

## **Suffolk Pension Board**

(Quorum 2 – 1 member of each representative group)

### **Scheme Employer Representatives**

Councillor Richard Smith MVO, representing Suffolk County Council.

Homira Javadi, representing all Borough, District, Town and Parish Councils.

Marie McCleary, representing all other employers in the Fund.

### **Scheme Member Representatives**

Suzanne Williams, representing the Unions.

David Rowe, representing Active Members.

Eric Prince, representing Pensioners.

**Date:** Friday, 6 October 2017

**Venue:** Rose Room  
Endeavour House  
8 Russell Road  
Ipswich, Suffolk, IP1 2BX

**Time:** 11:00 am

For further information on any of the agenda items, please contact Rebekah Butcher, Democratic Services Officer, on 01473 264371.

## **Business to be taken in public**

1. **Apologies for Absence and Substitutions**  
To note and record any apologies for absence or substitutions received.
2. **Declarations of Interest and Dispensations**  
To receive any declarations of interests, and the nature of that interest, in respect of any matter to be considered at this meeting.
3. **Minutes of the Previous Meeting** Pages 5-10  
To approve as a correct record, the minutes of the meeting held on 19 July 2017.
4. **Ill Health Retirements** Pages 11-14  
To receive a report summarising the procedure for assessing members applications for ill health retirement.
5. **Death Process** Pages 15-17  
To receive a report summarising the process for dealing with a member's death, ensuring that correct payments are made from the Fund.
6. **Compliments, Complaints and Administration Performance** Pages 19-21  
To receive a report summarising the compliments, complaints and administration performance of the Fund.
7. **Securities Lending** Pages 23-25  
To receive a report on the securities lending arrangements of the Fund.
8. **Suffolk's progress on Pooling of Assets**  
To receive an update on the development of the ACCESS pool.
9. **Pension Board Risk Register** Pages 27-32  
To review the Pension Board Risk Register.
10. **Recent Developments** Pages 33-35  
To receive an information bulletin on some recent developments that will be of interest to the Board.

11. **Forward Work Programme**

Pages 63-65

To consider whether there are any matters which the Board would wish to have included in its Forward Work Programme.

**Date of next scheduled meeting – Wednesday, 13 December 2017 at 11:00 am.**

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Email: [Committee.Services@suffolk.gov.uk](mailto:Committee.Services@suffolk.gov.uk); or by writing to:

Democratic Services, Suffolk County Council, Endeavour House, 8 Russell Road, Ipswich, Suffolk IP1 2BX.

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**Sue Cook**  
**Interim Chief Executive**

Minutes of the Suffolk Pension Board Meeting held on 19 July 2017 at 2:00 pm in the Rose Room, Endeavour House, Ipswich.

Present: Councillor Richard Smith MVO (Chairman) representing Suffolk County Council), Homira Javadi (representing Borough, District, Town and Parish Councils), Marie McCleary (representing all other employers in the Fund), Eric Prince (representing Pensioners), David Rowe (representing Active Members) and Suzanne Williams (representing the Unions).

Supporting officers present: Rebekah Butcher (Democratic Services Officer), Paul Finbow (Senior Pensions Specialist), Stuart Potter (Pensions Operations Manager) and Sharon Tan (Pensions Technical Specialist).

#### **1. Apologies for Absence and Substitutions**

There were no apologies for absence.

#### **2. Declarations of Interest and Dispensations**

Eric Prince declared a non-pecuniary interest by virtue of the fact he was in receipt of a local government pension.

David Rowe, Suzanne Williams and Homira Javadi declared a non-pecuniary interest by virtue of the fact they were active members of the pension scheme.

Councillor Richard Smith MVO declared a non-pecuniary interest by virtue of the fact he was a deferred member of the pension scheme.

#### **3. Appointment of Chairman and Vice Chairman**

On the proposition of David Rowe, seconded by Marie McCleary, it was unanimously agreed that Councillor Richard Smith MVO be elected as Chairman for the 2017/18 Municipal Year.

On the proposition of Eric Prince, seconded by Marie McCleary, it was unanimously agreed that David Rowe be elected as Vice Chairman for the 2017/18 Municipal Year.

*David Rowe assumed the Chair in the absence of the Chairman.*

#### **4. Minutes of the Previous Meeting**

The minutes of the meeting held on 9 March 2017 were confirmed as a correct record and signed by the Chairman subject to the following amendment:

- a) First paragraph, first line: change the date from 3 March 2017 to 9 March 2017.

## 5. Investment Performance – year ending 31 March 2017

At Agenda Item 5, the Board received a report which provided a summary of the performance of the Suffolk Pension Fund for the 2016-17 financial year and its performance against other local authority pension funds. The total size of the Fund as at 31 March 2017 was £2.649bn, an increase of around £435m from the previous financial year.

The Chairman welcomed Simon Bainbridge and Lindsay Smart (HSBC) to the meeting and to introduce the report.

Members heard that in absolute terms the returns in the year were very good. From an asset allocation point of view the underweight to infrastructure was positive in the year due to overseas equity returns being higher during 2016/17.

In terms of selection, Members heard that the overseas equities manager had underperformed its allocated benchmark so there was a negative contribution, however, that was eliminated by the performance that was achieved by the infrastructure managers who performed well compared to their allocated benchmark. Illiquid debt also performed well against the benchmark so there was a benefit from both asset allocation and selection. Overall that gave a positive relative performance of 1.1%.

Members also heard that following the withdrawal of State Street, the Pension and Investment Research Consultants had continued to create a universe of local authorities in order to give a degree of analysis to pension funds. There was an element of interest in universe analysis so the Fund could be compared against other local authority funds. However, the liabilities that surround the pension funds currently means they are managed differently in terms of their asset allocation etc, although it still provided an element of interest as to how well the fund had done against its peers. The Suffolk Pension Fund for the whole year had a 19% return and was in the 73rd percentile of the universe of other pension funds. 60 participants were included in this analysis and Suffolk's return was in the bottom half of the universe in terms of the past years' performance. However, when the details were studied, those funds that were heavily biased towards equities were the ones that had achieved the higher returns over the one-year period.

**Decision:** The Board noted the report and requested the Pension Fund Committee explain how they decide the proportions for active and passive investment.

**Reason for decision:** The Board was interested in the overall investment performance of the Fund and wished to receive a written response for its October meeting in order to have the opportunity to influence the Committee's discussion at their November meeting.

**Alternative options:** There were none considered.

**Declarations of interest:** Eric Prince declared a non-pecuniary interest by virtue of the fact he was in receipt of a local government pension.

David Rowe, Suzanne Williams and Homira Javadi declared a non-pecuniary interest by virtue of the fact they were active members of the pension scheme.

Councillor Richard Smith MVO declared a non-pecuniary interest by virtue of the fact he was a deferred member of the pension scheme.

**Dispensations:** There were none granted.

*Councillor Richard Smith MVO entered the meeting at 2:16 pm and assumed the Chair for Agenda Items 5 to 11.*

*Homira Javadi entered the meeting at 2:24 pm.*

## **6. Board Appointments**

The Chairman congratulated Suzanne Williams on being reappointed to the Board as Union Representative for a further four-year term.

It was also confirmed that Councillor Richard Smith MVO had been duly reappointed to the Board for a further four-year term. A reminder of the procedures for the recruitment of Board Members would be useful at the next meeting.

## **7. Pension Fund Annual Report and Accounts for 2016/17**

The Board considered a report at Agenda Item 6 which presented the Pension Fund's Annual Report and Accounts for 2016-17, consistent with the County Council's Statement of Accounts.

The Chairman thanked officers for their hard work in preparing the reports much earlier than in past years, which was good practise ready for the following year when the shortened timescales would be compulsory.

Members heard that the Suffolk Pension Fund would have an opportunity to speak to employers at their annual meeting in September to discuss any issues that arose and the impact on future employer contribution rates.

**Decision:** The Board noted the Annual Report and Accounts for the Pension Fund for 2016-17.

**Reason for decision:** The Pension Fund Annual Report and Accounts was an important channel of communication to report on the Pension Boards' stewardship of the Pension Fund to employers, scheme members and other stakeholders.

**Alternative options:** There were none considered.

**Declarations of interest:** Eric Prince declared a non-pecuniary interest by virtue of the fact he was in receipt of a local government pension.

David Rowe, Suzanne Williams and Homira Javadi declared a non-pecuniary interest by virtue of the fact they were active members of the pension scheme.

Councillor Richard Smith MVO declared a non-pecuniary interest by virtue of the fact he was a deferred member of the pension scheme.

**Dispensations:** There were none granted.

## **8. Pensions Administration Performance**

At Agenda Item 7, the Board received a report which provided the Pension Board with an update on the performance of the Pensions Administration Team. This report also included details of compliments and complaints, previously a separate paper, as requested by the Board.

In relation to complaints received since the previous Board meeting, Members heard that staff had been reminded to put themselves in the customer's position

and reiterated the process of checking records. It was hoped to see less procedural complaints going forward.

Members also noted a complaint received from a customer in relation to the death of his mother. It was confirmed that upon the death of a scheme member, the Pension Fund Administrators would be notified via the family, or the bank, but in this case neither happened. The Council had recently signed up to a Government service, 'Tell Us Once', which the customer had used to notify the Council, however as the Council had not been signed up at the time, the notification about his mother had not been received. It was confirmed that in circumstances such as this, payment could continue to be made after the death of a member, and sometimes these may not be recovered.

**Decision:** The Board considered the information provided and wished to see at its next meeting the 'Death Process Policy – End of Payments', which should include the amount of money written off in the last financial year.

**Reason for decision:** To provide the Board with regular updates on the performance of the Pensions Administration Team including information on the achievement of statutory requirements and Service Level Agreements.

**Alternative options:** There were none considered.

**Declarations of interest:** Eric Prince declared a non-pecuniary interest by virtue of the fact he was in receipt of a local government pension.

David Rowe, Suzanne Williams and Homira Javadi declared a non-pecuniary interest by virtue of the fact they were active members of the pension scheme.

Councillor Richard Smith MVO declared a non-pecuniary interest by virtue of the fact he was a deferred member of the pension scheme.

**Dispensations:** There were none granted.

## **9. Suffolk's Progress on the Pooling of Assets**

At Agenda Item 8, the Committee received a verbal update from the Senior Pensions Specialist on Suffolk's progress on the Pooling of Assets.

Members heard that the Council had signed up to the Inter-Authority Agreement on 16 March 2017 and now, all the other Funds involved had also signed up. The first meeting of the joint committee would be held on 31 July 2017. It was confirmed expenses relating to the Pool would be claimed from the Suffolk Pension Fund.

Members also heard that with the 11 Funds joining the ACCESS Pool, there were a large number of managers and investments which needed to be consolidated through the creation of Sub-Funds. Individual funds could invest in those Sub-Funds which would be wide-ranging with different strategies.

Bfinance UK Ltd is assisting in the Sub-Fund design. They were advising on the mandates, performance criteria, quarterly performance over the past few years, fees structure we pay and how we rate the managers, in terms of performance, reporting, and the Fund's view on whether they should be retained.

It was also confirmed that the role of the Independent Investment Advisor would be reviewed at the Pension Fund Committee's meeting later this year. The

Chairman confirmed that the Board wished to be kept up to date with the outcomes of this discussion in order to review afterwards.

The operator procurement tender documents had been shared with the procurement and legal departments of all 11 local authorities and it was aimed for the tender to be released on 4 September, with the procurement being completed by 13 November 2017, and Suffolk's sign-off by the end of November.

The passive call-off procurement was underway, with bids received from the four providers and the deadline had now closed. Evaluations would be happening on 19 July 2017, and officers should find out the preferred bidder in the coming weeks.

The Local Government Association had released a consultation to set up a cross-forum, where members from each pool would have the opportunity to meet up on a regular basis to share experiences. An additional meeting for all 89 funds nationwide would also be considered and officers would be responding to the consultation in due course.

**Decision:** The Board noted the update and requested this item remained on its agenda for the next meeting.

**Reason for decision:** The update contained matters relevant to the Board.

**Alternative options:** There were none considered.

**Declarations of interest:** Eric Prince declared a non-pecuniary interest by virtue of the fact he was in receipt of a local government pension.

David Rowe, Suzanne Williams and Homira Javadi declared a non-pecuniary interest by virtue of the fact they were active members of the pension scheme.

Councillor Richard Smith MVO declared a non-pecuniary interest by virtue of the fact he was a deferred member of the pension scheme.

**Dispensations:** There were none granted.

*Suzanne Williams left the room at 3:55 pm and returned at 3:58 pm.*

## 10. Recent Developments

The Board received an Information Bulletin at Agenda Item 9.

### a) Audit Update (October 2015 to September 2016):

Staff development: Members heard that new staff were required to complete introductory e-learning modules but less emphasis was given for existing staff. Management had agreed to ensure all staff complete at least one relevant e-learning module per year.

Deaths: Whilst there were controls in place to identify deceased pensioners and stop payments, there was no official strategy for the closing down of long term cases (where no response had been received from next of kin). A strategy had not been required to date as there was nothing in the Regulations but there were tax implications. The Senior Pensions Specialist and Pensions Operations Manager were developing and finalising a strategy, and this would be included in the papers for the next meeting.

Service Level Agreements (SLAs): Some SLAs had not been met, and this information was provided to Audit up front. This was in relation to general valuation and a performance issue with a member of staff.

Pensions systems: System controls and security was in place, but a recommendation was made to risk-assess the contract to determine the level of monitoring required during the duration of the contract. Management would risk-assess the contract before 31 August 2017.

b) New Employers:

20 new employers had been admitted to the Fund; of these, 18 were Academies.

c) General Data Protection Regulations:

The new regulations replaced the existing Data Protection Legislation. It would be enforced and despite Brexit the Government had acknowledged the need to have standards equivalent to those of the European Union. As such this needed to be done correctly, especially due to the imposition of fines for infringement of up to €20 Million. Management were liaising with the Suffolk County Council Data Protection Officer to ensure they were satisfied with the Funds approach. There is a need to be mindful of the data held on members and to consider the need for Privacy notices on the website, and valid proof of consent of the holding of customer details. There was also a need to have a breach mechanisms process, as breaches were required to be reported to the Information Commissioner's Office within 72 hours.

d) Annual Employers Meeting:

The Chairman updated the Board with details on the upcoming Annual Employers Meeting taking place on Friday 22 September at 10:00 am in Endeavour House. All Board members were welcome to attend to observe or take part in the meeting.

## 11. Forward Work Programme

The Committee received a copy of the Forward Work Programme at Agenda Item 10.

**Decision:** The Committee agreed to note the Forward Work Programme with the inclusion of:

- a) A written report on Active and Passive Investment; and
- b) Death Process Strategy – End of Payments.

**Reason for decision:** The Forward Work Programme was the responsibility of the Board under its Terms of Reference.

## 12. Urgent Business

There was no urgent business.

*The meeting closed at 4:23 pm.*

Chairman

## Suffolk Pension Board

<b>Report Title:</b>	Ill-Health Retirement Process
<b>Meeting Date:</b>	6 October 2017
<b>Chairman:</b>	Councillor Richard Smith MVO
<b>Director:</b>	Aidan Dunn, Director of Resource Management
<b>Assistant Director or Head of Service:</b>	Louise Aynsley, Interim Head of Finance (S151 Officer) Tel. 01473 264347
<b>Author:</b>	Stuart Potter, Pensions Operations Manager

### Brief summary of report

1. This report provides the Pension Board with an overview of the ill-health retirement process for members of the Local Government Pension Scheme.

### Action recommended

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| 2. To consider the information provided and determine any further action. |
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### Reason for recommendation

3. To provide the board with an overview of the process for ill-health retirement applications for members of the Local Government Pension scheme as requested.

### Alternative options

4. There are no alternative options.

### Main body of report

5. This report covers the ill-health retirement requirements and the process for employers to follow to ensure compliance with the LGPS regulations. This information was also shared during the Annual Employer Meeting held on 22 September 2017.
6. The requirements for employers in respect of this process is covered in the LGPS Regulations 2013 (35) for active members, and (38) for deferred Members. If deferred members left before 1 April 2014 they will be covered by regulations that were in force at the time, however, the requirements for the employer in terms of processing a request for deferred benefits into payment on the grounds of ill-health is the same.
7. All employers in the scheme are required to have an independent registered medical practitioner (IRMP) who is registered with the General Medical Council, holds a diploma in Occupational Health Medicine or an equivalent qualification and is an associate, member or fellow of the Faculty of Occupational Medicine.

8. For active members, the employer should refer the employee to the medical practitioner through their usual referral system and ask for them to assess the suitability for ill-health retirement in respect of the LGPS criteria (if they meet the two-year vesting period) and for them to complete the LGPS Permanent Incapacity Certificate (PIC)). The medical practitioner will send the report and certificate back to the person who referred the case and then the employer needs to make the decision, considering the medical evidence. There will often be additional costs for employers in respect of members taking their pension early so therefore an indicative cost of these can be requested from Pensions during this process.
9. The employer is required to make a decision, and not just apply the medical opinion that has been returned. The regulations are very clear on this and LGPS 2013 regulations (36) state 'A decision as to whether a member is entitled...to early payment of retirement pension on grounds of ill-health or infirmity of mind or body, and if so which tier of benefits the member qualifies for, shall be made by the members scheme employer after that authority has obtained a certificate from an IRMP...'
10. To make a decision, the employer needs to establish if the member satisfies the conditions in regulation 35 (3) and (4). These are (3) 'permanently incapable of discharging efficiently the duties of the employment the member was engaged in' and (4) not immediately capable of undertaking any gainful employment'. Gainful employment under the regulations is 'paid employment for not less than 30 hours in each week for a period of not less than 12 months'. To clarify, this means employment anywhere, not just at the current employer. If the answer to (4) is yes, the employer needs to make a decision as to how long the member is unlikely to be capable of gainful employment to determine the tier of pension that will be made.
11. In addition to (10) the employer needs to determine if the member has been working reduced contractual hours, and had reduced pay, as a consequence of this and if the member was in part time service wholly or partly as a result of the condition that caused or contributed to the members ill-health retirement. This is required for calculating pensionable pay in the case of a payment of ill-health pension.
12. For any employer, the following questions should be considered.
  - Is it an individual that will make the decision or will a panel be created to consider such cases?
  - When looking at the actual evidence including the independent medical report the employer should consider is the medical evidence consistent with the certificate?
  - Are any clarifications needed?
  - Are there any adjustments that can be made to support the member?

There may be other questions depending on the individual case. Once the decision maker is satisfied they need to make the decision on whether ill-health retirement is approved, and if so whether this is tier 1, 2 or 3. In all cases the decision should be documented and communicated to the member. Where an ill-health pension is to be paid this needs to be communicated to the Pensions team also.

13. The different tiers are differentiated by the below descriptions:
- Tier 1 – if the member is unlikely to be capable of undertaking gainful employment before normal pension age;
  - Tier 2 – if a member is not entitled to tier 1 benefits, is unlikely to be capable of undertaking any gainful employment within three years of leaving;
  - Tier 3 – if a member is likely to be capable of undertaking gainful employment within three years of leaving, or before normal pension age if earlier and providing the member is not already in gainful employment. This is payable up to a maximum of three years from the date the member left employment, but is subject to a review after 18 months.
14. The process for deferred members is slightly different. When a former member would like to access their deferred pension benefits on the grounds of ill-health they must write to their former scheme employer, not pensions, to make an application.
15. The employer needs to ascertain the reasons why the deferred member feels they are entitled to access their deferred pension so should clarify or ask for further information if they are not satisfied with the initial information. Once the employer is satisfied they have the full information to hand they should refer the member to the IRMP and ask them to assess suitability for ill health retirement and complete the relevant LGPS certificate. The medical practitioner will then send the report back to the employer, along with the certificate, to enable the employer to make the decision.
16. There is a difference at this stage for the employer compared to active members in that there is no decision to be made in relation to tiers. For deferred pension into payment on the grounds of ill health the decision is either yes or no. To make this decision the decision maker needs to determine if the deferred member is 'permanently incapable of discharging efficiently the duties of the employment that member was engaged in because of ill-health or infirmity of mind or body and if so' 'is unlikely to be capable of undertaking gainful employment before normal pension age, or for at least three years, whichever is the sooner'. If the answer to these questions is yes then the ill-health pension should be awarded.

### **Right of appeal**

17. If the member is not happy with a decision in relation to ill-health retirement they can use the Internal Dispute Resolution Process (IDRP) to challenge it. This is an option that is regularly used by members, as covered in administration performance reports to the Board. The employer's responsibility in this process at stage 1 is for a nominated person, not previously involved in the original decision, to consider the evidence and either support the original decision or complaint. Some things that are useful for the decision maker to consider in such cases are:
- Has the correct process been followed?
  - Is the medical evidence consistent?
  - Has the employer clearly documented their decision?
  - Has the medical evidence been considered in the decision?

- Was all the information provided to the IRMP to enable them to make an accurate assessment?
- Is there any information that should have been clarified further before the employer made the decision?

Ultimately the nature of the complaint may lead to other questions.

18. The nominated person must give the member a decision within two months, or advise them of the date they can expect a decision, should there be a specific reason for a delay. This decision made by the nominated person may support or differ from the original decision made by the employer. If it differs, the employer must handle the case in accordance with the decision made. If there is a discrepancy between medical evidence and the members medical evidence it is common for a second opinion to be requested at this stage.
19. If the member is not satisfied by the stage 1 response they are able to submit a stage 2 complaint which is handled by the nominated person for Suffolk County Council, in its Administration Authority role. This is currently the Head of Legal. The employer will be required to provide the nominated person with the case history and be obliged to act in accordance with the decision made, should this differ from the original one.
20. Following exhaustion of the IDR process a member is entitled to take their case to the Pensions Ombudsman if they wish. The Ombudsman will then make their adjudication which will require the employer to act in accordance with the decision made.

**Sources of further information**

- a) None.

## Suffolk Pension Board

<b>Report Title:</b>	LGPS Pensioner Members Death Process
<b>Meeting Date:</b>	6 October 2017
<b>Chairman:</b>	Councillor Richard Smith MVO
<b>Director:</b>	Aidan Dunn, Director of Resource Management
<b>Assistant Director:</b>	Louise Aynsley, Interim Head of Finance (S151 Officer) Tel. 01473 264347
<b>Author:</b>	Stuart Potter, Pensions Operations Manager

### Brief summary of report

1. This report provides the Pension Board with an overview of the administration process for deaths of Pensioner members of the Local Government Pension Scheme.

### Action recommended

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| 2. To consider the information provided and determine any further action. |
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### Reason for recommendation

3. To provide the board with an overview of the process for deaths of Pensioner members of the Local Government Pension scheme as requested during the Board meeting on 19 July 2017.

### Alternative options

4. There are no alternative options.

### Main body of report

5. This report covers the administration process for deaths of Pensioner members of the Local Government Pension scheme and provides details of volumes of cases and monetary values.
6. When a notification of a Pensioner Member death is received this is usually from a family member notifying us, or a notification received from the Governments 'Tell us Once' service.
7. At the point of receipt, a workflow task is created on the Pensions Administration system and allocated to a member of the team to process. This should be processed within five days to ensure the Service Level Agreement is achieved.
8. This task requires the Pensions Officer to place a contract suspension on the payroll record to ensure no further payments are issued. In addition, a

calculation is then completed to identify if there is a balance to pay to the next of kin, or if there is an overpayment of pension that may need to be recovered.

9. Once the above is completed a quotation calculation is completed to identify whether a death grant is payable. The criteria for this differs between various regulations, but under the current regulations one would be payable if the Pensioner member dies before the age of 75. The amount due is 10 times the annual amount the member would have been entitled to receive as a retirement pension (before commutation), although this amount is then reduced by any amounts of commuted lump sum and any retirement pension already paid to the deceased member. If the Pensioner member was a pension credit member, the death grant is five times the amount.
10. A letter is then created requesting sight of the original death certificate for the Pensioner member, along with marriage and birth certificates for a spouse if applicable. The communication contains any details of balance of pension or death grants to be paid, where applicable. This letter, along with the workflow tasks and checklist are checked by another member of the team and once agreed everything is correct the letter is issued.
11. Upon receipt of the certificates and forms the Pensions administration system is updated and the task assigned to a Pension Officer to complete with the 10 days Service Level Agreement.
12. This requires the Pensions Officer to calculate the balance of pension to pay or any overpayment making the necessary adjustments for tax. The details are then updated on the payroll record to ensure the record is complete. Following this the actual calculation is completed on the Pensions administration system and a separate record created for any Spouse.
13. Finally, a letter is issued to the next of kin/estate giving details of any balance of pension and death grant, where applicable, that may be payable. These payments are paid via the payments system (C-Series) within three working days of the case being completed.
14. In terms of death cases where we need to pay a balance of pay before closing a member record, these are left in suspense until we have the information we need. If payments are not made within two years then these payments will be subject to a tax charge. Some guidance has been received from the Local Government Association advising that creating a separate bank account to pay these monies into, before two years have been reached, will ensure there is no tax charge for the individual when making this payment. We will now ensure we chase every six weeks until we have the information, or until we reach two years when we will close the record. If information is then received following this, payment will be made but subject to the tax charge as we will have done everything possible to obtain this information. It will only be in extenuating circumstances therefore that an account would be needed to ensure there is no detriment to the member. An account will be created for this purpose.
15. In terms of any overpayment, this is deducted from any Spouse pension payment when this is created. If there is no Spouse, any amount below £25 is automatically written off, as per previous agreements, as the administrative cost is more than the amount to recover. Any overpayment value over this amount, will have an invoice created and issued to the relevant person to try and recover the money.

16. We currently have 19 overpayment cases we can now process. The total value of these cases is £5,720.30 gross. This is broken down into £1,727.13 in relation to cases notified in the same month the Pensioner member died, £2,357.56 in cases where we notified the month after the Pensioner member died (all notifications came from next of kin, except for one from 'Tell us Once'), and £1,635.61 from two cases where notification was received four months after the member had died (in both cases the next of kin notified us).
17. However, we have also identified we have 54 cases where we have been waiting for forms and certificates to complete our processes. These cases are where we have received no response to our initial, and in some cases, follow up requests for information. Historically these cases have been left open, however we have taken the opportunity to improve our processes following a review of this area. With immediate effect, we will chase at six weeks, then 12 weeks and again at 18 weeks after our initial request. If there is still no contact we will obtain a copy of the death certificate, complete our work and issue any overpayment invoice. This will stop cases being left open unnecessary and appear in the national fraud initiative data checks. In relation to the 54 cases the total amount of overpayment owing on these is £12,777. The individual value is under £200 in half of these cases.
18. In terms of monetary values for cases written off over £25 I can confirm this totalled £196.18 for 2016/17 and currently stands at £177.64 in 2017/18. We always issue an invoice when money is owed, and pursue all available avenues before writing an amount off.
19. In addition to being notified of Pensioner Death via next of kin or the 'Tell us Once' service, the Pensions team also do the following to try and ensure overpayments are kept to a minimum. These are:
  - When payslips are returned as addressee gone away or unknown we immediately stop the payments and will only re-instate once a life certificate has been completed.
  - If we are notified by the bank the account has been closed, we suspend all payments until we have corresponded with the customer.
  - We have previously used the ATMOS (Address service and Mortality screening) to check our records but this didn't identify any cases.
  - ATMOS doesn't check overseas Pensioners so we are actively looking at doing a check of these either via Western Union, who provide our overseas banking solution, or inhouse.
  - National Fraud initiative checks completed every two years.

<b>Sources of further information</b>
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- |  |
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| <ul style="list-style-type: none"><li>• None</li></ul> |
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## Suffolk Pension Board

<b>Report Title:</b>	Pensions Administration Performance
<b>Meeting Date:</b>	6 October 2017
<b>Chairman:</b>	Councillor Richard Smith MVO
<b>Director:</b>	Aidan Dunn, Director of Resource Management
<b>Assistant Director or Head of Service:</b>	Louise Aynsley, Interim Head of Finance (S151 Officer) Tel. 01473 264347
<b>Author:</b>	Stuart Potter, Pensions Operations Manager

### Brief summary of report

1. This report provides the Pension Board with an update on the performance of the Pensions Administration Team. This report also includes details of compliments and complaints, previously a separate paper, as requested by the Board.

### Action recommended

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|---|
| 2. To consider the information provided and determine any further action. |
|---|

### Reason for recommendation

3. To provide the board with regular updates on the performance of the Pensions Administration Team including updates on statutory requirements and Service Level Agreements (SLA).

### Alternative options

4. There are no alternative options.

### Main body of report

5. This report covers staff performance and team achievements since the previous Board meeting on 19 July 2017.
6. The Service Level Agreements for our 'key' processes between June 2017- August 2017 are shown below:
  - Provision of a transfer quote to scheme members within 10 days of the receipt of the estimated value and all necessary information – Total cases **74**, percentage completed in SLA **98%**
  - Estimates are issued to members or employers within 10 working days of receipt of all information – Total cases **194**, percentage completed in SLA **97%**

- Retiring employees are notified of their options with five working days of receipt of all information – Total cases **394**, percentage completed in SLA **97%**
  - Retirement lump sums will be paid within 10 working days of receipt of all necessary information after retirement – Total cases **274**, percentage completed in SLA **100%**
  - Notification of survivor benefits will be issued within 10 working days of receipt of all information – Total cases **111**, percentage completed in SLA **99%**
  - Outstanding monies owed in respect of a deceased pension, and any death grant, will be paid within 10 working days of receipt of all information – Total cases **89**, percentage completed in SLA **98%**
7. Further to the update provided during the July Board Meeting I can report the end of year work was completed and Annual Benefit statements issued by 31 August 2017 as required. Some problems were encountered, both with employer data and our own processes, so a full review will be completed in October 2017 to ensure this is improved for next year.
  8. Since the issuing of the Annual Benefit Statements, which promoted the Member Self Service system, we have seen an increase in the number of members using this system. We currently have over 1,500 members registered, which is steadily increasing, and the system has been promoted again on 22 September at the Annual Employers Meeting.
  9. Investigations are still ongoing into the potential viability of a new payroll solution that would enable development of Member Self Service to allow Pensioner Members to use it and view important documents including payslips. We now expect to be in a position to update the Board further at the December meeting.
  10. Since the update at the last board meeting there have been four compliments received by members of the team. These are cases where the individuals have gone out of their way to thank us for something, rather than the regular words of 'thanks' received daily as part of the day to day communications with customers, several of which have been received in relation to understanding their Annual Benefit Statements.
  11. The first two compliments were a customer thanking a member of the team for their efforts in sorting out their pension transfer for them and a customer thanking another member of the team for their help in relation to their retirement application calling them 'very helpful, stunning and a star'. The other compliments related to some thanks for helping a Finance officer clear some old accounting queries and a Pensioner member who contacted us to thank us for paying their pension every month!
  12. During this reporting period, there have been four complaints, two of which are Internal Dispute Resolution complaints (IDRP). The non-IDRP complaints were in relation to a deceased member's relative querying some misleading information in a letter. This was caused by a member of staff incorrectly removing the wrong paragraph from a standard letter. This should have been identified at the checking stage and staff have been reminded to take care. The other complaint was in respect of a customer who did not have acceptable ID

with him when brought into the office, and this had not been clarified during an earlier phone call with the team. While no wrong information was provided, the member of the team has been reminded about being more proactive to avoid this scenario, and ensure we are providing the best customer service possible.

13. The new Internal Dispute Resolution Process (IDRP) stage one complaint is in relation to some advice that was allegedly provided a few years ago to a deceased member. This case is still being investigated so an update will be provided at the next Board meeting. The other case outstanding from last time has been responded to supporting the original decision and advice. This was in relation to a deferred member of the scheme who wished to access their pension under ill health.
14. The other new IDRP complaint is a stage 2 complaint in relation to a member who has not been able to access their pension under ill health. This is currently being investigated and a response will be issued in due course. The outcome of this will be confirmed in the next Board meeting, if known.
15. This report will be ongoing in all future Board meetings and will be developed in accordance with the requirements of the Board.

### **Contribution payments**

16. The administration strategy requires contributions from employers to be received by the Pension Fund within five working days of the month end in which the contributions were deducted. The table below summarises the timeliness of receipts received in Quarter 1 2017/18 with comparison to 2016/2017 Quarter 4:

	Quarter 1			Quarter 4		
	Employer	Contributions		Employer	Contributions	
	%	£'000	%	%	£'000	%
On Time	89	25,212	97	92	26,127	99
Up to 1 week late	3	376	1	3	118	0
Over 1 week late	8	414	2	5	206	1
Total		26,002			26,451	

#### **Sources of further information**

- a) None.



## **Suffolk Pension Board, 6 October 2017**

### **Information Bulletin**

The Information Bulletin is a document that is made available to the public with the published agenda papers. It can include update information requested by the Board as well as information that a service considers should be made known to the Board.

This Information Bulletin covers Securities Lending.

#### **Introduction**

1. Securities lending is the temporary transfer of title from the owner of an asset (equities or bonds) to another entity in return for a fee.
2. The borrowed assets are typically used to satisfy delivery obligations of a short position. At the end of the agreement the borrower is obliged to return an equivalent security to the lender.
3. When a security is loaned, the original owner of the security maintains economic performance of the assets as well as the rights of ownership except for voting rights. This lender will have to recall the stock if they want to vote on the shares. The borrower will pass over to the lender any dividends and corporate actions that may arise.
4. Stock loans are usually open trades with no specified ending date. The lender can recall the stock or the borrower can return the stock on a T+2 (Transaction day plus 2 days settlement) notice period.
5. The securities lending agent indemnifies the lender against default by the borrower.

#### **Lending Process**

6. The borrower contacts HSBC with a securities request.
7. Available stock holdings are shown in Fair Distribution Algorithm (FDA) order. The FDA is used to ensure fair allocation of loan opportunities across the lending client base. Where the FDA recommendation is not used exception reasons need to be supplied. These reasons are subject to senior management review.
8. Fees, trade and settlement dates and terms are negotiated with the borrower. Lending fees are subject to negotiation based on the demand on the stock, the proposed size, the collateral offered and estimated value of the stock. These rates are reviewed daily and a re-rate can be requested by either the borrower or lending agent.
9. When the collateral has been received from the borrower they then receive the stock. Collateral is typically 102.5% to 105% of the value of the loan. The acceptable collateral for the Suffolk Pension Fund is set out in **Appendix 1**.

## Key Risks

10. Borrower Risk - borrower cannot meet their obligation to return securities.
  - The lender must consider who they are willing to lend to and how much they are willing to lend. The approved list of borrowers is contained within the signed securities lending authorisation agreement.
  - The lender must consider the indemnification offered by the lending agent.
11. Collateral Risk – value of the collateral falls below the replacement costs of the securities that are lent.
  - The lender must consider what types of collateral they are willing to accept.
  - The lender must consider the ‘margin’ or excess amount required over and above the amount on loan.
12. Legal Risk – the lender’s legal agreement does not provide full protection in the event that the borrower defaults.
  - Lenders should ensure their securities lending authorisation agreement conforms to commonly used market standard documentation.
13. Other Risks – the lender is open to other non-financial risks such as ethical or reputational risk which may arise as a result of investing activity.
  - Lenders should consider whether lending securities is consistent with their policies and investment objectives.

## Income

14. HSBC is the Pension Fund’s lending agent for its segregated stock holdings with Newton and Blackrock.
15. Suffolk Pension Fund receives 80% of the gross income generated from lending its stock, received a month in arrears, with HSBC retaining the remaining 20%. HSBC meets all additional custody charges and all operating costs for the provision of it lending services from its 20% share.
16. In 2016-17 the Fund received £49,000, slightly down on the £54,000 received the previous year. Inclusive of income earned in August the fund has received £31,000 this financial year.
17. Legal & General lend some stock held in the funds passive holding. The Fund receives 85%, with 15% going to the lending agent Citibank. In 2016-17 income of £286,000 was received which was then reinvested into the holdings.
18. Neither Pyrford or Winton engage in securities lending.

<b>Sources of further information</b>
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None
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## Appendix 1

<b>Acceptable Collateral</b>	<b>Min Margin</b>	<b>Restrictions</b>
Sovereign Debt	2.5%	Debt obligations issued or guaranteed by government departments for Austria, Belgium, Canada, Denmark, Finland, France, Germany, Japan, Luxembourg, Netherlands, New Zealand, Norway, Sweden, Switzerland, United Kingdom or United States of America.
Equities	5.0%	Main index equities in Belgium, Finland, France, Germany, Hong Kong, Italy, Japan, Netherlands, Sweden, Switzerland, United Kingdom (FTSE 100) or United States of America.
Cash	0.0%	No overnight investment



## Suffolk Pension Board

<b>Report Title:</b>	Risk Register
<b>Meeting Date:</b>	6 October 2017
<b>Chairman:</b>	Councillor Richard Smith MVO
<b>Director:</b>	Aidan Dunn, Director of Resource Management
<b>Assistant Director or Head of Service:</b>	Louise Aynsley, Interim Head of Finance (S151 Officer) Tel. 01473 264347
<b>Author:</b>	Sharon Tan, Pensions Technical Specialist Tel. 01473 265636

### Brief summary of report

1. This report sets out the Risk Register for the Pension Board as approved on 9 March 2017 and how the risk control measures have been implemented against the risks.

### Action recommended

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|---|
| <ol style="list-style-type: none"> <li>2. The Board is asked to:               <ol style="list-style-type: none"> <li>a) review the implementation of the risk control measures; and</li> <li>b) review and approve the Pension Board Risk Register.</li> </ol> </li> </ol> |
|---|

### Reason for recommendation

3. Risk management is a key responsibility of those charged with Pension Fund governance with a duty to identify the range of risks that could affect the long term sustainability of the Fund.
4. The effective management of risk is also an area which is covered within the CIPFA Knowledge and Skills framework which recognises the importance of having an understanding of the risks that could have an impact on the Pension Fund and what steps can be taken to mitigate such risks.

### Alternative options

5. There are no alternative options.

### Main body of report

#### Regulatory Background

6. The need for effective risk management is reflected throughout guidance and regulation in the Local Government Pension Scheme (LGPS), in the Local Government Pension Scheme (Management and Investment of Funds)

Regulations 2009 paragraph 12(2c) and in the CIPFA publication “Delivering Good Governance in Local Government Pension Funds” (2009). The Pensions Regulator published regulatory guidance in December 2015 entitled “Integrated Risk Management”.

### **Implementation of Risk Control Measures**

7. A summary of how the risk control measures in the risk register have been implemented or reviewed is set out in **Appendix 1**.

### **Risk Register**

8. The purpose of the risk register is to reflect best practice in the identification, evaluation and control of risks in order to ensure that key risks are recognised, and then either eliminated or reduced to a manageable level. If neither of these options is possible then means to mitigate the implications of the risks should be established.
9. The probability and risk impact scores have been scored based on the submissions from the members of the Board.
10. The risk register for the Pension Board to approve is attached as **Appendix 2**.
11. The risk register and actions taken to mitigate or control the risks will be reported to the Board twice a year.

#### **Sources of further information**

- a) The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (S.I. 2009 No.3093).
- b) Delivering Good Governance in Local Government Pensions Funds – CIPFA 2012.
- c) Integrated Risk Management – Pensions Regulator 2015.

Suffolk Pension Board Risk Register

Risk ID	Risk	Risk Control Measures	Implementation
SPB01	<p><b>Employer</b> Employers' failure to carry out their responsibilities for paying contributions and providing information required for the administration team to fulfil their responsibilities.</p>	<p>An effective Administration Strategy setting out the employers responsibilities.</p> <p>Monitoring and reporting of the compliance of the employers.</p> <p>Vetting prospective employers in regards to financial security of funding streams. Seeking a funding guarantee or indemnity from the former scheme employer. Review to ensure Bonds are renewed when expiring and reflect current employer position.</p> <p>Non compliance is addressed.</p>	<p>The Administration strategy is reviewed every three years. It was last approved by the Pension Fund Committee at its meeting on 24 February 2016 and implemented from 1 April 2016. This was sent to all employers. The document is available on the Pension Fund website.</p> <p>When issues are identified in relation to the supply of accurate and timely information from employers, members of the team will contact the employer to explain what is wrong and discuss the data requirements. If persistent issues are identified members of the team will escalate these to the management team who will address this with the employer. Anything significant would be reported to the Pension Board as part of the administration update. Receipt of contributions are monitored on a quarterly basis and reported to the Pension Board.</p> <p>Prospective employers (where a government guarantee doesn't apply) are required to secure either a guarantee or a bond to provide security for the pension liabilities of their members. Bonds are reviewed annually to reflect the current employer position. Eligible Employers are not able to access the Suffolk Pension Fund without providing a bond or guarantee.</p> <p>During the recent end of year work, one employer was significantly late providing a return. While this was reported to the Board, we worked with the employer to achieve the data, and help them understand the requirements so the same issue doesn't arise next year. We also had a problem with one payroll supplier, responding to queries for the Academies they provide a service to, so this was addressed and resolved to ensure a better service is received in the future. If issues were to continue with a payroll supplier, the employer would be notified of the concerns. There has been an issue with the payroll provider for one academy paying over the contributions later than the administration strategy sets out which has been escalated to the academy trust for resolution.</p>
SPB02	<p><b>Scheme Members</b> Scheme members are not in receipt of the correct benefit and/or paid on time.</p>	<p>The Pensions Administration team are required to keep up to date with pension benefit regulation and adhere to the stringent procedures required to comply with the benefits regulations.</p> <p>Knowledge and understanding is kept up to date by attending the relevant training courses on offer by professional bodies.</p> <p>Calculations are independently checked and verified.</p> <p>Internal and external audit review the internal control arrangements in place.</p>	<p>Changes to the Local Government Pension Scheme Regulations are communicated to the Administration Team (as well as employers and members where applicable). Changes to calculations are delivered directly to the pensions software system by the software provider. Changes to calculation factors are provided by the software provider and uploaded to the system by the Administration Team.</p> <p>Attendance of training courses and conferences are encouraged, with the knowledge gained shared amongst the team to ensure the team as a whole is kept up to date.</p> <p>All calculations are peer reviewed by members of the Administration team for accuracy before communications are sent out.</p> <p>Audit annually review the internal control arrangements that are in place. The latest internal audit review found that there was sufficient assurance in this area but suggested some improvements that could happen to improve things further. The full report was shared with the administration team, and the necessary process changes and tweaks made and communicated. In addition the key information was shared with the Pension Board so they were aware of the report and the action taken.</p>

Risk ID	Risk	Risk Control Measures	Implementation
SPB03	<p><b>Governance</b> Failure to communicate or engage with employers and scheme members.</p>	<p>An effective Communications Strategy so that employers are engaged with the Pension Fund.</p> <p>Regular communications to employers on LGPS matters are provided by Pension Fund officers in the form of newsletters and bi-annual employer meetings.</p> <p>Regular meetings are held by the Pension Board with the papers published within statutory deadlines.</p> <p>A range of communication tools are available to enable effective communication such as newsletters, pension help desk, pensions website.</p> <p>An annual employers meeting is held.</p>	<p>The Communication strategy is reviewed annually. It was last approved by the Pension Fund Committee at its meeting on 26 June 2017. The document is available on the Pension Fund website.</p> <p>A regular newsletter is sent out to employers to keep them updated with the Local Government Pension Scheme and Suffolk Pension Fund developments. All employers were consulted with in relation to the triennial valuation and the investment strategy statement. Additional bespoke meetings have been held with academies to introduce them to the LGPS and assist them with understanding the scheme.</p> <p>The Pension Board meets regularly and the papers are published on the Pension Fund website.</p> <p>The team issue newsletters to Pensioner members of the scheme twice a year. Employers receive communications and newsletters on a regular basis. Information is provided to all active and deferred scheme members annually with the provision of their Benefit statements. During 2017 the new Pensioner Member Self Service system has been introduced that allows all members to view their pension records, allowing members to update personal details and complete their own pension projections. The Annual statements will be issued on this system only from 2018. The launch of the system has been promoted within this years benefit statements and was covered during the Annual Employers Meeting. In addition demonstrations of the system have been provided. The Pensions website is reviewed and kept up to date with useful information and the Pensions Helpdesk is available for members to contact if they need some guidance.</p> <p>The Annual employers meeting was held on 22 September with attendance of around 50 representatives from employers. The feedback from the event has been very positive.</p>
SPB04	<p><b>Governance</b> Pension Fund Board members do not have the appropriate skills or knowledge to discharge their responsibility.</p>	<p>The Board has adopted the CIPFA Pensions Knowledge and Skills Framework as the basis for assessing its training and development needs.</p> <p>The Board approves a formal two year training plan which is designed to cover the Board's responsibilities. This is reviewed annually and updated to include new topics of interest and any additional training requirements identified.</p> <p>Pension Fund officers report on the statutory requirements of the Fund and any breaches that may have occurred.</p> <p>New Board members are fully briefed by a Pension Fund officer to enable them to participate in meetings.</p> <p>External advisers are employed to advise the Pension Fund Board as required.</p>	<p>The Board agrees its Training plan annually, linked to the requirements of the CIPFA Pensions Knowledge and Skills framework. The next review will be at the December Board meeting. The Board also has access to the Pension Fund Committee's training programme, this was last reviewed in July 2017.</p> <p>The administration report to the Board provides information on the adherence to statutory requirements and would report any breaches.</p> <p>New Board Members always receive an introduction to the scheme and a briefing from officers before attending their first meeting.</p> <p>Advisers can attend Board meetings, at the request of the Board.</p>

## Suffolk Pension Fund Risk Register

Risk ID	Risk	Impact	Prob	Risk Score	Risk Rating	Risk Control Measures
SPB01	<p><b>Employer</b> Employers' failure to carry out their responsibilities for paying contributions and providing information required for the administration team to fulfill their responsibilities.</p> <p><u>Consequence</u> Could lead to incorrect information being used to make decisions in regards to the employer and the Pension Fund as a whole.</p> <p>The financial burden would have to be picked up by the rest of the employers in the Pension Fund.</p>	3	2	6	Medium	<p>An effective Administration Strategy setting out the employers responsibilities.</p> <p>An effective Communications Strategy so that employers are engaged with the Pension Fund.</p> <p>Monitoring and reporting of the compliance of the employers.</p> <p>Vetting prospective employers in regards to financial security of funding streams. Seeking a funding guarantee or indemnity from the former scheme employer. Review to ensure Bonds are renewed when expiring and reflect current employer position.</p> <p>Non compliance is addressed.</p>
SPB02	<p><b>Scheme Members</b> Scheme members are not in receipt of the correct benefit and/or paid on time.</p> <p><u>Consequence</u> Additional administration time required to correct any errors. Reputational risk to the Suffolk Pension Fund and Suffolk County Council.</p>	3	2	6	Medium	<p>The Pensions Administration team are required to keep up to date with pension benefit regulation and adhere to the stringent procedures required to comply with the benefits regulations.</p> <p>Knowledge and understanding is kept up to date by attending the relevant training courses on offer by professional bodies.</p> <p>Calculations are independently checked and verified.</p> <p>Internal and external audit review the internal control arrangements in place.</p>

Risk ID	Risk	Impact	Prob	Risk Score	Risk Rating	Risk Control Measures
SPB03	<p><b>Governance</b> Failure to communicate or engage with employers and scheme members.</p> <p><u>Consequence</u> Leading to non compliance with legislation and best practice. Inability to determine policy and effective decisions. Damaging to reputation.</p>	3	3	9	Medium	<p>Maintenance and implementation of a communication strategy.</p> <p>Regular communications to employers on LGPS matters are provided by Pension Fund officers in the form of newsletters and bi-annual employer meetings.</p> <p>Regular meetings are held by the Pension Board with the papers published within statutory deadlines.</p> <p>A range of communication tools are available to enable effective communication such as newsletters, pension help desk, pensions website.</p> <p>An annual employers meeting is held.</p>
SPB04	<p><b>Governance</b> Pension Fund Board members do not have the appropriate skills or knowledge to discharge their responsibility.</p> <p><u>Consequence</u> The Board does not discharge their duties to oversee the governance of the Pension Fund. Reputational risk to the Suffolk Pension Fund.</p>	3	3	9	Medium	<p>The Board has adopted the CIPFA Pensions Knowledge and Skills Framework as the basis for assessing its training and development needs.</p> <p>The Board approves a formal two year training plan which is designed to cover the Board's responsibilities. This is reviewed annually and updated to include new topics of interest and any additional training requirements identified.</p> <p>Pension Fund officers report on the statutory requirements of the Fund and any breeches that may have occurred.</p> <p>New Board members are fully briefed by a Pension Fund officer to enable them to participate in meetings.</p> <p>External advisers are employed to advise the Pension Fund Board as required.</p>

## **Suffolk Pension Board, 6 October 2017**

### **Information Bulletin**

The Information Bulletin is a document that is made available to the public with the published agenda papers. It can include update information requested by the Committee as well as information that a service considers should be made known to the Committee.

This Information Bulletin covers the following items:

1. Active vs. Passive Management Investments
2. New Employers

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#### **1. Active vs. Passive Management Investments**

- 1.1 The Board requested information regarding the review of equity asset split between active and passive management.
- 1.2 An extract from the Hymans briefing note provided for the full Asset Allocation review in November 2015 has been attached as Appendix 1.

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#### **2. New Employers**

- 2.1 There have been 12 new employers admitted into the Fund during July to September.

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For further information on any of these information items please contact: Paul Finbow, Senior Pensions Specialist; Email: [paul.finbow@suffolk.gov.uk](mailto:paul.finbow@suffolk.gov.uk), Telephone: 01473 265288.

### **Active vs passive management investment beliefs**

Passive management is appropriate for obtaining a low-cost allocation to efficient markets. Active management is appropriate where a market is relatively inefficient, offering opportunities for active managers to add value.

Where markets offer little scope for adding value through active management (such as individual allocations to UK equities [subject to the diversification benefit of active management noted below], US equities and gilts) passive management is preferred as a low-cost way of accessing the market.

Where markets offer substantial scope for added value (such as global equities), conviction active management would seem appropriate as a way of increasing the overall expected return (after fees) without significantly increasing the overall level of volatility. Active management can also be a way of managing the biases within an index (momentum and stock concentration).

The LGPS average allocation to passively managed listed assets is around 40% to 50% of assets (equities and bonds). We believe this provides a reasonable split which allows funds to target a meaningful level of additional return whilst managing overall fee levels.

We split the consideration of the Fund's active management arrangements separately between equities and bonds

### **Equity**

The BlackRock active UK equity portfolio provides active management of some of the inherent biases and concentration in the UK equity market for a relatively low fee and UK equity management remains a key focus for their business. The active management does also provide some scope for additional returns.

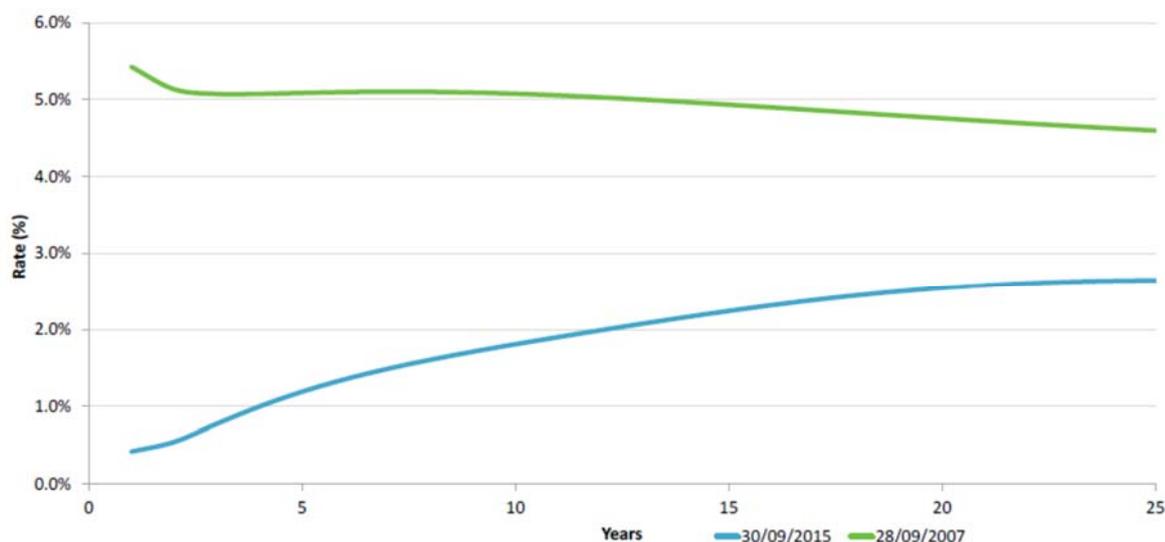
The Newton active global equity portfolio provides scope for added value (in excess of their fee) and takes a more defensive stance on equity markets, a stance that we would favour in the current markets where we have seen substantial price rises and more recent volatility.

These active allocations are balanced against passive equity allocations all managed by L&G (including RAFI) which helps manage fee levels and improve diversification.

The target active/passive split within the equity portfolio is 22%/23% respectively and this appears sensible and broadly in line with LGPS averages.

## Bond portfolio

The chart below shows how low gilt yields are currently, with prospective returns unattractive and the potential for capital falls on bond holdings if yields rise.



In addition to the low returns available on these assets, although we are uncertain of the timing, we believe a significant risk bond portfolios face at the current time is a material increase in yield that would have a negative impact on prices for portfolios with considerable yield sensitivity.

The majority of the Fund's bond assets are therefore invested in actively managed cash plus mandates with M&G and BlackRock which minimises this yield sensitivity and should reduce price falls in an environment where interest rates are rising faster than expected.

We therefore continue to support these allocations.

The Fund also maintains a small passively managed, more traditional, allocation to index-linked gilts. This provides a cheap and liquid asset should the Committee wish to rebalance the Fund's asset allocation.

## Conclusion

We continue to support the structure of the equity and bond portfolios in terms of their management arrangements and therefore propose no change



## **Suffolk Pension Board Forward Work Programme**

### **Purpose**

The purpose of this forward work programme is to support the Pension Board in promoting and strengthening corporate governance across the Council.

### **Terms of reference**

The terms of reference of the Pension Board are:

- a) to secure compliance with the Local Government Pension Scheme (LGPS) regulations and any other legislation relating to the governance and administration of the LGPS
- b) to secure compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator
- c) to secure the effective and efficient governance and administration of the LGPS for the Suffolk Pension Fund
- d) in such other matters as the LGPS regulations may specify
- e) to provide the Scheme Manager with such information as it requires to ensure that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest

<b>Meeting date (see Note)</b>	<b>Added to Work Programme</b>	<b>Subject</b>	<b>Short description</b>	<b>How is it anticipated the Board will deal with this issue?</b>
Wednesday, 13 December 2017	Added 19 July 2017	Complaints, Compliments and Administration Performance	To receive a report on the complaints and compliments received by the Fund	Written Report
	<b>Added 6 October 2017</b>	<b>Review Board's annual training plan</b>	<b>To consider the training plan for Board members for 2018</b>	<b>Written Report</b>
	Added 19 July 2017	Suffolk's progress on Pooling of Assets	To receive an update on the progress of pooling assets	Presentation
	Added 19 July 2017	Recent Developments	To receive an information bulletin covering recent developments that the Board has an interest in	Written Report
	Added 19 July 2017	Forward Work Programme	To approve the Forward Work Programme for the Suffolk Pension Board.	Written Report
Tuesday, 13 March 2018	Added 19 July 2017	Complaints, Compliments and Administration Performance	To receive a report on the complaints and compliments received by the Fund	Written Report
	Added 19 July 2017	Suffolk's progress on Pooling of Assets	To receive an update on the progress of pooling assets	Presentation

<b>Meeting date (see Note)</b>	<b>Added to Work Programme</b>	<b>Subject</b>	<b>Short description</b>	<b>How is it anticipated the Board will deal with this issue?</b>
Tuesday, 13 March 2018	Added 19 July 2017	Pension Board Risk Register	To review the Pension Board Risk Register	Written Report
	Added 19 July 2017	Recent Developments	To receive an information bulletin covering recent developments that the Board has an interest in	Written Report
	Added 19 July 2017	Forward Work Programme	To approve the Forward Work Programme for the Suffolk Pension Board.	Written Report

**Note:** Additions and amendments to previous Forward Agenda are marked in bold.

If you have any questions or queries, please contact Paul Finbow. Email: [paul.finbow@suffolk.gov.uk](mailto:paul.finbow@suffolk.gov.uk), Telephone: 01473 265288.

Revised – October 2017