Annual Report

Bedfordshire Pension Fund 2020/21

Registration number: 00328861RF

Bedfordshire Pension Fund

BEDFORD BOROUGH COUNCIL

Contents

Cover Photo: *Bedford embankment on the River Great Ouse.*

Foreword

As Chair of the Pension Fund Committee, I am pleased to present the Bedfordshire Pension Fund Annual Report for the year ending 31 March 2021.

The entire 2020/21 municipal year, probably the most challenging year in a generation, through several lockdowns and our staff team working from home remotely. Despite the challenge, the Pension Fund made good strides in all respects – governance, administration and investment; and importantly kept Members satisfied.

The Fund value was £2.76 billion at 31 March 2021 compared to £2.21 billion the previous year. The 2020/21 period was marked by unprecedented volatility in many markets. Global markets fell sharply in the early part of the year but the gloomy start gave way to a 9-month rally that has sent markets to all-time highs. The Fund, with its diversified investments, achieved total return of 21.2% during the year compared to the benchmark return of 20.5%. The Fund was well-funded and remains cash-flow positive.

The global markets' trajectory was opposite to the path of the global pandemic. As the year progressed, investor pessimism on Covid receded and optimism about the global economy grew, with the successful rollout of effective vaccination programmes and the relaxation of lockdown measures in many countries.

During the year, ESG dominated investors' minds, appreciating how important these issues are if we are to protect people and the planet. The rationale for Responsible Investment (RI) seen through the dangers of climate change became all too apparent and will, undoubtedly, remain the key issue for pension funds as they transition to at least, a net zero carbon future. The Pension Fund continues to improve its ESG credentials, and 2020/21 was no exception. The Pension Fund Committee established a RI Sub-Committee. It has refined its RI beliefs to better inform the Investment Strategy and adopted the Border to Coast Pensions Partnership RI Policy, including a clear approach to climate change. The Fund was also actively involved in collective engagement with investee companies and other entities via the Local Authority Pension Fund Forum (LAPFF).

The Fund accelerated its global equity investments and commitments to alternative assets with Border to Coast during the year. I am pleased that the Pool continued to break new ground, working collaboratively with its Partner Funds to provide opportunities for investment. The Fund implemented the Committee's decision to fund the Multi-Asset Credit commitment, which resulted in the addition of a new asset manager, PIMCO, to the suite of external fund managers. The Fund also increased its commitment to private markets in line with the agreed investment strategy. The original commitment of £185m to infrastructure was raised by £115m to £300m and the previous commitment of £46m to private credit rose by a further £80m to £126m

The Pension Fund Committee delivered its broad work programme for 2020/21 supported by a professional team of external service partners and officers. The Committee also benefitted from the work of the Local Pensions Board providing assurance on the governance of the Fund. The challenging Covid environment endured throughout the year, required the collaborative effort of all the stakeholders, working remotely, to deliver the good results presented in this annual report. I am especially grateful to the Committee, the Board, investment advisers, actuary, fund managers, custodian and officers for their role in ensuring good and effective governance and performance of the Pension Fund during the year.

On behalf of the Committee, I would like to thank the Assistant Chief Executive (Finance) and Fund Administrator, the Pensions Manager and all the Pensions Team for their dedication, commitment and service during the year and for accomplishing the year-end statutory reporting, in what was a very difficult year – thank you all.

Councillor Doug McMurdo
Chairman of the Pension Fund Committee

SECTION 1
Management Report

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

Management & Advisers as at 31 March 2021

Administering Authority	Bedford Borough Council	www.bedford.gov.uk
Administrator	Andy Watkins, Assistant Chief Executive (Finance) and CFO	andy.watkins@bedford.gov.uk
Pension Fund Committee Members		
Bedford Borough Council	Doug McMurdo (Chair)	doug.mcmurdo@bedford.gov.uk
	Mohammed Nawaz	mohammed.nawaz@bedford.gov.uk
	David Sawyer	sawyerbedford@hotmail.com
	Jon Gambold	jonathan.gambold@btinternet.com
Central Bedfordshire Council	Richard Wenham (Deputy Chair)	richard.wenham@centralbedfordshire.gov.uk
	Ian Dalgarno	ian.dalgarno@centralbedfordshire.gov.uk
Luton Borough Council	John Young (Deputy Chair)	john.young@luton.gov.uk
Scheme Member Representative (non-voting)	Vacant	
Independent Pension Board Chairman	Gerard Moore	gfm@gerardmoore.co.uk
Independent Advisor	Elizabeth Carey	elizabeth.carey@btinternet.com
Asset Pool	Border to Coast Pensions Partnership	www.bordertocoast.org.uk
Investment Managers	Aberdeen Standard Investments	www.aberdeenstandard.com
	BlackRock Advisors	www.blackrock.com/uk
	Border to Coast Pensions Partnership	www.bordertocoast.org.uk
	CBRE Global Investors	www.cbre.co.uk
	Insight Investment Management	www.insightinvestment.com
	Invesco Perpetual	www.invesco.co.uk
	Legal & General Investment Management	www.lgim.com/uk/en
	Newton Investment Management	www.newtonim.com
	Pantheon Ventures	www.pantheon.com
	PIMCO	www.pimco.co.uk
Custodian	The Northern Trust Company	www.northerntrust.com
Investment Consultant	Matt Woodman	Matt.Woodman@hymans.co.uk
	Hymans Robertson	www.hymans.co.uk
Actuary	Melanie Durrant	Melanie.Durrant@Barnett-waddingham.co.uk
	Barnett Waddingham	www.barnett-waddingham.co.uk
External Auditor	Ernst & Young LLP	www.ey.com/uk/en/home
External Legal Advisors	Eversheds Sutherland	www.eversheds-sutherland.com
AVC Providers	Prudential	www.pru.co.uk
Bankers	National Westminster Bank	81 High St, Bedford MK40 1YN
	Goldman Sachs Asset Management International	www.global-liquidity.gs.com
	Santander UK plc	www.santander.co.uk

Legal Framework & Administration

The Scheme

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

Administering Authority

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

Role of the Pension Fund Committee

Bedford Borough Council's responsibility as the Administering Authority is undertaken via the Pension Fund Committee. The Committee consists of nominated elected members of Bedford Borough Council, Central Bedfordshire Council and Luton Borough Council. A scheme member representative, nominated by the trade unions, is invited to sit on the Committee in an observer role. An independent investment adviser also sits on the Committee in an advisory role. The Committee takes advice from Bedford Borough Council officers, principally the Assistant Chief Executive (Enabling) and the Chief Officer for Bedfordshire Pension Fund, and from external professional investment advisers, Hymans Robertson. The membership of the Pension Fund Committee at 31 March 2021 is shown on page 5.

The Committee supervises the overall arrangements for management of the Fund's assets. It appoints external fund managers to manage the Fund's assets and monitors their performance. The key principle

in the prudent management of the Fund's assets is maintaining the balance between risk and return. The Committee seeks to achieve this by ensuring that its assets are spread over a variety of different asset classes, both in the UK and overseas, and with different managers.

Fund Administrator

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

Value for Money

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

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

Changes in Legislation

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

Administration of the Scheme

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

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

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

The LGPS is required to be 'funded', i.e. it must be sufficient to sustain the future pension entitlements of both past and present employees. The scheme is financed by contributions from employees and employers and by earnings from investments. Cash which is not immediately required to pay pensions and other benefits is invested in a selection of securities, equities, property and other assets. The level of employers' contributions is re-assessed every three years following a review, or valuation, of the fund by the fund's actuary.

Corporate Governance

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

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

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

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

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

Role of the Pension Board

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

Annual Report

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

	Pension Fund Committee				Investment Panel					
	23 June	15 Sept	24 Nov	2 March	12 June	11 Sept	6 Nov	29 Jan	3 Feb	12 Feb
Councillor Doug McMurdo (Chair)	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Councillor Richard Wenham (Vice Chair)	Y	Y	N	Y	Y	Y	N	N	N	N
Councillor Jon Gambold	Y	Y	N	Y	N	Y	Y	Y	Y	Y
Councillor Mohammed Nawaz	Y	Y	Y	N	Y	N	N	N	N	Y
Councillor Ian Dalgarno	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Councillor David Sawyer	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Councillor John Young	Y	N	Y	Y	Y	Y	Y	Y	Y	Y

Pensions Administration Performance

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

	Target days to complete	Total cases outstanding 31 March 2021	Cases ready to action 31/03/2021	2020/2021 Average days to complete	2020/2021 Number of cases	2020/2021 Cases completed within target	
						Number	%
Creation of member records	10	68	23	17.1	3729	2153	58%
Payment of refunds	10	13	12	3.11	520	517	99%
Process retirement							
Normal	10	47	13	4.76	291	254	87%
Ill Health	10	10	4	3.72	36	34	94%
Flexible	10	3	1	3.63	19	17	90%
Early Retirement (Redundancy / Efficiency)	10	23	3	5.18	47	44	94%
Exit Reform	10	0	0	6.83	6	5	83%
Preserved Benefit into Payment	10	205	9	3.16	750	677	90%
Total Retirements		288	30	3.69	1,149	1,031	99%
Retirement Estimates	10	77	48	5.57	714	625	88%
Normal	20	24	13	5.72	160	156	98%
Long Term forecasts	10	2	2	6.75	48	39	81%
Ill Health	10	15	10	4.34	300	285	95%
Early Retirement (redundancy / Efficiency)	10	0	0	2.59	29	29	100%
Total Retirement Estimates		118	73	5.27	1,251	1,134	91%
Transfers In	35	41	11	8.34	188	186	99%
Transfers in LG	35	50	9	12.63	225	215	96%
Transfers Out	10	8	4	7	39	28	72%
Transfers Out LG	60	20	16	7.82	246	243	99%
Preserved Benefits	60	649	534	61.14	1,363	322	24%
Death entitlement	10	124	36	1.81	624	591	95%

Financial Performance (Administrative)

A budget for the administrative cash flows of the Pension Fund is prepared prior to the beginning of each financial year. The key elements of the 2020/2021 budget approved by the Pension Fund Committee in February 2020 are shown below together with actual performance.

Administrative cash flows	Budget	Actual	Variance
	£000	£000	£000
Contributions Received	-174,208	-206,029	-31,821
Transfer Values Received	-8,000	-9,764	-1,764
Benefits Paid	104,295	103,468	-827
Transfer Values Paid	7,480	8,433	953
Cost of Administering the fund	4,841	2,265	-2,576
Net additions from dealings with members	**-65,592**	**-101,627**	**-36,035**

Contributions are payable by participating employers on a monthly basis, due in arrears by the 7th working day of the following month. During 2020/2021, 85% of contributions were received by the due date. The cash flows shown above include the payment, and subsequent recovery, of compensatory added years benefits which are excluded from the statement of accounts.

During 2020/2021 the average employee contribution rate as a percentage of pensionable pay was 6.4%. The average employer contribution rate was 38%. The Fund has not exercised any interest levy on late contributions.

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

The Pension Fund Committee formally agreed a budget for 2020/2021 at its meeting on 26 February 2020. The Committee receives regular reports on progress against the budget during the year.

National Fraud Initiative

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

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

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

Following the NFI 2020 bi-annual data matching exercise, there were no cases where a pension had continued to be paid following the member’s death.

Bedfordshire Pension Fund Budget Monitoring 2020/2021

	2020/2021 Current Budget	2020/2021 Outturn	2020/2021 Variance
	£000	£000	£000
Investment Management Fees			
Investment Management - Basic Fees	4,856	5,620	764
Investment Management - Underlying Property Fees	2,110	1,195	-915
Investment Management - Performance	150	0	-150
Total Investment Management Fees	**7,116**	**6,815**	**-301**
Oversight & Governance			
LGPS Pooling Costs	425	433	8
Professional Fees	407	246	-161
In-house Pension Team	162	245	83
Training	25	6	-19
Other Expenses	61	21	-40
Total Oversight & Governance	**1,080**	**951**	**-129**
Administration			
Running Expenses	141	129	-12
Technology	274	405	131
Fund Administration - BBC Recharge	1,182	978	-204
Total Administration	**1,597**	**1,512**	**-85**
Total Management Expenses	**9,793**	**9,278**	**-515**

Benchmarking

The Fund benchmarks its administrative costs against the SF3 data collected annually by the Office of National Statistics. The most recent data is that for the financial year 2019/2020 and is summarised in the following table:

Cost per Scheme Member (£)	2019/2020		2018/2019	
	Bed PF	All LGPS	Bed PF	All LGPS
Investment management: base fee	88.63		84.35	
Performance fee	0.00		0.00	
Investment advice/ support:	13.16		13.33	
Total Investment Costs	101.79	221.86	97.68	199.97
Administration	19.42	23.44	17.76	22.20

Staffing Levels

Administration staff as reported in the SF3 data for 2019/2020 was 25 Full Time Equivalents (FTE's) with 25 FTE's being reported for 2020/2021 when the data collection exercise is available. The table below show the number of members to FTE equivalent for the last three years.

Year	2020/2021	2019/2020	2018/2019
Total Membership	73,779	72,105	70,729
FTE's	25	25	25
Membership to FTE's	2,951	2,884	2,829

Communications

The Pension Fund is committed to establishing and maintaining effective communications with its members and other interested parties. The Fund has a Communications Policy statement formalising the processes by which this will be achieved. This policy statement is available on the Fund's website at www.bedspensionfund.org and is reproduced in full on page 99.

Information Technology

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

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

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

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

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

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

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

Equality and Diversity

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

Training – CIPFA Pensions Finance Knowledge & Skills Framework

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

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

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

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

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

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

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

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

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

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

Based on the plan, the following training has been provided during the year. The table shows the training attended by officers and Committee members the Fund in 2020/2021.

Bedfordshire Pension Fund – 2020/2021 training plan review

The table below shows the key training received by officers and Members in 2020/2021. Compulsory events (unshaded) are for Members who have served less than two years on the Committee. Optional events are shaded.

Event	Length & timing of Training	Legislative & Governance	Accounting & Audit	Procurement & Relationships	Investment & Risk	Financial Markets	Actuarial	Attended
Local Event led by Investment Consultant/ investment managers	½ day Tied into Panel Training 12 June 2020, 11 Sept 2020 06 & 17 Nov 2020 29 Jan & 3 Feb 2021	X	X	X	X	X		12 June 2020 6 members/ 4 officers 11 Sept 2020 6 members/3 officers 6 & 17 Nov 2020 7 members/ 3 officers 29 Jan & 3 Feb 2021 5 members/ 3 officers
Local Government Association (LGA) Trustee training	3 days	X	X	X	X	X	X	3 Board /4 Members Total to date 11 Members/ 4 officers 1 Observer/ 11 Board
CIPFA LGPS Actuarial Summit	1days 9 Feb 2021	X	X		X		X	1 members
BCPP Virtual Annual Conference	1 days 2 Oct 2020	X		X	X	X		2 Members/1 Board 4 Officers/
LGPS Pensions Manager Conference	2 days 17/18 Nov 2020	X					X	1 Officer
CIPFA – Pensions Network Conference	16 Nov 2020	X		X	X	X		1 Member
LAPF Strategic Investment Forum	1 days 4 Feb 2021				X	X		1 Member

Many of the standard conferences were cancelled or transferred to a shorter virtual format during the year. There were increased opportunities for shorter virtual training sessions. Members and officers attended a number of virtual events including Impact of Covid on LGPS and a series of lectures titled LGPS Live on issues within LGPS during the pandemic. Officers also attended a Fundamentals short form training. Officers and members accessed a webinar from the Local Government Association with an update on LGPS. Officers also accessed webinars on Climate change, Economic Update, Responsible Investment, Keeping the LGPS connected and preparing the Pension Fund Accounts. Members also accessed webinars on LGPS in conversation and the search for Income, an Overview of the LGPS, Investment and Asset Backed Securities, Local Authority Investment issues, Climate & TCFD and Inflation issues.

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

Risk

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

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

There are a number of ways in which these risks may be mitigated and these are detailed in the formal risk register which can be found on the Pension Fund website at www.bedspensionfund.org. In general, there is reliance on the governance requirements such as the Funding Strategy Statement (page 88, see Appendix C – Key risks and controls. and the Investment Strategy Statement (page 59), see section 2.5, the approach to risk, including the ways in which risks are measured and managed. The risk register is reviewed by the Pension Fund Committee and Local Pension Board at each meeting.

The Pension Fund receives assurance from an internal audit programme that covers areas such as pensioner payroll, administration, investments, contributions receivable and governance to ensure the effectiveness of internal controls. In 2020/2021 the Fund received full or substantial assurance in all areas.

Investment managers and custodian also provide reports detailing their internal controls in line with the AAF01/06 (Audit and Assurance Faculty of the Institute of Chartered Accountants in England and Wales release 01/06), SAS (Statement on Auditing Standards) 70, International Standard on Assurance Engagement no. 3402 and SSAE 16 (U.S. Statement on Standards for Attestation Engagements No. 16). In 2020/2021, each report was reviewed and the conclusion was that the control procedures described were suitably designed and operated with sufficient effectiveness to provide reasonable assurance during the period under review.

Contributions and Benefits

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

Contributions

Under the LGPS regulations, triennial actuarial valuations of the Pension Fund must be undertaken to establish the annual contributions to be made by the employing bodies. The valuation which determined the employer contribution rates for 2020/2021 was carried out as at 31 March 2019. The employer contribution rates resulting from this valuation were implemented from 1 April 2020 (see also Actuarial Statement on page 66).

Employers make a contribution to the Fund at a common (or primary) contribution rate, calculated as a percentage of employees' pensionable pay. The Actuary determines the common rate of contribution

at the time of valuation, having regard to any statutory requirements in force at the time. A secondary employer's contribution rate is calculated for each employing body to reflect their particular individual circumstances.

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

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

Pension Benefits

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

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

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

Pension Increases

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

LGPS 2014 reforms

The table below summaries the LGPS 2014 reforms

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

Membership

During 2020/2021 the number of pensioners increased from 18,160 at 31 March 2020 to 18,929 at 31 March 2021; the number of contributors within the fund increased from 22,493 to 22,849.

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

2020	Active Membership by Employer as at 31 March	2021
5,200	Luton Borough Council	5,050
4,966	Central Bedfordshire Council	5,088
3,159	Bedford Borough Council	3,185
5,290	Academies	5,550
1,007	Chief Constable and Police and Crime Commisioner for Bedfordshire	1,097
791	University of Bedfordshire	766
423	Cranfield University	442
1,657	Other Bodies	1,671
22,493	**Total**	**22,849**

Participating Employers

Five Year Membership Summary as at 31 March					
	2021	2020	2019	2018	2017
Active members	22,849	22,493	22,404	22,275	21,140
Pensioners	18,929	18,160	17,435	16,436	15,538
Deferred Pensioners	32,001	31,452	30,890	30,160	29,456
Total	**73,779**	**72,105**	**70,729**	**68,871**	**66,134**

The following are the employers participating in the Bedfordshire Pension Fund as at 31 March 2021. The contribution rates shown are the percentage of the employees' pensionable pay that each employer paid into the Fund during 2020/2021. Common contribution rate is set at a level so as to bring the Fund to 100% funding over a period of seventeen years. However, some employers have opted to fund the deficit by making additional annual monetary payments and hence have a lower contribution rate. The additional payments in 2020/2021 are included in the table below.

Scheduled Bodies:	Contribution Rate %	Additional payments £000
Academy Of Central Bedfordshire	17.8%	
Active Education Academy Trust	16.5%	
Advantage MAT - Bedford Free School	20.0%	
Advantage MAT – Elstow	37.8%	
Alameda Academy	24.7%	
Aley Green Parish Council	24.8%	
All Saints Academy (Dunstable)	19.2%	
All Saints Lower (Post 01/10/2013) (Clifton)	20.3%	
Ampthill Town Council	24.8%	
Arlesey Town Council	24.8%	
Aspley Guise Parish Council	24.8%	
B.C.A.T Wixams Academy	22.8%	
B.C.A.T Wixams Tree Primary	22.8%	
B.I.L.T.T - Grange (formerly Grange Academy)	20.4%	
B.I.L.T.T – Greys	20.4%	
B.I.L.T.T – St Johns	20.4%	
Bedford Borough Council	17.6%	8,206
Bedford College	18.9%	
Bedfordshire & River Ivel Drainage Board	24.8%	
Bedfordshire Fire And Rescue Service	20.5%	255
Beecroft Academy	19.8%	
Biddenham Parish Council	24.8%	
Biggleswade Academy Trust	19.4%	
Biggleswade Town Council	24.8%	
Blunham Parish Council	24.8%	
Bolnhurst Parish Council	24.8%	
Brickhill Parish Council	24.8%	
Bromham Parish Council	24.8%	
Brooklands Middle School	21.3%	
Caddington Parish Council	24.8%	
Campton and Chicksands Parish Council	24.8%	
Campton Academy	22.8%	
Central Bedfordshire College	18.7%	26
Central Bedfordshire Council	17.7%	6,482
Chief Constable	17.7%	733
Chiltern Learning - Ardley Hill	27.5%	
Chiltern Learning - Cedars	27.5%	
Chiltern Learning - Challney Girls	27.5%	
Chiltern Learning - Chiltern Academy	27.5%	
Chiltern Learning - Lark Rise	27.5%	
Chiltern Learning - Linslade	27.5%	
Chiltern Learning - Marston Vale	27.5%	
Chiltern Learning – Putteridge	27.5%	
Chiltern Learning Trust	27.5%	
CMAT – Daubeney	25.1%	
CMAT – Kempston Challenger Academy	23.0%	
CMAT – Lancot	23.4%	
CMAT – Springfield	26.6%	

Scheduled Bodies:	Contribution Rate %	Additional payments £000
Cranfield Church of England Academy	19.2%	
D.S.A.M.A.T - Caldecote	27.2%	
D.S.A.M.A.T - Kensworth	27.2%	
D.S.A.M.A.T - Manshead	27.2%	
D.S.A.M.A.T - Ravensden	27.2%	
D.S.A.M.A.T - Roxton	27.2%	
D.S.A.M.A.T - Studham	27.2%	
D.S.A.M.A.T - Thomas Whitehead	27.2%	
D.S.A.M.A.T - Totternhoe	27.2%	
Dunstable Town Council	24.8%	
Dunton Parish Council	24.8%	
Eaton Bray Academy	21.8%	
Etonbury Academy	22.8%	
Eversholt Lower	26.2%	
Everton Heath Primary	27.0%	
Farley Junior Academy	32.1%	
Ferrars Academy	19.8%	
Flitwick Town Council	24.8%	
Fullbrook Academy	22.8%	
Gilbert Inglefield Academy	21.1%	
Goldington Academy	27.1%	
Goldington Green Academy	20.4%	
Gothic Mede Lower Academy	22.8%	
Gravenhurst Academy	22.8%	
Great Barford Parish Council	24.8%	
Greenfield & Pulloxhill Academy	20.9%	
Hadrian Academy	20.6%	
Harlington And Sundon Academy Trust	28.1%	
Harlington Parish Council	24.8%	
Haynes Parish Council	24.8%	
HEART Acadamies - Cauldwell	24.3%	
HEART Acadamies - Shackleton	24.3%	
HEART Acadamies - Shortstown	24.3%	
HEART Academies Trust (formerly Bedford Academy)	24.3%	
Henlow Church Of England Academy	22.8%	
Holywell Academy	21.9%	
Houghton Conquest Parish Council	24.8%	
Houghton Regis Academy	25.5%	
Houghton Regis Town Council	24.8%	
Icknield Academy	21.3%	
Kempston Burial Joint Board	24.8%	
Kempston Rural Parish Council	24.8%	
Kempston Town Council	24.8%	
Kensworth Parish Council	24.8%	
Langford Lower Academy	22.8%	
Lawnside Academy	22.8%	
Leighton Linslade Town Council	24.8%	
Luton Borough Council	19.4%	9,497
Luton Sixth Form College	20.6%	40
Mark Rutherford School Trust	20.5%	
Marston Moretaine Parish Council	24.8%	
Maulden Parish Council	24.8%	
Meppershall Lower Academy School	26.0%	
Northill Parish Council	24.8%	
Oak Bank Special School Academy *	17.3%	

Scheduled Bodies:	Contribution Rate %	Additional payments £000
Oakley Parish Council	24.8%	
Pioneer Ltrust - Chantry	20.0%	
Pioneer Ltrust - Southfield	24.0%	
Pioneer Ltrust - Whitefield	26.5%	
Pix Brook Academy	22.8%	
Police and Crime Commissioner	17.7%	
Potton Town Council	24.8%	
Putnoe Academy	20.9%	
Pyramid School Trust - Arnold	21.6%	
Pyramid School Trust - Harlington	23.1%	
Pyramid School Trust - Parkfields	31.6%	
Pyramid School Trust - Ramsey Manor	31.4%	
Pyramid School Trust - Westoning	30.8%	
Queens Park Academy	22.2%	
Queensbury Academy	25.7%	
Raynsford Church Of England Academy	23.3%	
Redborne Academy	25.8%	
Robert Bloomfield Academy	22.8%	
S.A.C.A.T – Cardinal Newman	25.2%	
S.A.C.A.T – St Margaret Of Scotland	25.2%	
S.A.C.A.T – St Martin De Porres	25.2%	
S.A.C.A.T - St Marys Caddington	25.2%	
S.A.C.A.T - St Vincents	25.2%	
Samuel Whitbread Academy	22.8%	
Sandy Town Council	24.8%	
Scholars' Education Trust - Priory	28.1%	
Shared Learning Trust	20.3%	
Sharnbrook Academy Federation	27.4%	
Sharnbrook Parish Council	24.8%	
Sharnbrook Primary (formerly John Gibbard Academy)	21.0%	
Shefford Town Council	24.8%	
Shortstown Parish Council	24.8%	
St Augustine's Academy	22.3%	
St Christopher's Academy	22.8%	
St Francis Of Assisi Academies Trust	22.0%	
St Mary's School (Stotfold)	23.6%	
Stanbridge Parish Council	24.8%	
Staploe Parish Council	24.8%	
Stotfold Town Council	24.8%	
Stratton Education Trust	25.0%	
Tennyson Road Primary School	25.7%	
The Firs Academy	23.3%	
The Hills Academy	22.3%	
The Rushmere Park Academy	20.3%	
Toddington Parish Council	24.8%	
Toddington St George Church Of England School	23.8%	
Turvey Parish Council	24.8%	
UNITY CofE MAT - Great Barford	30.0%	
University of Bedfordshire	17.8%	744
Ursula Taylor Academy	19.6%	
Vandyke Upper School	23.4%	
Weatherfield Academy	21.2%	
Whipperley Infant Academy	21.9%	
Woodland Academy	21.0%	
Wootton Academy Trust	20.0%	
Wootton Parish Council	24.8%	

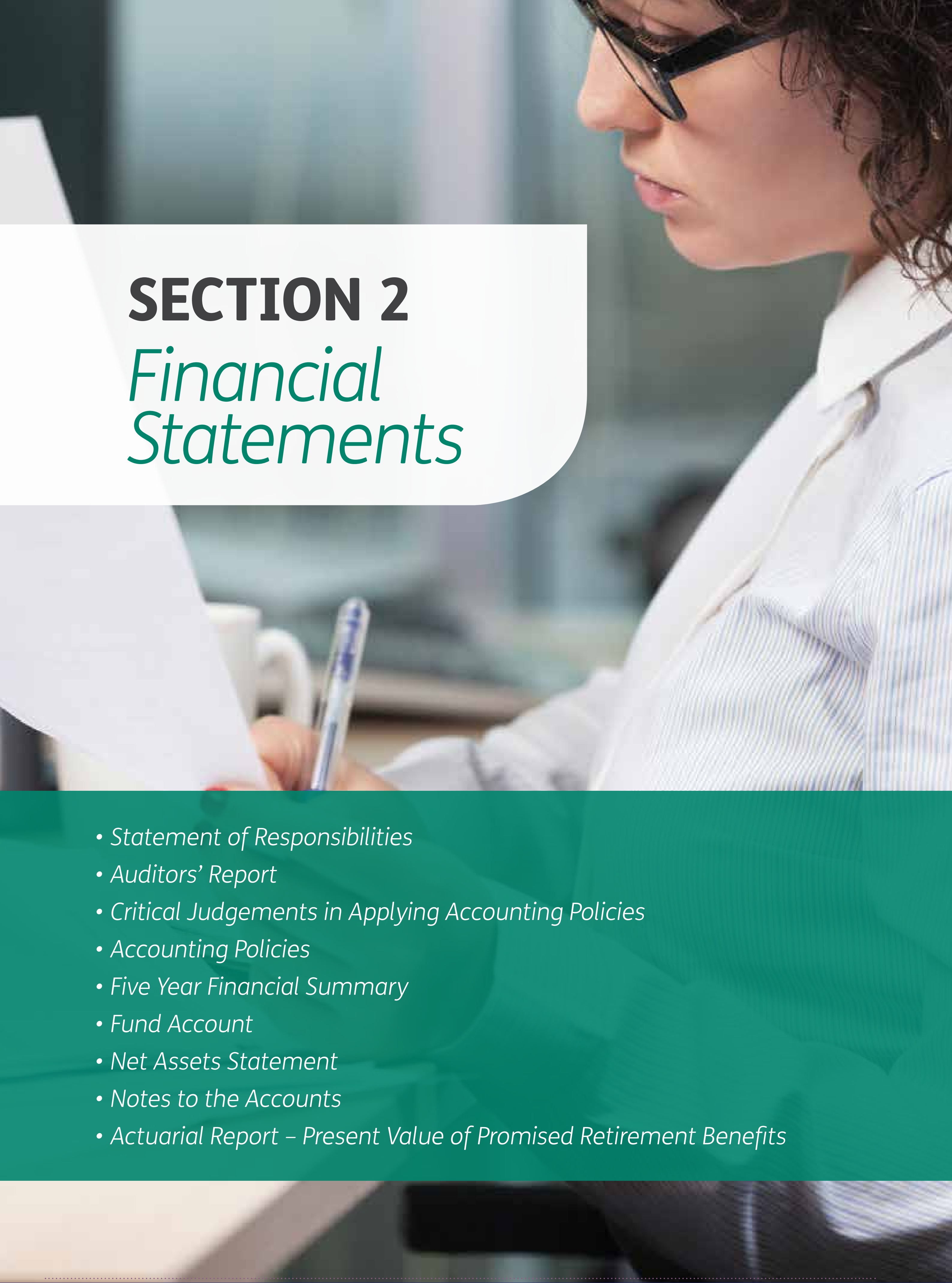
Admitted Bodies:	Contribution Rate %	Additional payments £000
ABM Catering Ltd	25.9%	
ABM Catering Ltd (Bushmead)	22.9%	
ABM Catering Ltd (STCAT)	24.9%	
ABM Catering Ltd (Surrey Street)	22.2%	
ABM Catering Ltd (The Meads)	24.3%	
Active Luton Trust	20.3%	
Active Luton Trust (Library Service)	21.3%	
Aragon Housing Association	23.2%	164
Aramark Ltd	21.1%	
Aspens Services (Hillborough)	21.8%	
Aspens Services (Leagrave)	21.6%	
Aspens Services (Someries)	16.9%	
Aspens Services (Warden Hill)	24.8%	
Atlas Cleaning (Luton VI Form College)	25.2%	
BPHA	22.1%	556
Caterlink (Chiltern Learning Trust)	25.0%	
Churchill (Chalk Hill)	24.6%	
Churchill (Luton Culture Property)	31.8%	
Civica UK Limited	10.0%	
Compass (Shared Learning Trust)	25.8%	
Compass (Sharnbrook Academy)	16.6%	
Cranfield University	19.6%	1,529
Creative Support	15.8%	
Edwards & Blake Ltd (SACAT)	24.2%	
ELFT Bedfordshire - East London NHS Foundation Trust Bedfordshire	13.8%	
ELFT Luton - East London NHS Foundation Trust Luton	15.1%	
Enterprise Support Services UK	25.1%	
FCC Environment Services	22.2%	
Fusion Lifestyle	24.1%	
Grand Union Housing	23.2%	
Herts Catering Ltd (Everton Heath)	12.8%	
Herts Catering Ltd (Ferrars)	22.9%	
Herts Catering Ltd (Queensbury)	31.9%	
LGSS Law Ltd	21.0%	
The Culture Trust Luton	12.2%	
Mitie	21.8%	
Mountain Healthcare	23.3%	
Multi Active Holiday Courses	19.3%	
Ridge Crest Cleaning (M&D)	23.1%	
Ridge Crest Cleaning (Putter)	27.2%	
Ridge Crest Cleaning (SAF)	27.9%	
Ringway Jacobs	16.5%	
Schools Catering Support (Relish)	18.8%	
St. Francis Children's Society	23.1%	22
Stevenage Leisure Ltd	10.0%	
Stevenage Leisure Ltd (dunst,grv,tid)	26.6%	
Taylor Shaw (Etonbury)	21.6%	
XMA Limited	20.3%	

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

	Active	Ceased
Scheduled Body	158	7
Admitted Body	48	0
Administering Authority	1	0
Total	**207**	**7**

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

	2020/2021	2019/2020	2018/2019	2017/2018	2016/2017
Scheduled Body	159	150	152	147	127
Admitted Body	48	28	23	24	22
Total	**207**	**178**	**175**	**171**	**149**



SECTION 2

Financial Statements

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

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

:d.

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

Opinion

We have examined the pension fund financial statements for the year ended 31 March 2021, which comprise the Fund Account, the Net Assets Statement and the related notes.

In our opinion, the pension fund financial statements are consistent with the full annual statement of accounts of Bedford Borough Council for the year ended 31 March 2021 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

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

As explained more fully in the Statement of the Responsibilities for the Statement of Accounts, the Assistant Chief Executive (Enabling Services) & Chief Finance Officer is responsible for the preparation of the pension fund's financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the pension fund financial statements in the statement of accounts of Bedford Borough Council, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

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

- Foreword
- Management Report
- Investment Report
- Pooling
- Communications Policy Statement
- Pensions Administration Strategy
- Bedfordshire Local Pension Board Annual Report

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

Debbie Hanson
Ernst + Young LLP

Debbie Hanson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Luton
16 December 2021

Bedfordshire Pension Fund 2020/2021

Fund Account for the Year Ended 31 March 2021

2019/2020		2020/2021	See
£000		£000	Note
	Contributions and Benefits		
137,810	Contributions	193,603	7
11,365	Transfers in from other pension funds	9,765	8
23	Other Income	1	
149,198		**203,369**	
-99,628	Benefits	-103,136	9
-6,464	Payments to and on account of leavers	-9,153	10
43,106	**Net additions/(withdrawals) from dealings with members**	**91,080**	
-8,740	Management Expenses	-9,278	11
34,366	**Net additions/(withdrawals) including Management Expenses Returns on Investments**	**81,801**	
12,457	Investment income	10,833	12
-1	Taxes on income	0	
-136,458	Profit and losses on disposal of investments and changes in value of investments	454,619	13a
-124,002	**Net return on investments**	**465,452**	
-89,636	Net increase/(decrease) in the fund during the year	547,253	
2,299,040	Opening Net Assets of the Fund	2,209,404	
2,209,404	**Closing Net Assets of the Fund**	**2,756,657**	

Net Assets Statement for the Year Ended 31 March 2021

31 March 2020		31 March 2021	See
£000		£000	Note
833	Long Term Investment Assets	1,182	13.1
833	**Total Long Term Investment Assets**	**1,182**	
2,116,541	Investment Assets	2,692,256	13.2
0	Investment Liabilities	0	13.3
2,116,541	**Total Net Current Investments**	**2,692,256**	
2,117,374	**Total Net Investments**	**2,693,438**	
0	Long Term Assets	0	18
94,722	Current Assets	65,375	19
-2,692	Current Liabilities	-2,156	20
2,209,404	**Net assets of the fund available to fund benefits at the end of the Reporting Period**	**2,756,657**	

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

Notes to the Accounts

1. Description of the Pension Fund

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

The following description of the Fund is a summary only. For more detail, reference should be made to the Bedfordshire Pension Fund Annual Report & Accounts 2020/2021 and the underlying statutory powers underpinning the scheme, namely the Superannuation Act 1972 and the Local Government Pension Scheme (LGPS) Regulations.

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

- The LGPS (Administration) Regulations 2013 (as amended)
- The LGPS (Management and Investment of Funds) Regulations 2016 (as amended)
- The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)

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

Membership of the Fund

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

Organisations participating in the Fund include:

- Scheduled bodies - local authorities and similar bodies whose staff are automatically entitled to be members of the Fund;
- Admitted bodies - other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

As at 31 March 2021, the total number of employees (i.e. from Councils within Bedfordshire and the other scheduled and admitted bodies) contributing to the Fund was 22,849 (22,493 at 31 March 2020), the number of pensioners was 18,929 (18,160) and the number of deferred pensioners was 32,001 (31,452).

A full list of participating bodies as at 31 March 2021 is included in the Bedfordshire Pension Fund Annual Report. Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside of the scheme.

Core Benefits of the Scheme

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

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

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

NB scheme members must have a minimum of two years' membership to qualify for a pension. Full details of the contributions payable by employees and benefits receivable can be found in the Fund's scheme handbook "Guides to the Local Government Pension Scheme", available from Borough Hall and available in full or in summary on the Fund's website.

https://www.bedspensionfund.org/Active_members/guides_to_the_lgps.aspx

2. Basis of Preparation

The accounts are compliant with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/2021 (the Code), which is based on International Financial Reporting Standards (IFRS) as amended for the UK public sector. The accounts of the Pension Fund have also been prepared to meet the requirements of the Local Government Pension Scheme (Administration) Regulations 2013 and in accordance with the Statement of Recommended Practice on Financial Reports of Pension Schemes.

The accounts summarise the transactions and net assets of the Fund and do not take account of liabilities to pay pensions and other benefits in the future. They should therefore be read in conjunction with the actuarial reports which take account of such liabilities.

The Administering Authority has carried out an assessment and is satisfied that Bedfordshire Pension Fund is a going concern. The Fund value at 31 March 2021 stood at £2.75 billion, an increase of £0.55 billion since 31 March 2020, regaining the losses reported at the last accounting date, as a result of the write down arising from the pandemic.

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

The Fund remains cashflow positive in 2021/2022 despite the significant level of prepayments made in the previous year. Cash held at the Balance Sheet date stood at £54.4 million, equivalent to 2% of the Fund Assets. In addition, the Fund does not have any external borrowing and held £2.6 billion in Level 1 and Level 2 investment assets which could be realised within 3 months if required. Therefore, the fund is satisfied it has sufficient resources to meet its obligations to pay pensions throughout the going concern period which is at least 12 months from the date of authorisation of these accounts. For this reason, alongside the statutory guidance, these financial statements have been prepared on a going concern basis.

New Accounting Standards

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

As per the code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code), there are no new Accounting Standards in the 2020/21 financial year.

3. Significant Accounting Policies

Contribution Income

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

Benefits Payable

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

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

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

Refunds of Contributions

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

Transfer Values

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

Management Expenses

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

Administrative Expenses

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

Oversight and Governance Costs

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

Investment Management Expenses

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

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

Where an investment manager's fee note has not been received by 31 March 2021, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the Fund account.

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

Investments

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

(i) Quoted securities are valued by reference to market bid price at the close of business on 31 March 2021.

(ii) Traded futures are valued by reference to their exchange prices as at 31 March 2021.

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

(iv) Unit trust and managed fund investments are valued by reference to the latest bid prices quoted by their respective managers prior to 31 March 2021. If bid prices are unavailable, mid prices or net asset value will be used.

(v) Assets, including investments, denominated in foreign currencies are valued on the relevant basis and translated into sterling at the rate ruling on 31 March 2021. Exchange gains and losses arising from movements in current assets and liabilities are included in the Fund account for the year.

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

Investment Income

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

ii) Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

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

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

Acquisition Costs of Investments

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

Additional Voluntary Contribution (AVC) Investments

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

Taxation

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

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

The Fund is exempt from United States withholding tax.

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

New Accounting Standards

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

There were no new accounting standards introduced in 2020/2021 affecting the Pension Fund.

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

The Fund is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that been issued, but is not yet required to be adopted by the Pension Fund.

There are no such disclosures.

Events after the reporting date

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

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

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

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

4. Critical Judgements in Applying Accounting Policies

Pension Fund Liability

The Pension Fund liability is calculated every three years by the Fund Actuary in line with the regulations, with annual updates in the intervening years. The methodology used is in accordance with International Accounting Standard (IAS) 19. Assumptions underpinning the valuations are agreed between the Fund and the Actuary and are summarised in the Actuarial Report on page 29. This estimate is subject to significant variances based on changes to the underlying assumptions.

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

Unquoted Investments

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

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

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

The items in the net asset statement at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming year are as follows:

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

6. Events after the Reporting Date

As at the 30 September 2021 the Fund value stood at £2.92 billion, an increase of £0.17 billion since the 31 March 2021; this is a non-adjusting event.

7. Contributions Receivable

2019/2020	Contributions	2020/2021
£000		**£000**
26,831	Employees' normal contributions	28,030
231	Employees' additional voluntary contributions	255
76,905	Employers' normal contributions	83,894
32,214	Employers' deficit funding	79,592
1,629	Employers' augmentation contributions	1,832
137,810		**193,603**
21,761	Administering authority	40,239
104,254	Scheduled bodies	144,300
11,795	Admitted and other bodies	9,064
137,810		**193,603**

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

8. Transfers In From Other Pension Funds

2019/2020		2020/2021
£000	**Transfers in from other pension funds**	**£000**
0	Transfers in from other pension funds - bulk	0
11,365	Individual transfers from other pension funds	9,765
11,365		**9,765**

There were no bulk transfers into the Fund in 2020/2021.

9. Benefits Payable

2019/2020		2019/2020
£000	**Benefits**	**£000**
81,388	Pensions	84,491
16,165	Commutations of pensions and lump sum retirement benefits	15,708
2,075	Lump sum death benefits	2,937
99,628		**103,136**
	Further analysed as:	
13,442	Administering authority	13,611
76,410	Scheduled bodies	79,513
9,776	Admitted and other bodies	10,012
99,628		**103,136**

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

10. Payments To and On Account of Leavers

2019/2020		2020/2021
£000	Payments to and on account of leavers	£000
553	Refunds of contributions	288
0	Transfers to other schemes – bulk	0
5,580	Transfers to other schemes – individuals	8,360
331	Annual Allowance - Tax Charge	340
0	Lifetime Allowance - Tax Charge	165
6,464		**9,153**

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

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

11. Management Expenses

2019/2020		2020/2021
£000	Management Expenses	£000
1,400	Administrative Costs	1,502
6,391	Investment Management Expenses	6,815
949	Oversight and Governance Costs	961
8,740		**9,278**

The external audit fees paid in 2020/2021 was £0.030 million and £0.026 million in 2019/2020.

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

2019/2020		2020/2021
£000	Investment Management Expenses	£000
0	Transaction Costs	0
4,288	Management Fees	5,094
0	Performance Related Fees	4
2,053	Underlying Property Fees	1,617
50	Custody Fees	100
6,391		**6,815**

12. Investment Income

2019/2020		2020/2021
£000	Investment Income	£000
0	Dividends from equities	0
11,433	Income from pooled investment vehicles	10,497
1,024	Interest on cash deposits	336
12,457	**Total Investment Income**	**10,833**

13. Investments

2019/2020		2020/2021	
£000	**Investments**	**£000**	**Note**
	Long Term Investments		
833	Pool Share Capital	1,182	13.1
833	**Total Long Term Investments Equities**	**1,182**	
0	UK quoted equities	0	
0	Overseas quoted equities	**0**	
0	**Total Equities**	**0**	**13.2**
	Managed and Unitised Funds		
1,193,129	UK insurance managed funds	1,465,132	
204,846	UK property unit trusts	194,969	
517,987	Overseas unit trusts	595,303	
116,223	Global Equity Funds	200,863	
0	Multi Asset Credit	120,863	
28,737	Private Equity	28,797	
35,871	Infrastructure	53,838	
0	Private Credit	3,166	
2,096,793	**Total Managed and Unitised Funds**	**2,662,931**	**13.2**
	Cash Deposits & Other Investment Assets		
0	Amount receivable for sales of investments	632	
40	Investment income outstanding	33	
40	**Other Investment Assets**	665	
19,708	Cash deposits	28,660	
19,748	**Total Cash and Other Investment Assets**	**29,325**	13.2
	Investment Liabilities		
0	Other liabilities	**0**	
0	**Total Other Liabilities**	**0**	**13.3**
2,117,374	**Total**	**2,693,438**	

13a Value of Investments					
2020/2021	**Market Value at 31 March 2020**	**Purchases at cost & derivative payments**	**Sale proceeds & derivative receipts**	**Change in Market Value**	**Market Value at 31 March 2021**
	£000	**£000**	**£000**	**£000**	**£000**
Long Term Investments					
Pool Share Capital	833	349	0	0	1,182
Equities					
UK	0	0	0	0	0
Overseas	0	0	0	0	0
	0	**0**	**0**	**0**	**0**
Managed Funds	**1,309,352**	**146,320**	**-55,596**	**389,948**	**1,790,024**
Unit Trusts					
Property	204,844	1,657	-6,672	-4,860	194,969
Other	582,596	34,639	-8,828	69,531	677,938
	787,440	**36,296**	**-15,500**	**64,671**	**872,907**
Other Assets	**0**	**0**	**0**	**0**	**0**
Total	**2,097,625**	**182,965**	**-71,096**	**454,619**	**2,664,113**
Cash	19,708				29,292
Currency Movements	41				33
	19,749				**29,325**
Total	**2,117,374**				**2,693,438**

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

13.c Investments Analysed by Fund Manager				
2019/2020		Fund Manager	2020/2021	
£ million	%		£ million	%
356,357	16.13%	Legal & General - Global Equities	507,601	18.46%
322,969	14.62%	Blackrock - Equities	448,228	16.26%
215,195	9.74%	CBRE - Indirect Property	203,991	7.40%
162,512	7.36%	Legal & General - UK Equities	215,308	7.81%
186,115	8.42%	Insight - Absolute Return Bonds	200,535	7.27%
195,065	8.83%	Blackrock -Gilts inc. Index Linked	193,635	7.02%
150,116	6.80%	Pyrford-Absolute Return Multi-Asset	163,386	5.93%
156,225	7.07%	Invesco - Absolute Return Multi Asset	100,360	3.64%
119,866	5.43%	Newton - Absolute Return Multi Asset	143,049	5.19%
61,890	2.80%	Blackrock - Emerging Markets Equities	88,333	3.20%
30,775	1.39%	Aberdeen Standard - Private Equity	32,441	1.18%
21,840	0.99%	Pantheon - Real Assets	21,431	0.78%
0	0.00%	Pimco – Diversified Income Fund	120,863	4.38%
116,223	5.26%	BCPP Global Equity Alpha	200,863	7.29%
14,031	0.64%	BCPP Infrastructure	35,276	1.28%
0	0.00%	BCPP Private Credit	3,277	0.12%
833	0.04%	Pool Share Capital - Equities	1,182	0.04%
2,109,501	**95.49%**	**Net Assets Managed by External Bodies**	**2,679,759**	**97.21%**
99,391	4.50%	Net Assets Managed by the Administering Authority	76,898	2.79%
2,209,404	**100.00%**	**Total Assets**	**2,756,657**	**100.00%**

13.d Investments exceeding 5% of net assets (excluding UK Government Securities)				
2019/2020	% of Total	Managed and Unitised Investment	2020/2021	% of Total
£000	Market Value		£000	Market Value
518,869	23.49%	Legal & General	545,465	20.26%
579,924	26.25%	Blackrock Advisers	730,196	27.12%
186,115	8.42%	Insight	200,535	7.45%
150,116	6.80%	Pyrford	163,386	6.07%
156,225	7.07%	Invesco	100,360	3.73%
119,866	5.43%	Newton	143,049	5.31%
116,223	5.26%	Border to Coast Pensions Partnership	239,417	8.89%

14. Fair Value – Basis of Valuation

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

Asset Type	Level	Valuation Basis	Observable and Unobservable Inputs	Key Sensitivities
Market quoted Investments	1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Cash balances, money market funds and investment income due but not yet paid	1	Expected maturity date of less than two months, therefore, Fair Value is the carrying value of these assets and liabilities	Not required	Not required
Non-investment current assets and current liabilities (carried at amortised cost)	1	Short-term transactions and high degree of certainty of settlement value. Fair Value is carrying value at the year-end date	Not required	Not required
Pooled investments - overseas unit trusts	2	Closing bid price where bid and offer prices are published.	NAV - based principal set on a forward pricing basis	Not required
Pooled investments - property funds quoted	2	Closing bid price where bid and offer prices are published.	NAV - based principal set on a forward pricing basis	Not required
Pooled investments - property funds unquoted	3	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV - based principal set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts
Private Equity	3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	EBITDA multiple revenue multiple discount for lack of marketability control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts

Sensitivity of Assets Valued at Level 3

Based on an analysis of historical data, current market trends, information supplied by the investment managers and the Pension Fund policy documents, the Fund has determined that the valuation methods described below are likely to be accurate to within the following range, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2021.

14a. Level 3 Assets	Valuation Range +/-	Value at 31 March 2021 £000	Valuation Increase £000	Valuation Decrease £000
Property	10	99,369	109,306	89,432
Private Equity	15	28,797	33,116	24,477
Infrastructure	15	53,838	61,914	45,762
Private Credit	15	3,166	3,641	2,691

Fair Value Hierarchy

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

Level 1

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

Level 2

Assets and liabilities at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value.

Level 3

Assets and liabilities at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

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

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

Table 14.b Analysis of Asset Levels				
	31 March 2021			
	Quoted Market Price	Using Observable Inputs	With significant unobservable inputs	
	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Financial Assets				
Financial Assets at Fair Value through profit and loss	0	2,478,393	185,720	2,664,113
Financial Assets at amortised cost	85,347			85,347
Total Financial Assets	**85,347**	**2,478,393**	**185,720**	**2,749,460**
Financial Liabilities				
Financial liabilities at fair value through profit and loss	0			0
Financial liabilities at amortised cost	-2,156			-2,156
Total financial liabilities	**-2,156**	**0**	**0**	**-2,156**
Net financial assets	**83,191**	**2,478,393**	**185,720**	**2,747,305**
	31 March 2020			
	Quoted Market Price	Using Observable Inputs	With significant unobservable inputs	
	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Financial Assets				
Financial Assets at Fair Value through profit and loss		1,924,872	171,919	2,096,791
Financial Assets at amortised cost	105,968			105,968
Total Financial Assets	**105,968**	**1,924,872**	**171,919**	**2,202,760**
Financial Liabilities				
Financial liabilities at fair value through profit and loss	-11			-11
Financial liabilities at amortised cost	-2,680			-2,680
Total financial liabilities	**-2,691**	**0**	**0**	**-2,691**
Net financial assets	**103,277**	**1,924,872**	**171,919**	**2,200,069**

The following assets have been carried at cost (£833,000 in 2019/20):

Table 14.c Share Capital				
Values at 31 March 2021	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Share Capital in Border to Coast Pool	0	0	1,182	1,182
Investments held at cost	**0**	**0**	**1,182**	**1,182**

Reconciliation of Fair Value Measurement within Level 3

Table 14.d Reconciliation of Fair Value Measurement within Level 3								
	2019/2020	Transfer Into Level 3	Transfer Out of Level 3	Purchases	Sales	Unrealised Gains/ Losses	Realised Gains/ Losses	2019/2020
	£000	£000	£000	£000	£000	£000	£000	£000
Private Equity	28,737	0	0	4,316	-4,069	-2,145	1,958	28,797
Infrastructure	35,871	0	0	29,425	-4,759	-6,529	-170	53,838
Property	107,311	0	0	1,657	-6,040	-2,866	-61	98,737
Private Credit	0	0	0	4,011	-594	-252	1	3,166
Total	**171,919**	**0**	**0**	**39,409**	**-15,462**	**-11,792**	**1,728**	**184,537**

15. Financial Instruments

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

2019/2020				2020/2021		
Fair value through profit & loss	Financial assets at amortised cost	Financial liabilities at amortised cost		Fair value through profit & loss	Financial assets at amortised cost	Financial liabilities at amortised cost
£000	£000	£000		£000	£000	£000
			Financial Assets			
833	0	0	Equities	1,182	0	0
2,096,280	0	0	Managed & unitised funds	2,662,932	0	0
0	100,426	0	Cash	0	83,066	0
0	40	0	Other investment assets	0	666	0
0	5,502	0	Debtors	0	1,615	0
2,097,113	**105,968**	**0**		**2,664,114**	**85,347**	**0**
			Financial Liabilities			
0	0	0	Other investment liabilities	0	0	0
-11	0	-2,680	Creditors	0	0	-2,156
-11	**0**	**-2,680**		**0**	**0**	**-2,156**
2,097,102	**105,968**	**-2,680**		**2,664,114**	**85,347**	**-2,156**

Net Gains and Losses on Financial Instruments

2019/2020		2020/2021
£000		£000
	Financial Assets	
-136,458	Designated at fair value through profit and loss	454,619

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

16. Nature of Extent of Risks Arising from Financial Instruments

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

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

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

- Market risk
- Credit risk
- Liquidity risk

The nature and extent of the financial instruments employed by the Fund and the associated risks are discussed below. This note presents information on the Fund's exposure to each of the above risks and the Fund's policies and processes for managing those risks. The Fund's ISS is formulated to identify the risks managed by investment managers, to set appropriate risk limits and to monitor adherence to those limits. The ISS is reviewed regularly to reflect changes in market conditions and the Fund's activities.

Market Risk

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

Interest Rate Risk

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

- The use of specialist external investment managers to manage the Fund's cash and fixed interest assets.
- Ensuring asset allocations include a diversity of fixed interest investments with appropriate durations.
  The Fund's direct exposure to interest rate risk, as at the period end, is shown in the table following. The table also shows the effect in the year on the net assets available to pay benefits of a +/- 100 basis points (bps) change in interest rates. Comparatives for the previous year are shown in the table below.

Table 16.a Exposure to Interest Rate Risk

Carrying value at 31/03/2020	Change in year in net assets available to pay benefits		Asset type	Carrying value at 31/03/2020	Change in year in net assets available to pay benefits	
	+100 bps	-100 bps			+100 bps	-100 bps
£000	£000	£000		£000	£000	£000
687,522	6,875	-6,875	Fixed interest securities	778,778	7,787	-7,787
101,234	1,012	-1,012	Cash & cash equivalents	83,066	831	-831
788,756	**7,887**	**-7,887**	**Total**	**861,844**	**8,618**	**-8,618**

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

Currency Risk

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

The following table summarises the Fund's currency exposure as at 31 March 2021 and also shows the increase/ decrease in the value of net assets available to pay benefits arising.

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

Currency Risk by Asset Class

Table 16.b Exposure to Currency Risk

	2020/2021			
Asset Type	**Value £000**	**Change %**	**Value on Increase £000**	**Value on Decrease £000**
Overseas Equities	998,710	6.00%	1,058,632	938,787
Overseas Property	0	6.00%	0	0
Overseas Absolute Return	321,398	6.00%	340,681	302,114
Overseas Diversified Growth	406,794	6.00%	431,202	382,387
Overseas Alternatives	85,802	6.00%	90,950	80,653
Overseas Cash	10,449	6.00%	11,076	9,822
Total	**1,823,153**	**6.00%**	**1,932,542**	**1,713,763**

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

Market Price Risk

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

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

The Fund manages market risk by the application of the following principles:

- Ensuring a diversity of exposures to different financial markets and market sectors
- By ensuring that investments have the sufficient liquidity to enable the appropriate response to changing market conditions

Sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, and using information available from investment advisers, investment managers, the Custodian, and the Fund's policy documents, the Fund believes the following is reasonable for the 2020/2021 reporting period.

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

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

Table 16.c Exposure to market fluctuations				
	2020/2021			
Asset Type	**Value £000**	**Change %**	**Value on Increase £000**	**Value on Decrease £000**
UK Equities	461,624	14.0%	526,252	396,997
Overseas Equities	998,710	14.0%	1,138,529	858,890
Property	194,969	15.0%	224,214	165,723
Absolute Return Bonds	321,398	10.0%	353,537	289,258
Diversified Growth Funds	406,794	12.0%	455,610	357,979
Gilts	193,635	10.0%	212,998	174,271
Private Equity	28,797	25.0%	35,996	21,598
Private Credit	3,166	15.0%	3,641	2,691
Infrastructure	53,838	25.0%	67,298	40,379
Cash	83,066	0.5%	83,481	82,651
Total	**2,745,997**		**3,101,557**	**2,390,437**

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

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

Credit Risk

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

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

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

Liquidity Risk

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

The Fund manages liquidity risk by:

- giving careful consideration to the anticipated income and expenditure required for the administration of the Fund and the payment of benefits and by maintaining in-house managed cash balances sufficient to meet day-to-day cash flows.
- a significant proportion of the Fund being held in highly liquid investments such as actively traded equities and unit trusts. The level 1 highly liquid funds total £105 million representing 3.8% of the Fund.

17. Funding Arrangements – Actuary Statement

The Fund's Actuary has provided the following Statement on the valuation of the retirement benefits as at 31 March 2021 and the assumptions made in the valuation.

Introduction

The last full triennial valuation of the Bedfordshire Pension Fund (the Fund) was carried out as at 31 March 2019 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 (the Regulations) and in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated 26 March 2020.

Asset value and funding level

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

- the market value of the Fund's assets as at 31 March 2019 for valuation purposes was £2,291m.
- the Fund had a funding level of 80% i.e. the assets were 80% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a deficit of £556m.

Contribution rates

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

- the annual accrual of benefits allowing for future pay increases and increases to pensions in payment when these fall due;
- plus an amount to reflect each participating employer's notional share of the Fund's assets compared with 100% of their liabilities in the Fund, in respect of service to the valuation date.

The primary rate of contribution on a whole Fund level was 19.2% of payroll p.a. The primary rate as defined by Regulation 62(5) is the employer's share of the cost of benefits accruing in each of the three years beginning 1 April 2020.

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

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

Assumptions

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

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

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

Full details of the demographic and other assumptions adopted as well as details of the derivation of the financial assumptions used can be found in the 2019 valuation report.

Updated position since the 2019 valuation

Assets

Returns over the year to 31 March 2021 have been strong, helping to offset the significant fall in asset values at the end of the previous year. As at 31 March 2021, in market value terms, the Fund assets were slightly more than where they were projected to be based on the previous valuation.

Liabilities

The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate (the discount rate relative to CPI inflation) – the higher the real discount rate the lower the value of liabilities. As at 31 March 2021, the real discount rate is estimated to be lower than at the 2019 valuation due to lower future expected returns on assets in excess of CPI inflation.

Please note that we have updated the derivation of the CPI inflation assumption to be 0.8% p.a. below the 20-year point on the Bank of England (BoE) implied inflation curve. The assumption adopted at the 2019 valuation was that CPI would be 1.0% p.a. below the 20-year point on the BoE implied inflation curve. This update was made following the Government's response (on 25 November 2020) to the consultation on the reform of RPI, and the expectation that the UK Statistics Authority will implement the proposed changes to bring RPI in line with CPIH from 2030. This updated approach leads to a small increase in the value of liabilities.

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

It is currently unclear what the impact of the COVID-19 pandemic is on the Fund's funding position. It is expected that COVID-related deaths will not have a material impact on the Fund's current funding level, however, impact on future mortality rates may be more significant and we will be reviewing the Fund's mortality assumption as part of the next valuation.

Overall position

On balance, we estimate that the funding position has weakened slightly when compared on a consistent basis to 31 March 2019 (but allowing for the update to the CPI inflation assumption).

The change in the real discount rate since 31 March 2019 is likely to place a higher value on the cost of future accrual which results in a higher primary contribution rate. Deficit contributions would also be slightly higher as a result of the worsening in the funding position.

Future investment returns that will be achieved by the Fund in the short term are more uncertain than usual, in particular the return from equities due to actual and potential reductions and suspensions of dividends.

There is also uncertainty around future benefits due to the McCloud/Sargeant cases and the cost cap process.

We will continue to monitor the funding level on a quarterly basis as requested by the administering authority.

Graeme D Muir FFA
Partner, Barnett Waddingham LLP

17a) Actuarial Present Value of promised Retirement Benefits

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

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

31 March 2020		31 March 2021
£000		£000
(3,796,600)	Present Value of the defined benefit obligation	(5,238,170)
2,209,404	Fair Value of Fund Assets (bid value)	2,756,657
(1,587,196)	Net Liability	(2,481,513)

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

2019/2020		2020/2021
% pa		% pa
	Assumptions	
2.35	Discount Rate	2.00
1.70	Pension Increases	2.85
2.70	Salary Increases	3.85

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

	£000	£000
Sensitivity to:	**+0.1%**	**-0.1%**
Discount Rate	5,130,743	5,347,955
Long Term Salary Increases	5,246,904	5,229,505
Pension Increases and deferred revaluation	5,338,198	5,140,184
	+1 year	-1 year
Life Expectancy Assumptions	5,478,560	5,008,832

18. Long Term Debtors

In 2005, Magistrates Courts' staff transferred from the Local Government Pension Scheme to the Civil Service Scheme. Whilst transfer values were effected at that time, an agreement on funding the deficit position was not finalised until February 2011. The agreement set out that Bedfordshire Pension Fund would receive ten annual payments of £0.608 million, commencing April 2011, ending at 31 March 2021. As a result, there are no instalments falling due more than one year from the balance sheet date. The amount falling due within less than a year is shown as current assets.

19. Current Assets

2019/2020	Current Assets	2020/2021
£000		£000
1,386	Contributions due from Administering Authority	1,422
11,318	Contributions due from other scheme employers	8,597
608	Civil Service Pensions Scheme - see note 189 above	0
0	Bulk Transfer due from other Local Authorities	0
693	Other	950
14,005		**10,969**
80,717	Cash	54,406
94,722	Current Assets	**65,375**

The cash balance of £54.4 million is held in the Fund's own bank accounts. Cash held by the Fund's managers is included in cash deposits in Note 12.2 above.

20. Current Liabilities

2019/2020	Current Liabilities	2020/2021
£000		£000
378	Administration costs etc. due to Administering Authority	184
801	Investment managers' fees	735
26	Other professional fees	30
0	AVCs in transit	0
0	Death grants	0
1,475	Other	1,207
2,680		**2,156**
11	Provision for Tax Reclaims over 1 Year	0
2,691	Current liabilities	**2,156**

21. Additional Voluntary Contributions

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

2019/2020	Additional Voluntary Contributions	2020/2021
£000		£000
4,970	Value at 1 April	**4,964**
	Income	
809	Contributions received	**811**
	Expenditure	
-543	Retirements	-930
-3	Transfers values paid	-19
-546		**-949**
-269	Change in market value	555
4,964	Value at 31 March	**5,381**

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

Breakdown of AVC Providers	Prudential	Standard Life	Total
Value at 1 April 2020	**3,969**	**995**	**4,964**
Income			
Contributions received	800	11	811
Expenditure			
Retirements	-656	-274	-930
Transfers values paid	0	-19	-19
	-656	**-293**	**-949**
Change in market value	473	82	555
Value at 31 March 2021	**4,586**	**795**	**5,381**

The financial statement from the Prudential was not available in time for the publication of the Statement of Accounts. The figures for Prudential include in the tables above have been estimated based on the previous three years' statements.

22. Related Party Transactions

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

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

There were no material transactions between members and officers and the Fund during 2020/2021. The only material related party transactions during 2020/2021 were in respect of contributions paid by the employing bodies into the Fund. See Note 7. Amounts owed to and from the administering authority can be seen in Notes 19 and 20. The disclosures required by the above legislation can be found in the main accounts of Bedford Borough Council. Administration and investment management costs include charges by Bedford Borough Council for providing services in its role as administering authority.

For 2020/2021 these amounted to £1.0 million (2019/2020 £1.1 million). The Administration team provide the legacy payroll for Teachers pension added years.The Fund pays compensatory added years benefits on behalf of some of its employers. The costs of
these are invoiced to the employer. In 2020/2021, £3.0 million (2019/2020 £3.0 million) was paid and recovered from employers.

Key Management Personnel

There are two senior officers of Bedford Borough Council involved in the financial management of Bedfordshire Pension Fund. They are the Assistant Chief Executive (Enabling), (The Fund Administrator) and the Chief Officer for Corporate Finance & Pensions. Both of these officers charge a proportion of their time to the Pension Fund as part of Bedford Borough Council's role as administering authority. In 2020/2021, their remuneration was as follows:

2019/2020		2020/2021
£000		**£000**
67	Short-term benefits	69
11	Post-employment benefits	11
78		**80**

23. Contingent Liabilities and Contractual Commitments

There were no material contingent liabilities as at 31 March 2021. But there were outstanding capital commitments to investment vehicles of up to £171.6 million (31 March 2020: £166.5 million). These commitments relate to outstanding call payments (including recallable distributions) due on unquoted investments in infrastructure £121.7 million; private equity £12.3 million; real assets £4.3 million; and private debt £33.3 million. The amounts drawn down by the managers are irregular in both size and timing over typical periods of up to 6 years from the date of the original commitments.

SECTION 3
Investment Report

- *Investment Management*
- *Investment Strategy Statement*
- *Report of the Actuary*
- *Investment Activity and Performance*

Investment Management

Investment Powers

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

Myners' Principles for Institutional Investment Decision Making

Legislation requires Administering Authorities to publish a written Investment Strategy Statement, including the extent to which the administering authority has complied with the Myners' principles. The authority complies fully with all six principles as demonstrated in section 5 of the Fund's Investment Strategy Statement, reproduced in full on page 59.

Investment Management

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

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

The approach is for the specialist portfolios to add value by diversifying from the traditional asset classes. The investment managers and their respective mandates are shown below, the figures in brackets showing the percentage of the Fund's assets within each manager's remit based on market values at 31 March 2021.

Manager	Asset Class	2020/2021	
		£ million	%
Legal & General	Global Equities	507.6	18.4%
Blackrock Advisors	Equities	448.2	16.3%
CBRE Global Investors	Indirect Property	204.0	7.4%
Legal & General	UK Equities	215.3	7.8%
Insight Investment	Absolute Return Bonds	200.5	7.3%
Blackrock Advisors	Gilts including. Index Linked	193.6	7.0%
Pyrford	Absolute Return Multi-Asset	163.4	5.9%
Invesco Asset Management	Absolute Return Multi-Asset	100.4	3.6%
Newton Investment Management	Absolute Return Multi-Asset	143.0	5.2%
Blackrock Advisors	Emerging Markets	88.3	3.2%
Aberdeen Standard Investments	Private Equity	32.4	1.2%
Pantheon	Infrastructure	21.4	0.8%
PIMCO	Multi Asset Credit	120.9	4.4%
Border to Coast	Global Equities	200.9	7.3%
Border to Coast	Infrastructure	35.3	1.3%
Border to Coast	Private Credit	3.3	0.1%
Pool Share Capital	Equities	1.2	0.0%
Net Assets Managed by the Administering Authority		76.9	2.8%
Total Assets		**2,756.6**	**100.0%**

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

Custody Arrangements

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

Stock lending

There were no direct stock lending arrangements in place during 2020/2021.

The LGPS Code of Transparency

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

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

All investment managers within Bedfordshire Pension Fund are signatories to the Code.

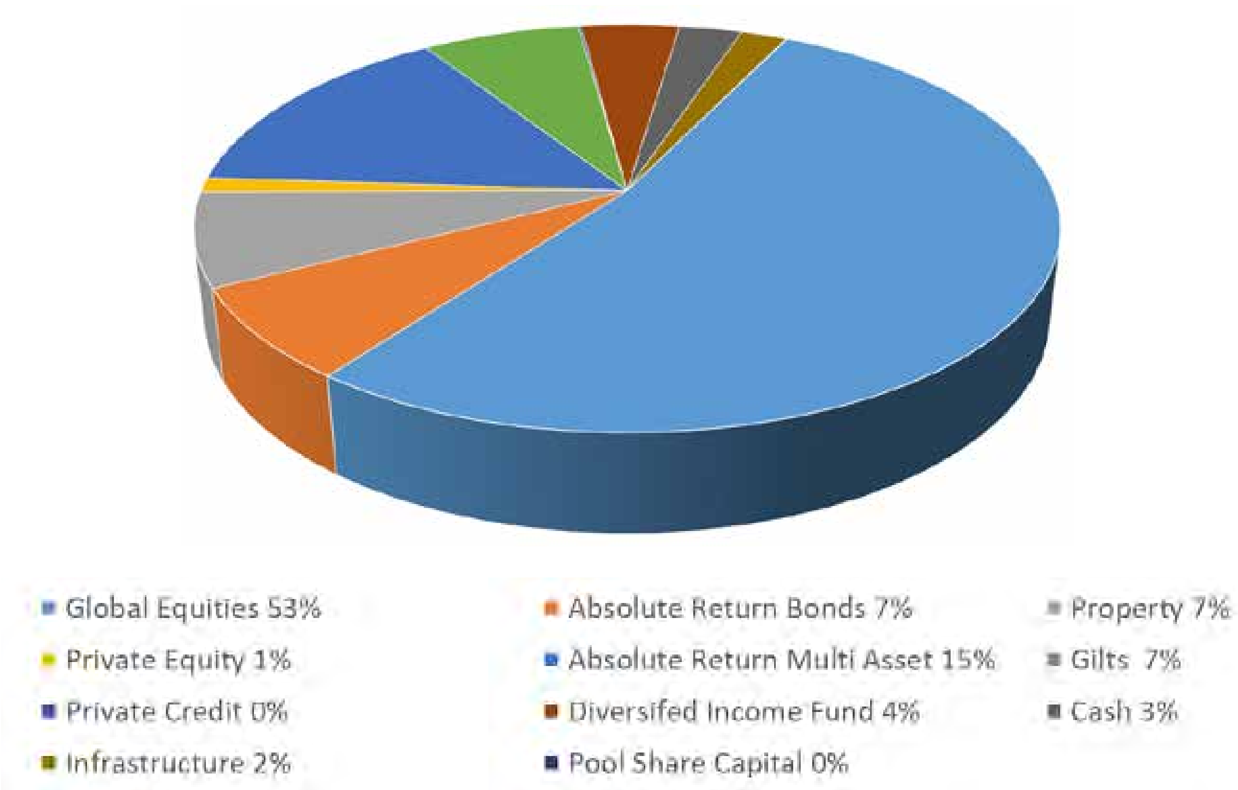
Funding Strategy Statement (FSS)

The current FSS was updated and approved by the Pension Fund Committee on 8 June 2021. It is included in this report on page 88.

Monitoring and Review

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

Composition of the Fund by portfolio as at 31 March 2021



Investment Strategy Statement

1. INTRODUCTION

1.1 Fund Details

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

1.1.2 The ISS has been prepared by the Fund's Pension Committee ("the Committee") having taken advice from the Fund's investment adviser, Hymans Robertson LLP. The Committee acts on the delegated authority of the Administering Authority.

1.1.3 The ISS, which was approved by the Committee on 8 June 2021, is subject to periodic review at least every three years and without delay after any significant change in investment policy. The previous review took place in 2020 and was approved by Committee on 26 February 2020. The Committee has consulted on the contents of the Fund's investment strategy with such persons it considers appropriate.

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

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

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

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

1.1.8 In December 2019, in line with the Competition and Market Authority's Order, the Committee agreed a set of objectives with Hymans Robertson LLP. These will be reviewed on, at least, an annual basis.

2. INVESTMENT STRATEGY

2.1 The suitability of particular investments and types of investments

2.1.1 The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, on a defined benefits basis. This funding position will be reviewed at each triennial actuarial valuation, or more frequently as required.

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

2.1.3 The Committee takes environmental, social and corporate governance ("ESG") matters and stewardship seriously. A Responsible Investment Sub-Committee has been established to take forward this agenda. The Committee has agreed a set of Responsible Beliefs which informs the Investment Strategy. Each year the Fund conducts a review of its policies in this area and its investment managers' approach to ESG.

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

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

2.1.6 In addition, the Committee monitors the Fund's investment strategy on an ongoing basis, focusing on factors including, but not limited to:
• Suitability given the Fund's level of funding and liability profile
• The level of expected risk
• Outlook for asset returns

2.1.7 The Committee also monitors the Fund's actual allocation on a regular basis to ensure it does not notably deviate from the target allocation. The strategic benchmark weights have ranges around them. If there is any rebalancing then the most underweight asset allocation area will be the recipient of that rebalancing (assuming it is investible) and this will be repeated on additional cash available for investing subject to market conditions or other factors providing compelling reasons not to do so.

2.1.8 The Committee has the following long-term assumptions (as at 31 December 2020) about investment.

Table 1: Asset Classes

Asset class	Expected return %	Expected Volatility %
Listed equities	5.3	17
Property	3.8	14
Infrastructure (equity)	5.4	21
Private Credit	5.0	6
Multi-asset credit	4.1	6
Absolute Return Multi Asset	3.9	12
Liquid Credit	4.1	6
Cash	1.6	0

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

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

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

2.2.3 The Fund's target investment strategy is set out overleaf. The table shows both the long-term target and the interim stage, reflecting the time it takes to transition to the new mandates. The table also includes the maximum percentage of total Fund value that it will invest in these asset classes (as defined by the upper range levels).

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

Table 2: Fund Allocation

Asset class	Long-term Target Allocation %	Allocation Range %
Listed Equities	50%	40%-60%
"Opportunities"	2%	0%-5%
Growth assets	**52%**	
Property	10%	5%-15%
Infrastructure (equity)	10%	0%-15%
Private Credit	7.5%	0%-10%
Multi-asset credit	7.5%	5%-15%
Absolute Return Multi Asset	3.0%	0%-15%
Diversifiers	**38%**	
Liquid credit	10.0%	5%-15%
Protection	**10%**	
Total	**100%**	

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

2.2.6 The strategic asset allocation permits up to 2% of Fund assets to be invested in 'Opportunistic' investments. Such investments are defined as follows:

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

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

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

2.2.8 2.2.8 For each asset class the Fund has set an appropriate benchmark (please see table 3 below). These benchmarks reflect the long term target where changes to the tactical allocation have been agreed, but not yet enacted.

Table 3: Mandate benchmarks and targets

Asset class	Benchmark %	Target of Fund assets
UK Equities - Active	FTSE All Share	7%
Global Regional Equities	MSCI Emerging Markets	3%
Global Equities - Passive	MSCI World (BlackRock)	16%
Global Equities - Passive	Solactive L&G ESG Global Markets Index (LGIM)	17%
Global Equities - Active	MSCI All Country World	7%
Opportunities	Absolute 9%	2%
Property	AREF/IPD UK QPFI All Balanced Property Fund Index Global Property Index to be confirmed	6% 4%
Multi Asset	1 month LIBOR + 4%	3%
Private credit	Absolute 6%	7.5%
Infrastructure	Absolute 8%	10%
Multi-asset credit	SONIA	7.5%
Liquid credit	1/3 Bloomberg Barclays Global Aggregate Credit ex-Emerging Markets 1/3 Bank of America Merrill Lynch BB-B Rated Developed Markets High Yield Constrained and 1/3 JP Morgan EMBI Global (All GBP Hedged) To be confirmed	10%

Restrictions on investment

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

Table 4: Investment Restrictions

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

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

2.3 Managers

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

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

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

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

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

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

2.4.4 Funding risks

- **Financial mismatch** – The risk that Fund assets fail to grow in line with the developing cost of meeting the liabilities.

- **Changing demographics** –The risk that longevity improves, and other demographic factors change, increasing the cost of Fund benefits.

- **Systemic risk** - The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Fund's liabilities.

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

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

2.4.7 The Committee uses passive investments where it does not believe active management can add value, and it uses fundamental (non-market cap) indices for a proportion of index-tracking mandates to avoid index biases and manage overall style risk

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

2.4.9 Asset risks

• **Concentration** - The risk that a significant allocation to any single asset category and its underperformance relative to expectation, would result in difficulties in achieving funding objectives;

• **Illiquidity** - The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets;

• **Currency ris**k – The risk that the currency of the Fund's assets underperforms relative to Sterling (i.e. the currency of the liabilities);

• **Environmental, social and governance** – The risk that ESG related factors reduce the Fund's ability to generate the long-term returns.

• **Manager underperformance** - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.

2.4.10 The Committee measure and manage asset risks as follows.

• The Fund's strategic asset allocation benchmark invests in a diversified range of asset classes. The Committee has put in place rebalancing arrangements to ensure the Fund's "actual allocation" does not deviate substantially from its target. The Fund invests in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, help reduce the Fund's asset concentration risk. By investing across a range of assets, including liquid quoted equities and bonds, as well as property, the Committee has recognised the need for access to liquidity in the short term.

• The Fund invests in a range of overseas markets which provides a diversified approach to currency markets; the Committee also assess the Fund's currency risk during their risk analysis. Details of the Fund's approach to managing ESG risks is set out later in this document.

• The Committee has considered the risk of underperformance by any single investment manager and have attempted to reduce this risk by appointing a number of manager and having a large proportion of the Fund's assets managed on a passive basis. The Committee assess the Fund's managers' performance on a regular basis, and will take steps, including potentially replacing one or more of their managers, if underperformance persists (Other factors include that the Committee believes that the Manager is not capable of achieving these performance objectives in the future; and/or; the Manager's company status changes or there are significant staff changes to their investment team).

2.4.11 Other provider risk

• **Transition risk** - The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the Committee seeks suitable professional advice.

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

• **Credit default** - The possibility of default of a counterparty in meeting its obligations.

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

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

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

3. INVESTMENT POOLING

3.1 Border to Coast

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

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

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

b) Strong governance and decision making;

c) Reduced costs and excellent value for money; and

d) An improved capacity to invest in infrastructure.

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

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

3.2 Structure and governance of BCPP Ltd

3.2.1 The 11 Partner Funds and BCPP work collaboratively to build the investment capabilities required to ensure that the Partner Funds are able to efficiently and effectively deliver their Strategic Asset Allocations in line with the following guiding principles:

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

• One fund, one vote

• Funds retaining governance role and ownership of asset allocation

• Generating improved net-of-fees risk adjusted performance

• Border to Coast internal management capability

• Improved resilience and capacity over existing structures

• A shared team in one location

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

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

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

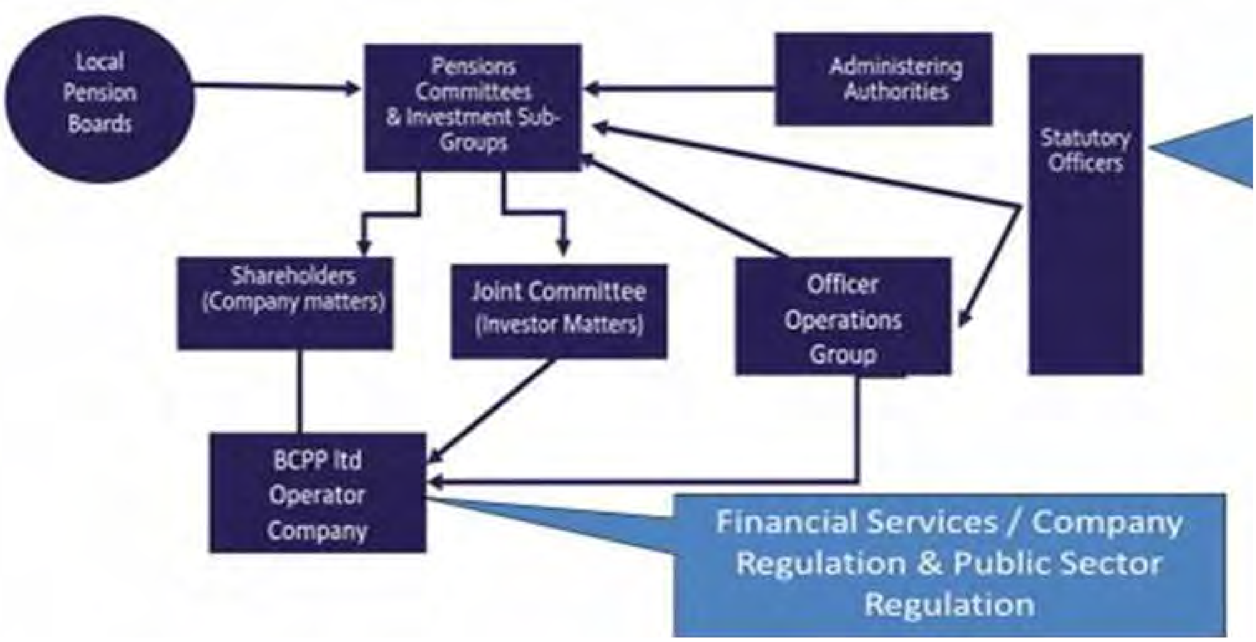
Joint Committee
The Joint Committee is constituted from the 11 Pension Fund Chairs who meet quarterly. It is the collaborative vehicle through which the individual Partner Funds provide collective oversight of the performance and direction of BCPP. Its remit includes oversight of progress towards the pooling of Partner Fund assets as a whole.

Officer Groups
The Joint Committee is supported by the respective Authority s151 and Monitoring Officers and the Officer Operations Group (OOG), constituted from officers of the 11 Funds. These groups meet to discuss issues and give input to both Elected Members and BCPP. The OOG meets monthly, part of the meeting being attended by Border to Coast, part in closed session. The OOG work collaboratively to ensure that due diligence over BCPP investment capabilities is carried out effectively on behalf of Pension Committees.

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

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

BCPP Governance Structure



3.3 Assets to be invested in BCPP Ltd

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

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

- Global Equities
- Infrastructure
- Private Credit

3.3.3 BPF has previously determined that all asset allocation and investment decisions should be made primarily on a financial assessment of risk and return. The Fund's Equity Allocations that sit within Life Funds are therefore not at the current time expected to transfer to BCPP as the cost would be prohibitive.

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

4. APPROACH TO ENVIRONMENT, SOCIAL OR CORPORATE GOVERNANCE)

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

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

- **Sustainable investment / ESG factors** – considering the financial impact of environmental, social and governance (ESG) factors on its investments.
- **Stewardship and governance** – acting as responsible and active investors/owners, through considered voting of shares, and engaging with investee company management as part of the investment process.

4.1.2 The Committee takes ESG matters very seriously and has established a Responsible Investment Sub-Committee to take forward this important agenda. The Committee has established their Responsible Investment Beliefs and guiding principles which are set out in Appendix 2. Each year the Pension Fund Committee conducts a review of its policies in this area and its investment managers' approach to ESG. Details of the most recent review can be found on the Fund's website.

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

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

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

4.2 Voting rights

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

4.3 Stewardship

4.3.1 The Committee has agreed to adhere to the UK Stewardship Code as published by the Financial Reporting Council (FRC). The FRC has revised the Stewardship Code for 2020 which requires asset owners and asset managers to achieve higher standards stewardship through twelve apply and explain principles. The Fund is working towards signing up to the Code in 2021/2022. The Pension Fund Committee expects both the BCPP Pool and any directly appointed fund managers to be signatories to the UK Stewardship Code 2020.

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

APPENDIX 1

Voting Policy Directors' Contracts

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

Share Options or Incentive Schemes

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

Internal Committees

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

Other Issues

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

Remuneration

The Pension Fund Committee recognises that remuneration has become an emotive subject which, because of excess media attention, can cloud the real issues. Nevertheless it feels that there should be an approved remuneration policy in place which:

a. regards performance related bonuses as an investment by the company to improve its performance. Therefore the Remuneration Committee should satisfy itself that, as with any other investment, the returns justify the expenditure;

b. should not be based upon performance reward criteria which disbenefit the long term interests of the company;

c. rewards recipients for exceptional and not for average performance;

d. awards bonuses in the form of shares (held in trust) thereby subjecting Directors to the same risks and interests as shareholders;

e. requires any contractual compensation for loss of office to be paid annually and be dependent upon the individual not acquiring another post.

Bedfordshire Pension Fund – Investment Strategy Statement

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

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

1. The Board shall consist of at least 3 Non-Executive Directors;

2. Insufficient biographical information on any Director;

3. Bundled resolutions at AGM;

4. Resolutions not supported by the Board.

APPENDIX 2

Responsible Investment Beliefs

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

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

Investment strategy

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

Engagement and voting

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

Managers

1. The Fund's investment managers should embed the consideration of ESG factors into their investment process and decision making.
2. ESG is one of many factors that plays a part in the investment decisions making process.
3. ESG factors will evolve over time and the Fund's investment managers should seek to take a long-term view, allowing for direction of travel of investee companies and not only current scoring.
4. The choice of benchmark for a passive manager is important as it defines the investment portfolio.
5. The key influence an investor has on a passive manager is the choice of benchmark and level and type of engagement.
6. The Fund should be an active owner seeking to influence behaviour in investee companies.
7. The Fund should consider alternative indices that reflect ESG factors, but also be wary of conflicts of interest that exist for the providers of those indices.

Monitoring and Governance

1. The Fund needs to engage and challenge managers on integrating ESG issues in their investment process in line with the Fund's RI beliefs.
2. The Committee should expect its investment managers to provide investment solutions in line with its RI beliefs.
3. Given their resource and expertise the Pool (BCPP) have a responsibility to provide leadership on ESG issues.
4. The Committee should consider all stakeholders' views when developing its RI policy.
5. ESG factors should be incorporated into manager's standard reporting as part of wider transparency principle.

Priority for RI consideration and engagement

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

Actuary's Statement as at 31 March 2021

Introduction

The last full triennial valuation of the Bedfordshire Pension Fund (the Fund) was carried out as at 31 March 2019 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 (the Regulations) and in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated 26 March 2020.

Asset value and funding level

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

- The market value of the Fund's assets as at 31 March 2019 for valuation purposes was £2,291m.
- The Fund had a funding level of 80% i.e. the assets were 80% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a deficit of £556m.

Contribution rates

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

- The annual accrual of benefits allowing for future pay increases and increases to pensions in payment when these fall due;
- plus an amount to reflect each participating employer's notional share of the Fund's assets compared with 100% of their liabilities in the Fund, in respect of service to the valuation date.

The primary rate of contribution on a whole Fund level was 19.2% of payroll p.a. The primary rate as defined by Regulation 62(5) is the employer's share of the cost of benefits accruing in each of the three years beginning 1 April 2020.

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

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

Assumptions

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

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

Full details of the demographic and other assumptions adopted as well as details of the derivation of the financial assumptions used can be found in the 2019 valuation report.

Updated position since the 2019 valuation

Assets

Returns over the year to 31 March 2021 have been strong, helping to offset the significant fall in asset values at the end of the previous year. As at 31 March 2021, in market value terms, the Fund assets were slightly more than where they were projected to be based on the previous valuation.

Liabilities

The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate (the discount rate relative to CPI inflation) – the higher the real discount rate the lower the value of liabilities. As at 31 March 2021, the real discount rate is estimated to be lower than at the 2019 valuation due to lower future expected returns on assets in excess of CPI inflation.

Please note that we have updated the derivation of the CPI inflation assumption to be 0.8% p.a. below the 20-year point on the Bank of England (BoE) implied inflation curve. The assumption adopted at the 2019 valuation was that CPI would be 1.0% p.a. below the 20-year point on the BoE implied inflation curve. This update was made following the Government's response (on 25 November 2020) to the consultation on the reform of RPI, and the expectation that the UK Statistics Authority will implement the proposed changes to bring RPI in line with CPIH from 2030. This updated approach leads to a small increase in the value of liabilities.

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

It is currently unclear what the impact of the COVID-19 pandemic is on the Fund's funding position. It is expected that COVID-related deaths will not have a material impact on the Fund's current funding level, however, impact on future mortality rates may be more significant and we will be reviewing the Fund's mortality assumption as part of the next valuation.

Overall position

On balance, we estimate that the funding position has weakened slightly when compared on a consistent basis to 31 March 2019 (but allowing for the update to the CPI inflation assumption).

The change in the real discount rate since 31 March 2019 is likely to place a higher value on the cost of future accrual which results in a higher primary contribution rate. Deficit contributions would also be slightly higher as a result of the worsening in the funding position.

Future investment returns that will be achieved by the Fund in the short term are more uncertain than usual, in particular the return from equites due to actual and potential reductions and suspensions of dividends.

There is also uncertainty around future benefits due to the McCloud/Sargeant cases and the cost cap process.

We will continue to monitor the funding level on a quarterly basis as requested by the administering authority.

Graeme D Muir FFA
Partner, Barnett Waddingham LLP

Investment Activity and Performance

Investment Activity

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

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

During the year to 31 March 2021, the Committee reviewed and monitored the Pension Fund investment strategy to ensure appropriateness and consistency with the Fund's long-term funding and investment objectives and compliance from a pooling perspective.

Investment Performance

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

Total return on the Fund's assets for the year to 31 March 2021 was 21.2% outperforming the benchmark of 20.5%. Over the 3-year period to 31 March

2021, the Fund delivered overall return of 6.5% pa, compared to the benchmark return of 7.6% pa. However, the Fund outperformed the benchmark, over a 5-year period, achieving total return of 8.0% pa, against a benchmark of 7.7% pa.

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

	1 Year Fund	1 Year B'mark	1 Year Relative	3 Year Fund	3 Year B'mark	3 Year Relative	5 Year Fund	5 Year B'mark	5 Year Relative
BlackRock - Global Equity	39.1	39.1	0.0	14.1	14.1	0.0	14.9	14.9	0.0
LGIM - Global Equity	44.1	44.4	-0.3	9.1	9.2	-0.1	12.4	12.4	0.0
Property	1.3	2.5	-1.2	1.5	2.4	-0.9	3.6	4.2	-0.6
CBRE - UK Property	1.3	2.5	-1.2	1.5	2.4	-0.9	3.6	4.2	-0.6
Absolute Return	8.5	5.1	3.4	3.5	5.6	-2.1	3.0	5.6	-2.6
Invesco - Absolute Return	-1.2	5.4	-6.5	-0.2	5.8	-6.0	1.0	5.7	-4.7
Newton - Absolute Return	20.1	4.1	16.0	8.4	4.5	3.8	5.2	4.5	0.7
Pyrford - Absolute Return	8.7	6.5	2.2	3.1	7.2	-4.1	3.1	7.6	-4.5
Absolute Return Bonds	7.2	3.0	4.2	-0.1	3.4	-3.5	0.9	3.0	-2.1
Insight - Absolute Return Bonds	7.2	3.0	4.2	-0.1	3.4	-3.5	0.9	3.0	-2.1
Government Bonds	-5.6	-5.5	0.1	2.6	2.5	0.1	3.0	2.9	0.1
BlackRock - Gilts	-5.6	-5.5	0.1	2.6	2.5	0.1	3.0	2.9	0.1
Total	21.2	20.5	0.7	6.5	7.6	-1.1	8.0	7.7	0.3

Source: Northern Trust, Investment Managers.

Market review – Year to 31 March 2021

Despite concern about the global pandemic, global markets performed well in 2020, up 14.7% in Q4 and 16.3% over the year, helped by targeted government measures and the development of effective vaccines to combat COVID infections. The major central banks kept interest rates low throughout and continued their quantitative easing via massive bond purchasing activity.

The US faced difficult economic and political challenges in 2020. The US Congress passed a $2 trillion economic stimulus package to support the domestic economy and markets. COVID-19 caused a recession and GDP fell in the second quarter due to restrictions on businesses to control the spread of the pandemic. In April, unemployment rate rose above 14% but it retreated to less than 7% in November. The November presidential election was fractious. The US markets witnessed extreme volatility, especially so for small-cap stocks. In the first quarter of 2020, US equities fell to record lows but rebounded to record highs in the last quarter and achieved a 20% gain for the year helped by technology, communication and consumer stocks. Conversely, energy, leisure and travel stocks underperformed. Strong intervention by the Fed in March, including sub-zero interest rates and a new round of quantitative easing, shored up the US fixed income markets. The weak dollar helped international equity markets.

In Q1 2021, optimism about the rollout of vaccines and US government spending plans totalling $3.9 trillion pushed up US equities. The dollar strengthened against other leading currencies in the hope of a US economic recovery in 2021. However, the combined pandemic relief and infrastructure renewal package also fuelled concern about government debt and inflation.

In Europe, widespread lockdowns had a negative impact on the Eurozone economy culminating in a harsh recession in 2020. The European energy sector bore the brunt of the steep fall in global demand for oil. Telecom and real estate stocks also took some battering due to competition, slump in revenue resulting from reduced travel, negligible footfall in shopping arenas and a rise in remote working. Manufacturing in Germany and France rose in seven consecutive months to November. The European Central Bank (ECB) accelerated its stimulus activity, driving the yield on Germany's 10-year treasury bond well into negative territory. In Q1 2021, green shoots of recovery emerged driven by investors' optimism about the global economy albeit tempered by rising COVID infections in some countries and extended lockdowns. The ECB's EUR1.9 trillion programme helped to maintain low borrowing costs in the Eurozone and government bonds fell as yields rose sharply.

In the UK, Q2 2020 saw the largest quarterly contraction on record but as some lockdown restrictions were relaxed, the economy began to bounce back gaining over 15% of GDP or 8% below pre-pandemic by the end of Q3. This was interrupted by another lockdown in November and the furlough programme was extended to March 2021. The UK government managed to avert a "no-deal" Brexit in tense negotiations. Sterling rallied on the back of investors' relief that the Brexit deal was sufficient to avoid the option to adopt the World Trade Organisation (WTO) rules. In late 2020, the government signed a free-trade agreement with Japan and trade deals with Canada, Mexico, Turkey and Vietnam followed. The trade deals lifted sentiment and drove stocks higher in early 2021.

In Asia-Pacific region, fortunes were mixed. China experienced economic slowdown amid the political tension with US over trade and China's security laws in Hong Kong which prompted the US to cancel the territory's special trade privileges. Countries for which China is their main export market, such as Japan and Australia, also suffered a recession in 2020. Despite the setback, China's equity market was one of the best performing markets in the world in 2020. In Japan, the economic problem was compounded by the pandemic and the postponement of the Summer Olympics in Tokyo to 2021. In mid-November, 15 countries including Australia, China, India and Japan formed the Regional Comprehensive Economic Partnership (RCEP), a trade pact for roughly a third of the global population. In Q1 2021, Asia-Pacific markets continued to rebound and Japan declared a state of emergency over rising COVID cases. Japanese yen weakened against the US dollar. Bank of Japan's policy review and actions appeared to undermine its effort to stimulate inflation towards 2%.

In Emerging Markets, it was a story of two halves. During the first half, commodity and energy –rich countries, including Brazil and Russia, took a hit from falling cyclical stocks. In the second half of 2020, emerging markets regained more than the lost ground with Korea, India and Taiwan leading the charge, helped by the recovery in China and weak US dollar. Also, investors' appetite for higher yielding bonds benefitted emerging markets issues in both local and US dollar terms. In Q1 2021, strong demand in semiconductors and other components in consumer electronics and automobile caused global supply issues. The Indian economy and stock market continued to recover as the government pursued key reforms. The experience in other markets such as Brazil, was different. There was political unease and the central bank raised interest rates by 0.75% to control inflation. Turkey also witnessed difficulty during the quarter following the sacking of another governor of its central bank.

Global Equities

Global equities recovered strongly in late 2020 and posted further gains in Q1 2021 on the back of the vaccination programmes and concerted stimulus by the major economies. UK and Japanese equities fared well, the former due largely to the energy, financials and materials sectors and the latter driven mostly by corporate profitability and weakness of the yen against the US dollar. Elsewhere in Asia, such as the Philippines, optimism was dampened by sluggish vaccine rollouts. In Q1 2021, emerging markets were partly undermined by the rise in US Treasury bond yields and strengthening dollar.

Real Estate

Much of 2020 was characterised by uncertainty. In Q2 and Q3, investment volumes in the UK office market declined 56% year-on-year with London and other major UK cities worst affected as foreign investors faced travel restrictions. Also, there were supply-side issues such as lack of quality stock with Central London estimated to have about £7bn of available stock at the end of September better than £0.9bn at the end of Q2 2020. Activity picked up slowly in early 2021 with investors' preference for core assets offering long income and strong covenant.

Retail market suffered the most in 2020 due to the lockdown. The pubs and hospitality market also experienced a tough year. Pressure on margins and consequent inability of some retailers to honour obligations led to a rise in corporate failures and a shift towards shorter and flexible lease structures. Also, the transition to online retail intensified and continued in early 2021. The trend was also visible in the food retail segment of the market.

The logistics market benefitted from the lockdown due to the strong demand for warehousing and the expansion of last mile delivery supporting online channels. Record activity inspired some speculative developments, however, developers faced planning risk. In late 2020, some confidence began to return with some occupiers seeking longer leases.

Hotel and leisure market did well after the sector resumed some trading in H2 2020 helped by the vaccines rollout.

The residential real estate market was resilient in 2020 and in Q1 2021. Pricing, occupancy rates and rent collection were relatively strong. Student housing faced a challenge in 2020 as occupancy plummeted due to the pandemic.

Absolute Return Bonds

In Q1 2021, corporate bonds outperformed sovereign bonds. The return on investment grade bonds was negative and the gain on high yield bonds was moderate due to change in investors' risk appetite and sentiment.

Government Bonds

In Q1 2021, yields on government bonds rose (prices fell) and government bonds underperformed corporate bonds. The yield on the 10-year US Treasury jumped 0.83% to 1.74%. The 10-year UK Treasury bond climbed 65 basis points higher to 0.88%. Also, the benchmark German, Italian and Spanish Treasuries also registered significant increase in yields. Generally, bond markets retreated as yields rose sharply and investors feared potentially higher inflation.

.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Principle 3 – Institutional investors should monitor their investee companies

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

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

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

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

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

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

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

Whilst not an exhaustive list, issues that may precede escalation of engagement activity would include:
- Concerns over remuneration packages
- Board structure
- Management succession
- Loss of confidence in management
- Acquisitions or disposals

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

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

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

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

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

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

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

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

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

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

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

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

The Fund maintains a Responsible Investment section on its website. Annual reporting on stewardship activity has formed part of the report and accounts. In future the annual report will include information about the Fund's voting and engagement work.

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

Bedfordshire Pension Fund
Funding Strategy Statement

Contents

Introduction

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

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

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

Purpose of the Funding Strategy Statement

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

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

Aims and purpose of the Fund

The aims of the Fund are to:

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

The purpose of the Fund is to:

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

Funding objectives

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

The funding objectives are to:

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

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

Key parties

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

The administering authority

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

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

Scheme employers

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

The responsibilities of each employer that participates in the Fund, including the administering authority, are to:

- Collect employee contributions and pay these together with their own employer contributions, as certified by the Fund Actuary, to the administering authority within the statutory timescales;
- Notify the administering authority of any new Scheme members and any other membership changes promptly;
- Develop a policy on certain discretions and exercise those discretions as permitted under the Regulations;
- Meet the costs of any augmentations or other additional costs in accordance with agreed policies and procedures; and
- Pay any exit payments due on ceasing participation in the Fund.

Scheme members

Active Scheme members are required to make contributions into the Fund as set by the Ministry of Housing, Communities and Local Government (MHCLG).

Fund Actuary

- The Fund Actuary for the Fund is Barnett Waddingham LLP. The main responsibilities of the Fund Actuary are to:
- Prepare valuations including the setting of employers' contribution rates at a level to ensure Fund solvency and long-term cost efficiency after agreeing assumptions with the administering authority and having regard to the FSS and the Regulations;
- Prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters such as pension strain costs, ill-health retirement costs, compensatory added years costs, etc.;
- Provide advice and valuations on the exiting of employers from the Fund;
- Provide advice and valuations relating to new employers, including recommending the level of bonds or other forms of security required to protect the Fund against the financial effect of employer default;
- Assist the administering authority in assessing whether employer contributions need to be revised between valuations as permitted or required by the Regulations;
- Ensure that the administering authority is aware

of any professional guidance or other professional requirements which may be of relevance to their role in advising the Fund; and

- Advise on other actuarial matters affecting the financial position of the Fund.

Funding strategy

The factors affecting the Fund's finances are constantly changing, so it is necessary for its financial position and the contributions payable to be reviewed from time to time by means of an actuarial valuation to check that the funding objectives are being met.

The most recent actuarial valuation of the Fund was carried out as at 31 March 2019. The results of the 2019 valuation are set out in the table below:

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

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

The individual employer contribution rates are set out in the Rates and Adjustments Certificate which forms part of the Fund's 2019 valuation report. The employers must pay contributions in line with the Rates and Adjustment Certificate but they may be able to alter the timing of contributions payable and/or pay in additional contributions with agreement from the administering authority.

The actuarial valuation involves a projection of future cashflows to and from the Fund. The main purpose of the valuation is to determine the level of employers' contributions that should be paid to ensure that the existing assets and future contributions will be sufficient to meet all future benefit payments from the Fund. A summary of the methods and assumptions adopted is set out in the sections below.

Funding method

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

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

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

The past service funding level of the Fund. This is the ratio of accumulated assets to liabilities in respect of past service of all members. It makes allowance for future increases to members' pay and pensions and includes all member types. If the value of the assets exceeds the value of the liabilities this will result in surplus in the Fund; whilst if the value of the liabilities exceeds the value of the assets this will results in a deficit in the Fund; and

The future service funding rate (also referred to as the primary rate as defined in Regulation 62(5) of the Regulations) is the level of contributions required from the individual employers which, in combination with employee contributions is expected to cover the cost of benefits accruing in future.

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

The approach to the primary rate will depend on specific employer circumstances and in particular may depend on whether an employer is an "open" employer – one which allows new recruits access to the Fund, or a "closed" employer – one which no longer permits new staff access to the Fund. The expected period of participation by an employer in the Fund may also affect the total contribution rate.

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

For closed employers, the actuarial funding method adopted is known as the Attained Age Method. The key difference between this method and the Projected Unit Method is that the Attained Age Method assesses the average cost of the benefits that will accrue over a specific period, such as the length of a contract or the remaining expected working lifetime of active members.

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

Valuation assumptions and funding model

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

- The assumptions adopted at the valuation can therefore be considered as:
- The demographic (or statistical) assumptions which are essentially estimates of the likelihood or timing of benefits and contributions being paid, and
- The financial assumptions which will determine the estimates of the amount of benefits and contributions payable and their current (or present) value.

Future price inflation

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

This assumption was reviewed following the Chancellor's November 2020 announcement on the reform of RPI. From 31 December 2020 RPI inflation is assumed to be 0.4% p.a. lower than the 20-year point on the inflation curve. This adjustment accounts for both the shape of the curve in comparison to the Fund's liability profile and the view that investors are willing to accept a lower return on investments to ensure inflation linked returns.

Future pension increases

Pension increases are linked to changes in the level of the Consumer Price Index (CPI). Inflation as measured by the CPI has historically been less than RPI due mainly to different calculation methods. At the 31 March 2019 valuation, a deduction of 1.0% p.a. was made to the RPI assumption to derive the CPI assumption.

This assumption was also reviewed in light of the Chancellor's announcement on the reform of RPI mentioned above. From 31 December 2020 CPI inflation is assumed to be 0.4% p.a. lower than the RPI assumption (i.e. a total of 0.8% p.a. below the 20-year point on the Bank of England implied RPI inflation curve). This reflects the anticipated reform of RPI inflation from 2030 following the UK Statistics Authority's proposal to change the RPI calculation method in line with the Consumer Prices Index including Housing costs (CPIH). This assumption will be reviewed at future valuations and the difference between RPI and CPI is expected to move towards 0.0% p.a. as we get closer to 2030.

Future pay increases

As some of the benefits are linked to pay levels at retirement, it is necessary to make an assumption as to future levels of pay increases. Historically, there has been a close link between price inflation and pay increases with pay increases exceeding price inflation in the longer term. The long-term pay increase assumption adopted as at 31 March 2019 was CPI plus 1.0% p.a. which includes allowance for promotional increases.

Future investment returns/discount rate

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

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

The discount rate that is applied to all projected liabilities reflects a prudent estimate of the rate of investment return that is expected to be earned from the Fund's long-term investment strategy by considering average market yields in the six months straddling the valuation date. The discount rate so determined may be referred to as the "ongoing" discount rate.

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

A summary of the financial assumptions adopted for the 2019 valuation is set out in the table below:

Financial assumptions as at 31 March 2019	
RPI inflation	3.6% p.a.
CPI inflation	2.6% p.a.
Pension/deferred pension increases and CARE revaluation In line with CPI inflation	
Pay increases	CPI inflation + 1.0% p.a.
Discount rate	4.6% p.a.

Asset valuation

For the purpose of the valuation, the asset value used is the market value of the accumulated fund at the valuation date, adjusted to reflect average market conditions during the six months straddling the valuation date. This is referred to as the smoothed asset value and is calculated as a consistent approach to the valuation of the liabilities.

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

Demographic assumptions

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

Further details of the assumptions adopted are included in the Fund's 2019 valuation report.

McCloud/Sargeant judgements

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

In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounted to unlawful discrimination. On 27 June 2019 the Supreme Court denied the government's request for an appeal in the case. A remedy is still to be either imposed by the Employment Tribunal or negotiated and applied to all public service schemes, so it is not yet clear how this judgement may affect LGPS members' past or future service benefits. It has, however, been noted by government in its 15 July 2019 statement that it expects to have to amend all public service schemes, including the LGPS. On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits. The consultation closed on 8 October 2020 and the final remedy will only be known after the consultation responses have been reviewed and a final set of remedial Regulations are published. Further details of this can be found below in the Regulatory risks section.

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

Guaranteed Minimum Pension (GMP) indexation and equalisation

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

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

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

The 2019 valuation assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the government providing the remainder of the inflationary increase. For members that reach SPA after this date, it is assumed that the Fund will be required to pay the entire inflationary increase. This is consistent with the government's 23 March 2021 outcome noted above.

Deficit recovery/surplus amortisation periods

Whilst one of the funding objectives is to build up sufficient assets to meet the cost of benefits as they accrue, it is recognised that at any particular point in time, the value of the accumulated assets will be different to the value of accrued liabilities, depending on how the actual experience of the Fund differs to the actuarial assumptions. This theory applies down to an individual employer level; each employer in the Fund has their own share of deficit or surplus attributable to their section of the Fund.

Where the valuation for an employer discloses a deficit then the level of required employer contributions includes an adjustment to fund the deficit over a maximum period of 17 years. The adjustment is set either as a percentage of payroll or as a fixed monetary amount but must be agreed with the administering authority.

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

The deficit recovery period or amortisation period that is adopted for any particular employer will depend on:

- The significance of the surplus or deficit relative to that employer's liabilities;
- The covenant of the individual employer (including any security in place) and any limited period of participation in the Fund;
- The remaining contract length of an employer in the Fund (if applicable); and
- The implications in terms of stability of future levels of employers' contribution.

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

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

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

Stability of future levels of employer contribution rates

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

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

Pooling of individual employers

The policy of the Fund is that each individual employer should be responsible for the costs of providing pensions for its own employees who participate in the Fund. Accordingly, contribution rates are set for individual employers to reflect their own particular circumstances.

However, certain groups of individual employers are pooled for the purposes of determining contribution rates to recognise common characteristics or where the number of Scheme members is small.

The funding pools adopted for the Fund at the 2019 valuation are summarised in the table below:

Pool	Type of pooling	Notes
Town and Parish Councils	Past and future service pooling	All town and parish councils in the pool pay the same total contribution rate and have the same funding level. Bedford Borough Council, Luton Borough Council and Central Bedfordshire Council collectively act as guarantor to this funding pool.
Academies	Past and future service pooling	Some Multi Academy Trusts have opted to adopt a pooled total contribution rate and have the same funding level
Ill-health and death-in-service risk pooled employers	Ill-health and death-in service risk only	Applies to all employers in the Fund apart from the major scheduled bodies

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

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

Forming/disbanding a funding pool

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

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

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

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

Risk-sharing

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

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

At the 2019 valuation, risk-sharing arrangements were allowed for by allocating any deficit/liabilities covered by the risk-sharing arrangement to the relevant responsible employer following agreement of the letting authority.

New employers joining the Fund

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

Admission bodies

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

Funding at start of contract

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

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

Contribution rate

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

Depending on the details of the arrangement, for example if any risk sharing arrangements are in place, then additional adjustments may be made to determine the contribution rate payable by the new admission body. The approach in these cases will be bespoke to the individual arrangement. The total employer contribution rate will be subject to a minimum of 10% p.a.

Security

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

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

Risk-sharing

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

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

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

The administering authority may consider risk-sharing arrangements as long as the approach is clearly documented in the admission agreement, the transfer agreement or any other side agreement. The arrangement also should not lead to any undue risk to the other employers in the Fund. Legal and actuarial advice in relation to risk-sharing arrangements should be sought where required.

New academies

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

Funding at start

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

Contribution rate

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

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

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

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

Contribution reviews between actuarial valuations

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

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

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

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

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

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

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

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

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

Cessation valuations

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

Any deficit in the Fund in respect of the exiting employer will be due to the Fund as a single lump sum payment, unless it is agreed by the administering authority and the other parties involved that an alternative approach is permissible, or it is agreed that. For example:

the assets and liabilities relating to the employer may transfer within the Fund to another participating employer.

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

Managing exit payments

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

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

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

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

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

Exit credit policy

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

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

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

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

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

one month of the cessation date the administering authority will not be able to guarantee payment within six months of the cessation date.

- Under the Regulations, the administering authority has the discretion to take into account any other relevant factors in the calculation of any exit credit payable and they will seek legal advice where appropriate.

Town and Parish Councils

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

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

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

Bulk transfers

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

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

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

Links with the Investment Strategy Statement (ISS)

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

The main link between the FSS and the ISS relates to the discount rate that underlies the funding strategy as set out in the FSS, and the expected rate of investment return which is expected to be achieved by the long-term investment strategy as set out in the ISS.

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

Risks and counter measures

Whilst the funding strategy attempts to satisfy the funding objectives of ensuring sufficient assets to meet pension liabilities and stable levels of employer contributions, it is recognised that there are risks that may impact on the funding strategy and hence the ability of the strategy to meet the funding objectives.

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

Financial risks

The main financial risk is that the actual investment strategy fails to produce the expected rate of investment return (in real terms) that underlies the funding strategy. This could be due to a number of factors, including market returns being less than expected and/or the fund managers who are employed to implement the chosen investment strategy failing to achieve their performance targets.

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

However, the Pension Fund Committee regularly monitors the investment returns achieved by the fund managers and receives advice from the independent advisers and officers on investment strategy.

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

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

Demographic risks

Allowance is made in the funding strategy via the actuarial assumptions for a continuing improvement in life expectancy. However, the main demographic risk to the funding strategy is that it might underestimate the continuing improvement in longevity. For example, an increase of one year to life expectancy of all members in the Fund will increase the liabilities by approximately 4%.

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

The liabilities of the Fund can also increase by more than has been planned as a result of the additional financial costs of early retirements and ill-health retirements. However, the administering authority monitors the incidence of early retirements; and procedures are in place that require individual employers to pay additional amounts into the Fund to meet any additional costs arising from early retirements.

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

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

Maturity risk

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

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

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

Regulatory risks

The benefits provided by the Scheme and employee contribution levels are set out in Regulations determined by central government. The tax status of the invested assets is also determined by the government.

The funding strategy is therefore exposed to the risks of changes in the Regulations governing the Scheme and changes to the tax regime which may affect the cost to individual employers participating in the Scheme.

However, the administering authority participates in any consultation process of any proposed changes in Regulations and seeks advice from the Fund Actuary on the financial implications of any proposed changes.

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

- If the LGPS was to be discontinued in its current form it is not known what would happen to members' benefits.
- The potential effects of GMP equalisation between males and females, if implemented, are not yet known.
- More generally, as a statutory scheme the benefits provided by the LGPS or the structure of the scheme could be changed by the government.
- The State Pension Age is due to be reviewed by the government in the next few years.

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

McCloud/Sargeant judgements and cost cap

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

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

However, on 20 December 2018 there was a judgement made by the Court of Appeal which resulted in the government announcing their decision to pause the cost cap process across all public service schemes. This was in relation to two employment tribunal cases which were brought against the government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. Transitional protection enabled some members to remain in their pre-2015 schemes after 1 April 2015 until retirement or the end of a pre-determined tapered protection period. The claimants challenged the transitional protection arrangements on the grounds of direct age discrimination, equal pay and indirect gender and race discrimination.

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

On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits and at the same time announced the unpausing of the 2016 cost cap process which will take into account the remedy for the McCloud and Sargeant judgement. The consultation closed on 8 October 2020 and the final remedy will only be known after the consultation responses have been reviewed and a final set of remedial Regulations are published. At the time of drafting this FSS, it is not yet known what the effect on the current and future LGPS benefits will be.

Consultation: Local Government Pension Scheme: changes to the local valuation cycle and management of employer risk

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

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

The consultation is currently ongoing: the consultation was closed to responses on 31 July 2019 and an outcome is now awaited.

So far, two partial responses to the consultation have been issued:

- On 27 February 2020, a partial response was issued relating to policy changes to exit credits
- On 26 August 2020, a partial response was issued relating to review of employer contributions and flexibility on exit payments

This FSS has been updated in light of these responses and will be revisited again once the outcomes are known for the remaining items.

Detail of the outstanding policy proposals are outlined below:

Timing of future actuarial valuations

LGPS valuations currently take place on a triennial basis which results in employer contributions being reviewed every three years. In September 2018 it was announced by the Chief Secretary to HMT, Elizabeth Truss, that the national Scheme valuation would take place on a quadrennial basis (i.e. every four years) along with the other public sector pension schemes. This results of the national Scheme valuation are used to test the cost control cap mechanism and HMT believed that all public sector scheme should have the cost cap test happen at the same time with the next quadrennial valuation in 2020 and then 2024.

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

Changes to employers required to offer LGPS membership

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

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

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

Employer risks

Many different employers participate in the Fund. Accordingly, it is recognised that a number of employer-specific events could impact on the funding strategy including:

- Structural changes in an individual employer's membership;
- An individual employer deciding to close the Scheme to new employees; and
- An employer ceasing to exist without having fully funded their pension liabilities.

However, the administering authority monitors the position of employers participating in the Fund, particularly those which may be susceptible to the events outlined, and takes advice from the Fund Actuary when required.

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

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

In addition, the administering authority keeps in touch with all individual employers participating in the Fund to ensure that, as administering authority, it has the most up to date information available on individual employer situations. It also keeps individual employers briefed on funding and related issues.

Governance risks

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

Monitoring and review

This FSS is reviewed formally, in consultation with the key parties, at least every three years to tie in with the triennial actuarial valuation process.

The most recent valuation was carried out as at 31 March 2019, certifying the contribution rates payable by each employer in the Fund for the period from 1 April 2020 to 31 March 2023.

The timing of the next funding valuation is due to be confirmed as part of the government's Local government pension scheme: changes to the local valuation cycle and management of employer risk consultation which closed on 31 July 2019. At the time of drafting this FSS, it is anticipated that the next funding valuation will be due as at 31 March 2022 but the period for which contributions will be certified at that valuation remains unconfirmed.

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

SECTION 4
Pooling

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

Introduction

Bedfordshire Pension Fund is a founding member of the Border to Coast Pensions Partnership (BCPP) along with 11 other Pension Funds namely:-

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

Border to Coast's contact details are: 5th Floor, Toronto Square, Leeds, LS1 2HJ

Telephone 0113 487 2550 Company Registration Number 10795539 BCPP is regulated by the Financial Conduct Authority (FRN 800511)

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

Pooling Costs

The table below shows the costs Bedfordshire Pension Fund expects will be incurred in running BCPP in 2020/2021:

Pool Operating Costs	Governance	Asset Under Management	AUM Charge	Development	Alternatives Commitments	Alternatives	Advisory	2020/2021 Total
	£000	£m	£000	£000	£m	£000	£000	£000
Partner Fund								
Bedfordshire	234	201	25	51	231	151	0	461
Cumbria	234	984	204	57	240	157	0	652
Durham	234	1,909	268	232	165	108	0	842
East Riding	234	2,156	1,325	101	140	92	0	1,752
Lincolnshire	234	1,350	246	53	0	0	0	533
North Yorkshire	234	1,638	306	116	195	128	0	784
South Yorkshire	234	6,073	3,119	215	660	432	69	4,069
Surrey	234	1,187	338	266	400	262	0	1,100
Teesside	234	2,246	1,030	156	300	196	0	1,616
Tyne & Wear	234	3,131	612	395	510	334	0	1,575
Warwickshire	234	841	197	64	160	105	0	600
Total Operating Costs	**2,574**	**21,715**	**7,670**	**1,706**	**3,001**	**1,965**	**69**	**13,984**

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

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

There has been significant progress with pooling, including the strategic objective to accelerate the development and enhancement of the internal BCPP team. The focus of the last review in 2020/2021 has been to ensure that BCPP's process for new product development continues to take proper account of the Fund's views and that investment offerings (sub funds) are timely and suitable for the Fund to access. The risks previously identified are maintained with appropriate control measures in place.

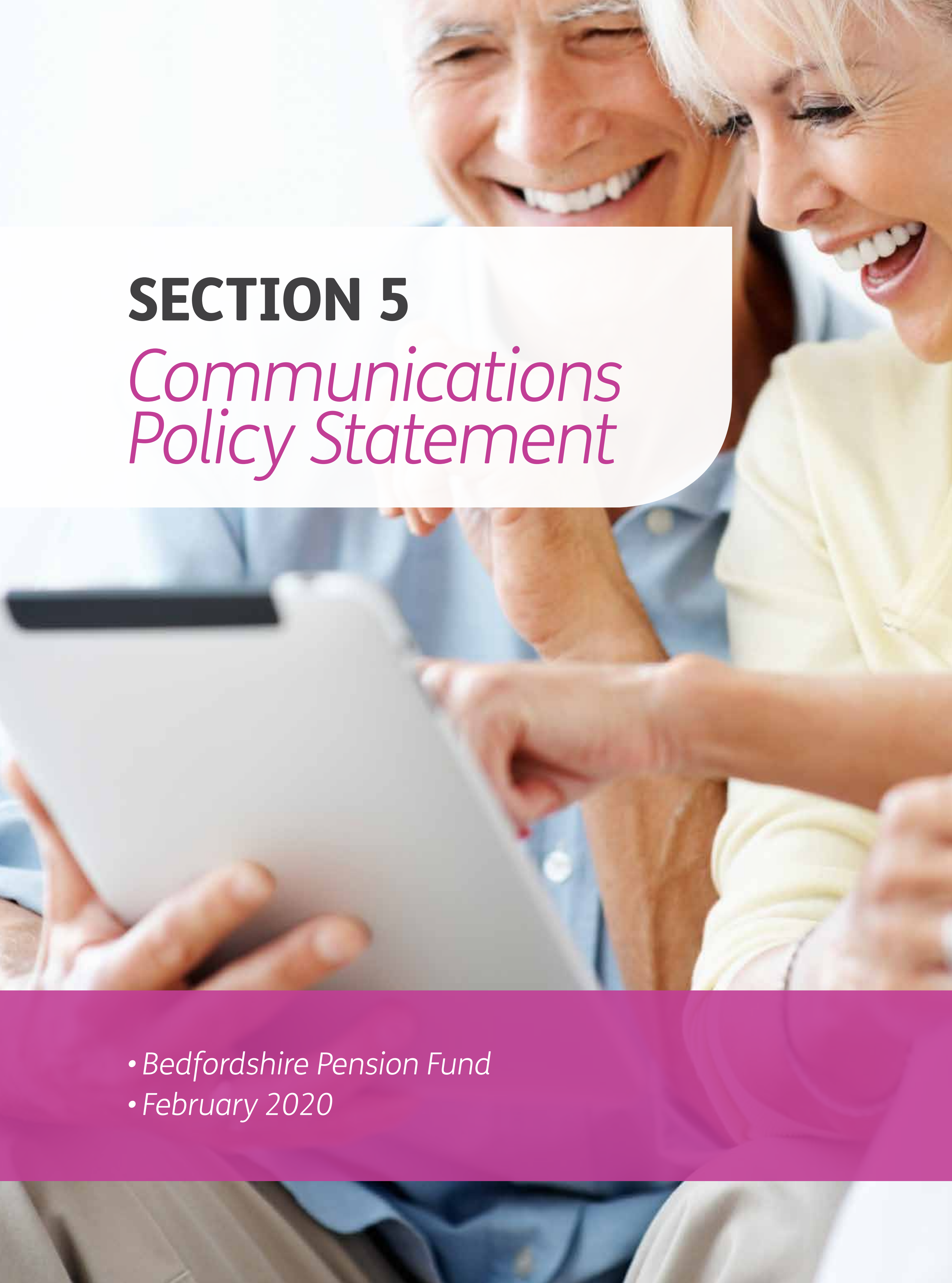
These risks can be reviewed within the Risk Register which is available on the Fund's website. The document can be found using the following link

https://www.bedspensionfund.org/Media_Library/fund_information/fund_governance/Risk_Register_Post_230719.pdf.

Cost Comparative Analysis						
Costs Type	AUM		Costs		Cost Saving 2020/21	Cumulative (since inception)
	Legacy £m	Pool £m	Legacy £m	Pool £m	£m	£m
Investment Management						
a) Pooled assets/mandate						
Global Equity	116.0	200.9	0.7	0.6	0.1	0.5
Infrastructure		35.3		2.0	0.2*	0.2*
b) Non-pooled (segregated) assets/mandate		3.3		0.3	0**	0**
					1.0	4.0
Total	**116.0**	**239.5**	**0.7**	**2.9**	**1.3**	**4.7**
Pooling						
a) Set up – shares & subscription				0.4	n/a	n/a
b) Governance				0.2	n/a	n/a
c) Development				0.1	n/a	n/a
d) Projects				0.1	n/a	n/a
e) Transition				0.0	n/a	n/a
Total				**0.8**		

*industry standard fees of £2.2m and average commitment of £144.6m assumed.
**industry standard fees of £0.3m and average commitment of £27.6m assumed.

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



SECTION 5
Communications Policy Statement

- *Bedfordshire Pension Fund*
- *February 2020*

Contents

Introduction

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

Bedfordshire Pension Fund has over 140 scheme employers and over 70,000 scheme members, as at 31 March 2019.

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

a. scheme members know about the benefits the LGPS offers, and whatchoices and decisions they need to make when planning for theirretirement

b. pension records are accurate and up todate

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

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

Contact us

Please send any questions about this Communication Policy Statement to:

Claire Bennett, Pensions Administration Manager

Bedfordshire Pension Fund
Borough Hall
Cauldwell Street
Bedford MK42 9AP

01234 276912

pensions@bedford.gov.uk

www.bedspensionfund.org

Our audience

Bedfordshire Pension Fund communicates regularly with a number of groups:

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

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

Communication principles and use of resources

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

1) Communications are clear and easy to understand
2) Communications are appropriate for the target audience
3) Communications are easily accessible and are in a suitable format
4) Communications will be reviewed regularly to make sure they continue to be effective

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

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

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

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

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

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

How we communicate

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

Printed documents

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

Email

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

Telephone

We provide direct telephone numbers as well as having a call-routing system, which has a short menu of options to help direct enquiries to the correct member of the pensions team.

Website

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

My Pension Online

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

Appointments

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

Presentations

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

Training

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

Communication with scheme members

When communicating with members, our objectives are:

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

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

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

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

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

Guides to the scheme: full and brief versions of the guide to the LGPS are available on the fund's website at www.bedspensionfund.org The website also has a number of factsheets on specific topics, for example: reductions in pay; periods of absence; annual and lifetime allowance; planning for retirement.

Annual Benefit Statements: we send paper benefit statements to active and deferred members of the scheme. A newsletter is sent with the statements, updating members on the latest news about the LGPS.

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

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

Communication with prospective members

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

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

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

Communication with scheme employers

When communicating with scheme employers, our objectives are:

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

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

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

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

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

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

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

Employer contact meetings: pension fund staff can meet with employers to give them an opportunity to discuss their involvement in the scheme.

Communication with the Pension Fund Committee and Pension Board

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

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

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

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

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

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

Briefing papers: a briefing that highlights key issues and developments to the LGPS and the fund. Papers on LGPS topics are distributed to the group as and when required.

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

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

Communication with union representatives

When communicating with union representatives, our objectives are:

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

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

Briefing papers: a briefing that highlights key issues and developments relating to the LGPS and the Fund. The papers are distributed to union representatives as and when required.

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

Face to face meetings on specific LGPS topics: these are education sessions that are available on request for union representatives. For example, the representative may want to improve their understanding of the LGPS, or proposed changes to policies.

Communication with pension fund staff

When communicating with pension fund staff, our objectives are:

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

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

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

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

Monthly team bulletin: the Pensions Administration Manager emails a monthly bulletin, giving staff a regular update on current issues.

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

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

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

Communication with other interested parties

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

Our objectives when communicating with these parties are as follows:

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

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

Pension Fund Report and Accounts: shows the value of the pension fund during the financial year and its income and expenditure as well as other related details, for example, the current employers and scheme membership numbers.

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

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

Details of new employers: there is a legal requirement to notify the relevant Government departments of the name and type of employer entered into the fund.

Completion of questionnaires: various questionnaires that may be received which request specific information about the fund.

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

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

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

Measuring performance

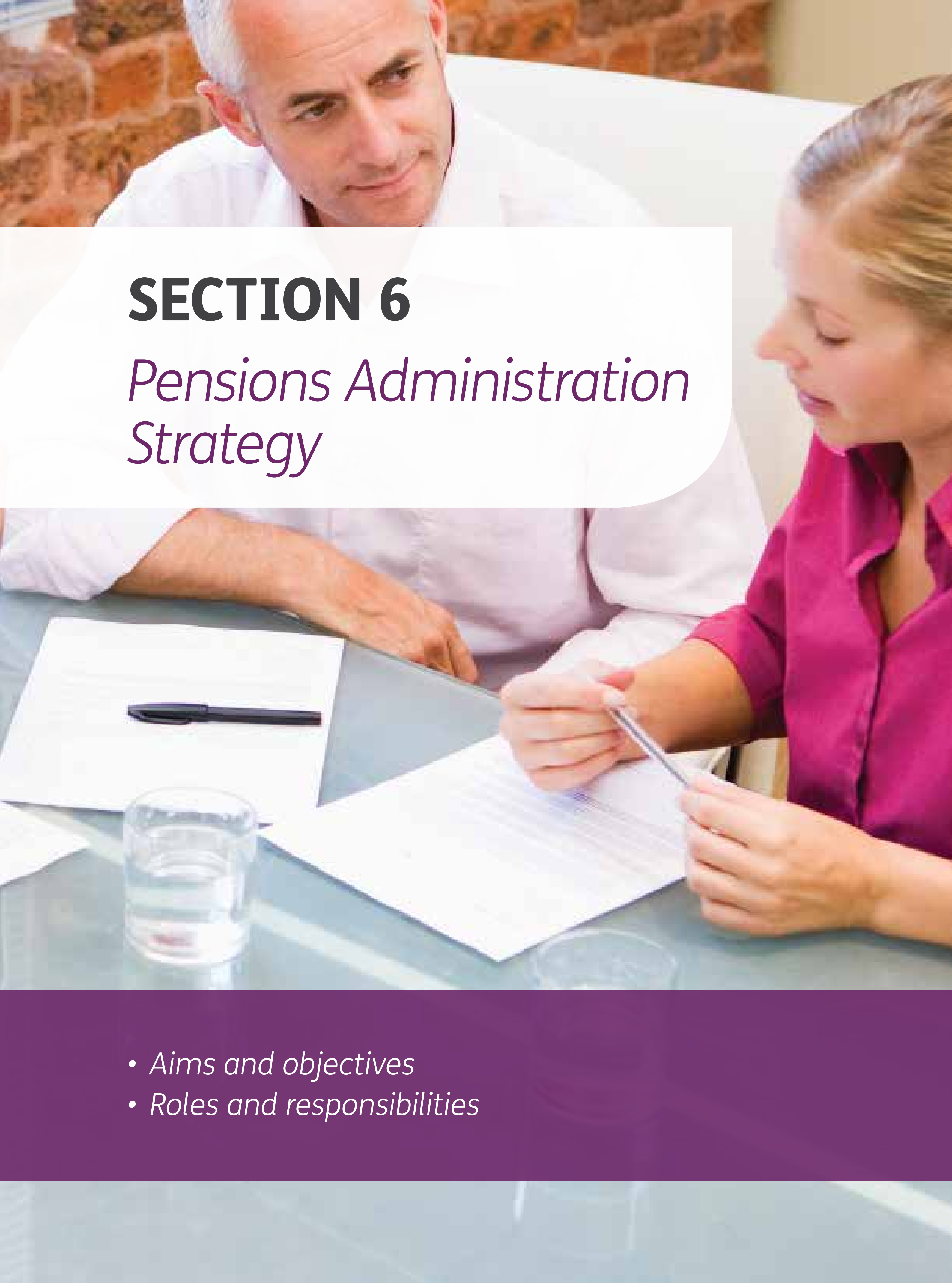
To measure the success of our communications with active, deferred and pensioner members, we will regularly assess if we are meeting the following targets:

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

Appendix A

Summary of Bedfordshire Pension Fund communications			
Communication	**Format**	**When issued**	**Audience**
Statutory notification of joining the scheme	Paper	On joining the scheme; sent to home address	Active members
Scheme guide (long and short versions)	Online; paper copies on request	Always available online; promoted with statutory notification of joining; issued by employer	Active, deferred and pensioner members
Benefit statements	Paper; online	Annually, to home address	Active and deferred members
Members' newsletter	Paper; online	Annually, to home addresses	Active and deferred members
A guide for new pensioners	Paper; online	At retirement, to home address	Pensioner members
Pensions increase letter	Paper; online	Annually, to home address	Pensioner members
Planning for retirement leaflet	Paper; online	When member requests an estimate of benefits, sent to homeaddress	Active members
Fund website	Online	Always available	All scheme members; scheme employers; other interested parties
My Pension Online website	Online	Always available	All scheme members
Additional contribution leaflets	Online; paper copy on request	On request	Active members
Factsheets	Online; paper copies on request	On request	All scheme members
Guide to the Internal Disputes Resolution procedure	Online documents	Always available online; emailed on request	Scheme members; employers
One to one meetings	Face to face	On request	Scheme members; employers
Employer annual general meetings	Face to face	Annually	Scheme employers
Forms and guides for employers	Online	Always available online; emailed on request	Scheme employers
Employer training	Face to face	On request	Scheme employers
Update emails	By email	As required	Scheme employers

Summary of Bedfordshire Pension Fund communications, continued			
Communication	**Format**	**When issued**	**Audience**
Employer one to one meetings	Face to face	On request	Scheme employers
Briefing papers	Paper and email	As required	Trade union representatives; members of the Pension Fund Committee / PensionBoard
Pension Board representatives	Meetings	Quarterly	Trade union; scheme employer; scheme members
Training on fund governance	Face to face	When new members join pension committee / board; asrequired	Members of the Pension Fund Committee / Pension Board
Pension Fund Committee meetings	Meeting	Quarterly	Members of thePension Fund Committee
Pension Board meetings	Meeting	Quarterly	Members of the Pension Board
In-house training	Face to face; online	As required	Pension fund staff
External training	Provided externally	As required	Pension fund staff
JointCommunications Group meetings	External meeting	3 – 4 times annually	Pension fund staff /other pension fund staff
Regional Pensions Officer meeting	External meeting	Quarterly	Pension fund staff /other pension fund staff
Pension fund report and accounts	Online document; paper copy on request	Annually	Scheme members; employers; other interested parties
Summary pension fund report and accounts	Online document; paper copy on request	Annually	Scheme members; employers; other interested parties
Investment Strategy	Online document	Always available online	All
Governance Policy	Online document	Always available online	All
Pension Fund valuation report	Online document	Every three years; emailed on request	All
New employer details	Paper	When new employers join thefund	MHCLG / HMRC
Completion of questionnaires / scheme returns	Online or paper	As required	MHCLG / HMRC /Pensions Regulator



SECTION 6
Pensions Administration Strategy

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

Contents

1. INTRODUCTION AND REGULATORY CONTEXT

1.1 This document sets out a framework of the Administration Strategy by outlining the policies and expected performance standards of both Employers and Bedfordshire Pension Fund ("the Fund"), which will enable provision of a cost-effective and high quality pension administration service. The strategy is kept under review not least on a triennial basis and will be revised to reflect changes to LGPS regulations and Fund policies.

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

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

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

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

2. AIMS AND OBJECTIVES

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

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

2.2 The aims of this strategy are to:

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

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

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

2.5 The objectives of this strategy are to ensure that:

• the Fund and employers are aware of, and understand, their respective roles and responsibilities under the LGPS Regulations
• the Fund operates in accordance with LGPS Regulations and the Pensions Regulator's guidance in demonstrating compliance and scheme governance.
• communication processes are in place to enable both the Fund and employers to proactively and responsively engage with each other and other partners.
• accurate records are maintained for the purpose of calculating pension entitlements and employer liabilities, ensuring all information and data is communicated satisfactorily, securely and in a timely manner
• the Fund and employers have appropriate skills, and guidance/training is in place, to deliver a high-quality service and effectively contribute to the changing pensions agenda
• administrative services are developed and delivered digitally where possible in order to streamline processes and maximise efficient use of resources

3. ROLES AND RESPONSIBILITIES – THE FUND

3.1 This section outlines the key responsibilities of the Fund, what the Fund will do and by when. It focusses on the key activities that employers and members are involved in and should not be viewed as an exhaustive list. See section 3.3 for a list of key tasks that are benchmarked annually against other LGPS Funds and are reported to the Local Pension Board and Pension Fund Committee

Fund Function / task		Expected timeframe
1	**General information**	
1.1	Regularly review the Fund's pensions administration strategy and consult with all employers	In advance of the policy being adopted
1.2	Review the Fund's funding strategy statement at each triennial valuation, following consultation with employers and the Fund's actuary	Publish by 31 March following the valuation date or as otherwise required
1.3	Regularly review the Fund's communication policy	Review every three years
1.4	Regularly review the Fund's governance and compliance statement	Review annually
1.5	Publish the Fund's annual report and accounts	By 1 December, following the year-end
1.6	Publish the Fund's final audited and approved accounts	By 31 July following the year-end
2	**Contribution requirements**	
2.1	Consult with employers on the outcomes of the triennial valuation	At least two months in advance of the signing of the final rates and adjustment certificate
2.2	Notify employers of contribution requirements for three years effective from the April following the actuarial valuation date	On or before 1st April following final issue of rates and adjustments certificate by the actuary
2.3	Notify new employers of their contribution requirements	Within six weeks of receipt of the notification of admission application or commencement as an employer

Fund Function / task		Expected timeframe
3	**Support for employers**	
3.1	Provide support for employers through: • written guidance and communications; and • face to face meetings	Written communication as per the Fund's communication policyEmployer forum held at least annually Annual review meeting
3.2	Notify employers and scheme members of changes to the scheme rules	As per disclosure requirements
3.3	Production and maintenance of an IDRP employer guide	On an ongoing basis
3.4	Assist employers with the implementation of i-Connect	Commencing in 2020
4	**Member information and general administration**	
4.1	Produce annual benefit statements for active members as at 31 March	By 31 August following the year-end
4.2	Produce annual benefit statements for deferred members as at pensions increase date in April	By 31 August following pensions increase date
4.3	Produce and issue pension savings statements each year to members who have exceeded their standard annual allowance	By 6 October following the end of the tax year (provided receipt of all relevant information from the employer)
4.4	Issue P60s to pensioners and beneficiaries	By 31 May following the year-end
4.5	Publish and keep up to date all forms required for completion by scheme members or employers	Within 30 days from any revision
4.6	Letters/e-mails from members (or member's representatives)	Answer or acknowledge within 10 working days

3.2 Performance measurement and key tasks

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

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

Performance Area		Measurement
1	**New joiners & changes**	
1.1	Set up a new starter and provide statutory notification	Within 10 working days of receipt of correct data from employer
1.2	Changes to a member's details	Within 10 working days of receipt of notification from employer
2	**Transfers**	
2.1	Transfer-in quotations processed	Within 10 working days of receipt of all necessary information
2.2	Transfer notification of transferred-in membership to be notified to the scheme member	Within 10 working days of receipt of payment
2.3	Transfer-out quotations processed	Within 10 working days of receipt of all necessary information
2.4	Transfer-out payments processed	Within 10 working days of receipt of all necessary information
2.5	Provision of estimate for divorce purposes	Within 10 working days of receipt of all necessary information

Performance Area		Measurement
3	**Additional contributions**	
3.1	Notify the employer of any scheme member's election to pay additional pension contributions (APCs), including all required information to enable deductions to commence	Within 10 working days of receipt of all necessary information
4	**Leavers**	
4.1	Notify members of their deferred options	Within 10 working days of receipt of all necessary information
4.2	Deferred benefits calculated	Within 10 working days of receipt of all necessary information
4.3	Deferred benefits processed for payment following receipt of election	Within 10 working days from receipt of all necessary information
4.4	Refund payments	Within 10 working days from receipt of all necessary information
5	**Retirements**	
5.1	Provision of retirement options to members	Within working 10 days of the later ofthe member's leaving date orreceipt of all necessary documentation
5.2	New retirement benefits processed for payment following receipt of election	Lump-sum payment within 10 working days of receipt of all necessary documentationFirst pension payment on next available payroll run
5.3	Changes to bank details made	By next payroll cut-off date
6	**Deaths**	
6.1	Acknowledgement of a death	Within 10 working days of receiving the notification.
6.2	Notification of benefits payable to dependents will be issued	Within 10 working days of receiving the necessary information
6.3	Payment of death lump-sum will be made	Within 10 working days of receipt of all necessary information
7	**Customer service**	
7.1	Provide an answer or acknowledgement to scheme members / employers / personal representatives / dependents and other authorised persons	Within 10 working days from receipt of enquiry

4. ROLES AND RESPONSIBILITIES – EMPLOYERS

4.1 Employer responsibilities

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

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

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

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

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

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

4.1.7 Key Employer responsibilities

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

Employer function / task		Expected timeframe
1	**General**	
1.1	Confirm nominated representative(s) to receive information from the Fund via the submission of a completed contacts form	Within 30 days of change or becoming an employer in the Fund
1.2	Appoint a person (the adjudicator) to consider disputes under stage 1 of the pension internal dispute process (IDRP) and provide full up to date contact details to the Fund	Within 30 days of becoming an employer in the fund, or following the resignation of the current adjudicator
1.3	Formulate, publish and keep under review policies in relation to all areas where the employer may exercise a discretion within the LGPS	A copy of the policy document is to be submitted to the Fund within 60 days of the change in policy
1.4	Distribute any information provided by the Fund to scheme members/potential scheme members (e.g. scheme benefits or benefit statement production)	In a timely manner as required
2	**New Starters**	
2.1	Decide who is eligible for LGPS membership (and the date from which membership of the LGPS starts).	On joining (or at point becomes eligible if later)
2.2	Determine rate of employee contributions	From the first pay period in which the employee joins the LGPS
2.3	Notify BPF of new joiner	Within the first two weeks of the month following the month in which the employee joined (e.g. if employee joined in April, we need notification inthe first two weeks in May)
2.4	Provide new employees, who are eligible for the LGPS, with details about the LGPS This may be in the form of directingthem to the Fund's website	Within 30 days of commencing eligible employment

Employer function / task		Expected timeframe
3	**Contributions**	
3.1	Pay employer and employee contributions to the Fund and complete monthly contributions form containing detail of the contributions payment.	By the 7th working day following the month end, but no later than the legal timeframe of the 19th of the month following (both payment and relevant accompanying paperwork) if payment by cheque or 21st if payment is electronic
3.2	Implement changes to employer contribution rates as instructed by the Fund at the date specified by the Fund's actuary	In line with the Rates & Adjustment Certificate as per the valuation or on commencement as an employer in the fund
3.3	Manage the correct deduction of employee contributions from a member's pensionable pay and throughout their membership in the scheme (including any periods of leave)	As required, typically monthly
3.4	Manage the deduction of all additional contributions or amend such deductions, as appropriate	As required
3.5	Arrange for the deduction of AVCs and payment over of contributions to the AVC provider(s)	As required, typically monthly
3.6	Make additional fund payments in relation to: • an early payment of benefits from flexible, redundancy or business efficiency retirement, or • a member retiring early with employer's consent, or • the employer 'switching on' the 85 year rulewhich has resulted in an actuarial strain cost	Within 30 days of receipt of invoice from the Fund
3.7	Refund contributions through the payroll to any employee who opts out of the scheme with less than 3 months' membership.	From the next available pay period after receiving the employee's request to opt out
4	**During an employee's membership of the scheme**	
4.1	Move employees into the 50:50 section or Main section	From the next available pay period after receiving the employee's election
4.2	Move employee back into the Main section	If the employee • is in the 50/50 section and goes onto no pay due to sickness or injury and is still on nil pay at the beginning of the next pay period or • or is in the 50/50 section at the time of the employer's re- enrolment datethen the employee must be moved into the main section from the beginning of the next available pay period.
4.3	Notify members of the scheme of their right to buy back pension 'lost' during any period of unpaid leave (including unpaid additional maternity leave) and tell them that if they do so within 30 days of their return to work then the employer contributes 2/3rds of the cost	When member applies for unpaid leave, or as soon as possible on the member's return to work.
4.3	Notify BPF of changes affecting pension entitlement via Notification of Changes form	Within the first two weeks of the month following the month in which the change took place (e.g. if change happened in April, we need notification in the first two weeks in May)
5	**Early Leavers**	
5.1	Early leavers (non-retirement) Notify BPF via form TERM2014 or TERM5050	Within the first two weeks of the month following the month in which the employee left (e.g. if the member left in April we would expect notification within the first two weeks of May). If the reason for leaving is not 'retirement' we will preserve benefits with the scheme.

Employer function / task		Expected timeframe
6	**Retirement**	
6.1	Notification of retirementNotify BPF via form TERM2014 or TERM5050	As early as possible but no later than 10 working days after the member's final payroll has run.
6.2	Ill Health Retirement notification Notify BPF via form TERM2014 or TERM5050 and Employer Certificate	Form TERM2014 or TERM5050,Employer Certificate and the IRMP medical certificate to be sent to the Fund as soon as the possible and no later than 10 working days after the member's final payroll has run.
6.3	Redundancy or Business Efficiency with Early RetirementNotify BPF via form TERM2014 or TERM5050 and Employer Certificate	Form TERM2014 or TERM5050 and Employer Certificate should be sent to the Fund as soon as the possible and no later than 10 working days after the member's final payroll has run
6.4	Flexible retirement notification Notify BPF via form TERM2014 or TERM505 and Employer Certificate	Form TERM2014 or TERM5050 and Employer Certificate should be sent to the Fund as soon as possible and no later than 10 working days after the member's final payroll has run. Even where a Discretionary Policy Statement allows it, the rule of 85 'switch on' will not be applied unless explicit instructionon a case by case basis is received.
7	**Contracting out of services**	
7.1	Contact the Fund to discuss the pension implications of contracting-out services which will involve a TUPE transfer of staff to another organisation.	Immediately if contracting-out services is being considered as a possibility and before making any decisions to contract-out services
7.2	Notify the Fund of the intention to contract-out services which will involve a TUPE transfer of staff to anotherorganisation. See the 'Guide to outsourcing staff in the LGPS' available on the Bedfordshire Pension Fund website	At least 6 weeks before going out to tender.
7.3	Work with the Fund to arrange for an admission agreement to be put in place when contracting-out a service, and assist in ensuring it is complied with	In advance of the date of contract (admission agreement must be completed and signed before the contract signing)
7.4	Notify the Fund if the employer ceases to admit new scheme members or is considering terminating membership of the Fund	During exploratory discussions or as soon as the decision is made
8	**Annual year-end data return**	
8.1	Provide the Fund with an annual return to 31 March each year. Due to the critical nature of this data for statutory reporting and annual benefit statement production, there is a separate charging policy for late and/or inaccurate returns – see Appendix 1	An accurate return to be submitted in the approved format no later than 30 April.

4.2 Payroll Services and Providers

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

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

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

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

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

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

4.2.5 Additionally, for scheme management, accounting and data quality control, and to ensure continuity of service for members, data on the previous payroll up to the date of termination and change must remain available for extraction and provision to the Fund as appropriate and necessary for at least one year after the contract has ceased.

5. ACHIEVING THE OBJECTIVES

5.1 The Fund currently has more than 150 participating employers. The employers differ in size, structure and resources, which presents a significant logistical challenge to the management of information, processes and services within the Fund. The number of employers in the Fund continues to grow, as does the volume of accurate information required to administer the scheme effectively. We need to meet the expectations of scheme members and be able to demonstrate excellent data quality under increased scrutiny at a local and national level. In line with guidance issued by the Pensions Regulator, the Fund is required to evidence good governance and administrative efficiency.

5.2 There are four key elements necessary to achieving the Fund's administrative objectives:

(a) Communications
The Fund aims to provide clear, relevant, accurate, accessible and timely information to all stakeholders. To this end, the Fund's communications strategy is already in place, providing a wide range of solutions for all parties. However, with growing membership numbers creating an increased need for information, the Fund is developing its communications strategy, embracing technology to enable member online access to pension records.

(b) Training and engagement
The objectives of the Fund have always included keeping stakeholders informed of new developments and providing guidance and workshops for employers and Fund staff when new regulations are implemented or are under consideration.

Additionally, the Fund offers guidance and training on an ongoing basis to new employers or new HR/Payroll staff whose responsibilities include providing LGPS data. With this in mind, it is important that employers and the Fund ensure that their staff have the right skills to support any changes, starting with a sound foundation of knowledge of existing regulations and administrative processes.

Notwithstanding future changes, there is an ongoing need to maintain good quality data on member records and streamline administrative processes by improving the quality of information received from employers. With this aim, the Fund's guidance and training aims are:
• to help and ensure each employer has staff with sufficient knowledge and skills to carry out administrative processes, by working with employers' Human Resources, Payroll and other staff to identify relevant skills and knowledge gaps and provide appropriate guidance and training;
• to ensure that employers are fully aware of the risks involved in poor administration and maintenance of member pension records and failure to discharge their discretionary functions;
• to continue to develop the technical skills and competencies of the Fund's staff and retain knowledge of historic regulations.

The Fund will provide guidance and training for employers' relevant staff, to build up and maintain a level of professional expertise, which, together with the employer's own systems and processes, will enable employers to deliver information required by the Fund.

The primary contact at the employer has an important role to play in ensuring both they and other relevant staff (or their successor) build up and retain sufficient knowledge and skills to enable the employer to comply with its statutory LGPS duties.

(c) Information & Communications Technology
As part of its digital ambitions, the Fund is investing in upgraded software called i-Connect which has the facility to enable employers to submit data online, via a web portal.

This development allows employers to submit certain changes, notifications and requests online, including joiners, 50/50 switches, changes of address, changes of personal circumstances, changes of hours and breaks in service and early leaver notifications.

The long-term vision is to have all Fund employers submitting data electronically.

(d) Performance standards
Overriding legislation dictates minimum standards that pension schemes should meet in providing certain information to the various parties associated with the scheme. The scheme itself sets out a number of requirements for the Fund or employers to provide information to each other, scheme members and prospective scheme members, dependants, other pension arrangements or other regulatory bodies. The locally agreed performance standards, covered in section 3.3 above, cover all aspects of the administration of the scheme and, where appropriate, go beyond the overriding legislative requirements.

The Fund and employers will ensure that all functions / tasks are carried out to agreed quality standards. The standards to be met are:

• work to be completed and submitted in the required format and/or on the appropriate forms;
• information to be legible and accurate;
• communications to be in a plain language style
• information provided to be checked for accuracy by an appropriately trained member of staff before submission
• information submitted to be appropriately authorised; and
• actions carried out, or information provided, within the timescales set out in this strategy document.

For the avoidance of doubt, "accuracy" in this Strategy means we have received a completed form/data with no gaps in mandatory areas and with no information which is either contradictory within the document or which we need to query. Specific dates for timescales are determined by the date of an event, this being either the date the member joined or left the Fund or any other material change that affects a scheme member's pension record.

6. PROCEDURES FOR ENSURING COMPLIANCE

6.1 Compliance with the scheme's regulatory requirements is the responsibility of the Fund and employers. We will work closely with all employers to ensure compliance with all statutory requirements, whether they are specifically referenced in the LGPS Regulations, in overriding legislation, or in this Administration Strategy.

6.2 We will also work with employers to ensure that overall quality and timeliness continues to be improved. Various means will be employed to ensure such compliance and service improvement, seeking views from as wide an audience as possible. These include:

Performance monitoring

6.3 The employer should monitor its own performance against its employer duties and responsibilities and seek to improve its performance where it is not achieving the required level of performance.

6.4 The Fund will also monitor the employer's performance against the agreed performance levels and will work with employers in identifying any areas of poor performance and will provide the opportunity for necessary training and development in order to assist with implementing appropriate processes to improve the level of service delivery in the future.

6.5 The Fund will also monitor its own performance against its Fund duties and responsibilities. The Fund participates each year in the SF3 benchmarking to measure its performance against other LGPS Funds and performance against key performance indicators is reported to the Local Pension Board, Pension Committee and is included in the Fund's annual report & accounts.

Unsatisfactory performance

6.6 Where persistent and ongoing failure occurs and an employer does not demonstrate improvement, and willingness to resolve the identified issue(s), the Fund will take the following steps in dealing with the situation in the first instance:

- contact and/or meet with the employer to discuss the area(s) of poor performance and how it can be addressed.
- agree an improvement plan setting out the improvements required in liaison with the employer and a timescale for achieving those improvements.
- where no improvement has been demonstrated by the employer within the agreed timescale, or where there has been a failure to take agreed action by the employer, the Fund will issue a formal written notice to the employer setting out the area(s) of poor performance identified, the steps taken to resolve those area(s) and giving notice that the additional costs may now be reclaimed.
- set out the calculations of any loss or additional costs incurred by the Fund, taking account of time and resources in resolving the specific area of poor performance; and
- make a claim against the employer, setting out the reasons for doing so, in accordance with the Regulations

7. WORK NOT INCLUDED IN THE ADMINISTRATION CHARGE

(AND FOR WHICH THE FUND WILL MAKE AN ADDITIONAL CHARGE)

7.1 The administration charge for the Fund's services is included in an employer's pension contribution rate.

Some items of work undertaken by the Fund or by third parties (for example, the Fund's actuary) may result in additional charges which are payable by employers over and above their standard administration charge. This may be because there is no statutory requirement for the Fund to undertake the work, or because not all employers will require the work.

Examples of work for which additional charges may be due include IAS19/FRS102 productions for accounts; admitted body applications; academy conversions; bond reviews; cessation valuations and non-standard actuarial work. This list is not exhaustive. Employers will be informed of additional costs before the work is undertaken.

APPENDIX A

Penalties for late / incomplete / inaccurate submission of data

Annual returns	
Failure to submit a usable, balanced annual end of year return by the deadline of 30 April	A fixed penalty of £500 plus a further fixed penalty of £50 per working day for every further working day late following that deadline
Queries arising from the annual return	
Bedfordshire Pension Fund being unable to reconcile year end information with the member record and necessitating a query Responses to queries necessitating a re-query	£5 per case per query £2 per case per query
Implementing i-Connect	
Failure to engage and provide required data via i-Connect	A fixed penalty of £200 plus a further fixed penalty of £50 per working day for everyfurther working day late following that deadline
Submission of monthly contributions	
Failure to submit a balanced monthly return by the 19th of the month following the month of the deduction	A fixed penalty of £500 plus a further fixed penalty of £50 per working day for every further working day late following that deadline
Discretionary Policy Statements	
Failure to devise and publish any statement of policy on the use of discretionary powers under the LGPS regulations by any statutory deadline	A fixed penalty of £500 plus a further fixed penalty of £250 per working week for every further working week late following that deadline
Payroll Provider Service	
Failure to ensure that any new Payroll Service Provider is able to maintain the continuity of i-Connect	Applicable from month 1 of the new contract - a fixed penalty of £1,000 for every monthly report that fails to be submitted by the standard monthly deadline, plus the standard penalty for late submission of returns

SECTION 7
Bedfordshire Local Pension Board

- *Annual Report of the Bedfordshire Local Pension Board*

Annual Report of The Bedfordshire Local Pension Board – 2020/2021

1. CONSTITUTION, REPRESENTATION AND ATTENDANCE

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

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

1.3 The Board met on five occasions during the year, on 28 May, 10 June, 23 July, 10 November 2020, and 28 January 2021. Overall attendance during the year was 87%, an improvement from the 74% attendance the previous year. Individual attendance records are shown in the Appendix.

1.4 Board meetings are open to the public, other than when considering exempt items. During the year, all meetings were held virtually and streamed live on YouTube to facilitate public participation.

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

2. FUNCTIONS AND OPERATION OF THE BOARD

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

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

2.2 It therefore has a monitor/assist/review/scrutinize purpose, rather than being a decision-making body. It could be seen as being a critical but supportive friend. It sets its own agenda, and can be selective and probe particular topics in more depth than the Committee, which has a wider range of statutory responsibilities. As such, the general approach of the Board is to seek assurances with evidence from the Fund and external bodies, that it is meeting its objectives, producing its required statements, managing its risks, etc. so as to achieve the overall objectives as set out in paragraph 2.1 above. It can and does commission its own reports, and where appropriate, makes recommendations to the Committee and to officers.

2.3 In so doing, the Board is helping manage the reputational risk of both the Fund and the Administering Authority. This is more critical now that the LGPS in England and Wales has both the Ministry of Housing, Communities and Local Government (MHCLG) and the Pensions Regulator (TPR) as its regulators. The Administering Authority, and in extreme circumstances Board members, can be fined by TPR, who also has other powers available.

2.4 The Board is supported by the Board Secretary and operates under Terms of Reference which were initially agreed by Council in March 2015. Terms of Reference are reviewed annually. On 7 February 2018, the Council accepted recommendations from the Committee to make various revisions, including the desire to appoint an Independent Chair. The Council agreed further revisions on 13 January 2021. The url for the current Terms of Reference is shown in paragraph 7.1. Other information regarding the Pension Board can be located from that webpage.

2.5 In 2020/21 the direct costs of operating the Board, covering travel and training expenses relating to Board members and the fees and expenses of the Independent Chair amounted to £16,000. These costs do not include any indirect costs relating to officer time nor any apportioned costs for the use of the Council's premises, systems or services recharged to the Fund by the Council. The Board seeks approval from the Administering Authority for its budget on an annual basis. Mindful of delivering value for money, the Board endeavours to work in a cost-effective manner, as its costs are reflected in employer contribution rates.

3. DETAILED WORK OF THE BOARD

3.1 Overview

3.1.1 This is the sixth Annual Report produced by the Board, and the third written by the Independent Chair. Since their inception, Local Pension Boards have become increasingly visible, as have the expectations of both TPR and the Scheme Advisory Board (SAB), which now make direct contact with Board Chairs.

3.1.2 As such, Boards are in a continuous state of evolution. This has manifested itself in a number of ways. There is an increasing dialogue with and between Board members between formal meetings, and between the Board Chair and officers. There are also half yearly meetings between the Board Chairs of the Pensions Funds who are members of the Borders to Coast Pooling Partnership (BCPP).

3.1.3 As Board Chair, I formally present to the Committee an Executive Summary following each Board meeting indicating any specific recommendations made by the Board, with justifications, listing the assurances it has gained on behalf of the Committee, and covering any other matters considered to be relevant to the Committee. During the year a total of 11 recommendations were made and 19 assurances were gained. The Pensions Regulator expects Boards to be in a position, if necessary, to challenge the Administering Authority on any decisions made. During the year an issue of concern was expressed regarding one aspect of a Committee decision and was satisfactorily resolved. Board meetings are now scheduled before Committee meetings, which, for certain reports, procedures and draft statements, allows any observations and recommendations from the Board to be considered prior to the Committee reaching its decision. This provides added value.

3.1.4 The main elements of the work programme of the Board are governance, and oversight of the pensions administration function, which is run by an in-house team. A detailed and wide-ranging quarterly administration performance report is scrutinised at each Board meeting. The Board has requested a few minor presentational improvements to help its understanding. Regularly reviewing the performance of the administration function, and probing when certain tasks appear to be missing targets, helps the Board appreciate the need to prioritise and achieve the basic key objective of accurate and timely payment of pensions at times when the workload is subject to a spike in volume.

3.1.5 Amongst other objectives, the Board is endeavouring to help manage the reputational risk of the Fund. Such a focus seeks assurances that the Fund is complying with its responsibilities, obligations and expectations. Examples are identified in paragraph 3.2.2. Where appropriate, these reviews are extended to ensure that all scheme employers are similarly complying, as their complete, accurate, timely and secure supply of information and data is critical. Provision of such quality data prevents a chain reaction of poor key performance indicators, breaches of the law, inaccurate payment of pensions, inaccurate employer contribution rates and inappropriate investment decisions. The roll-out of access by scheme employers to the i-Connect facility should further improve data quality and reliability.

3.2 Risk Management

3.2.1 The Pension Fund Committee owns the Risk Register. The detailed assessment of the likelihood of each risk occurring and its impact had been judged in the light of the existence of the Board as an additional scrutiny resource. Review of the Risk Register is now a standing item at Board meetings. The Board has completed its first review of the full cycle of the Risk Register and now re-focusses on a specific section at each meeting. The Board also endeavours to identify new risks.

3.2.2 During the year, the Board made various recommendations regarding the Risk Register. Two new reputational risks were identified, relating to any delay in signing up to the 2020 Stewardship Code, and failure to comply with expected MHCLG statutory guidance on Good Governance, in addition, three additional risk controls were identified. The Committee agreed to incorporate these suggestions into the Risk Register, which is seen as a working document.

3.3 The Pensions Regulator (TPR)

3.3.1 The Pensions Regulator examines the Scheme on an ongoing basis and has, for example, highlighted delays across LGPS Funds in producing Annual Benefit Statements (ABS's). The Board was pleased to note that BFP once again produced its ABS's by the due date, notwithstanding disruption due to Covid-19, but nevertheless continues to seek assurances that the next set of ABS's will once again be delivered on time.

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

3.3.3 The Board monitors TPR's annual review of its priorities, and studies its guidance, intervention reports and the reasons behind any fines it levies, and reflects these when setting its agenda setting. A particular focus of TPR is cyber security, which has featured appropriately on Board agendas, with a recommendation made that appropriate training is given to Committee and Board members.

3.3.4 The Board continues to be mindful of TPR's Scheme Annual Return, which is a statutory, factual document to be returned within a set deadline, with which Bedfordshire complied. The return shows percentages for completeness and accuracy of "common data" and "scheme specific data". Using 2018/2019 data as a baseline, TPR measures and seeks annual improvements in data quality. Bedfordshire's scores were: common data - a 2020 score of 95.4% (2019 95.7%) and scheme specific data - a 2020 score of 96.8% (2019 96.7%). Whilst data quality for Bedfordshire is at a high level, nevertheless a Data Improvement Plan remains in place, which the Board will continue to monitor as a key part of its Work Programme.

3.4 Reporting and Recording Breaches

3.4.1 The Board, and all associated with the Fund, other than individual scheme members, have a responsibility to report significant breaches of law to TPR. The Board reviews any breaches of the law as a standing item on its agenda. During 2020/21 recorded breaches by one employer were deemed to be of material significance to the TPR, and were therefore formally reported to the Regulator by the Administering Authority. These breaches involved late payment of the employer's and of scheme members' contributions. The Board had concurred that the breaches were material enough to be reported. At the time of writing, there has been no specific feedback from the Regulator.

3.4.2 Following this experience, the Board recommended that the process for the timely full assessment of four specific criteria, and, where necessary, the reporting of material breaches, be reviewed, to ensure it was fit for purpose.

3.5 Scheme Advisory Board (SAB)

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

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

3.6 Review of Investment Issues

3.6.1 Whilst the vast majority of the Board's work programme focuses on administration and governance issues, investment issues are not ignored.

3.6.2 As expected under the relevant Investment Regulations, the Board continues to monitor the on-going consideration and development of an appropriate strategy for responsible investment, as reflected in the Fund's Investment Strategy Statement and noted BPF's Tier 1 status as a Responsible Investor under the previous 2012 version of the Stewardship Code. The Board welcomed the decision to establish a Responsible Investment sub group and noted the more challenging requirements for asset owners who sign up to the updated 2020 Stewardship Code.

3.6.3 The Board continued to receive updates on progress by Border to Coast Pensions Partnership (BCPP) regarding the pooling of investment assets. A representative of the scheme members of the partner Funds observes the Joint Committee of BCPP and reports back to partner Boards.

3.6.4 The Board Chair participates, along with the other Board Chairs of the partner Funds, in half yearly discussion re aspects of governance and procedures with regard to the BCPP and the Joint Committee.

3.6.5 At its January meeting, the Board reviewed on-going compliance with the LGPS (Investment and Management of Funds) Regulations 2016. In addition, the requirements of MiFID II are kept under review, particularly should there be any changes of key staff, with a consequential loss of investment expertise.

3.7 Scheme and Council documents

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

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

4. ENSURING COMPLIANCE WITH REGULATORY DEADLINES

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

4.2 Annual requirements include producing Annual Benefit Statements for active members, Pension Savings Statements, the submission of the Scheme Annual Return to the TPR and publication of the Pension Fund Annual Report and Accounts. BPF complied with these deadlines.

4.3 The impact of the Covid-19 pandemic led to pensions staff having to work from home for the financial year. This brought significant challenges in order to comply with the primary targets of paying pensions accurately and on time, and producing Annual Benefit Statements and Pensions Savings Statements by the statutory deadlines. Guidance from the Pensions Regulator was followed, resulting in some tasks of less urgency missing their deadlines as a means of ensuring that the critical deadlines for scheme members were met. The Board recognised that these consequential over-runs were not of material significance to the Regulator. The move to home-working due to the pandemic also had implications for the various elements of the risk register, including data security, staff welfare, and key person risk, all of which were monitored by the Board.

4.4 The Board continues to review and challenge on-going compliance in areas such as the General Data Protection Regulation (GDPR) and cyber security guidance.

5. TRAINING

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

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

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

5.4 A specific training session is often provided immediately before the Board considers a particular topic. These can be formal or informal.

6. WORK PLAN

6.1 The work plan for 2021/22 covers the separate activity areas of:

- Pension Fund Annual Report and Accounts
- administration, including Key Performance Indicators, the Data Improvement Plan and, potentially, Value for Money studies
- audit and risk management, including the Risk Register
- governance; including conflicts of interest, recording and if appropriate reporting breaches, and compliance with TPR's Code of Practice 14
- monitoring direction, outcomes and guidance from both TPR and SAB
- investments, including developments with the BCPP covering implications for Administering Authorities
- monitoring developments in responsible investment, including the further requirements under the Stewardship Code and potential legislation for managing the implications of financial and non-financial implications of climate change from the perspective of the Pension Fund
- oversight of the implications of the anticipated statutory guidance on the Good Governance proposals
- compliance with external deadlines
- training
- member communications
- monitoring preparation for the Triennial Valuation 2022
- participating in and learning from relevant surveys, e.g. of SAB and TPR.
- lessons learned from the Covid-19 pandemic
- a self-assessment of the Board's performance

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

7. PUBLIC ACCOUNTABILITY

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

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

Gerard Moore
Independent Chair
Bedfordshire LGPS Local Pension Board
14 May 2021

Board member	28 May 2020	10 June 2020	23 July 2020	10 Nov 2020	28 Jan 2021
Stephen Moon (Employer Representative - Bedford Borough Council)	√	√	√	X	√
Mike Blair (Employer Representative -Central Bedfordshire Employer rep)	√	√	X	√	√
Jacqui Burnett (Employer Representative - Luton Borough Council)	√	X	√	√	X
Stuart Goodwin (Employer Representative – Bedfordshire Police)	√	√	√	√	√
Martin Foster (Member representative - GMB)	√	√	X	√	X
Kiran Mal (Member Representative - UNISON)	√	√	√	√	√
John Wallace (Member Representative)	√	√	√	√	√
Frances Bowler / Tim Wyatt (Member representative)	√	√	√	√	√
Overall attendance, including non-voting Chair 87%	100%	89%	78%	89%	78%

All meetings were attended by the Independent Chair.

Contact Points

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

Accounts, Investments and Contributions

Julie McCabe
Chief Officer Corporate Finance and Pensions
Telephone: 01234 718389

Benefits

Claire Bennett
Pensions Administration Manager
Telephone: 01234 228873

The Pensions Ombudsman

10 South Colonnade
Canary Wharf
London E14 4PU
www.pensions-ombudsman.org.uk
Telephone: 0800 917 4487

The Money and Pensions Service

www.moneyandpensionsservice.org.uk
Telephone: 0800 0113797

Glossary

2014 Scheme
Regulations introduced in 2013, effective from 1 April 2014, changed the LGPS from a Final Salary scheme to a Career Average Revalued Earnings (CARE) Scheme. This has resulted in increased complexity in benefit membership calculations. More information on the changes to the scheme can be found on our website at: www.bedspensionfund.org/active_members/guides_to_the_ lgps.aspx

50/50 Option
The LGPS offers the flexibility to pay half of the normal contribution rate and build up half of the normal pension whilst retaining full life and ill-health cover.

Absolute Return
This is an approach to active investment management that focuses on an absolute return rather than a traditional index based benchmark. Freed from following an index, absolute return managers have the flexibility to pursue a range of strategies and are not pushed into holding certain assets just because they are in the benchmark.

Actuarial valuation
Every three years the Fund undergoes an actuarial valuation. An actuary assesses whether the Fund has enough money to pay everyone, and how much will need to be paid into the Fund in future to make sure all the benefits can be paid.

Actuary
An actuary is a business professional who analyses the financial consequences of risk. Actuaries use mathematics, statistics and financial theory to study uncertain future events, especially those relating to pensions and insurance.

Annual allowance
The annual allowance is set by HM Revenue and Customs (HMRC) and is the amount that an individual’s pensions savings can increase in any one year before the individual has to pay a tax charge. If the value of pension benefits increases by more than the annual allowance in one year, then the excess growth may be taxed. There is ‘carry forward’ which allows allowance from the three previous years to be offset against any excess in the current year. The annual allowance was set at £40,000 for 2019/20.

Assets
The Fund’s investments.

Bonds
Governments issue bonds in order to borrow money. The purchaser gets a fixed annual interest payment as well as eventual repayment of the purchase price.

The Fund has some bonds from many of the largest governments, as well as “company bonds”, which are similar but are issued by companies not governments.

CIPFA/LASSAC
The Chartered Institute of Public Finance and Accountancy and the Local Authority Scotland Accounts Advisory Committee.

Consumer Price Index (CPI)
The Consumer Price Index measures the change in the cost of living by assessing the changes in prices of a cross-section of goods and services over time.

Public service pensions increase by the rise in the Consumer Price Index (CPI). The rate is measured by the Office for National Statistics (ONS) in the twelve months to September of each year. The rate is then confirmed by the Treasury, and the increase to pensions applies from the following April, effective from the first Monday in the new tax year.

Deficit
If assets are less than liabilities, the Fund is said to be in deficit - there isn’t enough money in the Fund to pay all future pension payments, so contributions may need to increase.

Discretion

This is the power given by the LGPS to enable employers or administering authorities to choose how they will apply the scheme in respect of certain provisions. Under the LGPS, employers or administering authorities are obliged to consider how to exercise their discretion and, in respect of some (but not all) of these discretionary provisions, to have a written policy on how they will apply their discretion.

Equities

Equities are shares in companies. The owner shares the profits (or losses) and growth (or fall) in the value of the company. The Fund owns shares in all the major markets in the world as well as some smaller, emerging markets.

ESG

Environmental, Social and Governance refers to the three main areas of concern that have developed as central factors in measuring the sustainability and ethical impact of an investment in a company or business. There is growing evidence that suggests that ESG factors, when integrated into investment analysis and decision making, may offer investors potential long-term performance advantages.

Final pay / final salary

This figure is used to calculate LGPS pension benefits built up before 1 April 2014. It's normally the pensionable pay that the employee received over the last year before leaving the scheme or retiring. If they employee's pay decreased in the last year, it could be the pay from one of the two previous years.

Funding level

The percentage of the Fund's liabilities which can be paid out of the Fund. If the funding level falls below 100%, more will need to be paid into the Fund.

Global equity

Investors in global equity can invest in equities from anywhere in the world, although they are limited by other aspects of their mandate. They are expected to give better returns than standard indices like the FTSE 100 or the local equivalent.

IAS 19

International Account Standard number 19 concerning "employee benefits"

Index-linked bonds

A type of bond where the annual interest payment varies with inflation.

Liabilities

The total expected value of future pension payments from the Fund to its members.

Lifetime Allowance

The lifetime allowance is the maximum amount of pension and/or lump sum that you can get from your pension schemes that benefit from tax relief. The current lifetime allowance is £1 million.

Managed Funds

Managed Funds are defined as Insurance Managed Funds.

Multi-asset passive investment

Multi-asset passive investors can invest in global markets and need only match the returns given by indices like the FTSE 100 (or the local equivalent).

Net Asset Value

The value of the Fund's assets minus the value of its liabilities

Overseas Unit Trusts

Overseas Unit Trusts are categorised as all unitised funds that are not included within the Managed Fund category.

Pension Account

Employees contributing to the LGPS on or after 1 April 2014 have a pension account. Each scheme year the amount of pension the employee has built up during the year is worked out and this amount is added into the employee's active pension account.

Pensionable pay

This is an employee's salary or wages plus shift allowance, bonuses, contractual and non-contractual overtime, maternity pay, paternity pay, adoption pay and any other taxable benefit specified in a contract as pensionable. An employee's pension contributions are deducted as a percentage of pensionable pay.

Pensionable pay doesn't include expenses, payment in lieu of notice, pay in lieu of lost holidays, any payment as inducement not to leave ("golden handcuffs") or company cars or payment in lieu of a company car.

Policy statement

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

Property

In investment, property can refer to offices, shops, shopping centres, retail parks and warehouses. Returns from property can include rental income and growth in value (capital growth).

Retail Prices Index (RPI)

The Retail Price Index is a measure of inflation. It measures the changes in prices of a cross-section of goods and services over time.

The annual increase to LGPS pensions used to be based on the Retail Prices Index but from April 2011 increases have been based on the Consumer Prices Index.

Specialist mandate

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

State Pension Age

This is the earliest age that someone can receive the state basic pension. You can use the Government's State Pension Age calculator (www.gov.uk/calculate-statepension) to find out your State Pension Age.

Surplus

If assets are greater than liabilities, the Fund is said to have a surplus - there's enough to pay all future pensions to fund members, with some to spare. This is the ideal situation to be in.

Finding out more

If you would like further copies, a large-print copy or information about us and our services, please telephone or write to us at our address below.

Për Informacion

معلومات کے لئے

للمعلومات

Informacja

ਜਾਣਕਾਰੀ ਲਈ

Za Informacije

برای اطلاع

তথ্যের জন্য

Per Informazione

01234 267422

Bedfordshire Pension Fund
Bedford Borough Council
Borough Hall
Cauldwell Street
Bedford
MK42 9AP

pensions@bedford.gov.uk

www.bedspensionfund.org