>
</tr>
<tr>
<td>Estimated Benefit Statements as at 31 March</td>
<td>Active members</td>
<td>On request</td>
</tr>
<tr>
<td>Telephone calls</td>
<td>All</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Issue of retirement benefits</td>
<td>Active and deferred members retiring</td>
<td>Within two months of retirement</td>
</tr>
<tr>
<td>Issue of deferred benefits</td>
<td>Leavers</td>
<td>Within two months of withdrawal</td>
</tr>
<tr>
<td>Transfers in</td>
<td>Joiners/active members</td>
<td>Within two months of request</td>
</tr>
</tbody>
</table>

Review Process

We will review our communication policy to ensure it meets audience needs and regulatory requirements at least every three years. A current version of the policy statement will always be available on our website at www.bedford.gov.uk and paper copies will be available on request.
INVESTMENT REPORT

- Investment Management
- Statement of Investment Principles
- 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) (Amendment) Regulations 1998. These regulations permit a wide range of investments, subject to specific restrictions limiting the proportion of the fund that may be invested in any one holding. In undertaking investment, the regulations require that the administering authority shall obtain and take regard 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
The Chartered Institute of Public Finance and Accountancy (CIPFA) has published a document called “CIPFA Pensions Panel Principles for Investment Decision Making in the Local Government Pension Scheme in the United Kingdom” containing ten principles of good governance and investment practice. These are known as the Myners’ principles, after their author.

Legislation requires administering authorities to publish a written statement of investment principles, which is to include the extent to which the administering authority has complied with the Myners’ principles. Currently, the County Council complies fully with nine of the principles and partially with one. It is the County Council’s aim to fully comply with all of the Myners’ principles in due course. The Fund’s statement of investment principles, including Myners compliance, is reproduced in full on page 62.

At the time of writing, the Myners’ principles have been refined to 6 revised principles and amended CIPFA. Guidance is due.

Investment Management
The Pension Fund Panel is responsible for the appointment of external investment managers, to whom is delegated the day-to-day management of the fund's investments within guidelines agreed with the Panel. Each manager has discretion in the selection of its range of investments, within the parameters of each portfolio, to achieve its performance target.

The present investment structure involves a passively managed portfolio, together with actively managed specialist portfolios for UK equities, overseas equities, bonds, property, commodities, currency and a global tactical asset allocation fund. The objective is for the specialist portfolios to add value by outperforming their respective benchmarks. Asset allocation has been determined by the Panel as tracking the average fund. The investment managers and their appointed portfolios are:

- Legal & General - Passive UK & overseas equity portfolios
- Aberdeen Asset Management - Active fixed interest portfolio.
- Lazard Asset Management – Active overseas equity portfolio
- Trilogy Global Advisors – Active overseas equity portfolio
- Ing Real Estate Investment Management - Active indirect property portfolio.
- Credit Suisse Asset Management – Passive commodities portfolio
- FX Concepts – Active currency portfolio
- Barclays Global Investors – Active Global Tactical Asset Allocation portfolio
- Barclays Global Investors - Passive, multi-asset portfolio. The aim of this portfolio is to track various market indices and also enable that the allocation of the fund’s non-
property assets as a whole stays in line with the average fund allocation within the CAPS universe.

The benchmarks and target returns governing these portfolios are detailed in the Statement of Investment Principles, included in full within this report.

Custody Arrangements
The Northern Trust Company is appointed global custodian with responsibility for custody of all of the fund’s investment assets.

Stocklending
There were no direct stock lending arrangements in place during 2008-09.

Monitoring and Review
The Pension Fund Panel holds quarterly meetings to monitor and review the investment performance of the investment managers. Regular business meetings are held to consider other relevant issues as and when they arise. An annual meeting of the investment panel is held to specifically consider the investment performance of the managers over the previous calendar year and appropriate rolling periods. An annual general meeting of the Pension Fund is held at which the various employers participating in the scheme are invited to question the pension fund panel and its advisers.

Composition of the fund by portfolio as at 31 March 2009

- Passive UK equities (£170M)
- Active fixed interest (£112M)
- Global equities - Lazard (£90M)
- Global equities - Legal & General (£62M)
- Global equities - Trilogy (£34M)
- Indirect property (£74M)
- Passive multi-asset (£182M)
- GTAA (£41M)
- Commodities (£34M)
- Currency - FX Concepts (£35M)
- Cash & in-house managed assets (£53M)
STATEMENT OF INVESTMENT PRINCIPLES

The County Council is required to disclose its investment management arrangements in a “Statement of Investment Principles” (SIP). This is available from the Pension Fund as shown on page 75 and can also be seen on the internet at www.bedford.gov.uk/pensions. The SIP describes the investment principles pursued and the policies adopted by the County Council in its stewardship of the fund’s assets. It also describes the respective responsibilities of the Pension Fund Panel, investment managers and custodian and details the investment management structure. The following replicates the SIP current at the time of writing.

Statement of Investment Principles

1 Introduction

1.1 Fund Details

1.1.1 This document describes the investment principles pursued by Bedfordshire County Council in its role of administering authority of the Bedfordshire Pension Fund (the Fund).

1.1.2 The Fund operates for the exclusive purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries.

1.1.3 Administration of the Fund is the responsibility of the County 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 Director of Finance supported by the Council’s Pension Fund Panel (the Panel).

1.2 Requirement to Produce a Statement of Investment Principles (SIP)

1.2.1 The Local Government Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 1999, require that an administering authority must, after consultations with such persons as they consider appropriate, prepare, maintain and publish a written statement of the principles governing their decisions about investments.

The statement must cover their policy on:-

a. the types of investments to be held

b. the balance between different types of investments

c. risk

d. the expected return on investments

e. the realisation of investments

f. the extent (if at all) to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments, and

g. the exercise of the rights (including voting rights) attaching to investments if they have any such policy.

Statements published after 30 September 2002 must also state the extent to which the administering authority is compliant with the ten principles of investment practice and give reasons for not complying where they do not do so. The Fund’s compliance is addressed in section 8. Myners Investment Principles for Pension funds.
1.2.2 The written statement must be revised by the administering authority in accordance with any material change in their policy on the matters referred to above and published.

1.2.3 This document is linked to the Fund’s Funding Strategy Statement which sets out the Fund’s strategy for meeting employers’ pension liabilities. The aim of the funding strategy is to ensure the long-term solvency of the Fund while not unnecessarily restraining the investment strategy outlined below.

1.2.4 The two strategies set out the common objective of the Fund to maximise returns on investments to control the level of employers’ contributions.

1.2.5 In drawing up this document, the Panel has sought advice from the Fund’s Investment Consultant and Independent Investment Adviser. A copy of the document has been provided to each Investment Manager. The Panel will review this document at least once a year.

1.3 Financial Services and Market Act 2000

1.3.1 In compliance with the Financial Services and Markets Act 2000, the Panel will set general investment policy, but will delegate the responsibility for selection of specific investments to appointed Investment Managers in accordance with The Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998. The Investment Managers of portfolios of stock market securities will be authorised by the Financial Services Authority or equivalent and shall provide the skill and expertise necessary to manage the investment of the Fund competently.

2 Division of Responsibilities

2.1 Pension Fund Committee

2.1.1 The Bedfordshire County Council delegates responsibility for the Administering Authority role to the Pension Fund Committee. This includes investing the Funds assets. This responsibility is undertaken via the Pension Fund Panel, comprising of five members of the County Council supported by the Fund Administrator and an Independent Investment Adviser. A scheme employer (Luton Borough Council) and a fund member (nominated by the trade unions), both with observer status, are also invited to join the Panel.

2.2 Fund Administrator

2.2.1 The Bedfordshire County Council delegates day to day responsibility for the Fund’s investment arrangements to the Fund Administrator.

2.2.2 The Fund Administrator delegates responsibility for the day to day management and monitoring of the investment management function to the Head of Pensions and Treasury Management and his staff.

2.2.3 The Fund Administrator, through the Head of Pensions and Treasury Management, will ensure that compliance with the Statement of Investment Principles is monitored and appropriate action taken in respect of any breach.

2.3 Pension Fund Panel

2.3.1 The Panel is responsible in respect of investment matters for:

   a) To determine the overall strategy relating to the investment of the Pension Fund’s assets and to meeting the Fund’s liabilities.

   b) To keep under review the performance of the Pension Fund and the Fund’s managers.
c) To approve the appointment of advisers and fund managers.

d) To decide on requests for admission to the Bedfordshire Pension Scheme and to ensure a first rate service to its members.

e) To publicise its stewardship role to all Scheduled and Admitted Bodies of the Bedfordshire Pension Fund and to all contributors and beneficiaries in accordance with the Fund’s Communication Strategy.

2.4 Investment Managers

2.4.1 Each Investment Manager will be responsible for:

a) Discretionary management of their portfolio, in accordance with the terms of their management agreement, having regard to the need for diversification of investments so far as appropriate and the suitability of investments.

b) Providing the Panel with quarterly statements of the assets together with a quarterly report on their actions and future intentions, and any changes to the processes applied to their portfolio.

c) Providing the designated provider with the information necessary to calculate performance statistics.

d) Instructing the Custodian in respect of any corporate actions, which the Investment Manager deems necessary in the interests of the portfolio.

2.5 Custodian

2.5.1 The Custodian will be responsible for:

a) Safekeeping of the assets within the Fund’s investment portfolio.

b) Providing the Fund Administrator with regular statements of the assets, cashflows and corporate actions.

c) Undertaking all appropriate administration relating to the portfolio’s assets.

d) Processing all dividends and tax reclaims in a timely manner.

e) Investing cash in a suitable low risk manner consistent with the Panel’s guidelines.

f) Dealing with corporate actions.

g) Measuring and reporting the investment performance of both the Fund and the investment managers.

2.6 Investment Consultant

2.6.1 The Investment Consultant will be responsible for providing prompt, consistent and competent advice and support through one or two named representatives, in respect of investment matters when so requested by the Panel. Advice and support is likely to be sought in regard of:

a) Annual reviews of the Statement of Investment Principles.

b) Presentation and interpretation of investment performance measurement results.

c) The Potential impact of:
any changes in the Investment Managers’ organisations that could affect the interests of the Fund.
any changes in the investment environment that could present either opportunities or problems for the Fund.
d) Investment manager selection, retention and termination;

e) Benchmark adjustments;
f) The appropriate content of Investment Management and other related Agreements;
g) Appropriate investment structures for the Fund in the light of the Fund’s liability profile. This will involve working with the Fund’s Actuary.
h) Ad-hoc project work as required including:
i) research reviews of Investment Managers

2.7 Independent Investment Adviser

2.7.1 The Independent Investment Adviser will contribute independent advice to the Pension Fund Panel on the management, composition of portfolios and investment strategy of the Fund’s Investment Managers.

2.7.2 The Independent Investment Adviser will also provide independent advice informally to the Fund Administrator between Pension Fund Panel meetings and formally to the Pension Fund Panel on any appropriate investment related issues with which the Pension Fund has to deal including the performance of the Investment Managers.

2.8 Actuary

2.8.1 The Actuary will be responsible in respect of investment matters, when so requested by the Panel, for:
a. Advising the Panel on
   - how any changes within the Fund’s membership and funding position may affect the manner in which the assets should be invested. This would be undertaken in consultation with the Fund’s Investment Consultant.
b. Undertaking project work as required including:
   - reviews of asset allocation policy.

2.9 Audit

2.9.1 The Pension Fund is subject to review by both the County Council’s external auditors (District Audit) and the County Council’s Internal Audit Section.
a) The external auditors are responsible for reporting on whether or not the Pension Fund’s Report and Accounts presents fairly the income and expenditure and the financial position of the Fund for each financial year. The auditor’s report is contained within the Fund’s Report and Accounts.
b) The Internal Audit Section carries out a programme of work designed to assure the Director of Finance that pension fund investment systems and records are properly controlled to safeguard the Fund’s assets and income.
3 Long Term Policy

3.1 Objectives

3.1.1 The major objectives of the Fund are as follows:

a) to maintain a portfolio of secure and sufficiently liquid assets, which, together with new contributions from active members of the fund and employing bodies will generate sufficient income and capital growth to meet the cost of current and future benefits that the Fund provides.

b) to minimise the long term costs of the Fund by maximising the return on the assets whilst having regard to the objectives shown under 3.1.1 a. above.

c) to ensure that employer contributions rates are set at a level to attain and maintain solvency, as certified by the Fund’s Actuary, whilst keeping the employer contribution rate as stable as possible.

3.1.2 The Panel has set an overall asset allocation for the Fund.

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK equities</td>
<td>19%</td>
</tr>
<tr>
<td>Global/Overseas equities</td>
<td>32%</td>
</tr>
<tr>
<td>UK Gilts</td>
<td>11%</td>
</tr>
<tr>
<td>Corporate Bonds</td>
<td>14%</td>
</tr>
<tr>
<td>Property</td>
<td>10%</td>
</tr>
<tr>
<td>Global Tactical Asset Allocation</td>
<td>4%</td>
</tr>
<tr>
<td>Commodities Futures</td>
<td>5%</td>
</tr>
<tr>
<td>Currency</td>
<td>5%</td>
</tr>
</tbody>
</table>

3.1.3 For each asset class the Fund has set a benchmark against which performance will be measured.

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK equities</td>
<td>FTSE All Share Index</td>
</tr>
<tr>
<td>Overseas equities</td>
<td>45% - FTSE America</td>
</tr>
<tr>
<td></td>
<td>35% - FTSE Developed Europe ex UK</td>
</tr>
<tr>
<td></td>
<td>15% - FTSE Japan</td>
</tr>
<tr>
<td></td>
<td>5% - FTSE Developed Pacific ex Japan</td>
</tr>
<tr>
<td>Global equities</td>
<td>RPI + 5% *</td>
</tr>
<tr>
<td>UK Gilts</td>
<td>67% - FTSE A All Stocks Gilt Index</td>
</tr>
<tr>
<td></td>
<td>33% - FTSE A Index-Linked Index (all stocks)</td>
</tr>
<tr>
<td>Corporate Bonds</td>
<td>Merrill Lynch Sterling Non-Gilt Index</td>
</tr>
<tr>
<td>Property</td>
<td>IPD Index</td>
</tr>
<tr>
<td>Global Tactical Asset Allocation</td>
<td>RPI + 5%</td>
</tr>
<tr>
<td>Commodities Futures</td>
<td>Dow Jones AIG Commodity Futures Index</td>
</tr>
</tbody>
</table>
3.1.4 The Funds overall performance benchmark is the weighted average of the asset allocation and the asset allocation performance index. The Panel currently considers that these benchmarks in aggregate are consistent with achieving the above objectives in 3.1.1.

3.1.5 The above performance benchmark was determined following a review of the strategic asset allocation. The review caused the Panel to increase its corporate bond allocation and reduce its UK equities holdings. The Panel has also increased its active currency mandate.

3.1.6 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 County Council are benchmarked against annual data derived by the Department of the Communities and Local Government from the Pension Funds Account return competed for all Local Government Pension Scheme Funds (Form SF3).

3.2 Risk

3.2.1 The investment objectives are subject to the strategy being carried out within acceptable levels of risk. Risk associated with investments is controlled through the diversification between asset classes and Investment Managers. The risk within each portfolio is monitored with the Managers. Benchmark risk is controlled by indexing a proportion of the Fund’s assets to passively track appropriate indices. Benchmark risk is the risk that investments in a particular asset class (i.e. UK equities, overseas equities) do not match the broad market return on that asset class as represented by an appropriate index for that asset class.

3.2.2 The Fund’s cash balance is invested by the Custodian, who invests the small working cash balances held by each active Investment Manager to enable day to day operation of their respective portfolios. A small cash balance is also maintained by the Administering Authority to meet the liquidity requirements of the Fund. In both cases risk is controlled by using a wide range of counterparties of high credit rating.

3.2.3 To control risk a detailed set of performance targets and restrictions has been agreed with each manager, subject to advice and guidance from the investment consultant and specialist legal advice. (See sections 4.2 and 5).

3.3 Diversification

3.3.1 The choice of a well diversified strategic asset allocation benchmark, as referred to in sections 3.1.2 and 3.1.3 and the 12 month target for the maximum level of under-performance relative to each benchmark, as specified in section 4.2.1, are designed to ensure that the Fund’s investments are adequately diversified. In addition, the investment restrictions covered in section 5 ensure that, at a stock selection level, the Fund avoids undue concentration.

3.4 Suitability

3.4.1 The Panel have taken advice from the Investment Consultant, the Independent Investment Adviser and the Actuary to ensure that the benchmark is suitable for the Fund, given its liability profile and financial position.
3.5 Review

3.5.1 The above objectives are subject to formal annual review by the Panel and triennial review following the completion of the actuarial valuation and review of the relative value of the assets and liabilities.

4 Investment Management Arrangements

4.1 Investment Management Structure

4.1.1 The Panel commissioned an Asset Liability study in 2003 and that has prompted it to review both the Asset classes it should hold, and how and by whom these assets should be managed.

4.1.2 The Panel has divided the Fund’s assets between eleven Investment Managers responsible for seven asset classes (see below).

<table>
<thead>
<tr>
<th>Manager</th>
<th>Asset Class</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aberdeen Fund Management Limited</td>
<td>Active Bonds</td>
</tr>
<tr>
<td>Barclays Global Investors</td>
<td>Passive Equities and Bonds *</td>
</tr>
<tr>
<td>Barclays Global Investors</td>
<td>Global Tactical Asset Allocation *</td>
</tr>
<tr>
<td>Credit Suisse Asset Management</td>
<td>Passive Commodity Futures *</td>
</tr>
<tr>
<td>FX Concepts Futures</td>
<td>Active Currency *</td>
</tr>
<tr>
<td>ING Real Estate</td>
<td>Indirect UK and European Property</td>
</tr>
<tr>
<td>Lazard Asset Management</td>
<td>Active Global Equities</td>
</tr>
<tr>
<td>Legal and General Investment Management</td>
<td>Passive Equities *</td>
</tr>
<tr>
<td>Trilogy Global Advisors</td>
<td>Active Global Equities *</td>
</tr>
</tbody>
</table>

* Via Pooled Investments

4.1.3 The Panel will review the overall asset allocation of the Fund on a quarterly basis.

4.1.4 Each of the Investment Managers is required to maintain a well-diversified portfolio of suitable liquid stocks within the asset class they are responsible for. These portfolios may comprise of individual securities. However, with the agreement of the Panel the Manager may make use of in-house pooled funds to ensure adequate diversification in some asset classes.

4.1.5 The Panel reviews quarterly the flexibilities available under the revised Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 to temporarily increase some of the limits that the Fund are constrained by. At present the Fund has increased the limit for a single insurance contract to 35% to enable it to maintain its asset allocation.

4.1.6 The Panel’s policy is that there should be sufficient investments in readily realisable assets to meet unexpected cash flow requirements in the majority of foreseeable circumstances, so that the realisation of assets will not disrupt the Fund’s overall investment policy.

4.1.7 The Custodian for all the assets of the Fund is The Northern Trust Company.
4.1.8 The Pension Fund has diversified its investments by investing in a portfolio of indirect property, a global tactical asset allocation fund, a commodity futures fund and two active currency funds.

4.2 Performance Targets

4.2.1 The performance targets, which have been set for the Investment Managers, and these targets are gross of the appropriate manager’s fees, are:

<table>
<thead>
<tr>
<th>Manager</th>
<th>Asset Class</th>
<th>Performance Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aberdeen Fund Management Limited</td>
<td>Active Bonds</td>
<td>To achieve a return of at least 1.00% per annum above the benchmark return over rolling three-year periods.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Performance Benchmark – a composite benchmark comprising:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>41% UK fixed interest using the FTSE A All stocks Gilt Index as the underlying index.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>59% Merrill Lynch Sterling All Stocks Index</td>
</tr>
<tr>
<td>Barclays Global Investors</td>
<td>Passive Equities and Bonds</td>
<td>To track appropriate benchmark indices as follows within a benchmark tolerance of +/- 0.5%.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- UK Equities – FTSE Actuaries All Share Index</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Overseas Equities – FTSE America FTSE Europe ex UK FTSE Japan FTSE Pacific ex Japan</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- UK Gilts – FTSE A All stocks Gilt Index</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Overseas Bonds – JP Morgan Traded World ex UK Index</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- UK Index-Linked – FTSE A Index Linked Index (all stocks)</td>
</tr>
<tr>
<td>Barclays Global Investors</td>
<td>Global Tactical asset Allocation</td>
<td>Libor +15%</td>
</tr>
<tr>
<td>Credit Suisse Asset Management</td>
<td>Commodity Futures</td>
<td>To track the Dow Jones AIG Commodity Futures Index</td>
</tr>
<tr>
<td>FX Concepts</td>
<td>Active Currency</td>
<td>RPI + 5%</td>
</tr>
<tr>
<td>ING Real Estate</td>
<td>Indirect UK Property</td>
<td>To outperform the IPD UK Annual Index – All Property by not less than 1% per annum on a three year rolling basis.</td>
</tr>
<tr>
<td>Lazard Asset Management</td>
<td>Active Global Equities</td>
<td>To achieve a return of at least the benchmark return (net of fees) over rolling five-year periods.</td>
</tr>
<tr>
<td>-------------------------</td>
<td>------------------------</td>
<td>------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Performance Benchmark – RPI + 5%</td>
</tr>
<tr>
<td>Legal and General</td>
<td>Passive Equities</td>
<td>To track the appropriate benchmark indices within a tolerance of +/- 0.5%</td>
</tr>
<tr>
<td>Investment Management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trilogy Global Advisors</td>
<td>Active Global Equities</td>
<td>To achieve a return of at least the benchmark return (net of fees) over rolling seven-year periods.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Performance Benchmark – RPI + 5%</td>
</tr>
</tbody>
</table>

4.2.2 The Panel expects that each Investment Manager should achieve their out-performance target in the majority of three-year periods under consideration, although it is acknowledged that the Manager will achieve this target in every three-year period. However, the Manager should demonstrate that the skill that they exercise on the portfolio is consistent with this target, given the levels of risk adopted.

4.2.3 Over the longer term, the Panel also expects that each Investment Manager should not breach the downside limit in more than 20% of the one-year periods considered. Again, it is expected that the Manager should demonstrate that the skills applied to the portfolio and the risk taken make this a realistic target.

5 Investment Restrictions

5.1 Overall Restriction

5.1.1 Each Investment Manager is obliged to use all reasonable endeavours to comply with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 subject (in relation to the limits on investments) to the Fund providing the Managers with all necessary information about the investment of the Fund’s assets as a whole to enable each Manager to comply with this obligation.

5.2 Specific Restrictions

5.2.1 In addition to the overall restriction above, specific restrictions apply to each portfolio as relevant, including specific restrictions as to the use of derivatives.

5.3 Breaches of Limits

5.3.1 Each Investment Manager’s portfolio will be monitored monthly, in conjunction with the Custodian, to ensure that the restrictions applying to that portfolio are not breached.

5.3.2 Any breach will be reported to the Investment Manager. Where a breach has arisen because of price movements of existing holdings, the Investment Manager will be required to rectify the breach immediately, but this will not be viewed as a serious breach. However, where a breach occurs through a new investment transaction, this will be treated as a more serious breach. The Manager will be required to rectify the breach immediately and appropriate representation made to the Investment Manager, depending on the circumstances, nature and seriousness of the breach.
5.3.3 Occasionally breaches may occur which indirectly result from actions of the Investment Manager and which would act to the detriment of Fund if rectified immediately. These may be allowed, subject to the Fund’s agreement being obtained, and this will depend on the nature of the circumstances and duration of the proposed breach.

6 Corporate Governance and Socially Responsible Investment

6.1 Voting Policy

6.1.1 The Fund has adopted the Statement of Principles from Institutional Shareholders’ Committee. These principles require that Trustees and Investment Managers embrace the practice of voting as part of their fiduciary responsibility towards their members, seeing it as part of good governance to develop and implement considered voting policies.

6.1.2 The Fund’s policy is:

- to have a consistent approach
- to act as a responsible investor
- to be able to manage the process in a practical way

6.1.3 The investment management agreements with the Investment Managers investing directly in UK equities require them to exercise voting rights. This is expected to be in line with the voting policy set out in Appendix in respect of all resolutions at annual and extraordinary general meetings of companies, Investment Managers may vote contrary to this policy only if they give an exception report as to the reasons why they did so. The Investment Managers may refer back to the County Council those issues which they feel are contentious and warrant further discussion before taking action. Similarly, if the Fund has a specific view on an issue requiring a vote (e.g. take-over bid, etc.), they will contact the relevant Investment Manager(s) to discuss.

6.1.4 Where assets are in a pooled fund, individual voting is inappropriate.

6.1.5 The actual execution of voting rights will be undertaken by the Custodian.

6.1.6 The Managers are instructed to confirm to the Fund that voting rights attaching to holdings have been exercised, and the manner in which they have been exercised.

6.1.7 Details of the Investment Managers’ current corporate governance policies have been supplied to the Director of Finance.

6.2 Socially Responsible Investment

6.2.1 The Panel has considered the extent to which social, environmental or ethical factors should be taken into account in the selection, retention and realisation of investments. In view of the investment strategy adopted by the Fund, the Panel has asked the Investment Managers to take account of social, environmental or ethical factors in exercising their corporate governance policy, to the extent that it is considered appropriate by the Investment Managers.

6.2.2 The Panel has also joined 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.

7 Monitoring and Implementation of Investment Policy

7.1 Monitoring and Review
7.1.1 The Panel will meet on a quarterly basis with the Investment Managers to review and discuss the operation of each Investment Manager’s portfolio, including past and future policy decisions. The performance of the Investment Managers will be monitored by the Panel on a quarterly basis at the Pension Fund Panel meetings.

7.1.2 The Panel, in conjunction with the Investment Consultant, will normally review on an annual basis the allocation of assets between the passive and specialist portfolios, property and other asset classes.

7.1.3 The appointments of the Investment Managers will be subject to review at the meeting held annually to consider the Annual Performance Results from the designated provider. The review will be based on the monitoring of the Investment Managers’ processes as well as their performance.

7.1.4 The Investment Managers’ appointments, whilst subject to annual monitoring, would generally be reviewed over rolling 3 year periods, in line with their performance benchmarks.

7.1.5 If an Investment manager performance prompts concerns then the Panel may ask the manager to come to County Hall for a special review meeting.

7.1.6 If, after this, the Investment Manager's performance continues to cause concern, or if as a result of the review meeting the Panel is sufficiently worried about the performance, it may ask officers and the Independent Investment Adviser to visit the manager and undertake a due diligence review. The results of this would be reported back to the Panel who will then decide on a course of action.

7.2 Criteria for Selection

7.2.1 The Panel have identified the criteria by reference to which Managers should be selected. These include:

- Past performance
- Quality of the investment process
- Roles suitability
  - level of fees
  - reputation of the Manager
  - familiarity with such mandates
- Service
  - reporting
  - administration
- Team proposed
  - the quality of the individual fund managers working for the Fund.

7.3 Criteria for Dismissal

7.3.1 Investment Managers may be replaced if:
a) they fail to meet the performance targets set out in section 4.2.1, in line with reviews as set out in sections 7.1.3 and 7.1.4

b) the Panel believes that the Manager is not capable of achieving these performance objectives in the future; and/or

c) the Manager’s company status changes or there are significant staff changes to their investment team; and or

d) they fail to maintain satisfactory standards in respect of the other criteria listed in section 7.2.1.

7.4 Custodian

7.4.1 The appointment of the Custodian will also be reviewed every three years to ensure that the responsibilities listed in section 2.5 are being fulfilled.

7.5 Investment Consultant

7.5.1 The appointment of the Investment Consultant will be reviewed every three years to ensure that the responsibilities listed in section 2.6 are being fulfilled. The next review is 2010.

7.6 Independent Investment Adviser

7.6.1 The appointment of the Independent Investment Adviser will be reviewed every three years to ensure that the responsibilities listed in section 2.7 are being fulfilled. The next review is 2012.

7.7 Actuary

7.7.1 The appointment of the Actuary will also be reviewed every five years to ensure that the responsibilities listed in section 2.8 are being fulfilled. The next review will be 2010.

8 Myners Investment Principles for Pension funds

8.1 Compliance with the Myners Investment Principles for Pension Funds

8.1.1 The table below shows the Fund’s compliance with the Myners Investment Principles for Pension Funds.

<table>
<thead>
<tr>
<th>Principle</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principle 1: Effective decision making</td>
<td>Full Compliance</td>
</tr>
<tr>
<td>The principle asks trustees to consider critically their collective capacity to take decisions and what skills, information and resources they need to support them in their tasks.</td>
<td></td>
</tr>
<tr>
<td>Principle 2: Clear Objectives</td>
<td>Full Compliance</td>
</tr>
<tr>
<td>Each scheme should set investment objectives, which are related to its liabilities and future expected contributions; the objectives should be incorporated into the scheme’s SIP.</td>
<td></td>
</tr>
<tr>
<td>Principle 3: Focus on Asset Allocation</td>
<td>Full Compliance</td>
</tr>
<tr>
<td>Myners’ encourages schemes “to consider all asset classes”. If they decide to ignore an asset class there should be a clear statement as to why it has been rejected. The strategic asset allocation</td>
<td></td>
</tr>
</tbody>
</table>

The review of the asset allocation following the draft Valuation Report has enabled full compliance. The last review considered which asset classes to use for the Fund. Currently reviewing asset allocation and considering different
<table>
<thead>
<tr>
<th>Principle 4: Expert Advice</th>
<th>should be consistent with the overall investment objectives</th>
<th>asset classes which enables full compliance again.</th>
</tr>
</thead>
</table>
| Principle 5: Explicit Mandates | The principle asks schemes to consider whether separate tenders for actuarial and investment consultant services should be obtained. | Full Compliance
Draft specifications developed by Bedfordshire County Council. Programme of separate market testing planned. Separate Firms do the two roles. |
| Principle 6: Activism | The Institutional Shareholders’ Committee have published a Statement of Principles. The Government is reviewing progress in this area prior to a decision on whether to legislate. | Full Compliance
SIP asks managers to intervene in line with a voting policy and managers report on their actions. The Fund has joined the Institutional Investors Group on Climate Change |
| Principle 7: Appropriate Benchmarks | Key features of a benchmark are:
- Target out performance with set time scales over which this should be achieved;
- What under performance is acceptable;
- What deviation is acceptable from the benchmark;
- Prohibitions on specific stocks or concentration of holdings etc. | Full Compliance
Managers have mandates that fully comply with this principle. |
**Principle 8: Performance measurement**
The objective of this principle is to measure the success of a scheme's decisions in investment matters. Objectively it starts with performance measurement of the investment managers, but it also includes self-assessment of the trustees' decisions and assessment of the advice of the Investment Consultant.

**Full Compliance**
Managers are measured and monitored on a rolling quarterly basis.
Full compliance achieved via review in the annual report.

<table>
<thead>
<tr>
<th>Principle 9: Transparency</th>
</tr>
</thead>
<tbody>
<tr>
<td>This principle seeks a formal documentation of decisions taken in looking at the other principles. It also suggests that additional information such as the fee structure for investment managers and future asset allocation should be included in the SIP.</td>
</tr>
</tbody>
</table>

**Partial Compliance.**
Documentation being reviewed to ensure full compliance is maintained.
The Freedom of Information Act is also a factor here.

<table>
<thead>
<tr>
<th>Principle 10: Regular reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>This principle asks that the SIP should be published; information should be sent to members including the key information from the SIP.</td>
</tr>
</tbody>
</table>

**Full Compliance**
The Summary report and Annual Report contain information about the SIP.

Further copies of this document may be obtained from:

Head of Pension Fund Management
Finance & Corporate Services
Borough Hall
Bedford MK42 9AP

Or from the internet: [www.bedford.gov.uk/pensions](http://www.bedford.gov.uk/pensions)
Appendix

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 Panel 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 - Statement of Investment Principles

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 Panel 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.
REVIEW OF INVESTMENT PRINCIPLES

The requirement for administering authorities to prepare, maintain and publish Statements of Investment Principles (SIPs) was introduced in January 2000 into the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (Regulation 9A). The first of these reports was to be published by July that year. Later, in August 2002, administering authorities were further required to state the extent to which they complied with the ten investment principles recommended in the Myners review of institutional investment in the UK. In November 2008, the government published a second set of investment principles and established a new Investment Governance Group (IGG) to oversee the implementation of the new principles. Because of the special nature of the LGPS, a separate LGPS sub group of the IGG was set up to examine the need for scheme specific principles and to report to the IGG on its findings. At the time of writing, the LGPS principles have yet to be agreed, but when they are, the Scheme’s regulations and the associated CIPFA guidance will need to be revised.

Authorities should report their compliance against the six new principles published by the government in 2008. Authorities may wish to include reference to the fact that those new principles may be subject to future change. For ease of reference, the principles are outlined below.

**Principle 1: Effective Decision-Making**

Trustees should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to take them effectively and monitor their implementation.

Trustees should have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest.

**Principle 2: Clear Objectives**

Trustees should set out an overall investment objective(s) for the scheme that takes account of the scheme’s liabilities, the strength of the sponsor covenant and the attitude to risk of both the trustees and the sponsor, and clearly communicate these to advisers and investment managers.

**Principle 3: Risk and Liabilities**

In setting and reviewing their investment strategy, trustees should take account of the form and structure of liabilities.

These include the strength of the sponsor covenant, the risk of sponsor default and longevity risk.

**Principle 4: Performance Assessment**

Trustees should arrange for the formal measurement of the performance of the investments, investment managers and advisers.

Trustees should also periodically make a formal policy assessment of their own effectiveness as a decision-making body and report on this to scheme members.

**Principle 5: Responsible Ownership**

Trustees should adopt or ensure their investment managers adopt the Institutional Shareholders’ Committee Statement of Principles on the responsibilities of shareholders and agents.

A statement of the scheme’s policy on responsible ownership should be included in the Statement of Investment Principles.

Trustees should report periodically to members on the discharge of such responsibilities.

**Principle 6: Transparency and Reporting**

Trustees should act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives.

Trustees should provide regular communication to members in the form they consider most appropriate.
Actuarial valuations are made at three yearly intervals in accordance with Regulation 77 of the Local Government Pension Scheme Regulations 1997 (now Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008). The most recent valuation was undertaken as at 31 March 2007.

The principal purpose of the actuarial valuation is to establish the current financial position of the fund and, in so doing, to establish appropriate contribution rates for each participating employer. These contribution rates are set at a level sufficient to meet the cost of future benefits accruing and to eliminate, over a period of time, the deficit arising from past service.

The valuation is carried out in accordance with the Fund's Funding Strategy Statement.

The rates payable by the County Council, participating Borough and District Councils, other scheduled bodies and admission bodies vary from the contribution rate for the fund as a whole according to the employer's individual circumstances. The rates applying from 1 April 2008 (expressed as a percentage of employees' pensionable pay) are shown on page 10. Some employers have elected to pay a lower percentage of employees' pensionable pay but instead to make additional annual monetary payments into the Fund to meet past service cost deficits.

Increases in the employer contribution rates may be phased in over a period as set out in the Funding Strategy Statement.

### 2007 valuation results

The 2007 valuation was based on a market value of the Fund’s assets at 31 March 2007 of £1,080M and revealed a past service deficiency of £274M. This represents a funding level of 80% of past service liabilities, an improvement from the position shown at the previous valuation of 73%.

The required level of employer contributions for the fund as a whole, in order to meet the funding target of 100% of past service liabilities and to eliminate the past service deficit over a period of twenty years is 18.3% of members’ pensionable pay. This is the common contribution rate and is payable from 1 April 2008. Individual adjustments to the common contribution rate, specific to each employer are applicable from that date.

### Summary of methodology and assumptions

The contribution rate has been calculated using the Projected Unit Method. This assesses the cost of benefits (as a percentage of pay) accruing to existing members during the year following the valuation, allowing for future salary increases. The resulting rate is adjusted to recover the past service deficit over twenty years, as noted above.

Since assets were taken into account at their market value, it is appropriate for us to take a lead from the market when setting the financial assumptions used to value the ongoing liabilities, to ensure compatibility of the asset and liability valuation bases. The anticipated returns on assets used to place a capital value on the stream of projected liability payments are set by reference to the prevailing returns available on investing in the Government bond market. Long term returns of 1.9% a year more than Government bonds are anticipated.

The main financial assumptions adopted for the 2007 valuation were as follows:

- **Rate of return on investments**: 6.4% per annum
- **Rate of general pay increases**: 4.7% per annum
- **Rate of increases to pensions in payment (in excess of guaranteed minimum pensions)**: 3.2% per annum
Full details of the method and assumptions are described in the valuation report dated March 2008, available on the Fund’s website.

**Experience since 31 March 2007**
The financial experience of the Fund since the valuation at 31 March 2007 has been unfavourable. Assets have underperformed relative to the assumptions set at the valuation, causing the funding level to deteriorate. This has been compounded by the increase in the value of liabilities, due predominantly to increases in inflation expectations. Further, this rise in inflation expectations has a significant impact on the cost of new accrual of benefits.

Geoffrey Nathan
Fellow of the Institute of Actuaries
For and on behalf of Hymans Robertson LLP
21 August 2009
INVESTMENT ACTIVITY AND PERFORMANCE

Investment Activity
Under the current investment management arrangements, the asset class of each portfolio is defined, giving less volatility in the asset allocation of the fund and less risk of over-exposure to under-performing sectors, relative to the benchmark.

However the active managers have discretion to select investments within the parameters of each portfolio and changes in weightings between the various categories of investments occur.

The Fund took an aggressive stance towards under-performing managers during 2008-09 and underwent some major changes. The active UK equity portfolio (£80M) and one of the active overseas portfolios (£48M) were withdrawn and placed under passive management. Exposure to commodities was reduced by £10M, which along with existing cash of £30M was used to increase fixed interest (£20M) and one of the currency portfolios (£20M). The other currency portfolio (£18M) was withdrawn and its funds retained as cash. Despite this and the negative economic background, the Fund achieved an average performance compared to its peers.

Economic background
2008-09 saw a steady flow of news that started bad and became worse. The year started with falling house prices and weak retail sales in contrast to fears of inflation from increasing energy costs. The credit crunch was starting to be more keenly felt as the banks retrenched; unemployment figures continued to rise as industry found financing hard to come by. Then in August came the news that the US treasury were having to rescue the two mortgage companies Freddie Mac and Fannie Mae, and AIG. This was followed by the collapse of the US bank Lehman Brothers. Very shortly most financial institutions around the world were in difficulties and a complete meltdown of the global economy was averted only by massive government intervention that saw billions of pounds and dollars poured into the banking systems. In the UK, high street banks Lloyds TSB and Royal Bank of Scotland came under government control. Interest rates were cut to their lowest level ever and by January 2009 the UK was officially in recession for the first time since 1980. By the end of the year the rate of decline in UK gross domestic product had increased dramatically with unemployment still rising and recovery seeming a long way off.

Against this background, unsurprisingly, asset classes gave negative returns and despite its programme of diversification the pension fund fell in value by £188M – which equates to an investment return of -19.9%.

UK Equities
The recession caused most UK equities to lose value with the FTSE all share index falling by nearly 35%, from 2,927 in April 2008 to 1,906 in March 2009. UK equities under-performed the benchmark by 1.2% during 2008-09, due to a poor performance from the active manager in the early part of the year. The active UK equity portfolio was transferred to passive management during the year and is now achieving benchmark returns.

Overseas Equities
As in the UK, global equity markets suffered to a greater or lesser degree from recession, with the MSCI global equities index showing negative returns for the year of -20%. The Fund’s overseas equity portfolios are benchmarked against UK RPI over a rolling seven year period; in the current climate this is proving impossible to achieve on a yearly basis. The portfolio under-performed its benchmark by 30% during the year as a whole, although individual manager performance varied. The overall performance looks less bad when compared to the MSCI index.

Fixed Interest
Fixed interest securities suffered from rising corporate bond spreads and falling interest rates but fared relatively better with a negative return of -4.8%, 5.2% below the benchmark.
Property
UK commercial property values fell sharply during the latter half of 2008-09 as bank debt became scarce and rental income declined. As a result returns for this sector were the worst since records began. Continental European property also weakened. The Fund’s property investments are in pooled funds comprising approximately 85% UK and 15% European and a mix of shopping centers, retail warehousing, office and industrial premises. Returns were -31% compared to a benchmark of -25%.

GTAA
As a strategic mix of other asset classes, the GTAA portfolio suffered equally with those markets as a whole. The return for 2008-09 was -0.2% against a benchmark of +8%, however this benchmark is based on RPI and again is over a rolling seven year period.

Commodities
Hit by the global recession and especially by the contraction in growth in China, commodity prices showed a sharp decline towards the end of 2008-09. Returns reflected this and the Fund’s commodity portfolio showed -45.1% against a benchmark of -43.2%. Although the Fund did take a £10m profit at what proved to be the top of the market.

Future Developments
The Pension Fund Panel has decided to increase its exposure to corporate bonds in the new year by £20M, funded from existing in-house cash deposits. The currency portfolio will be increased by £10M by reducing the commodities holding.

Investments analysed by asset class

Investment Performance
The fund measures performance using the service provided by its custodian, Northern Trust.

The investment target for each manager with an active portfolio is to out-perform an appropriate benchmark that reflects market performance in their respective asset class.

The performance of the fund as a whole is measured against a blended benchmark based on the individual portfolio benchmarks set out in the Statement of Investment Principles.

Northern Trust’s analysis for the year to 31 March 2009 showed that the overall return on the fund’s assets was -19.9%, 7.3% lower than the benchmark return of -12.6%. Returns achieved
by the major asset classes are shown in the graph below. Overseas equities in particular showed a poor performance relative to the benchmark and steps were taken during the year to remedy this weakness by withdrawing one of the global equity portfolios and replacing it with a passive global equity fund. Over the three-year period to 31 March 2009, the fund’s assets in total gave a return of -5.9% against a benchmark of -2% and the five year period showed a return of +2.1% compared to a benchmark of +5.6%.
FINANCIAL STATEMENTS

- Statement of Responsibilities
- Auditors’ Report
- Accounting Policies
- Five Year Financial Summary
- Fund Account
- Net Assets Statement
- Notes to the Accounts
STATEMENT OF RESPONSIBILITIES

The Bedfordshire County Council is the administering authority of the Bedfordshire local
government pension fund and is required to:

- make arrangements for the proper administration of the financial affairs of the Pension
  Fund and to secure that one of its officers has the responsibility for the administration of
  those affairs. The County Council has assigned this responsibility to the Director of Finance
- manage the affairs of the fund to secure economic, efficient and effective use of the fund’s
  resources and to safeguard its assets.

Responsibilities of the Director of Human & Financial Resources

The Director of Human & Financial Resources is responsible for the preparation of the fund’s
statement of accounts in accordance with proper practices as set out in the Chartered Institute
of Public Finance and Accountancy Code of Practice on Local Authority Accounting in Great
Britain (the “Code of Practice”).

In preparing this statement of accounts, the Director of Human & Financial Resources has:

- selected suitable accounting policies and then applied them consistently;
- made judgments and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Director of Human & Financial Resources has also:

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

Director of Human & Financial Resources’ Certificate

I hereby certify that the statement of accounts presents fairly the financial position of the fund
at 31 March 2009, and its income and expenditure for the year ended 31 March 2009.

Geoff Reader

pp
Director of Human & Financial Resources
August 2009
AUDITOR’S REPORT

The auditors report on the financial statements of the Pension Fund is published in the County Council’s statement of accounts. At the time of writing, the audit of the County Council’s financial statements is still in progress.
ACCOUNTING POLICIES

Accounting Standards
The accounts of the Pension Fund have been prepared to meet the requirements of the Local Government Pension Scheme Regulations 1997 and in accordance with the Statement of Recommended Practice on Financial Reports of Pension Schemes (Revised May 2007). They also comply with the CIPFA Code of Practice on Local Authority Accounting in Great Britain. 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 report on page 79, which takes account of such liabilities.

Basis of Preparation
Unless otherwise stated, the accounts have been prepared on the accruals basis.

Benefits
All pensions and lump sums payments have been included on the accruals basis other than some death gratuities which are paid on receipt of probate or letters of administration.

Refunds of Contributions
Refunds have been included on a cash basis.

Transfer Values
Transfer values to and from other schemes have been included on a cash basis.

Administrative Expenses
The administration of the Fund is undertaken by the County Council, in its role as administering authority. The Council’s costs of administering the scheme are charged to the Fund.

Investment Management Expenses
Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. In addition the fund has negotiated with the following managers that an element of their fee be performance related.

- Barclays Global Investors – Global Tactical Asset Allocation
- Henderson Asset Management – UK Equities
- FX Concepts – Currency

In 2008-09, £0.7M of fees was performance related.

Where an investment manager’s fee note has not been received by the balance sheet date, 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. In 2008-09, £1.2M of fees is based on such estimates.

The cost of obtaining investment advice from external consultants is included in investment management charges.

A proportion of the County Council’s costs representing time spent by officers on investment management is also charged to the fund.

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

(i) Quoted securities are valued by reference to market price at the close of business on 31 March 2009.

(ii) Equity futures are valued by reference to their quoted price as at 31 March 2009.
(iii) Other unquoted securities are valued having regard to latest dealings, professional valuations, asset values and other appropriate financial information.

(iv) Unit trust and managed fund investments are valued at the mid-point of the latest prices quoted by their respective managers prior to 31 March 2009.

(v) Assets, including investments, denominated in foreign currencies are valued on the relevant basis and translated into sterling at the rate ruling on 31 March 2009. 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.

From 1st April 2008, quoted securities are valued by reference to their closing prices instead of mid-market price. If the Fund’s assets at 31 March 2008 were to be valued in this way their value would have been £1,037M.

**Acquisition Costs of Investments**
Where shown, the cost of investments includes direct costs of acquisition.

**AVC Investments**
The County Council has arrangements with Standard Life Assurance Company to enable employees to make additional voluntary contributions (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 exempt from tax on capital gains and from income tax on interest receipts. VAT is recoverable on all expenditure, 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 US withholding tax.

**FIVE YEAR FINANCIAL SUMMARY**

<table>
<thead>
<tr>
<th></th>
<th>2004/05 £000</th>
<th>2005/06 £000</th>
<th>2006/07 £000</th>
<th>2007/08 £000</th>
<th>2008/09 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net assets at 1 April</strong></td>
<td>706,986</td>
<td>795,209</td>
<td>980,356</td>
<td>1,079,577</td>
<td>1,074,800</td>
</tr>
<tr>
<td>Contributions</td>
<td>56,537</td>
<td>64,217</td>
<td>74,996</td>
<td>77,666</td>
<td>84,512</td>
</tr>
<tr>
<td>Investment and other income</td>
<td>28,221</td>
<td>32,200</td>
<td>35,001</td>
<td>33,522</td>
<td>25,972</td>
</tr>
<tr>
<td>Total income</td>
<td>84,758</td>
<td>96,417</td>
<td>109,997</td>
<td>111,188</td>
<td>110,484</td>
</tr>
<tr>
<td>Benefits and other expenses</td>
<td>(54,233)</td>
<td>(54,222)</td>
<td>(57,674)</td>
<td>(64,504)</td>
<td>(70,126)</td>
</tr>
<tr>
<td>Change in market value of investments</td>
<td>57,698</td>
<td>142,952</td>
<td>46,898</td>
<td>(51,461)</td>
<td>(227,742)</td>
</tr>
<tr>
<td>Increase/(decrease) in value of fund</td>
<td>88,223</td>
<td>185,147</td>
<td>99,221</td>
<td>(4,777)</td>
<td>(187,384)</td>
</tr>
<tr>
<td><strong>Net Assets at 31 March</strong></td>
<td>795,209</td>
<td>980,356</td>
<td>1,079,577</td>
<td>1,074,800</td>
<td>887,416</td>
</tr>
</tbody>
</table>
FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009

<table>
<thead>
<tr>
<th></th>
<th>2007/2008 £000</th>
<th>2008/2009 £000</th>
<th>See Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions and Benefits</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions receivable</td>
<td>77,666</td>
<td>84,512</td>
<td>1</td>
</tr>
<tr>
<td>Transfers from other schemes</td>
<td>13,743</td>
<td>10,143</td>
<td>2</td>
</tr>
<tr>
<td>Other Income</td>
<td>54</td>
<td>(</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>91,463</td>
<td>94,651</td>
<td></td>
</tr>
<tr>
<td>Benefits payable</td>
<td>(51,411)</td>
<td>(54,834)</td>
<td>3</td>
</tr>
<tr>
<td>Payments to and on account of leavers</td>
<td>(8,394)</td>
<td>(10,312)</td>
<td>4</td>
</tr>
<tr>
<td>Other payments</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Administrative and other expenses</td>
<td>(1,212)</td>
<td>(1,036)</td>
<td>5</td>
</tr>
<tr>
<td>Net additions/(withdrawals) from dealing with members</td>
<td>30,446</td>
<td>28,469</td>
<td></td>
</tr>
</tbody>
</table>

Returns on Investments

<table>
<thead>
<tr>
<th></th>
<th>2007/2008 £000</th>
<th>2008/2009 £000</th>
<th>See Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment income</td>
<td>19,725</td>
<td>15,833</td>
<td>6</td>
</tr>
<tr>
<td>Change in market value of investments</td>
<td>(51,461)</td>
<td>(227,742)</td>
<td></td>
</tr>
<tr>
<td>Investment management expenses</td>
<td>(3,487)</td>
<td>(3,944)</td>
<td>7</td>
</tr>
<tr>
<td>Net return on investments</td>
<td>(35,223)</td>
<td>(215,853)</td>
<td></td>
</tr>
</tbody>
</table>

Net increase in the fund during the year

<table>
<thead>
<tr>
<th></th>
<th>2007/2008 £000</th>
<th>2008/2009 £000</th>
<th>See Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net assets of the fund at 1 April</td>
<td>1,079,577</td>
<td>1,074,800</td>
<td></td>
</tr>
</tbody>
</table>

Net assets of the fund at 31 March

<table>
<thead>
<tr>
<th></th>
<th>2007/2008 £000</th>
<th>2008/2009 £000</th>
<th>See Note</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,074,800</td>
<td>887,416</td>
<td></td>
</tr>
</tbody>
</table>

NET ASSETS STATEMENT AS AT 31 MARCH 2009

<table>
<thead>
<tr>
<th></th>
<th>2007/2008 £000</th>
<th>2008/2009 £000</th>
<th>See Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed interest securities</td>
<td>54,772</td>
<td>40,368</td>
<td></td>
</tr>
<tr>
<td>Equities</td>
<td>257,155</td>
<td>82,756</td>
<td></td>
</tr>
<tr>
<td>Managed and unitised funds</td>
<td>711,651</td>
<td>690,371</td>
<td></td>
</tr>
<tr>
<td>Property</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Cash deposits &amp; other assets</td>
<td>15,162</td>
<td>38,562</td>
<td></td>
</tr>
<tr>
<td>Total Investments</td>
<td>1,038,740</td>
<td>852,057</td>
<td>8</td>
</tr>
</tbody>
</table>

Current Assets

<table>
<thead>
<tr>
<th></th>
<th>2007/2008 £000</th>
<th>2008/2009 £000</th>
<th>See Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debtors</td>
<td>6,469</td>
<td>7,412</td>
<td>9</td>
</tr>
<tr>
<td>Cash</td>
<td>30,728</td>
<td>37,197</td>
<td>10</td>
</tr>
</tbody>
</table>

Current Liabilities

<table>
<thead>
<tr>
<th></th>
<th>2007/2008 £000</th>
<th>2008/2009 £000</th>
<th>See Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipts in advance</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Provision for bad debts</td>
<td>(32)</td>
<td>(103)</td>
<td>12</td>
</tr>
<tr>
<td>Creditors</td>
<td>(1,105)</td>
<td>(1,137)</td>
<td>11</td>
</tr>
</tbody>
</table>

Net assets of the fund at 31 March

<table>
<thead>
<tr>
<th></th>
<th>2007/2008 £000</th>
<th>2008/2009 £000</th>
<th>See Note</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,074,800</td>
<td>887,416</td>
<td></td>
</tr>
</tbody>
</table>
NOTES TO THE ACCOUNTS

<table>
<thead>
<tr>
<th>Fund account</th>
<th>2007/08</th>
<th>2008/09</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
</tr>
</tbody>
</table>

1 Contributions receivable
- Employees’ normal contributions 17,190 19,883
- Employees’ additional contributions 637 544
- Employers’ normal contributions 43,242 46,236
- Employers’ deficit funding 11,276 12,944
- Employers’ special contributions 5,321 4,905

77,666 84,512

Administering authority 28,276 30,664
Scheduled bodies 42,245 45,782
Admitted and other bodies 7,145 8,066

77,666 84,512

Employers’ special contributions relate to payments for the cost of enhanced benefits and early retirements.

2 Transfers from other schemes
- Group transfers from other schemes - 4,202
- Individual transfers from other schemes 13,743 5,941

13,743 10,143

3 Benefits payable
- Pensions 42,386 45,206
- Lump sum retirement benefits 8,231 8,256
- Lump sum death benefits 785 1,362
- Commutations of small pensions 9 10

51,411 54,834

Benefits paid include the cost of early retirements of £3.5M which is paid for by special contributions from employers. Benefits paid are further analysed as:

<table>
<thead>
<tr>
<th></th>
<th>2007/08</th>
<th>2008/09</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
</tr>
</tbody>
</table>

Administering authority 21,121 22,168
Scheduled bodies 26,233 28,089
Admitted and other bodies 4,057 4,577

51,411 54,834

4 Payments to and on account of leavers
- Refunds of contributions 16 19
- State scheme premiums 2 7
- Transfers to other schemes – individuals 8,376 10,286
- Transfers to other schemes – group transfers - -

8,394 10,312

5 Administrative & other expenses
- Administering authority 797 829
- System costs & development 279 108
- Actuarial fees 108 38
- Other 28 61

1,212 1,036
6 Investment income

Fixed interest securities 2,171 1,505
Dividends from equities 8,576 5,397
Index linked 25 33
Pooled investment vehicles 6,474 6,675
Property rents - -
Cash & cash instruments 2,479 2,223

\[ \text{Total Investment Income} = 19,725 \]

\[ \text{Total Investment Income} = 15,833 \]

7 Investment management expenses

Administering authority 95 100
Investment managers’ fees 2,774 2,991
Investment managers’ performance related fees 520 662
Investment advice & other costs 98 191

\[ \text{Total Investment Management Expenses} = 3,487 \]

\[ \text{Total Investment Management Expenses} = 3,944 \]

Net Asset Statement

\[ \text{Net Asset Statement} = 1,038,740 \]

\[ \text{Net Asset Statement} = 852,057 \]

8 Investments

8.1 Fixed Interest Securities

UK government securities 41,763 38,162
UK corporate securities 9,500 -
Overseas securities - 2,206
Overseas securities – index linked 3,509 -

\[ \text{Total Fixed Interest Securities} = 54,772 \]

\[ \text{Total Fixed Interest Securities} = 40,368 \]

8.2 Equities

UK quoted equities 100,887 7,740
UK equity futures - -
Overseas equities 156,268 75,016

\[ \text{Total Equities} = 257,155 \]

\[ \text{Total Equities} = 82,756 \]

8.3 Managed and Unitised Funds

UK authorised unit trusts 3,529 -
UK un-authorised unit trusts 70 27
UK insurance managed funds 263,686 328,137
UK property unit trusts 97,304 55,937
Overseas unit trusts 347,062 306,270

\[ \text{Total Managed and Unitised Funds} = 711,651 \]

\[ \text{Total Managed and Unitised Funds} = 690,371 \]

8.4 Derivative Contracts

- 43

8.5 Cash Deposits & Other Investment Assets

Cash deposits 13,175 43,844
Due to and from the Stock Exchange (464) (6,093)
Investment income outstanding 2,451 -

\[ \text{Total Cash Deposits & Other Investment Assets} = 15,162 \]

\[ \text{Total Cash Deposits & Other Investment Assets} = 38,519 \]

8.6 Quoted/Un-quoted Investments

Quoted 411,102 224,416
Un-quoted 627,638 627,641

\[ \text{Total Quoted/Un-quoted Investments} = 1,038,740 \]

\[ \text{Total Quoted/Un-quoted Investments} = 852,057 \]

8.7 Value of Investments
Investments at 31 March 2009 had a market value of £852M compared to a cost of £981M (at 31 March 2008 the market value of investments was £1,039M with a cost of £964.4M). The increase in the cost of investments of £16.6M (2007/08: £82.6M) represents the net effect of purchases of £597.9M (2007/08: £616M) and sales of £604.5M (2007/08: £535.6M) plus movements in cash of £23.2M.

The net gain on the sale of investments was £24.5M in 2008/09 (2007/08: £36.6M). This sum, together with an excess of income over expenditure of £40.4M (2007/08: £46.7M), generated additional funds available for investment during the year of £64.9M (2007/08: £83.3M).

Brokers commissions and other costs of acquisition are included in the cost of investments purchased.

Managed and unitised investments, other than property unit trusts, are predominantly in Barclays Global Investors' Aquila & Ascent Life Funds, Legal & General's Pooled Pension Fund Policy and Aberdeen Asset Management’s Sterling Credit Fund. The amount and the percentage of the net assets of the fund, as at 31 March 2009, that these represent is shown below:

- Barclays Global Investors Aquila Life Fund - £182.3M (21%)
- Legal & General Pooled Pension Fund Policy - £231.8 (27%)
- Aberdeen Asset Management Sterling Credit Fund - £73.2M (8%)

No other assets comprised more than 5% of the net assets of the fund as at 31 March 2009:

<table>
<thead>
<tr>
<th></th>
<th>MV at 31/03/08</th>
<th>Purchases at cost &amp; derivative payments</th>
<th>Sale proceeds &amp; derivative receipts</th>
<th>Change in MV</th>
<th>MV at 31/03/09</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Interest Securities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK</td>
<td>41,763</td>
<td>71,172</td>
<td>75,822</td>
<td>1,049</td>
<td>38,162</td>
</tr>
<tr>
<td>Overseas</td>
<td>13,009</td>
<td>650</td>
<td>10,262</td>
<td>(1,191)</td>
<td>2,206</td>
</tr>
<tr>
<td></td>
<td>54,772</td>
<td>71,822</td>
<td>86,084</td>
<td>(142)</td>
<td>40,368</td>
</tr>
<tr>
<td>Equities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK</td>
<td>100,887</td>
<td>9,296</td>
<td>101,074</td>
<td>1,369</td>
<td>7,740</td>
</tr>
<tr>
<td>Overseas</td>
<td>156,268</td>
<td>29,791</td>
<td>114,427</td>
<td>3,384</td>
<td>75,016</td>
</tr>
<tr>
<td></td>
<td>257,155</td>
<td>39,087</td>
<td>215,501</td>
<td>2,015</td>
<td>82,756</td>
</tr>
<tr>
<td>Managed Funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property</td>
<td>97,304</td>
<td>1,380</td>
<td>5,486</td>
<td>(37,261)</td>
<td>55,937</td>
</tr>
<tr>
<td>Other</td>
<td>350,661</td>
<td>147,020</td>
<td>128,955</td>
<td>(68,504)</td>
<td>300,222</td>
</tr>
<tr>
<td></td>
<td>447,965</td>
<td>148,400</td>
<td>134,441</td>
<td>(105,765)</td>
<td>356,159</td>
</tr>
<tr>
<td>Derivative contracts</td>
<td>-</td>
<td>129</td>
<td>596</td>
<td>510</td>
<td>43</td>
</tr>
<tr>
<td>Cash &amp; other</td>
<td>15,162</td>
<td>-</td>
<td>-</td>
<td>23,357</td>
<td>38,519</td>
</tr>
<tr>
<td>Total</td>
<td>1,038,740</td>
<td>598,020</td>
<td>605,065</td>
<td>(179,638)</td>
<td>852,057</td>
</tr>
</tbody>
</table>
9 Debtors

<table>
<thead>
<tr>
<th></th>
<th>2007/08 £000</th>
<th>2008/09 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions due from Bedfordshire County Council</td>
<td>2,285</td>
<td>2,758</td>
</tr>
<tr>
<td>Contributions due from other admitted authorities</td>
<td>3,902</td>
<td>4,292</td>
</tr>
<tr>
<td>Other</td>
<td>282</td>
<td>362</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6,469</strong></td>
<td><strong>7,412</strong></td>
</tr>
</tbody>
</table>

10 Cash

The cash balance of £28.8M is held in the Fund’s own bank accounts. Cash held by the fund’s managers is included in investment assets.

11 Creditors

<table>
<thead>
<tr>
<th></th>
<th>2007/08 £000</th>
<th>2008/09 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due to Administering Authority in respect of administration costs etc</td>
<td>253</td>
<td>5</td>
</tr>
<tr>
<td>Investment managers’ fees</td>
<td>635</td>
<td>296</td>
</tr>
<tr>
<td>Other professional fees</td>
<td>57</td>
<td>52</td>
</tr>
<tr>
<td>AVCs in transit</td>
<td>-</td>
<td>210</td>
</tr>
<tr>
<td>Death grants</td>
<td>150</td>
<td>153</td>
</tr>
<tr>
<td>Other</td>
<td>10</td>
<td>12</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,105</strong></td>
<td><strong>728</strong></td>
</tr>
</tbody>
</table>

12 Provisions

The fund’s managers reclaim tax withheld from investment income where international treaties allow. Bad debt provision is made for those claims that are over one year old and considered unlikely to be recovered.

13 Self-investment

The regulations governing investment of pension funds require the disclosure of any self-investment by the fund. As at 31 March 2009, there was no self investment by the fund.

14 Related party transactions

The Pension Fund is a related party to its administering authority and other participating employers. The elected members who serve on the Pension Fund Panel and the senior officers of the Administering Authority who advise them are also related parties; there were no transactions between these members and officers and the fund during 2008-09.

Costs incurred by Bedfordshire County Council in its role as administering authority are charged to the fund. In 2008-09 costs recharged by Bedfordshire County Council were £929k.

The only other material related party transactions during 2008/09 were in respect of contributions paid by the employing bodies into the fund.

15 Contingent Liabilities and Contractual Commitments

There were no material contingent liabilities and/or contractual liabilities as at 31 March 2009.

16 Stock Lending

The Fund did not undertake any stock lending in 2008-09
17 **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 other assets with the Standard Life Assurance Company.

<table>
<thead>
<tr>
<th>AVCs</th>
<th>2007/08 £000</th>
<th>2008/09 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value at 1 April</td>
<td>3,549</td>
<td>3,564</td>
</tr>
</tbody>
</table>

**Income**

- Contributions received: 282 (2007/08) and 293 (2008/09)
- Transfer values received: 72 (2007/08) and 67 (2008/09)
- Demutualisation entitlement: (2007/08) and -(2008/09)

Income summary: 354 (2007/08) and 360 (2008/09)

**Expenditure**

- Retirements paid: (422) (2007/08) and (374) (2008/09)
- Transfers values paid: (61) (2007/08) and (41) (2008/09)
- Lump sum death benefits: (1) (2007/08) and -(2008/09)
- Other: (2007/08) and -(2008/09)

Expenditure summary: (484) (2007/08) and (415) (2008/09)

Change in market value: 145 (2007/08) and (290) (2008/09)

Value at 31 March: 3,564 (2007/08) and 3,219 (2008/09)

In accordance with Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998, additional voluntary contributions are excluded from the Fund Account and Net Assets Statement.

18 **Post Balance Sheet Events**

There are no material post balance sheet events.
CONTACT POINTS

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

Accounts and Investments:

Geoff Reader
Head of Pensions & Treasury Management
Telephone: 01234 228562

Benefits and Contributions:

Claire Bennett
Pensions Administration Manager
Telephone: 01234 228873

Advisory and Regulatory Bodies:

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
East Sussex, BN1 4DW
Telephone: 0870 6063636

The Pensions Advisory Service
11 Belgrave Road
London SW1V 1RB
Telephone: 0845 6012923

Pensions Ombudsman
11 Belgrave Road
London SW1V 1RB
Telephone: 020 7834 9144
GLOSSARY

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 an expert in risks. Actuaries are mathematicians who work in insurance or pensions, and they use their expertise to assess whether there are enough funds to cover future possibilities.

Administering authority
An administering authority runs a pension fund. Employers pay contributions to the administering authority, who then invests those contributions so there is enough to pay people's pensions from it.

Bedford Borough Council is the administering authority for the Bedfordshire Pension Fund.

Annual allowance
If the value of your pension benefits increases by more than the annual allowance in one year, you'll have to pay income tax at 40% on the excess. Most members of the scheme won't be affected by this - the annual allowance is set by the treasury at £245,000 for 2009/10.

If you fill in a self-assessment tax return, ask the pension office about the increase in the value of your benefits, and don't forget that any other pensions you may have will count as well. An accountant will be able to help you with your tax return.

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.

Civil partnership
A civil partnership is a legally registered relationship between two people of the same sex.

Contracted-out
The Local Government Pension Scheme (LGPS) is contracted-out of the State Second Pension Scheme (S2P).

This means you won't get a State Second Pension when you retire - the LGPS is guaranteed to pay at least as much as S2P. It also means that you'll probably pay less National Insurance.

Currency investors
Currency investment involves buying currency when it is cheap and selling for a profit when it becomes stronger.

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 go up. This won't affect your pension because it's guaranteed by law.
Discretion

Your employer and Bedfordshire Pension Fund have the power to choose how to apply certain aspects of your pension.

How your employer deals with discretionary parts of your pension will be set out in their policy statement.

Enhanced protection

See protection -primary lifetime allowance protection.

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.

Final pay

This figure is used to calculate most of your pension benefits and it’s normally pensionable pay received over the last 365 days before retiring. If your pay went down in your last year, it could be the pay from one of the two previous years.

If you work part time, your final pay is normally scaled up to the full-time equivalent.

If your pay is reduced because of sickness, your final pay is taken to be the pensionable pay you would have received had you not been off sick.

If you’re off on maternity, paternity, or adoption leave and are paying (or are considered to be paying) pension contributions, final pay is taken to be your pensionable pay if you were working normally.

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. This doesn’t affect your pension because it’s guaranteed by law.

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.

Guaranteed minimum pension (GMP)

This is the minimum pension the Local Government Pension Scheme (LGPS) must pay you for the period you were a member of the scheme between 6 April 1978 and 5 April 1997.

It’s worked out using the amount of State Earnings Related Pension Scheme (SERPS) benefits you would have earned if you hadn’t been part of the LGPS between these dates.

The GMP affects yearly increases in your pension paid from the LGPS. Any portion of GMP earned before 1988 won’t go up - that increase is paid through your State Pension.

For example, if you have a basic annual pension of £6,000, and the Department of Work and Pensions (DWP, formerly DSS) has notified you that you have a total annual GMP of £600, the increase would be applied to the £5,400 figure, not to the £6,000.

However, we are responsible for paying pensions increase of up to a maximum of 3% on any portion of the GMP which relates to service after 5 April 1988.

Example

| Pre 1988 GMP | £500 |

- 97 -
### Post 1988 GMP £100

| Gross annual pension - 10 April 2005 | £6000 |

**Pension increase would be applied as follows:**

| Gross annual pension | £6000 |

**Example**

<table>
<thead>
<tr>
<th>Less pre 1988 GMP</th>
<th>£500</th>
</tr>
</thead>
<tbody>
<tr>
<td>=</td>
<td>£5500</td>
</tr>
<tr>
<td>Less post 1988 GMP</td>
<td>£100</td>
</tr>
<tr>
<td>Pension increase of 3.1% due</td>
<td>5400 x 3.1% = £5567.40</td>
</tr>
<tr>
<td>Pension increase of 3% due on post 1988 amount</td>
<td>£100 x 3% = £103.00</td>
</tr>
<tr>
<td>Plus pre 1988 GMP</td>
<td>£500</td>
</tr>
<tr>
<td><strong>Total new pension payable</strong></td>
<td><strong>£6170.40</strong></td>
</tr>
</tbody>
</table>

**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**

This is the total capital (cash) value of all pension benefits - not just from the Local Government Pension Scheme - you can have before you'll be asked to pay tax on them. If the total value of pension benefits when you draw them is more than the allowance, you have to pay tax on the excess.

Not many members of the scheme will be affected. The Treasury set the limit for 2009/10 at £1.75 million.

When a pension starts to be paid you use some of your lifetime allowance, so you need to keep a record of any pensions you receive.

When you draw your Local Government Pension Scheme pension, the Pension Fund will ask for the percentage of your lifetime allowance which has been used up by any other pensions. If you don't answer this promptly, it could delay your payment.

**Lower earnings limit**

This is the amount you have to earn before you pay any National Insurance. For 2009/10 it is £5,720 pa. It usually increases every year.

**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).

**Pensionable pay**

This is your salary or wages plus shift allowance, bonuses, contractual overtime, and any other taxable benefit specified in your contract as pensionable.
Pay doesn’t include non-contractual overtime, 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

Your employer must produce a policy statement. It sets out how they will treat discretionary items within the pension scheme.

If any changes are made to the policy statement, you should be told within one month. You can ask your employer or the Pension Fund for the latest copies of their policy statements.

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).

Protection - primary lifetime allowance protection and enhanced protection

When the lifetime allowance was introduced on 6 April 2006, it was decided that benefits accrued up to this point could be protected. If the pension you’d built up by 5 April 2006 exceeded the lifetime allowance, you could apply for primary protection up to 5 April 2009 so you had a new, personal, lifetime allowance.

If you reached the lifetime allowance by 5 April 2006 or thought you might in the future, you could also apply for enhanced protection. Provided your benefits at 5 April 2005 had not increased beyond certain limits (more than 5% per year, the retail price index, or increases in pensionable pay, whichever is greater) you would not then pay tax on benefits greater than the lifetime allowance.

If you pay into another pension scheme or transfer your Local Government Pension Scheme pension, you will lose your enhanced protection. If you don’t inform Her Majesty's Revenues and Customs within 90 days of this, you could be fined up to £30,000.

Protected members and the 85 year rule

If you joined the Local Government Pension Scheme after 30 November 2006 and decide to retire earlier than 65 years of age, your pension and lump sum will be reduced by a percentage relating to the number of years early you retire.

If you were a member of the scheme on or before 30 November 2006, and can satisfy the 85 year rule, you may have transitional protection which could entitle you to retire earlier than 65 years of age and receive your pension and lump sum unreduced.

You satisfy the 85 year rule if:

• Your membership plus your age in whole years adds up to 85 or more.
• If you joined the scheme before 1 April 1998 and the date you would have achieved 25 years’ membership is earlier than the date you satisfy the 85 year rule, the earlier date is used to assess the reduction for early retirement. This makes the reduction smaller.

If you were a member of the scheme on or before 30 November 2006, the following may apply:

If you are 60 or over by 31 March 2020,

And you satisfy the 85 year rule:

• Any benefits accrued before 31 March 2020 will not be reduced.
• Any benefits accrued after 31 March 2020 will be reduced by a percentage relating to the number of years early you retire.

And you do not satisfy the 85 year rule, but would if you kept working to 65:
• Any benefits accrued **before** 31 March 2020 will be reduced by a percentage relating to the number of years until you would have satisfied the 85 year rule.
• Any benefits accrued **after** 31 March 2020 will be reduced by a percentage relating to the number of years early you retire.

**And you do not, and will not, satisfy the 85 year rule:**
• **All** benefits will be reduced by a percentage relating to the number of years early you retire.

**If you are under 60 on 31 March 2020**

**And you satisfy the 85 year rule:**
• Any benefits accrued **before** 31 March 2008 will not be reduced.
• Any benefits accrued **after** 31 March 2008 will be reduced by a percentage relating to the number of years early you retire.

**And you do not satisfy the 85 year rule, but would if you kept working to 65:**
• Any benefits accrued **before** 31 March 2008 will be reduced by a percentage relating to the number of years until you would have satisfied the 85 year rule.
• Any benefits accrued **after** 31 March 2008 will be reduced by a percentage relating to the number of years early you retire.

**And you do not, and will not, satisfy the 85 year rule:**
• **All** benefits will be reduced by a percentage relating to the number of years early you retire.

The 85 year rule and protected membership can be quite complicated, so you’re advised to contact us for more help.

**Retail Prices Index (RPI)**
This shows the changes in the cost of living. It reflects changes in prices of a cross-section of goods and services over time.

The amount pensions are raised annually is based on the Retail Prices Index from the previous period September - September. It’s very difficult to predict in advance, but past Retail Prices Index levels can be found on the calculating your pension increases page.

**Specialist mandate**
An investor with a specialist mandate will invest only in a particular geographical area, industry sector, or other limited field.

**State Earnings Related Pension Scheme (SERPS)**
SERPS is an earnings-related element of the State Pension. Benefits are paid by the Department for Work and Pensions (DWP, what was previously the DSS).

SERPS is based on the National Insurance contributions you’ve made between 1978 and 2002, with a maximum of 20 years’ contributions counting.

SERPS won’t pay until you reach State Pension age and has been reduced for people who retire after 1998.

**State Pension Age**
This is currently 65 for men and 60 for women. From 2010 this difference will start to be phased out, so that by 2020 both men and women retire at 65.

The retirement age for women during this phase-out process is shown below:

<table>
<thead>
<tr>
<th>Date of birth State</th>
<th>Pension age</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before 6 April 1950</td>
<td>60</td>
</tr>
<tr>
<td>Date Range</td>
<td>SPA Range</td>
</tr>
<tr>
<td>--------------------</td>
<td>-----------</td>
</tr>
<tr>
<td>6 April 1950 - 5 April 1951</td>
<td>Between 60 &amp; 61</td>
</tr>
<tr>
<td>6 April 1951 - 5 April 1952</td>
<td>Between 61 &amp; 62</td>
</tr>
<tr>
<td>6 April 1952 - 5 April 1953</td>
<td>Between 62 &amp; 63</td>
</tr>
<tr>
<td>6 April 1953 - 5 April 1954</td>
<td>Between 63 &amp; 64</td>
</tr>
<tr>
<td>6 April 1954 - 5 April 1955</td>
<td>Between 64 &amp; 65</td>
</tr>
<tr>
<td>After 5 April 1955</td>
<td>65</td>
</tr>
</tbody>
</table>

There will be subsequent rises in the SPA for both men and women.

The SPA will rise from 65 to 66 over a two-year period from April 2024 to April 2026.

The SPA will rise from 66 to 67 over a two-year period from 2034 to 2036.

From 2044 to 2046 the SPA for both men and women will rise from 67 to 68.

**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.

**Total membership**

This is the amount of membership that counts for working out different benefits you may be due.

**Working out if you're entitled to a benefit**

There are two different ways your service counts within the Local Government Pension Scheme:

1. Your service counts in the **calculation** of your benefits in the scheme.
2. Your service in the scheme counts towards **entitling** you to a benefit in the scheme.

Although these statements may seem similar, both periods of service can be different. For example if a member works part-time, let's say 17.5 hours instead of 35 hours, the service for calculating benefits would be half its actual length, i.e. 3 years service would only count as 1.5 years.

Having less than 2 years service the member would not normally be entitled to a retirement benefit, however, although the reduced service of 1.5 years is used to calculate the member's benefits, the full length service of 3 years is used in deciding the member's entitlement to benefit.

**For working out the amount of pension you'll get, your total membership includes:**

- The number of years and days you are a member - if you’re part time, this is **scaled down to the full time equivalent**. For example, if you work exactly half time, every year worked counts for 6 months’ membership.
- The number of years and days bought by transferring in a previous employer’s pension plan, a personal pension plan, or a stakeholder pension scheme.
- Any additional years you’ve opted to buy or which have been granted to you by your employer.
- Any additional years from converting additional voluntary contributions to membership, **available only to members who took out AVC contracts prior to 30/06/2005**.
- Any membership given because of ill health enhancement.
- Any membership you’re already receiving a pension from, or in an earlier deferred pension, **will not** be counted.
- If you were over 45 when you joined (or the last time you joined if you have any deferred membership), and you bought extra membership before 1 December 2006, that extra membership won’t count towards lump sum calculations. It will instead be used in your annual payment calculation, but rather than dividing this membership by 80, it will be divided by 60.
Upper earnings limit
On anything you earn over the upper earnings limit, you only pay 1% National Insurance contributions. The upper earnings limit is usually increased annually by Parliament.

For 2009/10 it is £43,888 pa.