Suffolk County Council

Suffolk Pension Board

(Quorum 2 – 1 member of each representative group)

Scheme Employer Representatives:

Councillor Richard Smith MVO, representing Suffolk County Council.

Ian Blofield, representing all Borough, District, Town and Parish Councils.

Thomas Jarrett, representing all other employers in the Fund.

Scheme Member Representatives:

Pauline Bacon, representing the Unions.

Richard Blackwell, representing Pensioners.

Kay Davidson, representing Active Members.

Date: Wednesday, 16 October 2024

Venue: Rose Mead 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 or committee.services@suffolk.gov.uk

Business to be taken in public:

11. **Forward Work Programme** Pages 291-293

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, 4 December 2024 at 11:00 am

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Nicola Beach
Chief Executive

Suffolk County Council

Agenda Item 3
Unconfirmed

Minutes of the Suffolk Pension Board Meeting held on Tuesday 23 July 2024 at 11:00 am in the Rose Mead Room, Endeavour House, Ipswich.

Present:	Councillor Richard Smith MVO (Chairman) (representing Suffolk County Council), Pauline Bacon (representing the Unions), Richard Blackwell (representing Pensioners), Ian Blofield (representing all Borough, District, Town and Parish Councils), and Kay Davidson (representing Active Members).
Also present:	Scott Douglas, Northern Trust (Agenda Item 6, attended remotely) and Tatum White, Senior Auditor (Agenda Item 5).
Supporting officers present:	Rebekah Butcher (Democratic Services Officer), Stuart Potter (Pensions Operations Manager – attended remotely), Sharon Tan (Lead Accountant, Pensions), and Tracey Woods (Head of Pensions).

The meeting was opened by the Democratic Services Officer.

1. Appointment of Chairman and Vice Chair

On the proposition of Richard Blackwell, seconded by Kay Davidson, it was agreed by general affirmation that Councillor Richard Smith MVO be elected as Chairman for the forthcoming year 2024/25.

Councillor Smith assumed the Chair.

On the proposition of Councillor Richard Smith MVO, seconded by Richard Blackwell, it was agreed by general affirmation that Pauline Bacon be elected as Vice Chair for the forthcoming year 2024/25.

2. Apologies for Absence

Apologies for absence were received from Thomas Jarrett (representing all other employers in the Fund).

3. Declarations of Interest and Dispensations

Richard Blackwell and Councillor Richard Smith MVO declared an interest by virtue of the fact they were each in receipt of a local government pension.

Pauline Bacon, Ian Blofield, and Kay Davidson declared an interest by virtue of the fact they were active members of the pension scheme.

4. Minutes of the Previous Meeting

The minutes of the meeting held on 20 March 2024 were confirmed as a correct record and signed by the Chairman.

Councillor Richard Smith MVO expressed his heartfelt tribute to the former Head of Pensions, Paul Finbow, with whom he had the privilege of working for many years, noting that Paul would be greatly missed.

Councillor Smith also warmly welcomed Tracey Woods as the new Head of Pensions, wishing her success in her new role.

5. Internal Audit Work on the Pension Fund 2023/24

At Agenda Item 5, the Board received a report which detailed the internal audit work performed in the 2023/24 financial year relating to Suffolk Pension Fund, and the audit opinions on the control environment resulting from that work.

The Chairman welcomed Tatum White, Senior Auditor, to the meeting. She presented the report and members had the opportunity to ask questions.

Decision: The Board:

a) took assurance from the work and activities of the Internal Audit Service with a view that processes and controls within the Pensions Team were operating effectively.

b) requested a report in July 2025 to provide an update on the successful resolution of the issues with Oracle Fusion data quality.

Reason for decision: The Board had responsibility for assisting the Suffolk Pension Fund comply with all legislative requirements and for ensuring that the scheme was being effectively and efficiently governed and managed.

A member raised ongoing frustrations with data quality issues in the Oracle Fusion system, particularly how those issues were impacting the Pensions Team. They expressed concern over the continued problems, especially the incomplete data, and questioned whether additional pressure could be applied to resolve the situation. They also highlighted that the Pensions Team was struggling due to system limitations, which hindered their ability to work effectively. The Head of Pensions explained that weekly meetings were being held to address the issues, and some progress had been made, though challenges remained. The process improvements were expected to be completed by the end of the financial year. The Chairman acknowledged the frustrations and suggested revisiting the issue at the Board’s first opportunity in July 2025, emphasising the need for assurance that the problems would indeed be resolved by then.

A member also raised a concern that the statement about Altair expiring on 31 October 2024 could be worrying unless there was a plan to replace it. The Head of Pensions advised that the procurement process for a replacement was ongoing and promised to provide an update once a decision was made.

A member expressed concerns about pension fund members dropping out due to HR or payroll errors, stressing the importance of following up when contributions suddenly stopped to prevent risks to members. The Pension Operations Manager acknowledged the issue and explained that while they currently checked annually for such cases, the upcoming iConnect system would provide monthly data, enabling quicker detection and follow-up. The member appreciated this improvement but emphasised the need for continuity for scheme members moving between local authorities and sought assurance that those cases would be monitored closely. The Pensions Operations Manager agreed to work with the Head of Pensions to tighten processes and ensure accurate administration.

A member also enquired about the progress on addressing the backlog. The Head of Pensions informed members that the backlog was still ongoing and would continue for some time, especially with the influx of new leavers at the end of the financial year. She explained that dealing with undecided leavers had been integrated into day-to-day activities, rather than being addressed only when time allowed. Additionally, as part of preparing for the pension dashboard, the team was focusing on improving data quality, particularly contact information, since it was harder to reach undecided leavers the longer they remained undecided. Members were assured that progress was being made, and efforts would continue.

Alternative options: There were none considered.

Declarations of interest: Richard Blackwell and Councillor Richard Smith MVO declared an interest by virtue of the fact they were each in receipt of a local government pension.

Pauline Bacon, Ian Blofield, and Kay Davidson declared an interest by virtue of the fact they were active members of the pension scheme.

Dispensations: There were none granted.

6. Investment Performance

At Agenda Item 6, the Board received a report which provided a summary of the performance of the Suffolk Pension Fund for 2023-24 and performance benchmarking against other local authority pension funds.

The Chairman welcomed Scott Douglas, Northern Trust, to the meeting, who joined remotely (via MS Teams). He presented the report and members had the opportunity to ask questions.

Decision: The Board noted the investment performance of the Fund.

Reason for decision: The Board received an annual update on the investment performance of the Fund.

Members were informed that the Pension Fund Committee was pleased with the report, reflecting another strong year for the Suffolk Pension Fund.

The Board found the report highly informative and expressed confidence in Northern Trust’s analysis, recognising its significant value to the Pension Fund Committee. The Board was particularly pleased that the data provided the Committee with early warnings of problem areas and identified what needed to be addressed.

A member also commented that they were pleased to see that the ‘green’ investments in UBS Climate Aware and Low Carbon funds were performing well, contributing to the achievement of Environmental, Social and Governance (ESG) targets.

Alternative options: There were none considered.

Declarations of interest: Richard Blackwell and Councillor Richard Smith MVO declared an interest by virtue of the fact they were each in receipt of a local government pension.

Pauline Bacon, Ian Blofield, and Kay Davidson declared an interest by virtue of the fact they were active members of the pension scheme.

Dispensations: There were none granted.

7. Pensions Administration Performance

The Board received a report at Agenda Item 7 which provided an update on the performance of the Pensions Administration Team. The report also included details of compliments and complaints received by the Administration team and details on the timeliness of contribution payments from employers in the Fund.

The report was introduced by Stuart Potter, Pensions Operations Manager, and Sharon Tan, Lead Accountant (Pensions). Members had the opportunity to ask questions.

Members noted an update to the report at paragraph 13; the Pensions Operations Manager advised that having run a report on 23 July, the total backlog of undecided leavers totalled just below 8,500 (down from 8,650 recorded in the report).

Decision: The Board:

a) noted the report.

b) requested continued reporting of the percentage of employers on the iConnect system.

Reason for decision: The Board was interested in being provided with regular updates on the performance of the Pensions Administration Team including updates on statutory requirements and Service Level Agreements.

A member noted that only 40% of employers in the Fund were on iConnect and asked about a timeline to reach 100%, highlighting challenges until that goal was met. The Pensions Operations Manager acknowledged the delays, primarily due to the Suffolk County Council report, and mentioned they were exploring different approaches, aiming to complete the process within the next couple of years. He noted that completing the iConnect integration would ease operations and benefit members. Another member added that Suffolk, the largest employer, would significantly increase the percentage when onboarded. It was agreed to continue reporting those numbers at each board meeting.

A member enquired about the minimum number of undecided leaver cases that could be expected, considering the limited room for action due to lost contact with members. The Pensions Operations Manager acknowledged the question and estimated that the number could be reduced to around 2,000-3,000. He mentioned that achieving a lower number would require a good tracing agency and the upcoming pensions dashboard, which would allow individuals to log in and see if they had a pension, would hopefully prompt those previously uncontacted to get in touch. Members noted the importance of monitoring those figures and acknowledged that zero was not an achievable target.

The Board was satisfied with how management had handled the complaints the team had received.

Alternative options: There were none considered.

Declarations of interest: Richard Blackwell and Councillor Richard Smith MVO declared an interest by virtue of the fact they were each in receipt of a local government pension.

Pauline Bacon, Ian Blofield, and Kay Davidson declared an interest by virtue of the fact they were active members of the pension scheme.

Dispensations: There were none granted.

8. Additional Voluntary Contribution Provider Review

The Board received a report at Agenda Item 8 which provided an update on the implementation of the Legal and General Additional Voluntary Contribution (AVC) scheme for the Suffolk Pension Fund.

The report was introduced by Sharon Tan, Lead Accountant (Pensions) and members had the opportunity to ask questions.

Decision: The Board:

a) noted the progress of the implementation of the Legal and General Additional Voluntary Contribution scheme provision.

b) requested an Information Bulletin item on 16 October 2024 regarding the successful transfer of assets to the new provider.

c) requested the new scheme be promoted to members of the Fund.

Reason for decision: The Pension Board represented active members in the Local Government Pension Scheme (LGPS).

Members were informed that the final stage of the implementation, involving the transfer of scheme members' assets to Legal and General, was initially scheduled for completion on 15 July 2024 but had been delayed to early August 2024. This delay resulted from a miscommunication regarding an unmonitored email address at Standard Life. Standard Life acknowledged their fault in the matter and issued an apology. Members were assured that the asset transfer would be completed soon and requested an update at its next meeting to confirm it had been successfully completed.

The Board was also informed that some questions had been raised by scheme members who had not received their welcome packs to the new AVC scheme, however Officers confirmed this should be completed by the end of August.

Members were also informed that officers planned to promote the scheme to Fund members. One member requested that this be included in Suffolk County Council's internal newsletter, Inside SCC. Additionally, information would be provided in the Active Members newsletter.

Alternative options: There were none considered.

Declarations of interest: Richard Blackwell and Councillor Richard Smith MVO declared an interest by virtue of the fact they were each in receipt of a local government pension.

Pauline Bacon, Ian Blofield, and Kay Davidson declared an interest by virtue of the fact they were active members of the pension scheme.

Dispensations: There were none granted.

9. ACCESS Pool update

At Agenda Item 7, the Board received a verbal update from Tracey Woods, Head of Pensions, on the recent developments within the ACCESS pool.

The Board was informed that the ACCESS Joint Committee last met on 10 June 2024, with the primary focus being the Third-Party Review. The Joint Committee decided to move forward with certain elements of the review but concluded that an independent chair was unnecessary. However, they considered the potential addition of non-voting co-opted members to the Joint Committee and evaluated how to best utilise their advisors attending the meetings.

The Joint Committee had also shown interest in expanding the ACCESS Support Unit due to the heavy reliance on member funds for certain responsibilities. This collaboration was expected to reduce duplication amongst member funds.

The Board was informed that the Joint Committee would continue developing new sub-funds, particularly in the alternative investment space. A recent procurement focused on timber investments, and there were plans to explore options such as social housing. Additionally, there would be a review of the overall number of sub-funds within ACCESS.

Members were reminded that a communication from the Government regarding the future of pooling was expected before the election. However, officers were awaiting the new government's stance on the timing and potential changes to pooling models. Members were also informed that the King's Speech primarily addressed private pensions, but the forthcoming bill might provide further information on pooling.

Members were assured ACCESS would closely monitor the developments and actively engage with central government to highlight the benefits of the ACCESS approach, including cost savings and the number of members in the fund.

Decision: The Board noted the update.

The Chairman also requested to receive a briefing on ACCESS.

Reason for decision: The Board was interested in being kept up to date with the progress of the ACCESS pool.

The Chairman, who recently rejoined the Board after several years, requested an update on all matters related to ACCESS to ensure he was as informed as the other board members.

During the discussion, a member asked a question relating to whether Suffolk was invoiced for the work the Lead Accountant did on the performance reports. The Head of Pensions responded yes.

In relation to investment to UK infrastructure requested by the previous government, the Head of Pensions advised it was the expectation that this would be ongoing with the new government. This was now known as the National Wealth Fund. However, it was still ultimately down to the individual pension funds to make investment decisions.

A member reiterated the Board's concern about being required to invest in UK infrastructure if such investments did not yield comparable returns to other options. The Chairman acknowledged this concern, noting that it might arise as an issue in the future, and emphasised the limited influence local government might have in this matter.

Alternative options: There were none considered.

Declarations of interest: Richard Blackwell and Councillor Richard Smith MVO declared an interest by virtue of the fact they were each in receipt of a local government pension.

Pauline Bacon, Ian Blofield, and Kay Davidson declared an interest by virtue of the fact they were active members of the pension scheme.

Dispensations: There were none granted.

10. Board Training Programme

The Board received a report at Agenda Item 10 which outlined areas of training for Board members to gain the necessary knowledge and understanding to fulfil their Board role.

The report was introduced by Tracey Woods, Head of Pensions, and members had the opportunity to ask questions.

Decision: The Board agreed the content of the training programme for the coming year as follows:

a) Pensions Dashboard.

b) Single Code of Practice.

c) Good Governance.

d) Plan for Net Zero.

The Board also requested:

e) that any emerging topics should take priority over the above suggestions if deemed appropriate.

f) to resend a link for the updated version of the Hymans Robertson online training modules.

Reason for decision: To comply with the Pensions Regulators requirements, members of the Pension Board must be able to demonstrate that they had the required knowledge and understanding of Local Government Pension Scheme (LGPS) issues.

A member emphasised the importance of prioritising the plan for net zero and ESG objectives within the Fund and the need for the Committee to give those issues due consideration. The Head of Pensions mentioned that net zero should be discussed at the Committee’s November meeting so the timing of that would determine when the training would take place. The Lead Accountant (Pensions) added that the Committee had already set a date for achieving net zero by 2050 or earlier, agreed within the Investment Strategy Statement, and the upcoming November meeting would outline how to deliver and monitor this plan.

Members were informed that progress through the online training modules would be monitored during 2024/25. They were aware that, once the Good Governance recommendations were implemented, the Fund might need to demonstrate the knowledge and understanding of both its committee and board members. This training was designed to address those requirements.

Members also noted that the annual training day would likely be held on 24 October, rather than 22 October as mentioned in the report. A member endorsed the decision to hold the annual training day at Endeavour House, as it was expected to maximise attendance and reduce costs.

Alternative options: There were none considered.

Declarations of interest: Richard Blackwell and Councillor Richard Smith MVO declared an interest by virtue of the fact they were each in receipt of a local government pension.

Pauline Bacon, Ian Blofield, and Kay Davidson declared an interest by virtue of the fact they were active members of the pension scheme.

Dispensations: There were none granted.

11. Information Bulletin

The Board noted the Information Bulletin at Agenda Item 11.

12. Dates of Future Meetings

At Agenda Item 12, the Board considered its dates of future meetings.

Decision: The Board agreed to the following dates for its future meetings:

2024/2025:

- Wednesday, 16 October 2024
- Wednesday, 4 December 2024
- Friday, 7 March 2025

2025/2026:

- Tuesday, 29 July 2025
- Friday, 17 October 2025
- Wednesday, 10 December 2025
- Wednesday, 4 March 2026

All meetings would take place in person at Endeavour House starting at 11am.

Reason for decision: The Board had choice over the dates for its future meetings and set the planned dates up to two years in advance.

Alternative options: There were none considered.

Declarations of interest: Richard Blackwell and Councillor Richard Smith MVO declared an interest by virtue of the fact they were each in receipt of a local government pension.

Pauline Bacon, Ian Blofield, and Kay Davidson declared an interest by virtue of the fact they were active members of the pension scheme.

Dispensations: There were none granted.

13. Forward Work Programme

The Board received a copy of its Forward Work Programme at Agenda Item 13.

Decision: The Board approved its Forward Work Programme as published, and with the inclusion of:

a) a report in July 2025 to provide an update on the successful resolution of the issues with Oracle Fusion data quality (as noted a minute 5).

b) an Information Bulletin item on 16 October 2024 regarding the successful transfer of assets to the new provider (as noted at minute 8).

A member also requested that any new changes in government laws or policies be communicated promptly via email to prevent being overwhelmed at the next meeting. They suggested sending links about significant changes as they occurred. The Head of Pensions agreed to this approach. The Chairman added that he would like to review any emails before they were sent.

Reason for decision: The Board regularly reviewed items appearing on the Forward Work Programme and was satisfied that its current work programme was appropriate.

The meeting closed at 12:36 pm.

Chairman

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Suffolk County Council

Agenda Item 4

Suffolk Pension Board

Report Title:	Pensions Administration Performance
Meeting Date:	16 October 2024
Lead Councillor(s):	Councillor Richard Smith MVO
Director:	Stephen Meah-Sims, Deputy Chief Executive and Executive Director of Corporate Services
Assistant Director or Head of Service:	Louise Aynsley, Chief Financial Officer (S151 Officer)
Author:	Stuart Potter, Pensions Operations Manager Telephone: 01473 260295 Email: Stuart.potter@suffolk.gov.uk

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 as requested by the Board.

Action recommended

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.

Alternative options

4. There are no alternative options.

Main body of report

Introduction

5. This report covers staff performance and team achievements since the previous Board meeting on 23 July 2024.

Service Level Agreements

6. The Service Level Agreements for our ‘key’ processes from June to August 2024 are shown below:

    a) Provision of a transfer quote to scheme members within 10 days of the receipt of the estimated value and all necessary information – Total cases **111** percentage completed in SLA **98%**

b) Estimates are issued to members or employers within 10 working days of receipt of all information – Total cases **136**, percentage completed in SLA **96%**

c) Retiring employees are notified of their options within 5 working days of receipt of all information – Total cases **509**, percentage completed in SLA **99%**

d) Retirement lump sums will be paid within 10 working days of receipt of all necessary information after retirement – Total cases **416**, percentage completed in SLA **100%**

e) Notification of survivor benefits will be issued within 10 working days of receipt of all information – Total cases **51**, percentage completed in SLA **100%**

f) 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 **87** percentage completed in SLA **99%**

I-Connect Implementation

7. As advised previously, the work on the I-Connect report by the County Council's payroll team remains paused awaiting changes in Corporate HR and Payroll later this year. The work to improve the salary reports that have been developed alongside the I-connect work has continued.

8. In the meantime, I-Connect continues to be rolled out to other employers, with the total number of employers now up to 183 which equates to around 53% of all employers in the fund. This also equates to around 41% of all active members.

9. Additionally, work has commenced with Schools Choice and progress is being made in relation to them being able to send files to the team. A recent test file has been received which highlighted some areas that needed amending and work is underway to do that.

End of year processing

10. All annual benefit statements for 2023/24 were issued by the statutory target of 31 August 2024. There are around 400 members who will receive a revised statement once updated pay information has been received. This has been communicated to the individuals affected.

Backlog Tasks

11. The ongoing work to clear the historic backlog of undecided leavers has been continuing. At the last meeting it was reported that the total number of undecided leavers was at 8650. The year-end processing of employer data increased the number to well above 9000 but this has now reduced to 8600 as the team continue to clear as many as possible.

McCloud

12. As a priority, the team have continued to focus on the calculations required to implement the McCloud remedy for the Fire Pension scheme as these have a statutory deadline to be completed by 31 March 2025.

13. The team are in the process of starting to use the administration system to process and calculate the cases for the Fire scheme. This has taken some considerable effort to achieve due to the need to get accurate data across all records and fully test the functionality in the system. Once the system

functionality is in place for all impacted firefighters then the focus will move to getting all relevant data loaded and system functionality switched on for LGPS members.

14. Members are being kept up to date with progress via the newsletter communications.

Newsletters

15. The July edition of the Active Member newsletter has been published. All active members registered on Member Self Service have been sent a personal copy. This edition included detailed information on the new AVC provider Legal & General, some FAQ's and an article from Pauline Bacon as the Trade Union representative on the Board.

Compliments and Complaints

16. During this reporting period since the previous Board meeting there have been seven compliments above and beyond the usual thanks received for the service we provide.

17. Four of these compliments were from members all saying how impressed they were with the 'speedy service' they had received. Another comment thanked us for the clarification provided to the members questions stating, 'I appreciate the help your team has given me'. The next compliment was received via a telephone call where the member said, 'thank you ever so much, you have made it all so clear'.

18. The final compliment was received from the son of a member who had recently passed away and the compliment stated 'Mum was grateful for her Suffolk pension and was full of praise for the way you interacted with her. There were never any issues and whenever we had to correspond with you, everyone was pleasant and helpful. Thank you for that'.

19. During this period there have been two complaints received.

20. The first of these was a complaint from a member who had incorrectly been advised of a wrong amount of arrears they would be receiving. The customer was understandably frustrated they were not receiving as much as they were originally told. The error occurred from human error as an individual did not take into account what has been paid automatically on the payroll system and this should have been identified in the checking stage. Reminders have been given to the team about the importance of slowing down and making sure information is right before it is sent to customers.

21. The second complaint was from a member about the delay in the payment of his AVC payments from Standard Life. This was caused by an employer error in not providing Standard Life with payment schedules which then resulted in Standard Life returning the contributions that had been taken from his salary. This complaint was resolved by the Pensions team liaising with Standard Life, the employer and member until the team were able to make the payment due to the member.

22. During this time there have been two new IDRP Stage 1 complaints.

23. The first of these complaints related to an historic employer action which meant an employee was not awarded their deferred benefits on the grounds of ill-health. The stage 1 decision upheld the members complaint and as a result the employer is looking to correct the matter for the member.

24. The second IDRP stage 1 complaint is from a member regarding delays to his AVC payment and asking for reimbursement for interest on the lump sum and annuity payments he has missed out on. The pensions team offered and paid some compensation for the delays that were caused by the team however there were other delays caused by both the member and the AVC provider Standard Life. The Stage 1 decision has not upheld the complaint of the member. If this progresses to Stage 2 the Board will be informed.

Contribution payments

25. The administration strategy requires contributions from employers to be received by the Pension Fund within 5 working days of the month end in which the contributions were deducted.

26. The table below summarises the timeliness of receipts received during 2023/24 quarter 4 and 2024/25 quarter 1:

	2023/24 Quarter 4			**2024/25 Quarter 1**		
	Employer	Contributions		Employer	Contributions	
	%	£'m	%	%	£'m	%
On Time	92	33.157	96.5	92	35.372	98.9
Up to 1 week late	4	1.092	3.2	4	0.238	0.7
Over 1 week late	4	0.092	0.3	4	0.155	0.4
Total		**34.341**			**35.655**	

Sources of further information

No other documents have been relied on to a material extent in preparing this report.

Suffolk County Council

Agenda Item 6

Suffolk Pension Board

Report Title:	Annual Report and Accounts 2023-24
Meeting Date:	16 October 2024
Lead Councillor(s):	Councillor Richard Smith MVO
Director:	Stephen Meah-Sims, Deputy Chief Executive and Executive Director of Corporate Services
Assistant Director or Head of Service:	Louise Aynsley, Chief Financial Officer (S151 Officer)
Author:	Tracey Woods, Head of Pensions, Telephone: 01473 265639, Email: tracey.woods@suffolk.gov.uk

Brief summary of report

1. This report presents the Audit Results Report compiled by Ernst & Young (EY) on the key findings and outcomes from the audit of the Pension Fund Annual Report and Accounts for 2023-2024, and the draft Annual Report and Accounts.

Action recommended

2. The Board is asked to note the Audit Results Report.
3. The Board is asked to note the Fund's Annual Report and Accounts and consider any areas of interest that the Board would like further information on to be added to the forward work programme.

Reason for recommendation

4. The audit results report summarises the findings from the 2023-2024 audit of the Pension Fund Annual Report and Accounts.
5. The Pension Fund Annual Report and Accounts is an important channel of communication, reporting on the Pension Fund's activities to employers, scheme members and other stakeholders.
6. The Board receives information about the Annual Report and Accounts of the Fund to fulfil its remit to secure the effective and efficient governance and administration of the Suffolk Pension Fund.

Alternative options

7. There are no alternative options

Main body of report

Audit Results Report

8. The audit of the Suffolk Pension Fund 2023-2024 accounts began on 20 May 2024, with a formal audit plan from EY being agreed at the Pension Fund

Committee meeting on 29 February 2024, and then also seen by the Audit Committee at the meeting on 13 March 2024.

9. The Audit for the Pension fund is substantially complete. The following items remain outstanding:

   a) Fund Manager's and Partner's file review on investment work

   b) Final review and approval procedures

   c) Review of the final version of the financial statements

10. The following items remain outstanding until completion of the County Council's accounts:

    a) Completion of subsequent events review to the date of the audit report

    b) Receipt of the signed management representation letter and financial statements

11. There was one corrected difference identified in the audit which was amended by the Pension Fund:

    - The fair value hierarchy classification investments held by Pyrford are level 1 and level 2. The Pension Fund classified these as level 1 but have amended the classification to level 2 to reflect the mixed classification.

12. There was one uncorrected audit differences identified in the report.

    - The reconciled investment statements from the alternative investment managers (which were received after the completion of the accounts), identified a net decrease of £6.188 million. This has not been amended in the accounts.

13. This audit results report (set out in **Appendix 1**) states that subject to the satisfactory completion of a small number of outstanding items and some closing procedures, EY expect to issue an unqualified opinion upon the Pension Fund Financial Statements.

14. The Pension Fund Committee accepted the Audit Report at their meeting on 25 September 2024. The Audit Committee accepted the Audit Report at their meeting on 27 September 2024.

Pension Fund Annual Reports and Accounts for 2023-24

15. The Pension Fund Accounts attached as **Appendix 2**, are included in the Suffolk County Council Statement of Accounts. The Pension Fund Accounts are incorporated into the Pension Fund Annual Report and is a regulatory requirement and an important channel of communication, reporting on the Pension Fund's activities to employers, scheme members and other stakeholders.

16. The overall assets of the Pension Fund as at 31 March 2024 is £4.253bn, an increase of £494m from the previous financial year. Investment assets are £4.241bn an increase of £499m from the previous year. The investment return for the year was 12.9%.

17. There are 348 active employers in the scheme with 73,513 scheme members of whom 22,693 are contributing members, 20,055 are in receipt of pension benefits and the remainder deferred members.

18. Contributions for the year totalled £105m from employers and £31m from contributing members. £127m was paid out in pension benefits.

19. Management expenses were £15m, of which investment expenses were £12m. Investment expenses include management fees and expenses, and performance fees, directly charged to the Pension Fund and those charged against the Net Asset Statement.

20. The Annual Report and Accounts were presented to the Pension Fund Committee on 25 September 2024, with an action to recommend the Pension Fund Accounts to the Audit Committee and to publish the Annual Report and Accounts on the Pension Fund website.

21. The Audit Committee noted the Pension Fund Accounts on 27 September 2024. They will be approved when the Audit Committee approves the Suffolk County Council Accounts.

Conclusion

22. The audit results report summarises the position of the Suffolk Pension Fund audit and highlights the key elements undertaken by EY. This was presented to the Pension Fund Committee on 25 September 2024 Audit Committee on 27 September 2024.

23. Subject to satisfactory completion of the few remaining outstanding matters, EY would expect to issue an unqualified opinion for the 2023-2024 Suffolk Pension Fund accounts.

24. The Suffolk Pension Fund accounts are included within the Suffolk County Council Statement of Accounts for 2023-2024. There is an expectation that Audit Committee will receive the audit report for the Council at its meeting on 28 November 2024 and will be able to approve the Suffolk County Council's accounts, inclusive of the Pension Fund accounts.

Sources of further information

No other documents have been relied on to a material extent in preparing this report.

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Suffolk Pension Fund

Audit results report

Year ended 31 March 2024

10 September 2024

Building a better working world

Audit Committee / Pension Fund Committee Members,

Suffolk County Council
Endeavour House
8 Russell Road
Ipswich
IP1 2BX

10 September 2024

Dear Audit Committee / Pension Fund Committee Members

2023/24 Provisional Audit Results Report

We are pleased to attach our provisional Audit Results Report, summarising the status of our audit for the forthcoming meeting of the Audit Committee. This report summarises our preliminary audit conclusion in relation to the audit of Suffolk Pension Fund for 2023/24.

As you will be aware, the new Minister of State responsible for Local Government and English Devolution made a statement to parliament on Tuesday 30 July 2024, setting out the Government's policy proposal for addressing the local government audit backlog. This statement outlines immediate actions the Government – together with the Financial Reporting Council (FRC), the National Audit Office (NAO) and organisations in the wider system – is taking, which are designed to address the backlog and put local audit on a sustainable footing. These now provide helpful clarity on the government's policy intentions and recognise the commitment of finance teams and auditors and the important role that we will all play to restore timely financial reporting.

While further guidance remains to be issued, this report contains our findings related to the areas of audit emphasis, our views on Suffolk Pension Fund's accounting policies and judgements and material internal control findings.

Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process.

This report is intended solely for the information and use of the Audit Committee and Pension Fund Committee, other members of the Pension Fund, and Management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on the 27 September 2024.

Yours faithfully

David Riglar

David Riglar
Partner

For and on behalf of Ernst & Young LLP

Contents

Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/psaa-statement-of-responsibilities-of-auditors-and-audited-bodies-upto-2022-23/). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The “Terms of Appointment and further guidance from July 2021” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee, Pension Fund Committee, and Management of Suffolk Pension Fund in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, Pension Fund Committee, and management of Suffolk Pension Fund those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee, Pension Fund Committee, and Management of Suffolk Pension Fund for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

01 Executive Summary

Executive Summary

Scope update

In our Provisional Audit Plan tabled at the 13 March 2024 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan. We revisited our materiality calculation and confirmed that the level of £37.6 million set at planning stage changed upon the receipt of the draft accounts. From our calculation, the planning materiality changed to £42.5 million and the performance materiality to £31.9 million.

We have not made any revisions to the audit risks and planned audit procedures set out within the Provisional Audit Plan.

Status of the audit

We have now substantially completed our audit of Suffolk Pension Fund's financial statements for the year ended 31 March 2024 and have performed the procedures outlined in our Provisional Audit Plan. The following items relating to the completion of our audit procedures were outstanding at the date of this report:

Closing Procedures

- Final Manager's and Partner's file review on Investment work;
- Final review and approval procedures;
- Review of the final version of the financial statements;
- Completion of subsequent events review to the date of the audit report; and
- Receipt of the signed management representation letter and financial statements.

Subject to satisfactory completion of the outstanding items above, we expect to issue an unqualified opinion in the form presented in Section 03 of this report. We are currently unable to provide a timeline for the final sign off of the audit, due to the need to agree a timescale for procedures on Suffolk County Council's 2023/24 Statement of Accounts in meeting the expected backstop date 28 February 2025. We will need to ensure our procedures are fully up to date until the point of signing, including reviewing minutes, assessing subsequent events post Balance Sheet and updating the going concern assessment. We will, if possible, provide an update on this matter to the Audit Committee on 27 September 2024.

Audit differences

Uncorrected audit differences

At the time of issuing this report, there was one uncorrected audit difference arising from our audit, which we need to bring to your attention:

1. Total investments asset value – Management has identified an audit difference of £6.188 million related to Level 3 Investments. The difference was due to updated information received from the Pension Fund's fund managers for period ended 31 March 2024, which was provided after the draft accounts were prepared. The updated information identified a net decrease of £6.188 million in the value of Level 3 Investments. See Section 04 for details.

Corrected audit differences

1. Note 18 Fair Value Hierarchy – During our audit, we have identified a classification difference between Level 1 and Level 2 Investments managed by Pyrford Global investments, totalling £69.5 million. The fair value hierarchy provided by Pyrford shows that the investment portfolio comprises assets that fall into both Level 1 and Level 2 categories. Consequently, these should be collectively classified as Level 2 Investments in Disclosure Note 18 of the draft accounts. See Section 04 for details.

We also identified a limited number of audit disclosure differences in the financial statements, which management has amended for.

Executive Summary (cont'd)

Areas of audit focus

In our Provisional Audit Plan presented to the 13 March 2024 Audit Committee meeting, we identified a number of key areas of focus for our audit of the financial report of Suffolk Pension Fund. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of Audit Focus" section of this report.

<u>Misstatements due to fraud or error – Fraud risk</u>

We have completed our testing and found no indications of management override of controls and have no matters to report.

<u>Valuation of complex investments (unquoted investments) - Significant risk</u>

Subject to Final Manager's and Partner's file review on Investment work, we have completed our work in this area and have not identified any matters to report.

<u>IAS 26 Disclosure – Actuarial Present Value of promised retirement benefits – Inherent risk</u>

Subject to Final Manager's and Partner's file review on IAS26 disclosure, we have completed our work in this area and we have not identified any matters to report.

We request that you review these and other matters set out in this report to ensure that:

- There are no residual further considerations or matters that could impact these issues;
- You concur with the resolution of the issue; and
- There are no further significant issues you are aware of to be considered before the financial report is finalised.

There are no matters, other than those reported by Management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee, the Pension Fund Committee, or Management.

Executive Summary (cont'd)

Control observations

During the audit, we did not identify any significant deficiencies in internal controls. We have taken a wholly substantive approach to the audit.

Independence

During the audit, we did not identify any issues relating to our independence and objectivity. Please refer to Section 07 for our update on Independence.

02 Areas of Audit Focus

Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk, and the key judgements and estimates?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Fund's normal course of business.

Our journal entry testing has not identified any instances of inappropriate posting of journals.

Our response to the key areas of challenge and professional judgement

We undertook the following standard procedures to address the fraud risk, which include:

- Identifying fraud risks during the planning stages.
- Inquiring of management about risks of fraud and the controls put in place to address those risks.
- Understanding the oversight given by those charged with governance of management's processes over fraud.
- Discussing with those charged with governance the risks of fraud in the entity, including those risks that are specific to the entity's business sector (those that may arise from economic industry and operating conditions).
- Considering the effectiveness of management's controls designed to address the risk of fraud.
- Determining an appropriate strategy to address those identified risks of fraud.
- Performing mandatory procedures regardless of specifically identified fraud risks, including:
  - Testing of journal entries and other adjustments in the preparation of the financial statements;
  - Reviewing accounting estimates for evidence of management bias; and
  - Evaluating the business rationale for significant unusual transactions.
- We utilised our data analytics capabilities to assist with our work, including journal entry testing. We also assessed journal entries for evidence of management bias and evaluated the business rationale.

Areas of Audit Focus (cont'd)

Significant risk

Valuation of complex investments (unquoted investments)

What is the risk, and the key judgements and estimates?

The Fund's investments include unquoted Pooled Investment vehicles such as Private Equity, Infrastructure and Property Investments.

Judgements are made by the investment managers to value these investments whose prices are not publicly available. The material nature of this type of investment, means that any error in judgement could result in a material valuation error.

What are our conclusions?

Subject to final Manager's and Partner's file review, our testing has not identified any material misstatement within year-end investment asset valuations.

Our procedures, including the review of the latest set of audited accounts and the internal control reports for the fund managers, have not identified any matters or material valuation differences in the reported funds valuation within the financial statements.

In addition, our triangulation work between the financial statements to Fund manager and to Custodian's reports, including the re-performance of the investment note, have not identified any material differences following the completion of our work.

Management has identified an audit difference of £6.188 million related to Level 3 Investments. The difference was due to updated information received from the Pension Fund's fund managers for period ended 31 March 2024, which was provided after the draft accounts were prepared. The updated information identified a net decrease of £6.188 million in the value of Level 3 Investments. As reported on page 5 and section 04, management have not adjusted the financial statements for this difference.

Our response to the key areas of challenge and professional judgement

Our approach focused on:

- Analysing a schedule of investments to ensure correct classification, presentation and disclosure of items in the financial statements and corresponding notes;
- Understanding and evaluating the work of management's expert;
- Evaluating the ISAE 3402 report for Custodian and/or Fund Manager where applicable;
- Reviewing the latest audited accounts for the relevant fund managers to ensure there are no matters arising that highlight weaknesses in the funds valuation;
- Where the latest audited accounts were not as at 31 March 2024, making enquiry of what procedures management have performed to take account of this risk, performing analytical procedures and checking the valuation output for reasonableness against our own expectations;
- Reviewing the basis of valuation for property investments and other unquoted investments and assessing the appropriateness of the valuation methods used; and
- Reviewing investment valuation disclosures to verify that significant judgements surrounding the valuation of Level 3 Investments have been appropriately made in the financial statements.

What else did we do?

We also undertook the following work:

- Performed triangulation work to agree amount per the financial statements to Fund Manager and to Custodian;
- Tested accounting entries to ensure that they had been correctly processed in the financial statements; and
- Assessed topside adjustments and/or journal entries for evidence of management bias and evaluate for business rationale.

Areas of Audit Focus (cont’d)

Other Areas of Audit Focus

What is the risk/area of focus?

IAS 26 Disclosure - Actuarial Present Value of Promised Retirement Benefits (Inherent Risk)

The Fund’s IAS 26 calculation shows that the present value of promised retirement benefits amount to £3.354 billion as at 31 March 2024.

IAS26 requires post-employment benefits plans to disclose annually the basis used to determine the actuarial present value of promised retirement benefits, including demographic and financial key ass assumptions.

The estimate is based on a roll-forward of data from the previous triennial valuation in 2022, updated where necessary, and takes into account various factors such as mortality rates and expected pay rises along with other assumptions around inflation and investment yields when calculating the fund.

We consider there is a risk around the estimation process, data used and assumptions used by the actuary when valuating the fund which is reflected in the IAS26 disclosures.

What did we do and what is our conclusion?

Our approach focused on:

- Assessing the competence of managements expert, Hymans Robertson; and
- Engaging with the NAO’s consulting actuary and our EY Pensions Advisory Team to review the IAS 26 approach applied by the actuary are reasonable and compliant with IAS 26.

What else did we do?

We also undertook the following work:

- Ensuring that the IAS 26 disclosure is in line with the relevant standards and consistent with the valuation provided by the Actuary.

Subject to the final Manager’s and Partner’s file review, we have not identified any issues with the competence of the actuary.

There were no significant changes in the IAS 26 approach or methodology and the assumptions used in calculating the IAS 26 figure was considered reasonable and compliant.

The disclosure of IAS 26 was in line with the relevant standards and the valuation provided by the actuary. In addition, Management has also updated the disclosure to reflect the implications of the recent Virgin Media Judgement on the Local Government Pension Scheme (LGPS), specifically on the actuarial present value of promised retirement benefits in the Pension Fund’s financial statements.

03 Audit Report

Audit Report

Draft audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SUFFOLK COUNTY COUNCIL ON THE PENSION FUND'S FINANCIAL STATEMENTS

Opinion

We have audited the Pension Fund ("the Fund") financial statements for the year ended 31 March 2024 under the Local Audit and Accountability Act 2014 (as amended). The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 28.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2024 and the amount and disposition at that date of the its assets and liabilities as at 31 March 2024 ; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Council as administering authority for the Pension Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period of twelve months from when the Fund's financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Financial Officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

Other information

The other information comprises the information included in the Statement of Accounts 2023/24, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information contained within the Statement of Accounts 2023-24.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Audit Report (cont'd)

Draft audit report

Matters on which we report by exception

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended);
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended);
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended);
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended); or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended).

We have nothing to report in these respects

Responsibility of the Chief Financial Officer

As explained more fully in the Statement of Responsibilities for the Pension Fund Accounts set out on page 5, the Chief Financial Officer is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund 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 2023/24, and for being satisfied that they give a true and fair view. The Chief Financial Officer is also responsible for such internal control as the Chief Financial Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Administering Authority either intends to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with the Chief Financial Officer .

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Fund and determined that the most significant are the Local Government Pension Scheme Regulations 2013 (as amended), and The Public Service Pensions Act 2013.
- We understood how the Fund is complying with those frameworks by making enquiries of the management. We corroborated this through our reading of the Pension Board minutes, through enquiry of employees to confirm Pension policies, and through the inspection of employee handbooks and other information.

Audit Report (cont'd)

Draft audit report

- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of the management for their awareness of any non-compliance of laws or regulations, inspecting correspondence with the Pensions Regulator and review of minutes.
- We assessed the susceptibility of the Fund's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements and documenting the controls that the Fund has established to address risks identified, or that otherwise seek to prevent, deter or detect fraud.
- In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- The Fund is required to comply with The Local Government Pensions Scheme regulations, other legislation relevant to the governance and administration of the Local Government Pension Scheme and requirements imposed by the Pension Regulator in relation to the Local Government Pension Scheme. As such, we have considered the experience and expertise of the engagement team including the use of specialists where appropriate, to ensure that the team had an appropriate understanding of the relevant pensions regulations to assess the control environment and consider compliance of the Fund with these regulations as part of our audit procedures.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of Suffolk County Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Suffolk County Council and its members as a body, for our audit work, for this report, or for the opinions we have formed.

04 Audit Differences

Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation. Until our audit is fully complete it is possible that further differences may be identified.

Summary of unadjusted differences

At the date of this report, there was one unadjusted audit difference arising from our audit as follows:

1. *Total investment asset value*

Management has identified an audit difference of £6.188 million related to Level 3 Investments. The difference was due to updated information received from the Pension Fund’s fund managers for period ended 31 March 2024, which was provided after the draft accounts were prepared. The updated information identified a net decrease of £6.188 million in the value of Level 3 Investments.

This has the following impact:

Dr Fund Account – Change in market value of investments, £6.188 million

Cr Net Asset Statement – Investment Assets, £6.188 million

Summary of adjusted differences

Disclosure Item

Our audit identified a limited number of minor misstatements which our team have highlighted to Management for amendment. These have been corrected during the course of the audit and related to disclosure and presentational matters in the financial statements and the accounts included within the Annual Report. We consider that only the following disclosure misstatement merits bringing to your attention:

1. *Note 18 Fair Value Hierarchy*

During our audit, we have identified a classification difference between Level 1 and Level 2 investments managed by Pyrford Global investments, totalling £69.5 million. The fair value hierarchy provided by Pyrford shows that the investment portfolio comprises assets that fall into both Level 1 and Level 2 categories. Consequently, these should be collectively classified as Level 2 Investments in Disclosure Note 18 of the draft accounts.

05 Assessment of Control Environment

Assessment of Control Environment

Internal controls

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control.

It is the responsibility of the Pension Fund to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Pension Fund has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As we have adopted a fully substantive approach, we have therefore not tested the operation of controls. We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

06 Other Reporting Issues

Other Reporting Issues

Consistency of other information published with the financial statements

We must give an opinion on the consistency of the financial and non-financial information in the Suffolk Pension Fund Annual Report with the audited financial statements. We have reviewed the Pension Fund Annual Report and are satisfied that it is consistent with the financial statements. We are currently unable to provide an indicative timeline for the final sign off of the audit and consistency checks, due to the need to agree a timescale for issuing an opinion on the Suffolk County Council 2023/24 Statement of Accounts. We will, if possible, provide an update on this matter to the Audit Committee on 27 September 2024.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”).

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We had no reason to exercise these duties.

Other reporting issues

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Fund’s financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern; and
- Consideration of laws and regulations.

We have nothing to report in respect of these matters.

Other Reporting Issues (cont'd)

ISA (UK) 315 (Revised): Identifying and Addressing the Risks of Material Misstatement

ISA 315 is effective from FY 2022/23 onwards and is the critical standard which drives the auditor's approach to the following areas:

- Risk Assessment
- Understanding the entity's internal control
- Significant risk
- Approach to addressing significant risk (in combination with ISA 330)

The International Auditing & Assurance Standards Board (IAASB) concluded that whilst the existing version of the standard was fundamentally sound, feedback determined that it was not always clear, leading to a possibility that risk identification was not consistent. The aims of the revised standard is to:

- Drive consistent and effective identification and assessment of risks of material misstatement
- Improve the standard's applicability to entities across a wide spectrum of circumstances and complexities ('scalability')
- Modernise ISA 315 to meet evolving business needs, including:
    - how auditors use automated tools and techniques, including data analytics to perform risk assessment audit procedures; and
    - how auditors understand the entity's use of information technology relevant to financial reporting.
- Focus auditors on exercising professional scepticism throughout the risk identification and assessment process.

We set out the findings and conclusions from our work to implement ISA 315 in the table below.

Audit Procedures	Audit findings and conclusions
We obtained an understanding of the IT processes related to the IT applications of the Fund. The Fund has two relevant IT applications, Altair and Oracle, for the purposes of our ISA 315 risk assessment. We performed procedures to determine if there are typical controls missing or control deficiencies identified. After determining which process is applicable to each relevant IT application, we reviewed the applicable processes for each IT application. When we have identified controls relevant to the audit that are application controls or IT-dependent manual controls where we do not gain assurance substantively, we performed additional procedures. We reviewed the following processes for the relevant IT applications: • Manage vendor supplied changes • Manage security settings • Manage user access • Manage entity-programmed changes • Job scheduling and managing IT process	No significant issues were identified in our review of the processes, including the design and implementation effectiveness of relevant controls around the financial statement close process. We have not tested the operation of any controls through this review.

07 Independence

Independence

Relationships

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Fund, and its members and senior management and its affiliates, including all services provided by us and our network to the Fund, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2023 to the date of this report which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The table below sets out a summary of the fees that are due to us in relation to the year ended 31 March 2024 in line with the disclosures set out in FRC Ethical Standard and in statute. As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

	Current Year 2023/24	Prior Year 2022/23
	Proposed fee £	£
Scale Fee – Code work	92,340	27,895
Changes in work required to address professional and regulatory requirements and scope associated with risk (Note 1)	2,000 – 3,000	11,000 – 22,000
Additional work required for specific additional procedures including revised estimates standard (Note 2)	TBC	TBC
Additional fee for IAS 19 assurance work on behalf of admitted body auditors – see Note 3	3,000 – 7,000	12,000 – 15,000
Total fees	TBC	TBC

All fees exclude VAT

Note 1: We do not believe that the scale fee for 2022/23 fully reflects the true costs of the audit, including changes in the audit market and increases in regulation, which we will continue to submit through the PSAA. In addition, the scale fees for both 2022/23 and 2023/24 do not include the work in respect of ISA (UK) 315.

Note 2: For 2023/24 there are a number of risk factors to the audit as outlined within the Provisional Audit Plan. The final fee will be subject to determination by PSAA. This also applies to 2022/23 audit which we have not concluded.

Note 3: The new PSAA fee for 2023/24 now includes the IAS19 assurance work for 8 admitted bodies, with each being charged £1,000 based on the historically fee. We plan to charge an additional fee to take into account the work required to respond to IAS19 assurance requests from admitted bodies and their auditors. The Pension Fund can recharge this fee to the relevant admitted bodies.

Independence (cont'd)

EY Transparency Report 2023

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2023:

EY UK 2023 Transparency Report | EY UK

08 Appendices

Appendix A – Summary of communications

Summary of communications

Date	Nature	Summary
Various	Meetings	Regular calls held with the Audit Manager and members of the management team to discuss matters relevant to the planning of our audit work.
12 February 2024	Report	The Audit Partner issued the Provisional Audit Plan. Our report included confirmation of independence.
Various	Meetings	Regular calls held with management and the audit team to discuss any emerging issues throughout the audit process, and specifically during the Execution phase throughout May and July.
10 September 2024	Report	The Audit Results Report, including confirmation of independence, was issued to the Audit Committee. This also provides provided details of internal control observations made in respect of the current year.
27 September 2024	Meeting	Senior members of the audit team met with the Audit Committee and senior members of the management team to discuss the audit results report.
To be arranged	Meeting	Audit close meeting with Management to discuss the final findings of the audit and the audit conclusion.

In addition to the above specific meetings and letters the audit team met with Management multiple times throughout the audit to discuss audit findings.

Appendix B – Required communications with the Audit Committee

We have detailed the communications that we must provide to the audit committee.

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of: ► The planned scope and timing of the audit ► Any limitations on the planned work to be undertaken ► The planned use of internal audit ► The significant risks identified When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Provisional Audit Planning Report – 13 March 2024 – Audit Committee
Significant findings from the audit	► Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ► Significant difficulties, if any, encountered during the audit ► Significant matters, if any, arising from the audit that were discussed with management ► Written representations that we are seeking ► Expected modifications to the audit report ► Other matters if any, significant to the oversight of the financial reporting process ► Findings and issues regarding the opening balance on initial audits (delete if not an initial audit)	Audit Results Report – 27 September 2024 – Audit Committee

Appendix B – Required communications with the Audit Committee (cont'd)

Agenda Item 6, Appendix 1

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ► Whether the events or conditions constitute a material uncertainty ► Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ► The adequacy of related disclosures in the financial statements	Audit Results Report – 27 September 2024 – Audit Committee
Misstatements	► Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ► The effect of uncorrected misstatements related to prior periods ► A request that any uncorrected misstatement be corrected ► Material misstatements corrected by management	Audit Results Report – 27 September 2024 – Audit Committee
Subsequent events	► Enquiries of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	Audit Results Report – 27 September 2024 – Audit Committee
Fraud	► Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ► Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ► Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements ► The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ► Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud ► Any other matters related to fraud, relevant to Audit Committee responsibility	Audit Results Report – 27 September 2024 – Audit Committee

Appendix B – Required communications with the Audit Committee (cont'd)

Required communications	What is reported?	When and where (Our Reporting to you)
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ► Non-disclosure by management ► Inappropriate authorisation and approval of transactions ► Disagreement over disclosures ► Non-compliance with laws and regulations ► Difficulty in identifying the party that ultimately controls the entity	Audit Results Report – 27 September 2024 – Audit Committee
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence ► Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ► The principal threats ► Safeguards adopted and their effectiveness ► An overall assessment of threats and safeguards ► Information about the general policies and process within the firm to maintain objectivity and independence Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place. ► Communication of relevant information to those charged with governance, to enable them to provide concurrence on the non-audit services being provided.] For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019: ► Relationships between EY, the company and senior management, its affiliates and its connected parties ► Services provided by EY that may reasonably bear on the auditors' integrity, objectivity and independence ► Related safeguards ► Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees	Provisional Audit Planning Report – 13 March 2024 – Audit Committee Audit Results Report – 27 September 2024 – Audit Committee

Appendix B – Required communications with the Audit Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
	► A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit ► Details of any inconsistencies between the Ethical Standard and Fund's policy for the provision of non-audit services, and any apparent breach of that policy ► Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ► The audit committee should also be provided an opportunity to discuss matters affecting auditor independence	
External confirmations	► Management's refusal for us to request confirmations ► Inability to obtain relevant and reliable audit evidence from other procedures	Audit Results Report – 27 September 2024 – Audit Committee
Consideration of laws and regulations	► Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ► Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of	Audit Results Report – 27 September 2024 – Audit Committee
Internal controls	► Significant deficiencies in internal controls identified during the audit	Audit Results Report – 27 September 2024 – Audit Committee
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report – 27 September 2024 – Audit Committee
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit	Audit Results Report – 27 September 2024 – Audit Committee
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report – 27 September 2024 – Audit Committee
Auditors report	► Key audit matters that we will include in our auditor's report ► Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report – 27 September 2024 – Audit Committee

Appendix C – Outstanding matters

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item	Actions to resolve	Responsibility
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report.	EY and Management
Agreement of revised and approved set of Financial Statements	Agree all changes made to draft accounts are updated in the final set of accounts.	EY and Management
Management Representation Letter	Receipt of signed management representation letter.	Management
Final Manager and Engagement Partner Review Procedures	Final review of areas listed above.	EY

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report. At this point no issues have emerged that would cause us to modify our opinion, but we should point out that key disclosures remain to be finalised and audited. A draft of the current opinion (with outstanding areas highlighted) is included in Section 03.

Appendix D – Management representation letter

Management representation letter

[Date]

Ernst & Young

[Address]

This letter of representations is provided in connection with your audit of the financial statements of Suffolk Pension Fund ("the Fund") for the year ended 31 March 2024. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial transactions of the Fund during the period from 1 April 2023 to 31 March 2024 and of the amount and disposition of the Fund's assets and liabilities as at 31 March 2024, other than liabilities to pay pensions and benefits after the end of the period, have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

We understand that the purpose of your audit of the Fund's financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose – all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with [the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

2. We confirm that the Fund is a Registered Pension Scheme. We are not aware of any reason why the tax status of the scheme should change.

3. We acknowledge, as members of management of the Fund, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position and the financial performance of the Fund in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, and are free of material misstatements, including omissions. We have approved the financial statements.

4. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

5. As members of management of the Fund, we believe that the Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 that are free from material misstatement, whether due to fraud or error.

6. We believe that the effects of any unadjusted audit differences, summarised in your Audit Results Report, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified and brought to our attention by you because (please specify the reasons for not correcting the misstatements).

B. Non-compliance with laws and regulations including fraud

1. We acknowledge that we are responsible for determining that the Fund's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.

3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

4. We have not made any reports to The Pensions Regulator, nor are we aware of any such reports having been made by any of our advisors.

5. There have been no other communications with The Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of noncompliance with any legal duty.

Appendix D – Management representation letter

Management representation letter

6. We confirm that we are not aware of any breaches of the Payment Schedule/Schedule of Contributions or any other matters that have arisen which we considered reporting to the Pensions Regulator.

7. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Fund (regardless of the source or form and including without limitation, any allegations by “whistleblowers”), including non-compliance matters:

• Involving financial improprieties

• Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Fund’s financial statements

• Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Fund, its ability to continue, or to avoid material penalties

• Involving management, or employees who have significant roles in internal control, or others

• In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

• Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters.

• Additional information that you have requested from us for the purpose of the audit.

• Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. You have been informed of all changes to the Fund rules.

3. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

4. We have made available to you all minutes of the meetings of members of the management of the Fund and committees of members of the management of the Fund held through the period to the most recent meeting on the following date [date].

5. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Fund’s related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

6. We confirm the completeness of information provided regarding annuities held in the name of the members of the management of the Fund.

7. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

8. We have disclosed to you, and the Fund has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

9. No transactions have been made which are not in the interests of the Fund members or the Fund during the fund year or subsequently.

10. From the date of our last management representation letter, XX Month Year, through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

Appendix D – Management representation letter

Management representation letter

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in the Note [X] to the financial statements all guarantees that we have given to third parties.

E. Subsequent Events

1. Other than……… described in Note [X] to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the annual report on pages 1 to [x], other than the financial statements, the auditor's report and the statement about contributions.

2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Advisory Reports

We have not commissioned any advisory reports except for [give details] which may affect the conduct of your work in relation to the Fund's financial statements and schedule of contributions/payment schedule.

H. Independence

As members of management of the Fund, we are not aware of any matters which would render Ernst & Young LLP ineligible to act as auditor to the Fund.

I. Derivative Financial Instruments and Polling Investments, including the use of collective investment vehicles and shared services

1. We confirm that all investments in derivative financial instruments have been made after due consideration by the members of management of the Fund of the limitations in their use imposed by The Occupational Pension Schemes (Investment) Regulations 2005; namely that they contribute to a reduction in Scheme risk, facilitate efficient portfolio management, and that any such investment has been made to avoid excessive risk exposure to a single counterparty and to other derivative operations; and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. The Fund's Investment Strategy Statement has been duly reviewed to ensure that such investments comply with any limitations imposed by their provisions. The financial statements disclose all transactions in derivative financial instruments that have been entered into during the period, those still held by the members of management of the Fund at the Fund year end and the terms and conditions relating thereto.

The members of management of the Fund have duly considered and deemed as appropriate the assumptions and methodologies used in the valuation of 'over the counter' derivative financial instruments which the Fund is holding, and these have been communicated to you.

2. We confirm that all investments in pooling arrangements, including the use of collective investment vehicles and shared services, meet the criteria set out in the November 2015 investment reform and criteria guidance and that the requirements of the LGPS (Management and Investment of Funds) Regulations 2016 in respect of these investments has been followed.

J. Actuarial valuation

The latest report of the actuary Hymans Robertson as at 31 March 2024 and dated 3 May 2024 has been provided to you. To the best of our knowledge and belief we confirm that the information supplied by us to the actuary was true and that no significant information was omitted which may have a bearing on his report.

Appendix D – Management representation letter

Management representation letter

K. Estimates

Valuation of Investments

1. We confirm that the significant judgments made in making the valuation of investments have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.

2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the valuation of investments.

3. We confirm that the significant assumptions used in making the valuation of investments appropriately reflect our intent and ability to carry out the functions of the Pension Fund on behalf of the entity.

4. We confirm that the disclosures made in the financial statements with respect to the accounting estimate, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

5. We confirm that appropriate specialized skills or expertise has been applied in making the valuation of investments.

6. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements , including due to the COVID-19 pandemic.

Actuarial Present Value of Promised Retirement Benefits Estimate

1. We confirm that the significant judgements made in making the actuarial present value of promised retirement benefit estimate have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.

2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the actuarial present value of promised retirement benefit estimate.

3. We confirm that the significant assumptions used in making the actuarial present value of promised retirement benefits estimate appropriately reflect our intent and ability to carry out the specific courses of action on behalf of the entity.

4. We confirm that the disclosures made in the financial statements with respect to the accounting estimate, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

5. We confirm that appropriate specialised skills or expertise has been applied in making the actuarial present value of promised retirement benefit estimate.

6. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements, including due to the COVID-19 pandemic.

L. Use of the Work of a Specialist

We agree with the findings of the specialists that we have engaged to value unquoted investments which include illiquid debt, infrastructure, timberlands and private equity investments and IAS26 actuarial valuation disclosures and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

M. Going Concern

Based on our assessment of going concern, the details of which have been shared with you, we confirm that we are not aware of any material uncertainties related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. We do not intend to wind up the Fund. We are satisfied that the use of the going concern basis of accounting is appropriate in the preparation and presentation of the financial statements.

Note [X] to the financial statements discloses all of the matters of which we are aware that are relevant to the Fund's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

Appendix D – Management representation letter

Management representation letter

N. Climate-Related Matters

1. Whilst recognising that the Climate Change Governance and Reporting Regulations do not cover the Local Government Pension Scheme, we confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered [include the following language when climate-related commitments have been made:, as well as the impact resulting from the commitments made by the Fund,] in the financial statements.

2. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of United Kingdom Generally Accepted Accounting Practice aligned with the statements we have made in the other information or other public communications made by us.

Yours faithfully,

____

(Chief Financial Officer)

____

(Chair)

Suffolk Pension Fund
Annual Report and Accounts
2023-24

CONTENTS

Report from the Chief Financial Officer

The Suffolk Pension Fund Annual Report and Accounts sets out the Pension Fund's income and expenditure and its assets and liabilities for the financial year ended 31 March 2024, the governance arrangements for administering the scheme and the work carried out by the Pension Fund Committee, Pension Fund Board and the Pension Fund officers throughout the year.

There are also a number of policy statements and these disclosures are published as separate documents on the website of the Fund (www.suffolkpensionfund.org).

Business Plan

The Committee approves a business plan at the start of each financial year. This provides a mechanism for the Committee to ensure that its responsibilities for the Fund are carried out effectively. They key actions for 2023-24 are as below:

Actuarial Valuation

The Fund monitors the actuarial position of the Fund on a quarterly basis. The certified funding level of 107% as at March 2022 valuation has been estimated by the Actuary to have increased to 148% at 31 March 2024.

The improved funding position is the result of the increase in the discount rate, meaning less money is required as it is expected that investment returns will be higher in the future.

The required return assumption for the funding level to be 100% is 3.3% p.a. with a greater than 95% likelihood of the assets achieving this return.

This position is a snapshot in time using a single set of assumptions to ascertain the solvency of the Fund and its likelihood to be able to meet the benefits promised to its members.

Given the sensitivity of a single set of assumptions to changes in market conditions on a day-to-day basis, a different approach is taken when setting employer contribution rates. Instead, projections are carried out over many different market scenarios to be able to determine a contribution strategy which meets the cost of benefits over enough of these scenarios. Within these scenarios, there will be instances where market conditions improve over the time horizon being considered and instances where they worsen. These are allowed for to consider both the upside and downside of funding risks.

Committee also considered the implications of being in surplus and the options that may be available when setting employer contribution rates as part of the next triennial valuation in March 2025.

Funding Strategy

The Committee amended its Funding Strategy Statement at its July 2023 meeting to incorporate the Education and Skills Funding Agency policy change of guaranteeing the pension liabilities associated with outsourced Academy services.

Investment Strategy

The Fund's investment objectives are set out in its Investment Strategy Statement to achieve the aims of the Funding Strategy Statement. There are significant levels of diversification between different asset classes to ensure that the assets of the Pension Fund, when taken in conjunction with future contributions, are sufficient to ensure that all future pension and retirements benefits will be fully covered by the Fund's assets when they fall due, whilst maintaining the Fund's relatively low risk approach.

Environment, Social & Governance

The Pension Fund is committed to integrating not just environmental factors, but also other social and governance factors to demonstrate a sustainable, responsible and ethical approach to investment.

The Pension Fund Committee receives a quarterly Environment, Social & Governance (ESG) report which outlines the investment managers approach to integrating and aligning ESG into their investment decisions, research and monitoring.

Within the 42.5% allocation to equities, 14% is in a Climate Aware Fund and 7.5% in a Low Carbon Transition Fund to reduce the carbon intensity of the portfolio via a decarbonisation approach which allocates investment to companies that are lower carbon emitting, which helps mitigate the risks of climate change.

The global equity holding with Newton, via the ACCESS Pool has disinvested from oil and gas holdings during the year, further reducing the Fund's carbon emissions.

ACCESS Pool

The Section 151 Officers of the ACCESS Authorities provide advice to the Joint Committee overseeing the Pool and one Section 151 Officer attends the meeting to be on hand to offer direct support as decisions are made at the meeting. The Section 151 Officers meet on at least a quarterly basis to be briefed by the Director of the Access Support Unit (ASU) on the progress of implementing the decisions made by the Committee and to understand the resources required to implement these decisions and to ensure the budget is appropriate.

The Suffolk Pension Fund remains committed to transferring all its investment assets into the ACCESS Pool over the long term. Excellent progress has been made with 79% pooled as at 31 March 2024 with a further commitment of 12% to the Real Estate offering by the Pool for 2024-25.

The Pool has appointed CBRE to provide a pooling solution for UK and Global property. The Suffolk Pension Fund will be working with its investment consultants, CBRE and the other ACCESS Pension Funds to transition at an appropriate time.

Audit

The Pension Fund accounts are included within the County Council's Statement of Accounts for 2023-24, which is subject to audit by Ernst and Young LLP. As part of the audit review, the external auditor will provide an opinion to confirm whether the information provided within the Pension Fund Annual Report and Accounts is consistent with the information contained within the County Council's Statement of Accounts.

Head of Pensions

Paul Finbow retired on 4 June 2024, after working at Suffolk County Council for nearly 44 years, and as Head of Pensions for 10 years. During his tenure, the Pension Fund value increased from £1.9 billion to £4.253 billion.

Tracey Woods as a very experienced senior manager has replaced Paul and is more than able to lead the Pension Fund through the next set of challenges.

Louise Aynsley

Chief Financial Officer (S151)
September 2024

Scheme Management and Advisers

Pension Fund Committee

Cllr Karen Soons (Chairman)	Cllr Robert Lindsay
Cllr Georgia Hall (Vice-Chairman)	Cllr Simon Harley
Cllr Edward Back	Cllr Colin Kreidewolf
Cllr David Goldsmith	Cllr Simon Dowling (From Nov 23)
Cllr David Nettleton	Steve Warner (Unison)

Pension Board

Cllr Richard Rout (Chairman)	Ian Blofield
Pauline Bacon (Vice-Chairman)	Thomas Jarrett
Kay Davidson	Richard Blackwell

Pension Fund Advisers

Auditors	Ernst & Young LLP
Actuary	Hymans Robertson LLP
Investment Consultancy Service	Hymans Robertson LLP
Independent Investment Adviser	Mr Mark Stevens
Performance Measurement	Northern Trust
	PIRC
Investment Custodian	Northern Trust
Banking Services	Lloyds Banking Group Plc
Legal Advisers	Squire Patton Boggs
Pool Operator	Waystone

Suffolk County Council

Louise Aynsley	Chief Financial Officer (S151)
Paul Finbow	Head of Pensions (left June 24)
Tracey Woods	Head of Pensions (from 1 Apr 24)
Sharon Tan	Lead Accountant (Pensions)
Andy Chapman-Ennos	Technical Pensions Specialist
Stuart Potter	Operations Manager (Administration)

Investment Managers

Pooled and Pooled Aligned

UBS Group	UBS	www.ubs.com/uk/en
JP Morgan	J.P.Morgan	www.jpmorgan.com/global
Columbia Threadneedle	COLUMBIA THREADNEEDLE INVESTMENTS	www.columbiathreadneedle.com
Janus Henderson Investors	Janus Henderson INVESTORS	www.janushenderson.com
Newton Investment Management	NEWTON Investment Management	www.newtonim.com
Blackrock Investment Management	BlackRock.	www.blackrock.com

Non-Pooled

Brookfield Asset Management	www.brookfield.com
Kohlberg Kravis Roberts	www.kkr.com
M&G Investments	www.mandg.com
Partners Group	www.partnersgroup.com/en
Schroders Investment Management	www.schroders.com/en
Pantheon Ventures	www.pantheon.com
Wilshire	www.wilshire.com

Scheme Overview

Introduction to the Fund
The Local Government Pension Scheme (LGPS) provides pension benefits for certain employees within local government. It is governed by statute and the statutory responsibility for regulating the scheme lies with the Minister of Housing, Communities and Local Government (MHCLG).

The LGPS is administered locally by 86 Pension Funds in England and Wales and collectively is one of the largest pension schemes in the UK.

It is a defined benefit pension scheme, meaning benefits are paid out based on the members salary and for how long they have paid into the scheme.

Scheme Eligibility
The scheme is open to all County Council employees (except teachers, fire fighters and former NHS staff who have their own national schemes), employees of the Suffolk District and Borough Councils and employees of certain other public bodies (known as scheduled bodies) within Suffolk.

Parish and Town Councils may decide by designation to allow their employees to join the scheme and regulations also permit the Pension Fund Committee to admit certain other bodies which provide public services.

All eligible employees automatically become members of the scheme unless they chose to opt out.

How the Fund Works
The LGPS is a funded pension scheme, contributions from employees and employers are held in the Fund and invested, until the benefits fall due for payment. This enables the fund to generate capital growth and income from investments.

The Employer's contribution rates are set as part of the actuarial valuation exercise which is carried out every three years by the Suffolk Pension Fund's actuary, Hymans Robertson LLP.

The last valuation exercise was carried out in 2022-23, and following consultation with the Employers', the next three years contribution rates took effect from 1 April 2023.

Costs of Employee Membership
Employee contributions are set nationally, in bands on members' pensionable pay. The pay banding table which was used during 2023-24 is shown below:

Actual Pensionable	Contribution Rate
£0 - £16,500	5.50%
£16,501 - £25,900	5.80%
£25,901 - £42,100	6.50%
£42,101 - £53,300	6.80%
£53,301 - £74,700	8.50%
£74,701 - £105,900	9.90%
£105,901 - £124,800	10.50%
£124,801 - £187,200	11.40%
£187,201 or more	12.50%

The contribution rates are reviewed periodically to maintain the average contribution from employees at 6.6% and to ensure the long-term costs of the scheme are affordable.

Members have the option to join on a 50/50 basis which entitles members to pay half the contribution rate in exchange for half the pension benefit. These members retain full benefits in the event of ill health or death in service.

Benefits of the Pension Fund

The majority of the benefits payable are set by regulation and are increased in April each year based on the CPI rate as at 30 September in the previous year.

The core scheme benefits are:

- Life assurance of three times the member's yearly pay from the day they join the scheme.
- Inflation linked pension for the rest of the member's life.
- The ability to take a tax-free lump sum by commutation of pension. For service in the scheme prior to 1 April 2008 there is an automatic tax-free lump sum of three times the annual Pension to 31 March 2008.
- Dependent pensions for spouses, civil registered partners and qualifying co-habiting partners and eligible children should the member die.
- An entitlement paid early if a member has to stop work due to permanent ill health.
- Flexible retirement and an option to take the Pension from between the ages of 55 and 75.
- Early payment of members benefits without reduction from aged 55, should they be made redundant.

Orwell Bridge from Nacton Shores, Nacton

Governance Report

Pension Fund Committee Chairman's Report
I am pleased to be introducing the latest Suffolk Pension Fund Annual Report and Accounts.

The Fund returned 12.9% for the year which was ahead of the Fund's specific benchmark by 1.2%, with the three-year return of 7.4% p.a.

Compared with other local authority funds, although the Fund has a lower weighting to equities and higher waiting to Bonds it still resulted in a higher return than the average return of 9.2% calculated by PIRC.

There are significant levels of diversification between different asset classes to reduce overall portfolio risk through combining the performance of each asset class. This helps reduce the volatility effects of the financial markets, whilst maintaining the Fund's relatively low risk approach.

The Pension Fund Committee is aware of the need to generate a sufficient level of return whilst managing potential investment risks and therefore has developed a clear set of fundamental investment beliefs covering both investment and environmental, social and governance (ESG) considerations which provides a clear framework for all investment decisions.

The Committee's main objective is to deliver an investment return consistent with funding plans that does not compromise future generation's ability to meet their own needs. In addition, the Committee identifies climate change, pollution and company stewardship as the priorities for responsible investments and ESG.

The Pension Fund Committee has agreed to set a net zero target for 2050 or earlier. An action plan which includes timelines, interim targets and how this target can be achieved will be developed This will also include monitoring and reporting to enable the Fund to report progress.

This year saw the completion of the triennial valuation for 2022, setting the contribution rates for the employers for the next three years starting from April 2023. The funding level improved from 99% to 107%, with a majority of employers benefitting from a reduction to their contribution rates. Employee contribution rates are set nationally, in pensionable pay bands.

The Committee receives a quarterly report on Environmental, Social and Governance issues affecting the Fund's investments. This has been developed during the year and has focussed on differing asset classes and investment manager practices. Voting and engagement activities carried out are also reported.

The Fund met with investment managers on a rotational basis, quarterly, with the independent investment advisor, to understand the managers views on the current market conditions, the way they are investing the Funds money and implementing responsible investment in their decision making.

In the forthcoming year the Fund will start work on the 2025 valuation exercise with setting the financial assumptions used in the methodology.

Councillor Karen Soons

Chairman of the Pension Fund Committee
September 2024

Pension Fund Committee

The Pension Fund Committee's key responsibilities are:

a) The effective and prudent management of the Suffolk Pension Fund.

b) The approval of the Fund's investment strategy

c) The approval of the funding strategy following the triennial actuarial valuation, and the determination of the employers' contributions to the Fund.

Membership of the Committee

The Pension Fund Committee consisted of seven county councillors, who were appointed by the County Council, reflecting the political balance on the County Council as a result of County Council elections. In addition, the Committee included two district council representatives, who were nominated by the Suffolk District Council leaders, and a scheme member representative, who was nominated by UNISON.

Cllr Karen Soons

Cllr Georgia Hall

Chairman

Cllr David Goldsmith

Vice Chairman

Cllr David Nettleton

Cllr Edward Back

Cllr Robert Lindsay

Cllr Simon Harley

Cllr Colin Kreidewolf

Cllr Simon Dowling

Steve Warner

Union Representative

Committee Attendance

The attendance of the Pension Fund committee members for the Committee meetings held during 2023-24 are shown below.

Suffolk County Council Pension Fund committee members are encouraged to send a substitute for any committee meeting which they are unable to attend. The substitute is fully briefed by a Pension Fund officer to enable them to participate in the meeting.

Councillor	Meetings attended
Cllr Karen Soons	5/6
Cllr Georgia Hall	4/6
Cllr David Nettleton	4/6
Cllr David Goldsmith	6/6
Cllr Edward Back	6/6
Cllr Robert Lindsay	5/6
Cllr Simon Harley	6/6
Cllr Colin Kreidewolf	6/6
Cllr John Whitehead	3/3*
Cllr Simon Dowling	2/3*
Mr Steve Warner	4/6

*Cllr John Whitehead stepped down in November 2023, replaced by Cllr Simon Dowling in November 2023.

All members of the Pension Fund Committee have voting rights.

Committee members must declare any conflicts of interest at each committee meeting which are recorded in the minutes. In addition, all members must complete a register of interest declaration form which is available for public inspection. A review of the register is undertaken by internal audit as part of their governance auditing programme and the results are reported to the Audit Committee.

Willy Lott's Cottage, Flatford

Committee Training

The Pension Fund Committee recognises the importance of ensuring that those who are responsible for financial management and decision making with regards to the pension scheme are equipped with the necessary knowledge and skills. The Chief Financial Officer is responsible for ensuring that appropriate training is undertaken by members and officers with responsibilities relating to the Pension Fund.

The Committee has adopted the CIPFA Pensions Knowledge and Skills Framework as the basis for assessing its training and development needs. All new committee members are given training on the operation of the Fund and their responsibilities.

In addition, the committee approves a formal training plan which is designed to cover the Committee's responsibilities. This is reviewed annually and updated to include new topics of interest and any additional training requirements identified.

Councillor	Training attended
Cllr Karen Soons	4/6
Cllr Georgia Hall	4/6
Cllr David Nettleton	4/6
Cllr David Goldsmith	5/6
Cllr Edward Back	5/6
Cllr Robert Lindsay	4/6
Cllr Simon Harley	6/6
Cllr Colin Kreidewolf	5/6
Cllr John Whitehead	3/3
Cllr Simon Dowling	1/2
Mr Steve Warner	5/6

Training sessions are designed to cover the major areas of the Committee's activities throughout the year. In addition to these a training day is also offered to cover any specific training needs which are identified.

As part of the training plan the Committee has received presentations during the year from the fund's investment managers and advisers. This year topics have been:

- **Currency Hedging** by Hymans Robertson taking the Committee through how currency hedging works and what it sets out to achieve.
- **Expected Regulation Changes** the Admin Challenge - delivered by Paul Finbow, covering the regulatory changes on the horizon that the Committee needs to be aware of how they will be met.
- **Making a net Zero Commitment presented** by Hymans Robertson to inform the Committee on what is involved in setting a commitment.
- **CEM Benchmarking** delivered by David Jennings on the investment benchmarking results covering the 5-year period up to 31 March 2023.
- **How ESG is implemented in Emerging Markets** delivered by Columbia Threadneedle.
- **Annual Training Day** with presentations by investment managers with the focus on impact investing.

The Suffolk Pension Fund Committee signed up to the Hymans Robertson online training module aimed at both Committee and Board members. They are progressing through the training modules and will continue to do so across the current year.

This is supplemented by external training provided by local government organisations and investment seminars organised by investment managers and industry experts. Committee members and officers have access to the on-line training and reference material contained in the CIPFA Pensions Knowledge and Skills 'tool kit'.

Work of the Pension Fund Committee

The Pension Fund Committee has an annual business plan which sets out its priorities for service development.

The Committee monitors the investment performance of the Fund and all its managers on a quarterly basis, receiving a combined investment report with collaboration from Hymans Robertson LLP and Mark Stevens, the Fund’s Investment advisers and officers of the Pension Fund. The report includes commentaries on the performance of the managers and the investment strategies employed, a review based on the quarterly investment manager’s meetings and an overview of the economic outlook.

The Committee monitors the actuarial position of the Fund on a quarterly basis with the receipt of an estimated funding valuation report produced by Hymans Robertson LLP.

The Committee has been regularly kept informed of the development of the ACCESS pool and has approved transfers of assets into the pool.

The Committee updated and approved the following policy documents:

- Treasury Management Strategy
- Funding Strategy Statement
- Governance Policy
- Investment Strategy Statement
- Risk Management Strategy
- Risk Register

Additional areas considered by the Committee were:

- Review the business plan for 2023/24 and set the work for 2024/25
- Review the strategic asset allocation of investments.
- Regular report on the work of the administration team
- Continued development of reporting on Environmental, Social and Governance issues including climate change.
- Review and setting of the investment consultant performance objectives.
- Approval of Annual Report and Accounts
- Rebalancing of assets due to the strong outperformance of global equities.
- The Committee reviewed its AVC provider and agreed to appoint Legal and General as the AVC provider for the Fund.

Ship from Languard fort, Felixstowe

Pension Board Chairman's Report

It is a pleasure to introduce my final Suffolk Pension Board's annual report. I have stepped down from the role, being ably replaced by Councillor Richard Smith MVO who was the Chairman of the first Pension Board.

This year the Pension Board also welcomed Kay Davison who joined to represent the active members and Richard Blackwell representing retired members, replacing David Rowe and Eric Prince who both had been on the Board since its inception and had served the maximum two terms permitted.

As representatives of the Employers in the Fund, the Pension Board has a keen interest in the review of the Additional Voluntary Contribution (AVC) scheme offered by the Fund. Hymans were commissioned to conduct a review and to test the current market, recommending the appointment of Legal & General.

Members have been given the option to remain with their current provider or to transfer to Legal & General scheme. Members who are nearing retirement age were advised to remain.

All members transferring, were written to in March to advise them of the Fund that their investments will be transferring to and a link to Legal & General to enable them to change it and update their proposed retirement date.

The Pension Fund officers have worked closely with Legal & General to implement the new scheme and provided training for the Employers and Administration team. All contributions from May 2024 onwards for those members who have transferred will be paid into their investments with Legal & General and their assets with their previous provider will be transferred during the summer of 2024.

The Annual Employers meeting was held on 19 January 2024, with Craig Alexander from Hymans Robertson taking the attendees through an update on the current funding level, an investment market economic update from Peter Richie by Waystone the ACCESS Pool's investment operator and Paul Finbow providing an update on the performance of the Fund and key issues for the year ahead.

The Pension Board is regularly kept informed of the activity of the ACCESS Pool and the progress of the Suffolk Pension Fund's pooling of its assets by the Pension Fund officers. In March 2024, two members of the Board attended the ACCESS Joint Committee meeting to observe on the proceedings which provided a greater insight on the governance process that ACCESS operates under and witness the discussions that are had around each decision made.

Councillor Richard Rout
Chairman of the Suffolk Pension Board
September 2024

Framlingham Castle, Framlingham

Pension Board

The Pension Board's key responsibilities are:

1) Assist the Council as scheme manager.
   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 requirements imposed in relation to the LGPS by the Pensions Regulator.
   c) In such other matters as the LGPS Regulations may specify.
2) Secure the effective and efficient governance and administration of the Suffolk Pension Fund.

Membership of the Board

The Suffolk Pension Board consists of six members, three Pension Fund employer representatives (one each representing the County Council, other local government employers and other employers) and three Pension Fund member representatives (one each representing current active members, retired members and trade unions).

Cllr Richard Rout*	Suffolk County Council
Kay Davidson	Active Scheme Member
Thomas Jarrett	Other Employers
Ian Blofield	Other Local Government
Richard Blackwell	Retired Members
Pauline Bacon	Union representative

*Councillor Richard Smith MVO replaced Councillor Richard Rout for 2024-25 financial year.

Board Attendance

The attendance of the Pension Board members for the quarterly meetings held during 2023-24 are as follows:

Board member	Representing	Meetings attended
Cllr Richard Rout	Suffolk County Council	3/4
Kay Davidson	Active Scheme Members	4/4
Richard Blackwell	Retired members	4/4
Ian Blofield	Other Local Government	4/4
Thomas Jarrett	Other Employers	1/4
Pauline Bacon	Unions	4/4

Board Training

The Pension Board recognises the importance of complying with the Pensions Regulator's Code of Practice in regard to the demonstrable knowledge and understanding of the LGPS that is expected, whilst in addition, having due regards to the guidance issued by the Scheme Advisory Board.

The Board approves a 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.

Members of the Board are also invited to attend the Pension Fund Committee training and the annual Committee training day.

Board member	Representing	Training attended
Cllr Richard Rout	Suffolk County Council	0/4
Kay Davidson	Active Scheme Members	4/4
Richard Blackwell	Retired members	4/4
Ian Blofield	Other Local Government	3/4
Thomas Jarrett	Other Employers	2/4
Pauline Bacon	Unions	4/4

As part of the training plan the Board has received training as follows:

- **Expected Regulation Changes the Admin Challenge** - delivered by Paul Finbow, covering the regulatory changes on the horizon that the Board needs to be aware of how they will be met.
- **Ill Health Pensions -** delivered by Sharon Tan covering the criteria to claim an ill health pension, costs and employer insurance.
- **How ESG is taken into account when making investments -** delivered by BlackRock, the Fund's UK Equity investment manager.
- **Public Sector Procurement -** delivered by Mark Paget, the ACCESS contract manager informing the Board of the rules governing procurement in the LGPS.

The Board also agreed to sign up the Hymans Robertson online training module aimed at both Committee and Board members that covers all the required knowledge and understanding to undertake appropriate scrutiny and decisions.

Work of the Pension Board

The Pension Board agrees a forward work programme for the year ahead which includes regularly reviewing its risk register, quarterly updates on the performance of the administration team, and recent developments in the Fund.

The annual report on investment performance for 2022-23 presented to the Committee was also separately presented to the Board.

The Board has been regularly kept informed of the development of the ACCESS pool and has been appraised of the transfers of assets into the pool by the Fund.

In addition to the regular reports the Board has received and reviewed:

- Pension Fund Annual Report and Accounts 2022-23
- Review of the process for the Actuarial Valuation.
- Admin and Management expenses
- Policies approved by the Committee.
- The Committee papers on the review its AVC provider and appointment of Legal and General as the new AVC provider for the Fund.
- Update on the administration teams progress on the McCloud remedy project in light of the new legislation that came into force on 1 October 2023.

Risk Management

The long-term risk in relation to the Pension Fund is that its assets fall short of its liabilities and that there would be insufficient assets to pay the pensions to its members. Investment objectives have been set by the Pension Fund Committee with the aim of achieving long term investment returns within an agreed risk tolerance level to mitigate the risk.

Investment risk and performance is regularly monitored and reviewed by the Council's officers. The Pension Fund Committee reviews investment performance on a quarterly basis with the assistance of its investment advisers, Hymans Robertson LLP and Mark Stevens.

The Pension Fund Committee and Pension Board each maintains a risk register for the Pension Fund, which is available on the website (www.suffolkpensionfund.org). All Pension Fund risks are subject to regular monitoring in regards to the likelihood of occurrence and potential impact on the Fund.

Assurance over the systems operated by the Fund's investment managers and custodians is maintained by reviewing relevant documentation about their internal control environment such as ISAE340 reports, prepared in accordance with the guidance from the Audit and Assurance Faculty of the ICAEW.

Systems and internal control

The Council's statement of accounts, which includes the accounts of the Pension Fund, is subject to external audit by Ernst & Young LLP who produce an overall audit opinion on the Council's accounts. The auditors produce a separate opinion on the Pension Fund financial statements and an opinion that the Pension Fund annual report is consistent with the Pension Fund accounts.

The Pension Fund is also subject to an internal review by the Council's internal auditors on the robustness of the Pension Fund's systems, procedures and controls. The Head of Audit Services has provided the opinion that the internal control environment provides sufficient assurance that the Pension Fund financial and administrative systems have adequate controls and effective systems in operation.

The 2023-24 audit review of Pension Investments confirmed that there continued to be evidence of sound governance, risk management and control arrangements in place.

The Pension Fund assets held by the external custodian are regularly reviewed and reconciled. The Fund has appropriate independent advisers who report on the performance of the Fund and Investment Managers. The Pension Fund Committee and Local Pension Board are kept informed on the performance and development of the Fund and receive appropriate training to assist them in carrying out their responsibilities. The Committee and Board maintain separate risk registers, and these are reviewed on a regular basis.

The Suffolk Pension Fund continues to transfer assets into the ACCESS pool when appropriate. ACCESS is a collaborative partnership between eleven LGPS Administering Authorities and has a legal agreement in place (the IAA - Inter Authority Agreement).

Governance arrangements for the Pool are in place, and these preserve the ability of Suffolk Pension Fund to determine its own investment decisions (in accordance with its own investment strategy). The Suffolk Pension Fund is represented on the Pool's Joint Committee and also at the Officer Working Group. Feedback on the pooling progress is given at the Suffolk Pension Fund Committee and Board meetings.

The administration systems audit is conducted annually, with the aim of providing assurance to the Pension Fund Committee that the control environment is operating effectively. A risk assessment is carried out to determine the scope of the annual audit of pension administration, using the LAWGAIM matrix.

A reasonable level of assurance was gained that there are sound control arrangements that allow the fund to operate effectively. This is a good opinion when accounting for the high volume of transactions going through the fund.

Procedure notes and training are made available to staff, and checklists have been developed for key processes. Progress has continued in reducing the backlog of 'undecided leavers' cases. Performance management processes are in place - including a daily task list which prioritises each days tasks for the team.

Staff check each other's work, and there is a clear audit trail of authorisation and separation of duties within the payments process. Annual benefit statements were produced by the required deadline.

Monthly reconciliations are undertaken between the contributions received to records from the employers, and between the pay run and the bank statement. Good controls are in place enabling transactions to be completed accurately and timely.

The following table lists the audit opinions for the last three years.

Audit	2021/22	2022/23	2023/24
Pensions Investments	Substantial Assurance	Substantial Assurance	Substantial Assurance
Pensions Administration	Reasonable Assurance	Reasonable Assurance	Reasonable Assurance

- Substantial Assurance – There are sound governance, risk management and control arrangements in place in order to meet the objectives of the area under examination.
- Reasonable Assurance - Whilst there is basically sound governance, risk management and control arrangements in place, there are some gaps in assurance which put at risk some of the objectives of the area under examination.

ACCESS Pool

The ACCESS pool continues to develop, there is a clear governance structure in place with quarterly reporting to the Joint Committee, and a business plan and risk register which are regularly reviewed. The ASU (ACCESS Support Unit) provides day-to-day support for the Pool, including programme and contract management, and administration and technical services. The ASU was audited by Essex County Council in 2023-24 with a ‘Good Assurance’ opinion, the highest rating available.

Cardinal Thomas Wolsey, Ipswich

Counteracting Fraud

The Suffolk Pension Fund participates in the National Fraud Initiative exercise which matches electronic data between public and private sector bodies to prevent and detect fraud.

Any returned post or bank payments results in payments being ceased and a tracing agency is utilised to track down the member to confirm existence or otherwise.

The Suffolk Pension Fund utilises the ‘Tell us once’ service that enables someone to report a death to most government organisations online in one go instead of having to write to the Pension Fund at a later date which results in a timelier notification.

The Pension Fund has controls in place to prevent internal fraud such as administrative staff being unable to access their own records, separation of duties and appropriate authorised signatories which are checked against payments. Internal controls are also subject to the audit scrutiny on an annual basis.

Pension Fund Risk Register

The Committee has adopted a formal framework for the identification and management of the risks that the Fund is exposed to. The risk management strategy identifies the principles for how the Fund will embed risk awareness and management into the decisions and processes of the Pension Fund to ensure that the Fund’s objectives are met.

The risk management framework is used to identify and assess risks and the implementation of the management of those risks.

The risk register has been reviewed and updated in line with guidance and reflects 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 is established.

Each of the risks within the key areas has been identified and assessed in terms of its impact on the Fund as a whole, on the Fund employers, and on the reputation of the Pension Fund Committee, Pension Board and Suffolk County Council as the administering authority, along with the probability of the risk occurring.

The risks are managed in accordance with the County Council’s arrangements for managing risks, including appropriate monitoring and mitigation measures.

The Pension Fund risk register includes risk on pooling including progress of pooling the Suffolk Pension Fund assets does not meet Government expectation. The Committee and Board are updated on pooling at every meeting and the officers actively participate within the ACCESS pool.

Note 19 in the Pension Fund statement of accounts includes a statement of the nature and extent of risks associated with the Fund’s investments. The most significant risks associated with the Fund’s investments are considered to be market risk (the risk that the value of the Fund’s investments will fluctuate due to changes in market sentiment) and price risk (the risk that the funding level will fluctuate due to changes in market conditions and market performance). These risks are included in the Fund’s risk register and subject to appropriate management and monitoring arrangements.

ACCESS Pool Risk Register

The ACCESS Pool has a detailed risk register that is reviewed at the officer working group and reported to the Joint Committee. The risk register covers the establishment of pool governance and sub-fund establishment and implementation.

Financial Performance

Summary of the Financial Position

The following table shows the Pension Fund's financial position for the past five years:

Financial Summary	2019-20 £'000	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000
Contributions	117,880	122,110	125,022	133,558	136,002
Other Income	6,944	4,119	10,625	10,571	10,827
	124,824	**126,229**	**135,647**	**144,129**	**146,829**
Benefits Payable	-100,508	-101,372	-105,956	-111,336	-127,084
Other Expenditure	-4,389	-7,506	-7,661	-6,301	-9,706
	-104,897	**-108,878**	**-113,617**	**-117,637**	**-136,790**
Net additions / withdrawals(-) from dealings with members	**19,927**	**17,351**	**22,030**	**26,492**	**10,039**
Management Expenses	-14,697	-11,518	-14,247	-17,561	-14,613
Investment Income (net of tax)	40,981	36,301	35,392	57,656	111,130
Change in Market Value of Investments	-168,848	547,829	314,837	-64,142	387,368
Net Returns on Investments	**-142,564**	**572,612**	**335,982**	**-24,047**	**498,498**
Change in Fund during the year	**-122,637**	**589,962**	**358,012**	**-2,445**	**493,924**
Net Assets at 31 March	**2,808,454**	**3,398,416**	**3,756,428**	**3,758,873**	**4,252,797**

Benefit Payments

Annual pension benefits are paid:

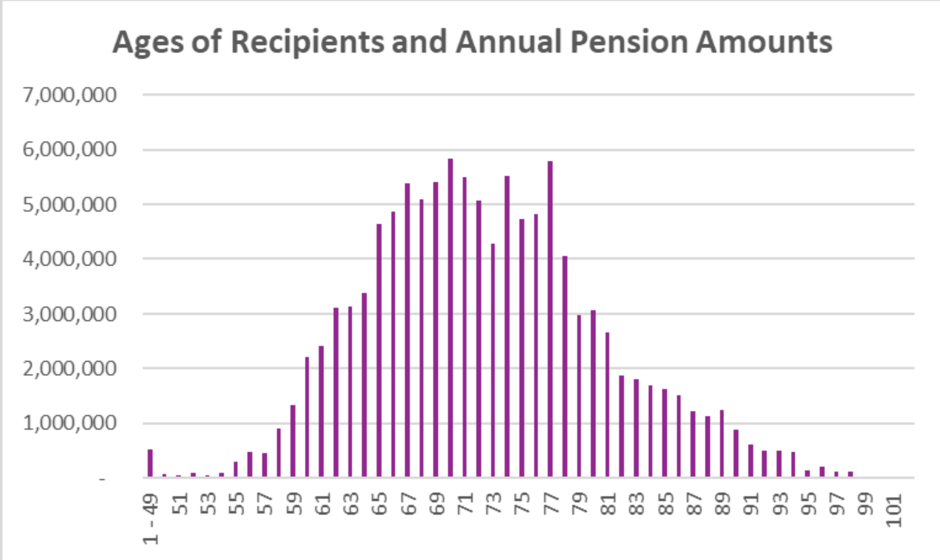
- To a retiree for the rest of their life
- To the partner of a retiree when they have died
- To the partner of a member who dies before claiming their retirement benefits

There are circumstances when pensions are paid to dependents of members who die before claiming their retirement benefits such as:

- To dependent children of retirees when they die, or members who die before claiming their retirement benefits, until they leave full time education.
- To dependent children of retirees when they die, or members who die before claiming their retirement benefits, for the rest of their life, if they have a disability that inhibits their ability to be in gainful employment.

Demographic assumptions about the proportion of members who are assumed to be married or have a dependent at retirement or on earlier death are made as part of the valuation process.

The graph across, shows the total pension payments for each age. Pension payments tend to be concentrated within the 65 – 77 age brackets with pension payments peaking with recipients at age 70 at £5.8m a year, with another peak at £5.7m for those aged 77. A significant reduction is not experienced until pensioners are in their early 80's. This is in line with the longevity demographic assumptions reported in the last valuation exercise.



- 10% of the recipients are aged 85 or over and account for 11% of the annual benefits being received.
- There are 14 recipients who are aged 100 or over.
- The pension being drawn for the longest, is 56 years and is currently £5,533. The initial amount of this pension was £266 in 1968 when it was first drawn.
- 43 pensions have been claimed for 40 or more years.
- The average amount received during the year is £5,588. 14,254 recipients receive less than the average payment.
- The national average wage is £29,600. 466 recipients receive in excess of the national average wage.

Contribution Receipts

A review is carried out on the timings of the payment of pension contributions to the fund by the employers and reported quarterly to the Pension Board. The administration strategy requires these to be received by the Pension Fund within 5 working days of the month in which the contributions were deducted. The table below summarises the timeliness of receipts for the 2023-24 financial year:

	2023-24		
	Emp.	Contribs.	
	%	£'000	%
On Time	88	127,687	94
Up to 1 week late	5	6,213	4
Over 1 week late	7	2,102	2
Total		**136,002**	

Cost of Running the Fund

Running costs are incurred in administration, investment management and governance. The costs for 2023-24 were £14.613 million, representing about 0.34% of the value of the Fund at 31 March 2024.

Shingle Street beach

Administration Expenses

Administrative expenses consist of costs incurred by Suffolk County Council as administering authority of the Pension Fund, relating to activities the pension administration team perform to administer and pay pensions and provide members with scheme and benefit entitlement information, such as their annual benefit statements.

	2022-23	2023-24
Administration Expenses	**£'000**	**£'000**
Suffolk County Council	1,056	1,212
Heywood pension administration system	334	407
Subscriptions and other costs	39	49
Total Administration Expenses	**1,429**	**1,668**

The Heywood administration software system supports the pensions' administration team to fulfil the complex requirements around administering the scheme; such as calculating pension benefits. The system holds every pension member record and history. Ongoing charges are incurred for maintenance of the system, licenses to use it and includes the costs of the self-service system which allows contributing and deferred members of the scheme to access their pension data, change their personal details, calculate their pension estimates and receive their annual benefit statements.

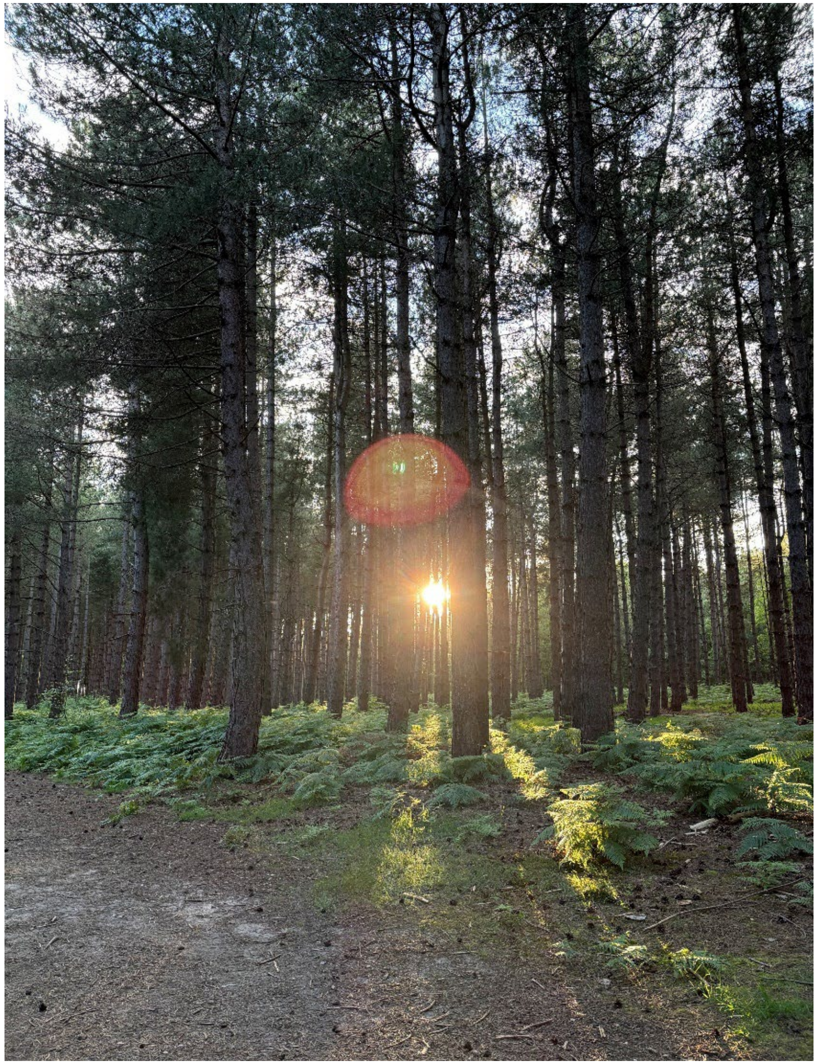
Heywood also provides the Fund with an integrated Pensioner payroll system that links with the member self-service module allowing pensioner members to view their payslips, P60's and keep their personal data up to date therefore reducing printing and postage costs whilst improving members access to their information.

Oversight and Governance Expenses

Oversight and governance expenses are costs relating to the ‘over seeing’ of the fund such as actuarial costs, internal and external audit costs and the costs of independent advisers to the Fund. Costs associated with the operation and support of the Pension Fund Committee and Pension Board, and costs associated with statutory and non-statutory reporting such as committee reports, annual reports and accounts.

Asset pooling costs represents Suffolk’s share of costs included in the ACCESS Pool Report (please see section on ACCESS for further information about the costs of the Pool). These are the operational ongoing costs for running the ACCESS Pool and include the costs of the ACCESS support unit and professional and legal advice.

	2022-23	2023-24
Oversight and Governance Expenses	**£'000**	**£'000**
Suffolk County Council	164	170
Pension Fund Committee	5	7
Pension Board	2	3
Actuarial Services	164	100
Audit Fees	72	93
Legal Fees	9	1
Performance Analysis	29	20
Proxy Voting Service	0	0
Investment Advice	122	137
Asset Pooling	107	146
Subscriptions and membership fees	10	15
Total Oversight and Governance Expenses	**684**	**692**



Rendlesham Forest, Near Woodbridge

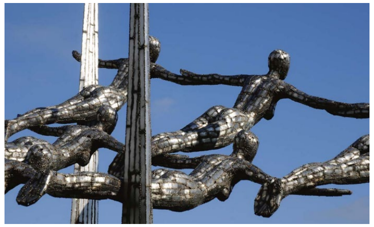
Investment Management Expenses

Investment management expenses are costs related to the management of the fund's assets, including directly invoiced fees from investments managers and fees payable to fund managers which are deducted from the fund assets as opposed to being invoiced to the Pension Fund. The fees charged by the custodian, are also included.

In the Pension Fund accounts, (as per CIPFA guidance), only the fees and expenses that the Fund has a contractual liability for are included, this means that only the management fee, depositary fees and audit fees charged by Waystone (previously Link) for overseeing the sub-funds that Suffolk are invested in are shown. The additional fees and expenses paid to the investment managers that Waystone has a contractual agreement with, on behalf of the Fund, (Newton, Blackrock, Janus Henderson, M&G and Columbia Threadneedle), are £4.671 million.

The Scheme Advisory Board have been supporting the cost transparency initiative which was developed through the LGPS code of transparency. Many of the managers the Fund has investment with have signed up to the voluntary code and submitted templates which illustrates underlying indirect costs which the Suffolk Pension Fund does not have a direct contractual liability.

These costs include indirect transaction costs, which is the difference between the buying and selling prices of investments and their actual value (bid offer spread) and implicit costs which is the opportunity cost of the investment manager using internal resources, these costs total £0.908 million.



Formation, Ravenswood Ipswich

	2022-23	2023-24
Investment Management Expenses	**£'000**	**£'000**
BlackRock	3,946	-30
Brookfield	70	0
InHouse	0	-13
J P Morgan	997	1,974
KKR	159	778
Waystone	194	373
M&G	1,694	763
Pantheon	203	1,054
Partners	3,145	4,527
Pyrford	771	291
Schroders	322	1,088
UBS	480	488
Wilshire	160	422
Transaction Costs	114	498
Custodian (NT)	31	40
Total Investment Management Expenses	**12,286**	**12,253**

Notes:
1. Blackrock bonds were disinvested in the previous year.
2. An additional investment has been taken out with Partners which accounts for the increase in fees for from the previous year.
3. Transaction costs include a dilution levy which was payable when the Fund invested in the Janus Henderson sub-fund within Waystone

Included in the Investment management expenses (previous table) for some of the investments, are an element of performance fee, these can be based on the net asset value breaching the watermark (highest valuation of the investment) or the returns exceeding a prescribed target. A negative figure denotes a reduction in the accumulative performance fee in investments that are paid a performance fee when the investments has been realised.

A breakdown of the performance fee element included in the previous table is as below:

	2022-23	2023-24
Investment Management Expenses	**£'000**	**£'000**
BlackRock	749	
JP Morgan	283	734
Partners	1,262	895
Total Investment Management Expenses	**2,294**	**1,629**

Investment Income

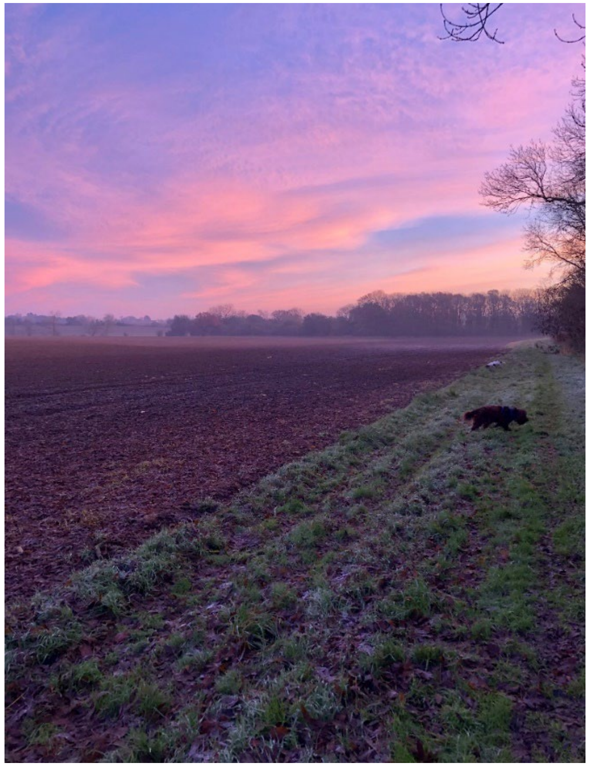
The table below shows the sources of Investment Income earned by the Fund in 2023-24:

Investment Income	UK	Non-UK	Global
	£'m	£'m	£'m
Equities	8.647		48.433
Property	11.840		
Alternatives	7.905	14.241	19.153
Cash & Cash Equivalent	0.911		
Other			
Total Income	**29.303**	**14.241**	**67.586**

Global holdings are those that include an element of both overseas and UK listed assets.

Alternatives include private equity, illiquid debt, absolute returns and infrastructure.

Other, denotes assets not falling into any other category such as investment vehicles where the underlying investments may comprise of assets of more than one type.



Worlingworth

Fund Performance Report

Investment Powers

Within the Local Government Pension Scheme (Investment and Management of Funds) Regulations 2016 the Government has placed a 5% restriction on the investments of the Suffolk Pension Fund into entities connected with Suffolk County Council. The Pension Fund has no investments in entities connected to Suffolk County Council and is therefore below the 5% statutory limit included in the regulations.

Investment Strategy Statement

The Fund's investment objectives and asset allocation are incorporated into its Investment Strategy Statement, which is published on the Suffolk Pension Fund website (www.suffolkpensionfund.org).

The Pension Fund Committee has approved a customised asset allocation for the Pension Fund, based on a review of its investment strategy that was carried out with the assistance of its investment advisors, Hymans Robertson LLP and Mark Stevens.

The Fund's investments are allocated across a range of asset classes. The largest allocation is to equities which also accounts for the majority of the investment risk taken by the Fund.

Asset Allocation

The Suffolk Pension Fund is currently cash flow positive, meaning that annual contributions are in excess of annual benefit payments and is therefore in a position to target a predominantly growth-based strategy with the aim of maximising asset growth in the long term.

There are significant levels of diversification between different asset classes to reduce overall portfolio risk through combining the performance of each asset class. This helps reduce the volatility effects of the financial markets, whilst maintaining the Fund's relatively low risk approach.

The Fund has a 71.5% allocation to 'growth' assets (equities and alternatives) in order to meet the long-term funding assumptions set out in the 2022 actuarial valuation.

Over the long term, equities are expected to outperform other liquid asset classes, particularly bonds. Allocations to asset classes other than equities and bonds allow the Fund to gain exposure to other forms of risk premium and can reduce the overall volatility of portfolios. These assets are expected to generate returns broadly similar to equities over the long term and so allocations to these can maintain the expected return and assist in the management of market movement.

The Committee recognises Environmental, Social and Governance (ESG) issues can impact on the Fund's investment returns and is committed to responsible investing so as to develop a sustainable investment approach to protect future Fund performance.

Within the global equities holdings there is an 14% allocation to the Climate Aware Fund and 7.5% to a Low Carbon Transition Fund both managed by UBS. These Funds help mitigate the risk of climate change and represents a transition to a lower carbon portfolio than other global index tracking funds. The Fund aims to deliver returns broadly in line with the FTSE Developed Index and will increase or decrease exposures to constituents of the index based on their expected contributions towards climate change.

The 28% allocation to bonds is designed to help manage overall levels of funding volatility.

The strategic benchmark and the actual asset allocation of the Fund at March 2024 are shown below along with the maximum investment limits set for each asset class.

Asset Allocation			
	Actual Allocation March 2024	Long-term Allocation	Maximum Limit
	%	%	%
UK Equities	8.2	8.0	25.0
Overseas Equities	38.7	34.5	50.0
Total Equities	**46.9**	**42.5**	**75.0**
Global Bonds	23.3	24.0	35.0
UK Index-linked Gilts	3.7	4.0	8.0
Total Bonds	**27.0**	**28.0**	**43.0**
Private equity	3.9	4.0	8.0
Property	7.5	10.0	15.0
Absolute return	1.6	1.0	
Infrastructure	9.1	10.0	15.0
Illiquid Debt	3.4	4.0	8.0
Total Alternatives	**29.0**	**29.0**	**54.0**
Cash & Cash Equivalents	0.6	0.5	5.0
Total	**100.0**	**100.0**	

The Committee monitors the investment allocation relative to the agreed asset allocation benchmark and the maximum investment limits.

Global equities have outperformed the rest of the portfolio, the level is closely monitored and the position is discussed as part as the quarterly investment performance review.

The illiquid debt is awaiting new investment opportunities to attain the strategic allocation.

The absolute return mandate has been in part allocated to the new infrastructure commitment with KKR with the remainder to be allocated to the illiquid debt strategic allocation.

Investment Management Arrangements

The Fund's investment management arrangements at March 2024 are shown below.

Fund Manager Allocation			
Investment Manager	Asset class	Actual allocation March 2024	Long-term allocation
		%	%
J P Morgan	Infrastructure	5.3	6.0
Kohlberg, Kravis, Roberts (KKR)	Infrastructure	1.0	1.5
M&G Investments	Illiquid Debt and Infrastructure	2.3	2.5
Pantheon	Private equity	3.8	3.7
Partners Group	Infrastructure	3.9	4.0
Pyrford	Absolute return	1.6	1.0
Schroder	Property	7.5	10.0
UBS	Equities and Bonds	27.7	25.5
Waystone	Global equities, UK Equities, Global Bonds	46.2	45.0
Wilshire	Private equity	0.1	0.3
Internal Cash	Cash	0.6	0.5
Total		**100.0**	**100.0**

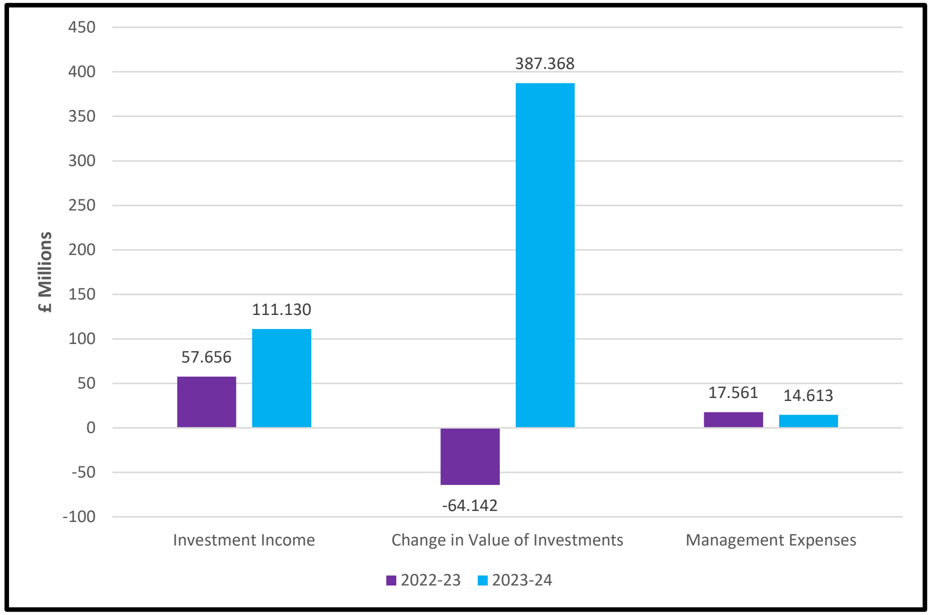
Notes

- Commitments with KKR, Partners, Pantheon, the Debt Solution Fund and Infracapital commitments made to M&G are part funded. These investments only call for capital funding when they have an investment to fund and will continue to increase their holdings in the forthcoming financial year.

- Wilshire, the older commitment to Pantheon, Partners and the Debt Opportunity investment with M&G are in the process of realising the underlying investments and returning cash to the Pension Fund.

Investment Performance

The chart below shows the comparative investment returns between 2022-23 and 2023-24. The change in the value of the Fund's investments includes realised and unrealised gains and losses during the year.



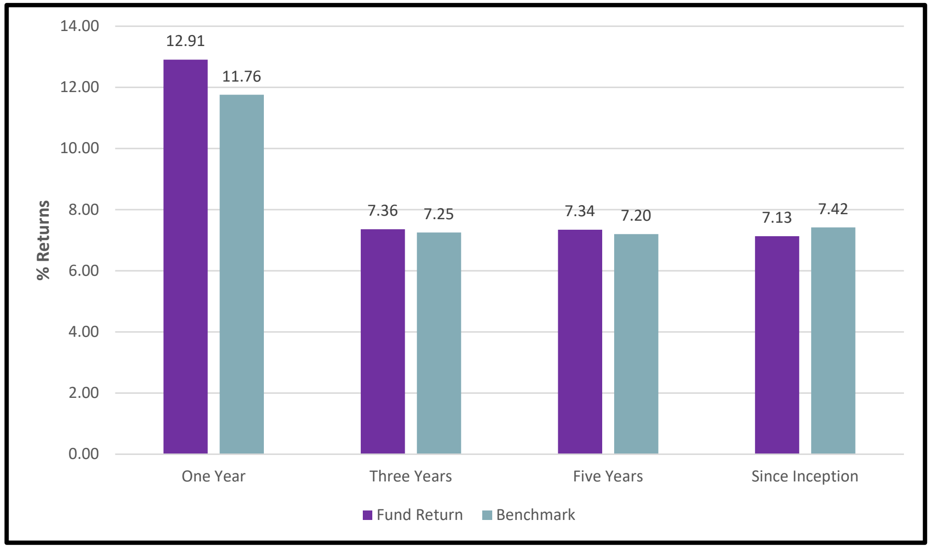
The Fund's investment assets has increased from £3,756 million to £4,253 million during 2023-24, representing an investment return of 12.9%.

Fund Investment returns

The Fund's benchmark is based on the weighted average of the market index returns for the markets in which it invests in or a mandate specific absolute return. The Fund outperformed the benchmark by 1.1% over the full year period.

The Fund slightly outperformed the benchmark over the three-year and the five-year period and slightly underperformed since inception.

The Fund's investment return compared with its benchmark index over one, three, five and ten years and since inception are:



Long-term Investment Performance

The Fund's investment returns over the previous ten years are shown below compared to the Fund's own benchmark. In addition, the Fund's returns are compared with the movement in consumer price inflation as at September for each period.

Long-term performance (year ended 31 March)										
	2015	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
	%	%	%	%	%	%	%	%	%	%
Fund return	**15.4**	**0.7**	**19.0**	**4.0**	**5.9**	**-4.5**	**16.8**	**10.2**	**-0.5**	**12.9**
Fund benchmark	13.9	1.5	17.9	4.8	7.4	-3.3	18.7	10.3	-0.1	11.6
Relative return	1.5	-0.8	1.1	-0.8	-1.5	-1.2	-1.9	-0.1	-0.4	1.1
Consumer Price Inflation	**-0.1**	**1.0**	**3.0**	**2.4**	**1.7**	**0.5**	**0.5**	**3.1**	**10.1**	**6.7**

Over the longer term the Fund's investment return is substantially above the increase in consumer price inflation, which is the factor applied as the pension increase in April the following year and as such has a direct impact on the movement of the Fund's pension liabilities.

Perceval, Snape Maltings

The table below shows the opening and closing balances and reported performance for each asset class (excluding cash) for 2023-24, alongside the Suffolk benchmark target and the passive index if an appropriate index exists.

Holdings	Opening Value		Closing value		Perf.	Passive Index	Bench mark
	£' m	%	£' m	%	%	%	%
Pooled & Pool Aligned							
UK Equities	307.847	8.2	349.411	8.2	8.4	6.9	2.9
Overseas Equities	519.456	13.9	623.406	14.7	24.3	21.4	21.8
Global Bonds	776.447	20.8	990.220	23.4	11.3	-6.8	8.1
Passive Equities	896.105	23.9	1015.946	24.1	22.3	21.4	21.4
UK Index-linked Bonds	110.641	3.0	158.593	3.7	-6.8	-6.8	-6.8
Infrastructure			223.169	5.3	6.2		8.0
Total Pool Aligned	**2,610.496**	**69.8**	**3,360.745**	**79.4**	**0.02**		
Absolute Return	140.959	3.8	69.580	1.6	1.5		7.8
Illiquid Debt	106.194	2.8	144.342	3.4	1.1		8.0
Infrastructure	379.237	10.2	162.251	3.8	14.9		8.0
Money Market	42.365	1.1	28.528	0.7	5.6		2.4
Private Equity	165.430	4.4	166.052	3.9	-3.1		-1.4
Property	296.809	7.9	306.181	7.2	-11.5		-13.8
Timber	0.235	0.0	0.041	0.0	-43.6		8.0
Total Alternatives	**1,131.229**	**30.2**	**876.975**	**20.6**			
Total	**3,741.725**	**100.0**	**4,237.720**	**100.0**			

Manager Performance

The table below shows the investment returns by the Fund's investment managers relative to their benchmarks over one, three and five years (where available) and their absolute returns for the year.

The investment objectives of the Fund's investment managers are to outperform relative to their benchmark index, typically the index for the market they are invested in or on an absolute return cash plus basis.

Investment Manager Performance					
Share of Fund 31 Mar 24	Manager	2023-24 Absolute Return	2023-24 Relative Return	3 Year Relative Return	5 Year Relative Return
%		%	%	% p.a.	% p.a.
1.0	KKR	-0.5	-8.5	0.0	0.0
5.3	JP Morgan	6.3	-1.7	2.0	-0.3
2.3	M&G	0.8	-7.2	6.2	3.1
3.8	Pantheon	7.5	-13.1	3.1	0.5
3.9	Partners Group	6.0	-2.0	2.9	1.2
1.6	Pyrford	4.8	-5.6	-4.7	-4.0
7.5	Schroders	0.2	0.1	0.1	-0.2
27.7	UBS	18.4	1.4	1.0	0.4
46.2	Waystone	15.8	3.4	0.1	1.0
0.1	Wilshire	-14.6	-35.2	-10.3	-7.2

Scallop, A conversation with the sea, Aldeburgh

Government Reporting Requirements

Government has requested additional information on investments to be included in LGPS Pension Fund's Annual Reports covering pooled assets, levelling up assets, private equity and UK investments.

The Suffolk Pension Fund currently has a 5% allocation to private equity. The last commitments were made in 2014 and were made to global equity funds.

The Fund does not currently have any investments in levelling up.

The Fund's investment in UK Equity and Government Bonds is as below:

Asset Table				
	Pooled	Under Pool Management	Not Pooled	Total
	£'m	£'m	£'m	£'m
Equities	342.730	41.123	8.114	391.967
Bonds	59.268	158.593		217.861
Total	**401.998**	**199.716**	**8.114**	**609.828**

Asset Pooling

- The Suffolk Pension Fund has made a commitment to pool all of its assets into the ACCESS Pool. (Please see section on ACCESS for further information about the Pool). The first sub-fund that Suffolk transferred into was the Newton Global Equity Fund which was available for investment in the first quarter of 2019-20.
- During 2023 – 2024 the Fund transferred its Passive emerging market holding held by UBS into ACCESS with Columbia Threadneedle.
- JP Morgan infrastructure fund has been appointed as a Pool Aligned asset manager.
- The passive investment funds are held on a pool governance basis under one investment manager as these assets are held in life fund policies, which cannot be held within an authorised contractual scheme which is how the Pool operates.
- The Suffolk Pension Fund has £1.963 billion in sub-funds and £1.398 billion under pooled governance accounting for 79% of the Fund's assets.
- The Suffolk Pension Fund has saved £5.8 million in 2023 - 2024, on investment management fees on assets that have been pooled or under pooled governance.
- The property investment will be under pool management from 1 October 2024.

Asset Table				
	Pooled	Under Pool Management	Not Pooled	Total
	£'m	£'m	£'m	£'m
Equities	972.817	1,015.946		1,988.763
Bonds	990.220	158.593		1,148.813
Property			306.181	306.181
Absolute return			69.580	69.580
Private equity			166.052	166.052
Illiquid Debt			144.342	144.342
Infrastructure		223.169	162.251	385.420
Cash & Cash Equivalents			32.098	32.098
Other			0.041	0.041
Total	**1,963.037**	**1,397.708**	**880.545**	**4,241.290**

Environmental, Social and Governance

The Pension Fund Committee has developed a set of ESG beliefs as part of its responsible investment philosophy which underpins it investment objective – to deliver an investment return consistent with funding plans that does not compromise future generation's ability to meet their own needs.

In addition to the beliefs set up, the Committee identified climate change, pollution and company stewardship as its priorities for responsible investment.

These beliefs and priorities have been incorporated into the investment beliefs and environmental, social and governance considerations set out in the investment strategy statement.

Engagement

The Suffolk Pension Fund is a member of the Local Authorities Pension Fund Forum (LAPFF). The LAPFF was established to develop a collective response to ESG issues through constructive dialogue and filing of shareholder resolutions. There are 85 LGPS (7 ACCESS Pension Funds) covering £350 billion of assets, who are members of the forum and 7 pools (including ACCESS).

The forum engages directly with company chairs and boards to affect change at investee companies and challenge regulators to deliver reforms that advance corporate responsibility and responsible investment.

The Fund expects its investment managers to be engaged in social, environmental and ethical considerations insofar as these matters are regarded as impacting on the current and future valuations of individual investments. The Fund believes taking account of such considerations forms part of the investment managers' normal fiduciary duty and expect the investment managers to report the engagement that they have undertaken.

As such, the Fund has a commitment to ensure that companies in which it invests adopts a responsible attitude towards the environment and has high ethical standards. Generally, such companies are expected to behave in a socially responsible manner by taking account of the interests of all stakeholders, which includes how the company will adapt to the effects of climate change.

Cranes, Felixstowe Docks

Voting Policy

The Pension Fund seeks to protect and enhance the value of its shareholdings by promoting good practice in the corporate governance and management of the companies that it invests in which includes the investment managers voting at shareholder meetings.

The equity investments with Blackrock and Newton are held within ACCESS sub-funds and not held in the name of the Suffolk Pension Fund, therefore the ACCESS voting guidelines for inclusion by Waystone in the Investment Management Agreements apply. These are aligned with the Suffolk Pension Fund voting principles.

The voting guidelines set out those matters of importance to the participating ACCESS Pension Funds and promote good corporate governance and management in the companies in which investments are made. In circumstances where investment managers do not adopt the positions set out in these guidelines, they are required to provide a robust explanation of the position adopted.

The general principles followed in the guidelines are: -

- Will vote in favour of proposals at annual and extraordinary general meetings which comply with good practice on corporate governance. The definition of good practice is based on the guidelines in the UK Corporate Governance Code.
- Will vote against proposals which breach the Code and where the company is unable to provide a satisfactory explanation of its policy.
- Will in general abstain on proposals which do not relate to issues contained in the good practice guidance in the Code.

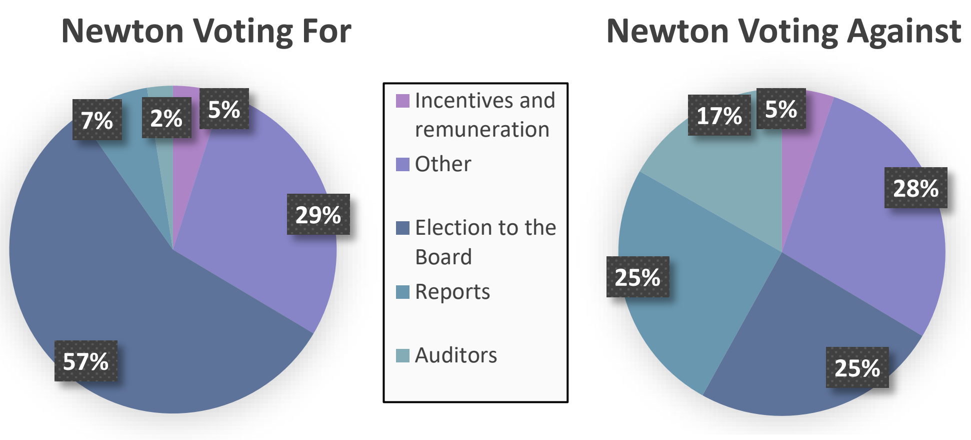
Voting on Newton Sub-fund holdings

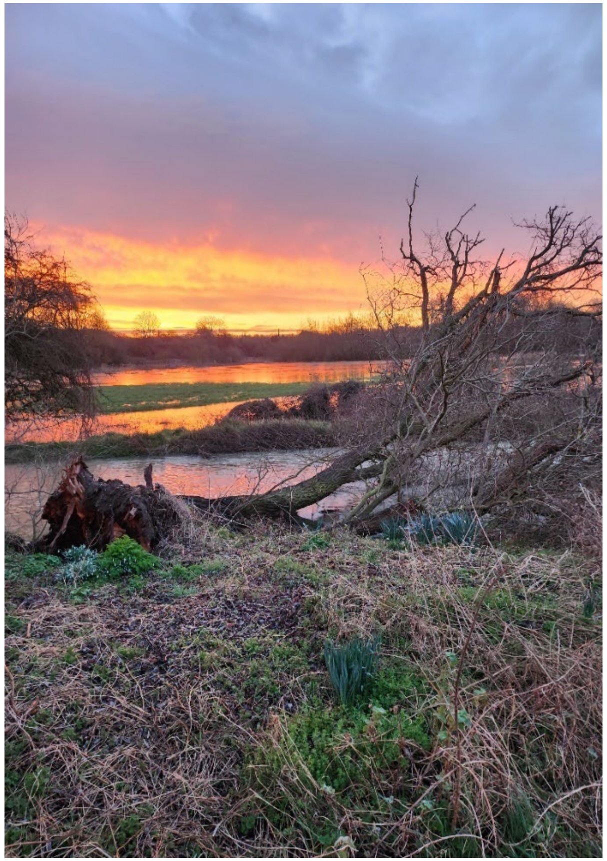
Newton have voted at 59 meetings during the year on 971 resolutions. 790 (81%) were for the resolution and 155 (16%) were against and 26 (3%) received abstain votes. These were all in line with the ACCESS voting guidelines.

The votes cast can be categorised as follows:

Vote Categorisation	**Number of Votes Cast**
Election of Directors	489
Incentives and Remuneration	47
Reports	96
Auditors	46
Other	293

The categorisation of the votes cast are set as below:



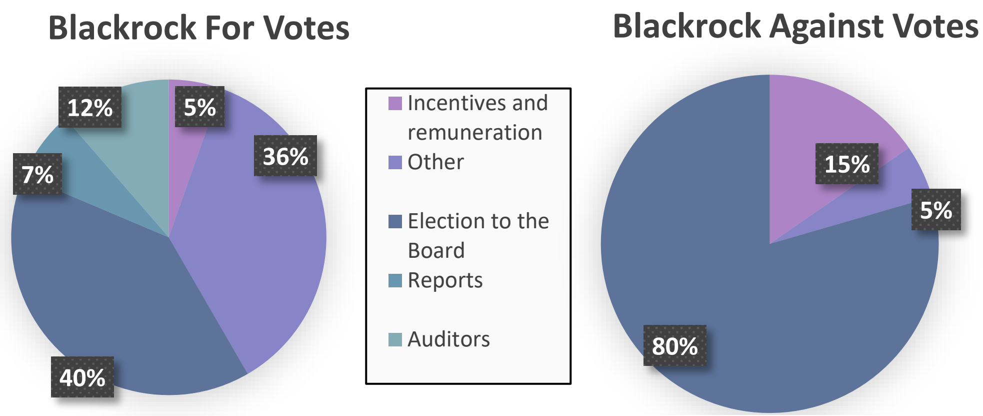


Bramford Meadows

The votes cast can be categorised as follows:

Vote Categorisation	Number of Votes Cast
Election of Directors	618
Incentives and Remuneration	85
Reports	106
Auditors	167
Other	533

The categorisation of the votes cast are set as below:



Voting on Blackrock Sub-fund holdings

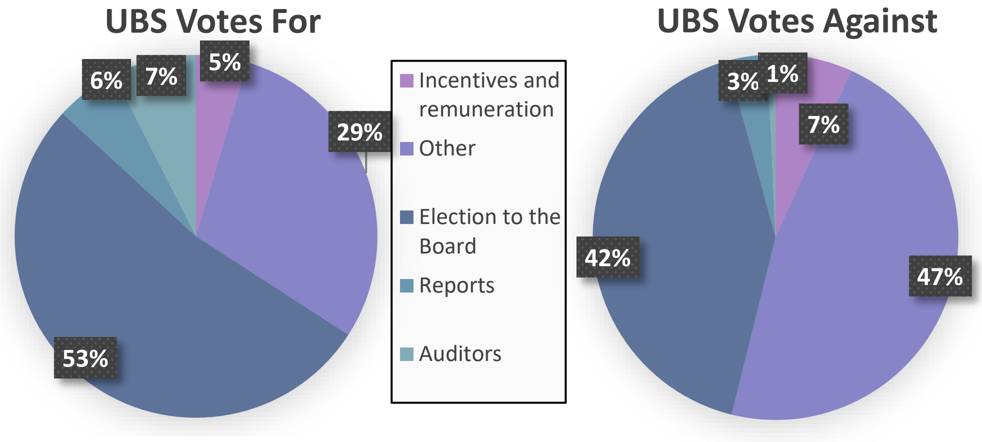
Blackrock have voted at 102 meetings during the year on 1,509 resolutions. 1,465 (96%) were for the resolution and 39 (3%) were against and 5 (1%) received abstain votes.

Voting on UBS index tracking holdings

UBS votes in line with their voting policy for the index tracking investments they make on behalf of the Fund, as they are not able to systematically apply the ACCESS voting guidelines to each proxy vote. They are also unable to compare the ACCESS voting guidelines to each vote and determine any difference in the outcome.

UBS have voted at 3,653 meetings on the Fund’s behalf during the year on 44,291 resolutions. 37,270 (84%) were for the resolution and 5,869 (13%) were against and 1,162 (3%) received abstain votes.

The categorisation of the votes are set as below:



The votes against the proposal can be categorised as follows:

Vote Categorisation	Number of Votes Cast
Election of Directors	2,464
Incentives and Remuneration	398
Reports	207
Auditors	42
Other	2,758

The reasoning for the largest proportion of against votes are:

- Concerns regarding the independence of the proposed candidate or that the nomination committee does not comprise a majority of independent directors.
- Lack of reporting disclosure which results in shareholders not being able to make an informed voting decision.
- Business and related party transactions are not in line with shareholders' interests and/or disclosure is below best market practice.
- Company pay frameworks do not demonstrate long term incentives or performance. The short-term incentives and performance figures do not align with the shareholder's long-term interests.

Administration Report

Pension Administration Team

The Pension Administration team carries out a range of pension benefit calculations and administrative functions:

- Maintaining an accurate database of scheme members, deferred members and pensioners;
- Calculating service credits from incoming transfer values and notifying scheme members accordingly;
- Calculating and paying outgoing transfer values to other pension schemes and providers;
- Calculating and notifying amounts of deferred pension benefits when a member leaves before normal retirement age;
- Calculating and paying pension benefits when a member retires;
- Implementing amending legislation when received, assessing the impact of the changes and communicating the effect to members, deferred members, pensioners and scheme employers;
- Providing estimates of benefits, information on entitlements and implementing pension sharing orders on divorce;
- Paying pensioners monthly;
- Calculating and paying dependent pensions any lump sums when a member, deferred member or pensioner dies.

Summary of Work Undertaken by the Fund in 2023-24

In addition to the day-to-day functions of completing and processing various administration tasks the team seeks to continually improve the functionality of the Pension Fund and the quality of the data required to administer the Pension Fund effectively and to a high standard.

Undecided leavers - a significant amount of time has been spent processing and clearing undecided leavers cases with regular updates provided to the pension fund committee and pension board. This project will continue throughout 2024-2025 too as we aim to clear all cases where possible so the only undecided leavers are those cases where members have just left their employment.

During the year a lot of time has been spent working with the software providers to try and resolve issues which were impacting some employers being able to provide I-Connect data reports, these have mainly arisen when an employer has changed payroll provider and the software provider needs to produce new reports.

The Pensions team have been directly liaising with software providers to support employers to ensure the requirements are clear and solutions put in place will benefit all parties.

I-Connect was implemented to enable employers to upload and send monthly data to the Fund, which reduces the costs and risks with processing pension data. I-Connect generates automatic submissions of monthly data to the Fund by extracting the data from the employer's payroll system, enabling automatic identification of new joiners, those opting out and leavers.

This reduces the time spent on pensions administration by both the Fund and the employer, creating accurate and secure data submissions and reducing the need to submit individual forms.

This change will also benefit individual members as their Member Self-Service record will be up to date with their latest employment information.

The Pension software supplier has been supplying system updates, following the introduction of the McCloud legislation, to enable the Fund to process cases. Full use of the system functionality will be made now that the data in the system has been updated for 2023-24. Members have been kept informed on progress.

Due to the ongoing data issues with i-Connect the Fund was unable to send a small number of the 2022/23 Benefit Statements out by the deadline of 31 August 2023. The Pensions Regulator was informed and the statements were issued as soon as the correct data was received.

The Fund has continued to develop and promote Member Self Service. Documentation is placed on this system for members to access which includes Pensioner payslips and P60's. There has been an increasing number of members using this system, particularly Pensioner members, but it is recognised further engagement work is needed to ensure the numbers using these system continues to increase.

There has been an improvement in communications with the re-introduction of an employers newsletter in addition to the Pensioner and Active newsletters of which the latter was re-introduced in the previous year.

These improved communications see a spike in online member self service sign ups directly following their distribution, so we can see the effectiveness of these.

The Fund continuously reviews and improves the quality of data wherever possible. Common and conditional data scores remain at 96% and 99% respectively which were reported to the Pensions Regulator. Other solutions for obtaining missing data continue to be looked at ahead of the introduction of Pension Dashboards, to ensure all members information is as accurate as possible.

IDRP Complaints

If a member or their representative has a complaint against the administration of the Pension fund or wishes to appeal against a decision which has affected them, they can invoke the Pension Fund's Internal Dispute Resolution Procedure (IDRP). There are 3 stages to this process.

The first stage ensures a nominated person from the scheme employer will look at the case with the requirement that this individual has had no previous involvement in the case. The nominated person will review the complaint and notify the person of their decision.

If the person raising the complaint is dissatisfied with the first stage decision, they can apply for a second stage review of the decision, which is undertaken by the person nominated by the Head of Legal Services at Suffolk County Council to hear such disputes. If the person is still dissatisfied, they can take their case to the Pensions Ombudsman for a further review.

During 2023 – 2024 there were 2 new IDRP cases. Both of these cases had stage 1 and stage 2 decisions to make. The first of these was in relation to historic contributions for a member who wanted years of contributions to be made up. Stage 1 decision upheld the members complaint but time limited the period while the Stage 2 decision upheld the members complaint that there should be no time limit. The other case was in relation to an employer who hadn't referred a member to Occupational Health to consider ill-health retirement suitability. While the Stage 1 response didn't uphold the complaint, this progressed to Stage 2 and the recommendation was for the employer to revisit this case and refer to Occupational Health.

Key Performance Indicators

The administration team monitors its performance based on the key indicators in the tables below and overleaf. This information has been downloaded from the Heywood Altair pension administration system which records all tasks required to be completed. Total numbers of casework:

Ref	Casework KPI	Total number of case	Total number of new cases created in the year (1 April to 30 March)	Total number of cases completed in year	Total % of cases completed in year	Total number of cases completed in previous year	Total % of cases completed in previous year
A1	Deaths recorded of active, deferred, pensioner and dependent members	3	522	520	99	550	99
A2	New dependent member benefits	2	206	203	98	183	99
A3	Deferred member retirements	15	862	836	95	662	98
A4	Active member retirements	22	590	575	94	459	95
A5	Deferred benefits	1,273	2,706	2,987	75	2,717	63
A6	Transfers in (including interfunds in, club transfers)	5	416	414	98	414	99
A7	Transfers out (including interfunds out, club transfers)	14	261	256	93	281	95

Ref	Casework KPI	Total number of cases open as at 31 March (starting position	Total number of new cases created in the year (1 April to 30 March)	Total number of cases completed in year	Total % of cases completed in year	Total number of cases completed in previous year	Total % of cases completed in previous year
A8	Refunds	1	834	835	100	554	99
A9	Divorce quotations issued	3	160	154	94	167	98
A10	Actual divorce cases	0	4	4	100	3	100
A11	Member estimates requested either by scheme member or employer	4	265	258	96	263	99
A12	New joiner notifications	0	3,914	3,914	100	5,721	100
A13	Aggregation cases	988	1,528	1,535	61	2,073	79
A14	Optants out after 3 months membership*	N/A	N/A	N/A	N/A	N/A	N/A

* These figures are included in 8 above. We don’t capture opt out while in employment separately

Time taken to process casework

Ref	Casework KPI	Cases commenced in Year	Cases completed during the Year	Percentage Completed in Year
B1	Communication issued with acknowledgement of death of active, deferred, pensioner and dependent member	5 days	99	100
B2	Communication issued confirming the amount of dependents pension	10 days	99	99
B3	Communication issued to deferred member with pension and lump sum options (quotation)	5 days	99	99
B4	Communication issued to active member with pension and lump sum options (quotation)	5 days	100	100
B5	Communication issued to deferred member with confirmation of pension and lump sum options (actual)	10 days	99	98
B6	Communication issued to active member with confirmation of pension and lump sum (actual)	10 days	98	99
B7	Payment of lump sum (both actives and deferreds)	10 days	99	98

Ref	Casework KPI	Cases commenced in Year	Cases completed during the Year	Percentage Completed in Year
B8	Communication issued with deferred benefit options	30 days	66	47
B9	Communication issued to scheme member with completion of transfer in	10 days	62	52
B10	Communication issued to scheme member with completion of transfer out	10 days	79	76
B11	Payment of refund	10 days	97	81
B12	Divorce quotation	10 days	100	99
B13	Communication issued following actual divorce proceedings i.e. application of a Pension Sharing Order	10 days	100	67
B14	Communication issued to new starters**	At point of commencing employment	N/A	N/A
B15	Member estimates requested by scheme member and employer	10 days	95	100

Communications and Engagement

Ref	Engagement with online portals	Percentage as at 31 March
C1	% of active members registered	37%
C2	% of deferred members registered	31%
C3	% of pensioner and survivor members	41%
C4	% of total of all scheme members registered for self service	33%
C5	Number of registered users by age	
	18-30	925
	31-40	2,246
	41-50	3,897
	51-60	8,337
	61-70	7,307
	71-80	1,908
	81+	297

Ref	Cases completed during the Year	Percentage Completed in Year
C6	% of registered users that have logged onto the system n the last 12 months	62
	Communication	
C7	Total number of telephone calls received in year	8,027
C8	Total number of e-mail and online channel queries received	36,370
C9	Number of scheme members events held in year (total in person and online)	1
C10	Number of employer engagement events held in year (in person and online)	1
C11	Number of active members who received a one to one (in person and online)	450
C12	Number of times a communication (i.e. newsletter) issued to:	
	-Active members	3
	-Deferred members	1
	-Pensioners	2

Administration Resources and Data Quality

Ref	Resources	Data
D1	Total number of all administration staff (FTE)	29.22
D2	Average Service length of all administration staff	10 years
D3	Staff vacancy rate %	6%
D4	Ratio of all administration staff to total number of scheme members (all staff including management)	1:2560
D5	Ration of administration staff (including management) to total number of scheme members	1:2748
	Annual Benefit Statements	
E1	Percentage of annual benefit statements issued as at 31 August	0.88
	Short commentary if less than 100%	Change to payroll system for out largest employer led to delays in the data needed for us to provide statements
	Data category	
E3	Common data score	96%
E4	Scheme specific data score	99%
E5	Percentage of active, deferred and pensioner members recorded as 'gone away' with no home address held, or address is known to be out of date	0.03
E6	Percentage of active, deferred and pensioner members with an email address held on file	43%
	Employer performance	
E7	Percentage of employers set up to make monthly data submissions	0.37
E8	Percentage of employers who submitted monthly data on time during the reporting year	0.35

Employers in the Fund

There are 348 active employers in the Fund and 27 employers who do not have active members but, have deferred pension members and/or pensioners.

	Active	Inactive	Total
Scheduled Bodies	241	2	**243**
Resolution Bodies	47	4	**51**
Admitted Bodies	60	21	**81**
Total	**348**	**27**	**375**

Jasper, Hay Bales, Cotton

A list of the active employers in the Fund on 31 March 2024 are as follows:

Scheduled Bodies

Scheduled bodies are local authorities, district and borough councils and other similar bodies such as colleges, academies and free schools, whose staff are automatically entitled to be members of the Fund.

Local Authority

Babergh District Council
East Suffolk Council
Ipswich Borough Council
Mid Suffolk District Council
Suffolk County Council
West Suffolk Council

Other

Association of Inshore Fisheries and Conservation Authorities (AIFCA)
Chief Constable of Suffolk
Police & Crime Commissioner
East Suffolk Services

Colleges

Abbeygate Sixth Form College
East Coast College
Lowestoft 6th Form College
Suffolk New College
University Campus Suffolk Ltd
West Suffolk College
Suffolk One

Academies

Debenham Academy
Holbrook Academy
The Ashley School Academy
Elveden C of E Primary Academy
St Mary's C of E Academy
Thomas Mills High School
Olive Academy Trust

Academy Transformation Trust
Beck Row Primary
Great Heath Academy
Mildenhall College Academy
Westbourne Academy

Active Learning Trust
Albert Pye Primary
Chantry Academy
Grove Park
Gusford
Hillside
Pakefield
Ravensmere Infant School
Red Oak
Reydon
Sidegate
Westwood Primary

All Saints School Trust
All Saints (Laxfield)
Charsfield CoE Primary
Dennington CoE Primary
Fressingfield CEP
Great Welnetham Primary
Thorndon Primary
Cockfield Primary
Hardwick Primary
Occold Primary
St Peter & St Paul
Stradbroke CEP
Wortham Primary
Benhall St Mary's
Sexton's Manor

Anglian Learning
Howard Primary
The Pines Primary

ASSET Education
Bungay Primary
Castle Hill Infants School
Castle Hill Junior School
Cliff Lane Primary
Egdar Sewter
Holton St Peter
Ilketshall
Ringshall Primary
Shotley Primary
St Helens Primary
Stutton C of E Primary
The Oaks Primary
Wenhaston
Whitton Community Primary

Children's Endeavour Trust
Abbot’s Hall Community Prim
Bosmere Community Primary
Freeman Community Primary
Chilton Community Primary
Combs Ford Primary
Broke Hall
Springfield Junior
Whitehouse Infants School

Clarion Academy Trust
Pakefield High School

Diocese of Ely
St Christophers CE Primary

Diocese of Norwich Education
Kessingland C of E Primary

East Anglian Schools Trust
Bungay High School
Farlingaye High School
Aldeburgh Primary
Easton Primary
Leiston Primary
Kesgrave High School
Castle EAST
Saxmundham Primary
Wickham Market Primary

Eastern Multi Academy Trust
The Glade Community Primary
West Row Academy

Eko Trust
Rushmere Hall Primary

Evolution Academy Trust
Coldfair Green Primary
Elm Tree Community Primary
Poplars Community Primary
The Dell Primary School

Forest Academy
Forest Academy

Gippeswyk Com. Ed. Trust
Britannia Primary School
Copleston High School
Rose Hill Primary

Hartismere Family of Schools
Benjamin Britten High School
Hartismere School
Somerleyton Primary
Woods Loke Primary

Inspiration Trust
Eastpoint Academy

John Milton Academy Trust
Bacton Community Primary
Cedars Park Primary
Mendlesham Primary
Stowupland High School

Ormiston Academies Trust
Ormiston Denes Academy
Ormiston Endeavour Academy
Ormiston Sudbury Academy
Stoke High School-Ormiston Ac
Thomas Wolsey Academy

Our Lady of Walsingham
St Albans Catholic High School
St Felix-Haverhill
St Louis Catholic Academy
St Mary’s Catholic Primary
St Pancras Primary
St Benedicts Catholic School

Orwell Multi Academy Trust
Brooklands Primary
Grange Community Primary
Halifax Primary
Grace Cook Primary
Handford Hall Primary
Springfield Infant School
Willows Primary

Paradigm Trust
Ipswich Academy
Murrayfield Primary
Pipers Vale Community Prim
Woodbridge Road Academy

Raedwald Trust
Alderwood PRU
First Base Bury St Edmunds
First Base Ipswich PRU
The Albany Centre PRU
Parkside Pupil Referral Unit
St Christophers PRU
Westbridge Pupil Referral Unit

REAch2 Multi Academy Trust
Beccles Primary
Gunton Primary
Martlesham Primary
Northfield St Nicholas Primary
Phoenix St Peter/Meadow Prim
Sprites Primary
St Margarets Primary
The Limes

Sapienta Trust
Stradbroke High School
Causton Junior School

Seckford Educational Trust

Penrose Learning Trust
Claydon High School
Claydon Primary
Dale Hall Primary School
East Bergholt High School
Hadleigh High School

SENDAT
Chalk Hill Academy
Stone Lodge Academy
The Priory School
Sunrise Academy

Stour Valley Ed Trust
Clare Community Primary
Stour Valley Community School

St Johns the Baptist Multi Academy Trust
St Benet's Catholic (Beccles)
St Edmund's Catholic (Bungay)
St Mary's Catholic (Lowestoft)

St Edmundsbury and Ipswich Diocesan Trust

All Saints CEVAP School
Bedfield Primary
Bramfield C of E Primary
Brampton C of E Primary
Chelmondiston C of E Primary
Elmsett Primary
Eyke
Hartest C of E Primary
Hintlesham & Chattisham
Long Melford C of E Primary
Mellis
Morland Primary
Nacton C of E Primary
Ringsfield C of E Primary
Sproughton CEVC Primary
St Marys Hadleigh
St Marys Woodbridge
St Matthews CEVAP
Stoke by Nayland C of E Prim
Tudor Primary
Wetheringsett C of E Primary

Thedwastre Education Trust

Great Barton CE Primary
Rattlesden CE Primary
Thurston CE Primary
Woolpit Primary

The Tilian Partnership

Bardwell CEVC Primary
Crawford's CEVC Primary
Gislingham CEVC Primary
Ixworth CEVCP
Kersey Primary
Old Newton CEVC Primary
Palgrave CEVC Primary
Rougham CEVCP

The Consortium Multi Academy Trust

Barnby & North Cove
Helmingham Primary
Henley Primary
Mendham
Middleton Primary
Rendlesham Primary
St Edmunds Primary-Hoxne
Yoxford Primary
Southwold Primary
Warren School

Unity Schools Partnership

Abbotts Green
Burton End Academy
Bury St Edmunds Acad Trust
Castle Manor Academy
Clements Primary School
County Upper
Coupals
Felixstowe Academy
Glemsford
Houldsworth Valley
Horringer Court
Kedington Primary Academy
Langer Primary
Laureate Primary
IES Breckland Free School
Newmarket Academy
Place Farm Academy
Samuel Ward Academy
Sir Bobby Robson School
Sybil Andrews
St Peter Hall
Thomas Gainsborough
The Bridge School
The Churchill Free School
Tollgate
Wells Hall Primary
Westfield Academy
Westley Middle
Wickhambrook
Woodhall (Sudbury)

Waveney Valley Academy Trust

Alde Valley Academy
Roman Hill Primary
Stowmarket High School
Sir John Lehman High School
Snape Primary

Resolution Bodies

Resolution bodies are bodies, usually town and parish councils who are entitled to be members but have a choice so therefore need to formally pass a resolution designating staff to be eligible to join the Fund.

Barningham Parish Council
Beccles Town Council
Botesdale Parish Council
Boxford Parish Council
Bramford Parish Council
Bury St Edmunds Town Council
Carlton Colville Town Council
Felixstowe Town Council
Framlingham Town Council
Glemsford Parish Council
Great Cornard Parish Council
Great Livermere Parish Council
Hadleigh Town Council
Halesworth Town Council
Haverhill Town Council
Hollesley Parish Council
IPSERV Employers Ltd
Kesgrave Town Council
Kessingland Parish Council
Lakenheath Parish Council
Leavenheath Parish Council
Leiston cum Sizewell Town Council
Long Melford Parish Council
Lowestoft Town Council
Market Weston Parish Council
Martlesham Parish Council
Melton Parish Council
Mildenhall Parish Council
Nayland and Wissington Parish Council
Onehouse Parish Council
Oulton Broad Parish Council
Pinewood Parish Council
Red Lodge PC
Rickinghall Parish Council
Southwold TC
Stowmarket Town Council
Stradbroke Parish Council
Sudbury Town Council
The Saxhams Parish Council
Thurston Parish Council
Troston Parish Council
Ufford Parish Council
Verse
Vertas
Woodbridge Town Council
Woolpit Parish Council
Worlingham Parish Council

Admitted Bodies

Admitted bodies are voluntary and charitable organisations or private contractors undertaking a local authority function.

Abbeycroft Leisure
Anglia Community Leisure
Aspens - All Saints School Trust
Aspens - Asset
Aspens - Glade Academy
Aspens – St Eds & Ipswich DMAT
Aspens – St Matthews SEIDMAT
Aspens - The Ashley
Aspens - Thedwastre (Thurston Primary)
Aspens - Tilian
Beccles Fenland Charity Trust
Bidvest Noonan – Penrose Learning Trust
Care Quality Commission
Care UK
Caterlink - U.S.P
Churchill Contract Services
Compass - All Saints Schools Trust
Compass - Ormiston Sudbury
Compass - Thedwastre
Concertus
Crystal FM – Clarion Pakefield
Ecocleen - Westgate
Ecoserv Group - Westgate Primary School
Edwards & Blake - Alde Valley
Edwards & Blake – Kyson
Edwards & Blake - Ormiston Denes
Edwards & Blake - Roman Hill
Edwards & Blake – Trimley St Mary
Elior Ltd-Chantry Academy
European Electronique
Flagship Housing Group
Hadleigh Market Feoffment Charity
Housing 21
Impact FGL - ALT The Pines
Kindred – Alde Valley
Kindred – East Coast College
Landguard and Felixstowe Conservation Trust
Leading Lives
Lunchtime Co - All Saints Lawshall
Lunchtime Co - Birchwood
Lunchtime Co – C.E.T.
Lunchtime Co - EAST
Lunchtime Co - Paradigm Trust
Lunchtime Co – St Alban's OLOW
Lunchtime Co – Wood Ley Primary School
Marina Theatre
Milestone Infrastructure Limited
Norland Managed Services
Orwell Housing
Papworth Trust
Places for People
Realise Futures
SALC(Suffolk Association of Local Councils)
Sports and Leisure Management Ltd
Suffolk Libraries IPS
The Havebury Housing Partnership
The Partnership in Care Ltd
The Stevenson Centre
Thorpe Woodlands A.C.T
VHS Cleaning Services Ltd (Anglian Learning - Howard)

Statement of Responsibilities for the Pension Fund Accounts

The Council's Responsibilities

The Council is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, during 2023-24 that officer was the Chief Financial Officer;
- to manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets; and
- to approve the statement of accounts

Certification

I confirm that these Accounts were approved by the Audit Committee at its meeting on XX 2024 on behalf of Suffolk County Council and have been authorised for issue.

Councillor Joanna Spicer

Chairman of the Audit Committee

The Responsibilities of the Chief Financial Officer (Section 151 Officer)

The Chief Financial Officer is responsible for the preparation of the Council's Statements of Accounts including those of the Pension Fund. In order to comply with the Code of Practice on Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), these statements must present a true and fair view of the financial position of the Pension Fund at 31 March 2024, and the income and expenditure (spending) for the year to that date.

In preparing this Statement of Accounts, the Chief Financial Officer has:

- chosen suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- followed the Code of Practice on Local Authority Accounting.

The Chief Financial Officer has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps to prevent and detect fraud and other irregularities.

Certification

I certify that this statement of accounts has been prepared in accordance with proper accounting practices and presents a true and fair view of the Pension Fund at 31 March 2024 and its income and expenditure for the year to that date.

Louise Aynsley

Chief Financial Officer (Section 151 Officer)

Independent Auditor's Report to the Members of Suffolk County Council

Opinion on the Pension Fund financial statements

We have audited the Pension Fund financial statements for the year ended 31 March 2023 under the Local Audit and Accountability Act 2014. The Pension Fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion the Pension Fund financial statements:

- Give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023 and the amount and disposition of the Fund's assets and liabilities as at 31 March; and
- Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority in the United Kingdom 2022/23.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the pension fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Financial Officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern

Other information

The other information comprises the information included in the 'Statement of Accounts 2022-2023', other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information contained within the 'Statement of Accounts 2022-2023'.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibility of the Chief Financial Officer

As explained more fully in the 'Statement of Responsibilities for the Statement of Accounts' set out on page 8, the Chief Financial Officer is responsible for the preparation of the Authority's Statement of Accounts, which includes the

Pension Fund 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 2022/23, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Pension Fund either intends to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant are the Local Government Pension Scheme Regulations 2013 (as amended), and The Public Service Pensions Act 2013.

We understood how Suffolk Pension Fund is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, the Head of Internal Audit, those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Pension Committee minutes, through the inspection of Pension Fund policies and procedures and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and opportunities for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise.

Based on our risk assessment procedures we identified the manipulation of journal entries of the investment income and investment asset valuations and management override of controls to be our fraud risks.

To address our fraud risk we tested the consistency of the investment income and investment asset valuation from the independent sources of the custodian and the fund managers to the financial statements.

To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested the appropriateness of the journal and that it was accounted for appropriately.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business.

Debbie Hanson *TBC*
(*for and on behalf of Ernst & Young LLP, Appointed Auditor)*

Sunset Levington, River Orwell

Actuarial Statement for 2023-24

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS). In summary, the key funding principles are as follows:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants.
- use a balanced investment strategy to meet the regulatory requirement for long-term cost efficiency (where efficiency in this context means to minimise cash contributions from employers in the long term).
- where appropriate, ensure stable employer contribution rates.
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy.
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 20 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 75% likelihood that the Fund will achieve the funding target over 20 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £3,756 million, were sufficient to meet 107% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2022 valuation was £235 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2022 valuation report.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions
A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2022 valuation were as follows:

Financial assumptions	31 March 2022
Discount rate	3.7%
Salary increase assumption	3.7%
Benefit increase assumption (CPI)	2.7%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	22.0 years	24.6 years
Future Pensioners*	22.7 years	26.2 years

*Aged 45 at 2022 Valuation

Copies of the 2022 valuation report and Funding Strategy Statement are available on the Suffolk Pension Fund website (www.suffolkpensionfund.org)

Experience over the period since 31 March 2022
Markets were disrupted by the ongoing war in Ukraine and inflationary pressures in 2022 and 2023, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in a higher than expected LGPS benefit increase of 10.1% in April 2023 and 6.7% in April 2024. However, asset performance improved towards the end of 2023 and into 2024 and inflation has begun to return towards historical levels and the Bank of England target of 2%.

There has been a significant shift in the wider economic environment since 2022, resulting in generally higher expected future investment returns and a reduction in the value placed on the Fund's liabilities. Overall, the funding position is likely to be stronger than at the previous formal valuation at 31 March 2022.

The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed at that time.

Craig Alexander FFA
For and on behalf of Hymans Robertson LLP
3 May 2024

HYMANS ROBERTSON

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ACCESS

Effective • Collective • Investment

ACCESS ANNUAL REPORT 2023/24

Foreword

As Chairman of the ACCESS Joint Committee, I am pleased to introduce the latest Annual Report of the ACCESS Pool.

This has been another year when further significant progress has been made within our Pool. Driven by over **£5.4bn** of incoming investment activity within both the listed and non-listed asset classes, the total value of assets within pooled arrangements reached **£44.725bn** at the 31 March 2024. The result is that our pooling progress at the year- end was just short of 70% of all assets under management across the 11 ACCESS Authorities. Further investment activity since the end of the year places the pool progress above 70%. The work undertaken on non-listed assets in particular has considerably expanded the range of pooled solutions ACCESS now offers. So in addition to listed assets, mandates covering different types of Real Estate and Infrastructure are now available. It is important to highlight that in aggregate, the geographic profile of ACCESS investments demonstrate that over 20% of assets are now invested within the UK. A key theme during the year was the Government LGPS Pooling Consultation. Launched in July 2023 against a background of the Mansion House Reforms, the Consultation explored key areas on approaches to pooling, UK investment and future expectations. ACCESS Authorities undertook an extensive collective process of consideration and dialogue in producing a detailed Pool response. This has formed the basis for dialogue which continued after the Government's own response at the November 2023 Autumn statement and into the Ministerial Roundtables of late Spring 2024. It is a dialogue we look forward to continuing with the new Government and MHCLG Minsters and colleagues. One aspect of our evidence ACCESS submitted to Government was the findings of work undertaken by Dr Chris Sier at ClearGlass. Based on Cost Transparency Initiative data, his team of specialists produced an analysis of fees paid by ACCESS Authorities compared to those prevalent in the market. This concluded that across listed assets the ACCESS pool delivers around **£29m** of annual savings (or 27%). During the year the Joint Committee approved two appointments following procurements which used the National LGPS Frameworks. As a result, PIRC are now advising our Pool on ESG / RI matters and Tavistock are now the Communications partner for ACCESS. We look forward to working with both organisations and building on the achievements made to date. In closing I would like to thank my fellow ten Joint Committee members, each representing their respective Authorities, along with the Officers who support them, and the ACCESS Support Unit (ASU).

Cllr Mark Kemp-Gee
Chairman of the ACCESS Joint Committee
Chairman of the Hampshire Pension Fund Panel & Board

Introduction

2023/24 saw a number of key developments to further increase the asset classes covered by ACCESS and therefore expand the investment opportunity set of our 11 LGPS Authorities.

Our Implementation Adviser for non-listed assets, Apex, undertook a Property procurement process which concluded in 2023. The outcome of which is that CBRE will undertake both UK Core and Global Real Estate mandates. In addition, following a review, Apex recommended the AVIVA Lime Fund for Long Lease domestic Real Estate. As a consequence during 2023/24 property investment totalling **£2.2bn** switched to these Pooled arrangements. Additional Real Estate investment is anticipated, and a search is underway on Social Housing whilst work is being undertaken to explore the potential for investment in the Impact space.
Following a review of infrastructure opportunities undertaken by Mercer Consulting two funds: IFM and JPM have been designated as Pool-Aligned with a combined ACCESS investment of **£1.7bn**.
At the time of writing Apex concluded a Timber search which has resulted in JP Morgan Campbell and Stafford managing **£800m** in aggregate across two natural capital mandates.
Whilst much of our activity in the year has been around developing the non-listed part of our Pool, we now have 5 year performance data for our first 8 actively managed sub-funds. Collectively this blend of Global and UK equities have produced an annualised return of 9.8% against a benchmark of 8.9%. LGPS Authorities are, of course, long term investors, however a sustained annualised outperformance of 0.9% over our initial 5
Kevin McDonald
Director, ACCESS Support Unit
years represents a significant milestone on our journey.
During the last year ACCESS and ACS Operator Waystone have rethought Pool Investor Days. What had tended to centre on presentations has now become a blend of debate, analysis and informal interaction. At events in November 2023 and June 2024, London venues have combined time and space for networking with both Waystone and their appointed ACS Investment Managers, along with formal sessions on markets, LGPS developments, RI expectations and geopolitical risk factors. The revised format has maximised engagement for delegates including s101 Committee Members, Local Pension Board Members, s151 officers and LGPS officers.
I would like to thank my ASU colleagues, the technical leads and the officers of the Authorities for their enthusiasm, support and hard work towards the continued progress of the Pool.

Kevin McDonald
Director, ACCESS Support Unit

At a glance

Assets

£12bn
passively managed with UBS

£1.7bn
in infrastructure

£2.2bn
in Real Estate

£29bn
actively managed in ACS sub-funds (= c.92% of listed assets pooled)

£45 bn
(70%) of assets within Pooled arrangement

People and employers

3,500 employers

1.2m scheme members

Performance

+9. 8%
investment return on active listed assets annualised over 5 years

+8.9%
benchmark on active listed assets annualised over 5 years

+0.9%
outperformance on active listed assets annualised over 5 years

Costs & savings since inception

£129.7m
gross savings

£35.5m
costs

£94.3m
net savings

Background

ACCESS (A Collaboration of Central, Eastern and Southern Shires) is made up of eleven Local Government Pension Schemes (LGPS) Administering Authorities:

- Cambridgeshire County Council;
- East Sussex County Council;
- Essex County Council;
- Hampshire County Council;
- Hertfordshire County Council;
- Isle of Wight Council;
- Kent County Council;
- Norfolk County Council;
- Northamptonshire County Council (West Northamptonshire from 1 April 2021);
- Suffolk County Council and
- West Sussex County Council

in response to the Governments pooling agenda across the LGPS.

The first ACCESS Inter Authority Agreement was signed in late June 2017.

The ACCESS Administering Authorities are committed to working together to optimise benefits and efficiencies on behalf of their individual and collective stakeholders, operating within a clear set of objectives and principles that drives the decision-making process.

Governance

Strategic oversight and scrutiny responsibilities remain with the Administering Authorities as does all decision making on their individual Funds asset allocation and the timing of transfers of assets from each Fund into the arrangements developed by the ACCESS Pool.

The Joint Committee (JC) has been appointed by the eleven Administering Authorities under s102 of the Local Government Act 1972, to exercise specific functions in relation to the pooling of LGPS assets. The JC's functions include the specification, procurement, recommendation of appointment of pool Operators (for active asset management) and pool-aligned asset providers (for passive asset management), to the Administering Authorities. The Joint Committee also reviews ongoing performance.

The Section 151 Officers of ACCESS Authorities provide advice to the Joint Committee in response to its decisions to ensure appropriate resourcing and support is available to implement the decisions and to run the ACCESS Pool. The Joint Committee is further supported by the Officer Working Group (OWG) and the ACCESS Support Unit (ASU).

The Officer Working Group consists of officers with specialist LGPS investment skills, identified by each of the Administering Authorities whose role is to provide a central resource for advice, assistance, guidance and support for the Joint Committee.

The ACCESS Support Unit (ASU) provides the day-to-day support for running the ACCESS Pool and has responsibility for programme management, contract management and supplier relationship, administration and technical support services. 2020/21 saw the approval of two additional roles to increase support capacity of the ASU which is hosted by Essex County Council. Appointments were made to these positions in March 2021 and July 2021.These roles are also supplemented with additional technical support from Officers within the ACCESS Authorities.

The Operator: Waystone

Appointed in 2018, Waystone (formally Link Fund Solutions Ltd), provide the pooled operator service, overseeing, establishing and operating an Authorised Contractual Scheme (ACS) for the sole use of ACCESS Authorities. Waystone are also responsible for the creation of a range of investment sub-funds for active listed assets and the appointment of the investment managers to those sub-funds. This is designed to enable Administering Authorities to execute their asset allocation strategies.

Pool Aligned Assets

UBS were appointed following a joint procurement in 2017, UBS act as the ACCESS Authorities' investment manager for passive assets. JP Morgan and IFM were approved in 2024 to provide open ended infrastructure investments to the Pool. Aviva were appointed in 2024 to provide long lease real estate investments and CBRE have been appointed to provide UK and Global Property investments.

Progress on Pooling

ACCESS submitted its pooling proposal to Government in July 2016 with detailed plans for establishing and moving assets into the pool. Included in the proposal was an indicative timeline of when assets will be pooled, and ACCESS has continued to make excellent progress against the principal milestones set out. ACCESS currently has **£44.724** billion assets pooled, and net savings of **£92.4** million by March 2024. An additional **£1.250** billion has been committed to investments in the Pool for 2024/25. As at 31 March 2024, almost **70%** of assets have been pooled.

Pooled Investments	£ Billions
Global Equity Funds	16.269
UK Equity Funds	1.987
Fixed Income	8.668
Diversified Growth	1.162
Emerging Markets	0.767
Passive Investments	11.989
Infrastructure	1.711
Real Estate	2.171
Total Pooled Investments	**44.724**

The passive investment funds are held on a pool governance basis under one investment manager as these assets are held in life fund policies, which cannot be held within an authorised contractual scheme.

Key milestones achieved in 2023/24

- Approval and launch of sub-funds reflecting the strategic asset allocation needs of the ACCESS Funds.
- Work with CBRE to implement the property mandates.
- Pool alignment of infrastructure funds.
- Procurement and implementation of long lease real estate.
- Procurement of timberlands mandate.
- Preparation for, and the commencement of the procurement of the operator services.
- Implementation of outcomes from third party review.
- Commencement of Responsible Investment reporting support for the Pool.
- Additional resources appointed to the ASU to support the activities of the ACCESS Pool.

Objectives for 2024/25

ACCESS is well placed to continue to develop the pool and progress will continue. It is anticipated that 2024/25 will see key activities within the following themes:

- Reprocurement of the operator services.
- Implementation of private equity and private debt solutions established by Apex.
- Submission of UK Stewardship code application.
- Implementation of reviewed voting guidelines.
- Complete the implementation of outcomes from third party review.
- Review the arrangements of Local Pension Board observes at Joint Committee meetings.

Expected v Actual Costs and Savings

The table across summarises the financial position for 2023/24 along with the cumulative position since the commencement of ACCESS activity in early 2016.

A budget for ongoing operational costs is set by the Joint Committee and is financed equally by each of the eleven Authorities. 2023/24 saw a slight overspend, primarily due to higher than anticipated costs of external advice combined with an underspend in the technical lead recharge costs.

Operator and depositary fees are payable by each Authority in relation to assets invested within the Authorised Contractual Scheme established by Waystone as pool operator.

The 2023/24 fee savings have been calculated using the CIPFA price variance methodology and based on the average asset values over the year. This approach highlights the combined level of investment fee savings, across all ACCESS Authorities stemming from reduced charges.

	2023-2024		2016-2024	
	Actual In Year £' Million	Budget In Year £ 'Million	Actual Cumulative to date £' Million	Budget Cumulative to date £' Million
Set Up Costs	-	-	1.824	1.400
Transition Costs	-	-	3.338	6.907
Ongoing Operational Costs	1.608	1.559	6.900	9.254
Operator & Depositary Costs	5.264	5.771	23.392	26.709
Total Costs	6.872	7.330	35.454	44.270
Pool Fee Savings	30.794	19.900	129.739	85.450
Net Savings Realised	23.922	12.570	94.285	41.180

In summary

Since inception ACCESS has demonstrated excellent value for money, maintaining expenditure broadly in line with the MHCLG submission whilst delivering an enhanced level of savings ahead of the timeline contained in the original proposal.

Environmental, Social and Governance (ESG) and Responsible Investment (RI)

The ACCESS Authorities believe in making long term sustainable investments whilst integrating environmental and social risk considerations, promoting good governance and stewardship.

Whilst the participating authorities have an overriding fiduciary and public law duty to act in the best long-term interests of their LGPS stakeholders to achieve the best possible financial returns, with an appropriate level of risk they also recognise the importance of committing to responsible investment alongside financial factors in the investment decision making process.

ACCESS has reviewed its own ESG/RI guidelines to reflect both the requirements of the Authorities and the expectations associated with this fundamental aspect of institutional investment.

PIRC have been appointed to provide advice on future appropriate reporting requirements to provide transparency to stakeholders, monitor adherence to the Guidelines and inform discussion on ESG/RI matters.

The ACCESS pool has a set of voting guidelines which seeks to protect and enhance the value of its shareholdings by promoting good practice in the corporate governance and management of those companies.

The voting guidelines sets out the principles of good corporate governance and the means by which ACCESS will seek to exercise its influence on companies. During the year, votes on behalf of ACCESS Authorities were cast at **2,614** meetings on **37,483** resolutions and UBS voted at **11,577** meetings on **134,800** resolutions on ACCESS investments held with them.

Mark N. Kemp-Gee

Cllr Mark Kemp-Gee

Chairman of the ACCESS Joint Committee
Chairman of the Hampshire Pension Fund Panel & Board

Fund Account

2022 - 2023 £ million	Fund Account	Notes	2023 - 2024 £ million
	Dealings with members, employers and others directly involved in the scheme		
	Contributions and benefits		
	Contributions receivable:		
	From employers		
101.751	Normal	10	103.626
2.922	Additional	10	0.049
0.830	Other	10	1.064
	From members		
28.055	Normal	10	31.263
	Transfers In		
10.571	Individual transfers in from other schemes		10.827
-	Group transfers in from other schemes		0.000
	Benefits payable:		
-94.180	Pensions	10	-105.625
-15.246	Commutations of pensions and lump sum retirement benefits	10	-19.331
-1.910	Lump sum death benefits	10	-2.128
	Payments to and on account of leavers:		
-0.371	Refunds of Contributions		-0.511
-5.930	Individual transfers out to other schemes		-9.112
0.000	Group Transfers out to other Schemes		-0.083
26.492	**Net additions (withdrawals) from dealings with members**		**10.039**
-17.561	Management Expenses	11	-14.613
8.931	**Net additions (withdrawals) including management expenses**		**-4.574**
	Returns on investments		
	Investment income		
10.839	Income from Pooled Investment Vehicles - Property		11.840
0.959	Income from Pooled Investment Vehicles - Private Equity		1.294
45.019	Income from Other Pooled Investment Vehicles		97.085
0.838	Interest on Cash Deposits		0.911
0.001	Other		0.000
-64.142	Change in market value of investments		387.368
-6.486	**Net returns on investments**		**498.498**
2.445	Net increase, or (decrease), in the fund during the year		493.924
3,756.428	Opening net assets of the scheme		3,758.873
3,758.873	**Closing net assets of the scheme**		**4,252.797**

Mechanical Water Clock, Southwold

Net Asset Statement

2022 - 2023 £ million	Net asset statement	Notes	2023 - 2024 £ million
	Investment assets		
	Pooled Investment Vehicles		
827.302	Equities	13,14	972.817
776.447	Fixed Income	13,14	990.220
1,006.746	Unit linked insurance policies	13,14	1,174.540
296.809	Property unit trust	13,14	306.180
834.421	Other Managed Funds	13,14	793.963
	Other Investment Balance		
0.709	Cash [held for investment]	13	3.570
3,742.434	**Total investments**		**4,241.290**
	Current assets		
14.286	Debtors	22	12.033
7.061	Cash Deposits	19d	7.308
0.022	Cash at Bank	19d	0.000
21.369	**Total current assets**		**19.341**
	Current liabilities		
0.000	Cash at Bank	19d	-1.319
-4.930	Creditors	23	-6.515
-4.930	**Total current liabilities**		**-7.834**
16.439	**Net current assets**		**11.507**
3,758.873	**Net assets**		**4,252.797**

St Edmundsbury Cathedral

Notes to the Accounts

1. Description of the Fund

The Suffolk Pension Fund is administered by Suffolk County Council. It is a contributory defined benefit scheme established by the Superannuation Act 1972 and governed by the Public Service Pensions Act 2013.

The Fund is administered in accordance with the following secondary legislation:

• The Local Government Pensions Scheme Regulations 2013 (as amended)

• The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016

• The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended).

The Fund provides retirement benefits for employees who are members of the Local Government Pension Scheme (LGPS).

Organisations participating in the Suffolk County Council Pension Fund include:

• Scheduled bodies - local authorities, district and borough councils and other similar bodies such as academies whose staff are automatically entitled to be members of the Fund

• Admitted bodies - voluntary and charitable bodies or private contractors undertaking a local authority function

• Resolution bodies - town and parish councils who formally pass a resolution designating staff to be eligible to join the LGPS.

There are 348 employer organisations with active members within the Scheme as at 31 March 2024, a decrease of 4 from the previous year total of 352. Teachers, Firefighters and NHS staff have their own pension schemes and are not included in the Fund.

The Fund has the following number of members and pensioners:

31 March 2023		31 March 2024
	Number of Employees in the Scheme	
7,934	County Council	7,617
15,146	Other Employers	15,076
23,080	**Total**	**22,693**
	Number of Pensioners	
9,961	County Council	10,611
8,540	Other Employers	9,444
18,501	**Total**	**20,055**
	Number of Deferred Members	
15,007	County Council	14,494
14,581	Other Employers	16,271
29,588	**Total**	**30,765**

Funding

Benefits are funded by contributions and investment earnings. Employers' contributions are set based on the triennial actuarial funding valuation in March 2022 for the contributions paid in 2023 – 2024. Employees contributions are paid in line with the LGPS Regulations 2013.

Benefits

Prior to 1 April 2014 pension benefits are based on final pensionable pay and length of service. From 1 April 2014, the scheme became a career average scheme with members accruing benefits based on their current annual pensionable pay at an accrual rate of 1/49th.

2. Events after the Balance Sheet Date

There has been no event between 31 March 2024 and the date when these accounts were authorised for issue that requires any adjustments to these accounts.

3. Significant Changes to the Fund

As part of its annual asset allocation review, the Committee at its meeting on 31 March 2023, agreed to switch its Low Carbon Transition Fund holding with UBS into the sterling hedged version. This was implemented in April 2023.

The Pension Fund Committee made a decision at its meeting on 31 March 2023 to increase the fixed income strategic allocation with Waystone Management UK Ltd (formerly Link Fund Solutions) M&G and Waystone Management UK Ltd Janus Henderson by 1% each. £37.5 million was invested into the M&G Alpha Opportunities Fund investment in April 2023 and £37.5 million into the Janus Henderson Multi Asset Credit Fund in May 2023.

The Pension Fund Committee made a decision to transfer its emerging market index tracking investment held with UBS into an actively managed Waystone Management UK Ltd emerging market sub fund. £35 million was invested with Columbia Threadneedle in July 2023.

The ACCESS Joint Committee appointed investment consultant Mercer, to review a number of alternative investments on their suitability to be included within the Pool's alternative investment platform, one of which was JP Morgan's infrastructure fund which the Suffolk Pension Fund has holdings of £223 million. JP Morgan was approved at the Joint Committee meeting on 4 December 2023.

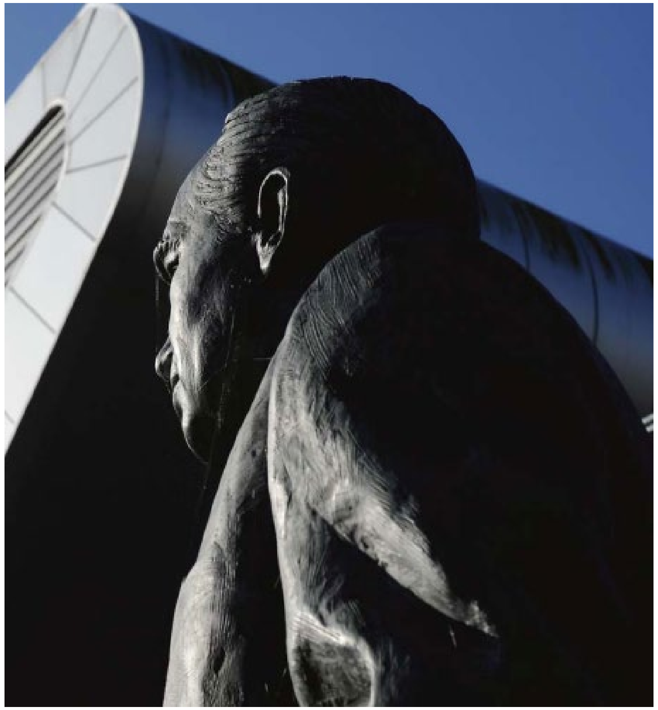
Suffolk Pension Fund has £3.361 billion invested within the ACCESS Pool, (£2.610 billion, 31 March 2023), which represents 79% of the Fund's investment assets (70%, 31 March 2023).

4. Basis of Preparation of Pension Fund Accounts

The Statement of Accounts summarises the Fund's transactions for the 2023-2024 financial year and its position as at 31 March 2024.

These accounts have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in United Kingdom 2023 - 2024', which is based upon International Financial Reporting Standards (IFRS).

The accounts do not take into account obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS 26) basis, is disclosed in Note 21 of these accounts.



Sir Alf Ramsey, Ipswich

5. Going Concern Statement

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023 - 2024 (the Code), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

In carrying out its assessment that this basis is appropriate, made to 30 September 2024, management of the Pension Fund have considered the additional qualitative and quantitative key requirements:

The basis for preparation is supported by legislation for local authorities, and the Code requirements on the basis of the continuation of services;

The Fund is cashflow positive meaning that the contributions received from the employers and members of the scheme exceed the benefits amount paid out. All employers within the fund are paying contributions as per the rates and adjustment certificate.

The improved funding position at the March 2022 valuation has resulted in many Employers paying lower contribution rates from 1 April 2023 which will reduce the income from contributions over the next 3 years. The Fund has forecast a positive cashflow for 2024 - 2025 and a negative cashflow of £5 million for 2025 - 2026, which can be met through surplus cash in the form of income from investments.

In line with Regulation 62 of the Local Government Pension Scheme Regulations 2013, the Fund's actuary carried out an interim valuation during 2023 - 2024. The Fund's assets were valued at £4.254 billion, with liabilities of £2.870 billion resulting in a funding level of 148%.

The Pension Fund has not utilised any borrowing during the 2023 - 2024 financial year or within the 2024 - 2025 year to date.

The Pension Fund has an allocation of 40.5% to equities, 28% to Bonds and 0.5% to cash, which are assets that could be liquidated to pay benefits should the need arise.

On this basis, the Pension Fund has a reasonable expectation that it will have adequate resources to continue in operational existence throughout the going concern period. For this reason, alongside the statutory guidance, the Fund continue to adopt the going concern basis in preparing these financial statements.

Spirits of Lowestoft, Lowestoft

6. Summary of Significant Accounting Policies

6.1 Fund Account - Revenue Recognition

Contribution Income

Normal contributions from members and employers are accounted for on an accruals basis at the percentage rate recommended by the actuary in the payroll period to which they relate.

Employers' deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary.

Employers' augmentation and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset.

Transfers to and from Other Schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the LGPS Regulations.

Individual transfers in/out of the scheme are accounted for when they have been received/paid, which is when the member's liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included within transfers in.

Group transfers are accounted for in accordance with the terms of the transfer agreement.

Investment Income

Investment income may include withholding tax which is disclosed as a separate item (taxes on income) on the face of the Fund Account. Investment income arising from the underlying investments of Pooled Investment Vehicles is reinvested in the vehicle and reflected in the unit price.

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 Asset Statement as a current financial asset.

Income from cash and other investments are accounted for on an accrual's basis.

Distributions from pooled funds are recognised at the date of issue and any amount not received by the end of the reporting period is disclosed in the Net Asset Statement as a current financial asset.

Movement in the Market Value of Investments

Movement in the net market value of investments is recognised as a realised or unrealised, gain or loss, during the year.

Walkway, Snape Maltings

6.2 Fund Account - Expenditure

Benefits Payable

Pensions and lump sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Asset Statement as a current financial liability.

Taxation

The Fund is a registered public service pension scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and is exempt from UK income tax on interest received and capital gains tax on proceeds of investments sold.

Income from overseas investments is subject to withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense.

Management Expenses

All management expenses are accounted for on an accrual's basis.

i) Administration Expenses and Oversight and Governance Expenses

Suffolk County Council staff costs are charged to the Pension Fund based on time spent. Accommodation and other overhead costs have also been apportioned.

ii) Investment Management Expenses

Investment management fees and performance fees are agreed in the respective mandates governing their appointment. These fees are based on the market value of the investments under management and therefore increase or decrease as the value of the investments change.

Transaction costs and custody fees are included in investment management expenses.

6.3 Net Asset Statement

Financial Assets

Financial assets are included in the Net Asset Statement on a fair value basis as at the reporting date. A financial asset is recognised on the date the Fund becomes party to the contractual acquisition of the asset. Any gains or losses arising from changes in the fair value from this date are recognised by the Fund.

The value of investments has been determined as follows:

Market Quoted Investments

Managed Funds are valued using the bid market price on 31 March 2024.

Property

Property is valued using the latest available Net Asset Value (NAV) or where a NAV is not available, assumptions based on the probable realisation value.

Unquoted Pooled Investment Vehicles

Unquoted Securities include pooled investments in Infrastructure, Illiquid Debt, Private Equity and Timberlands. Market quotations are not readily available. The value is based on the Fund's share of the net asset using the latest financial statements received from the respective fund manager and adjusted for capital calls and distributions received from that date to 31 March 2024.

Quoted Pooled Investment Vehicles

Pooled Investment Vehicles are valued at the closing bid price or at the closing single price, as available. The change in market value of accumulation funds includes income which is reinvested in the Fund net of applicable withholding tax.

Foreign Currency Transactions

Investments and cash held in foreign currencies have been valued on the relevant basis and translated into sterling at the rate as at 31 March 2024.

Derivatives

Derivative financial instruments are used to manage exposure to specific risks arising from investment activities and are not held for speculative purposes. Derivative contract assets are valued at bid price and liabilities are valued at offer price. Changes in the fair value are included in the change in market value.

Forward Foreign Exchange Contracts outstanding at the year-end are stated at fair value, which is determined as the loss or gain that would arise if the outstanding contract was required to be settled on 31 March 2024.

Cash and Cash Equivalents

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment purposes. Bank balances and cash held by the Pension Fund at 31 March 2024 are therefore cash equivalent sums. For short term investments there are no strict criteria to follow relating to the nature and maturity of these items.

The Pension Fund holds short term investments in Money Market Funds for the purpose of obtaining a gain or return.

Events after the Balance Sheet date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Pension Fund Accounts are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Pension Fund Accounts are adjusted to reflect such events.
- those that are indicative of conditions that arose after the reporting period – the Pension Fund Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Pension Fund Accounts.

Additional Voluntary Contributions

The Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. AVC's are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVC's are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (SI 2009/3093) but are disclosed as a note.

Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial codes.

As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Asset Statement.

7. Accounting Standards Issued, Not Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2023 – 2024 requires the disclosure of information relating to the expected impact of changes that will be required by a new standard that has been introduced but not yet adopted and applies to the adoption of the following disclosures as amended in the 2024 - 2025 code.

IFRS 16 – Leases.

IAS 8 - Definition of accounting estimates.

IAS 1 - Classification of current and non-current liabilities.

IAS 12 - Deferred tax.

IFRS 7/ IAS 7 - Supplier finance arrangements.

The code requires implementation of the above disclosure from 1 April 2024. These changes are not considered to have a material effect on the Pension Fund accounts of 2023 - 2024.

8. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 6, the Pension Fund has to make certain judgements about complex transactions or those involving uncertainty about future events. The main critical judgement that the Pension Fund must consider is the Pension Fund actuarial liability.

The Pension Fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 20 Funding Position. This estimate is subject to significant variances based on changes to the underlying assumptions.

The methodology used in calculating the Pension Fund’s liability, in conjunction with the Fund’s investment strategy means that the surplus or deficit can vary significantly over short periods of time, whilst the underlying funding strategy is based on a much longer timeline that smooths out the effects of extreme market volatility.

9. Assumptions made about the Future and other Sources of Estimation Uncertainty

The Pension Fund Accounts contain estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that actual outcomes could differ from those estimates and there is a risk that these investments may be under or overstated in the accounts. An analysis of the potential market movement range for these holdings is set out in Note 18e.

The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Actuarial Present Value of Promised Retirement Benefits
Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate 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, Hymans Robertson LLP are engaged to provide the Fund with expert advice about the assumptions to be applied.

Property
Pooled property investment vehicles are valued at closing bid prices if both bid and offer prices are published; or if single priced, at the closing single price. Pooled property funds have derived underlying assets that have been valued by independent external valuers on a fair value basis and in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards (9th Edition).

The property investment held with Schroders at 31 March 2024 is £306.180 million.

Private Equity
Private Equity investments are valued at fair value in accordance with IFRS and British Venture Capital Association guidelines. Both Pantheon and Wilshire have established procedures to report fair value on a consistent, transparent and prudent basis. These investments are illiquid and are not publicly listed and as such there is a high degree of estimation involved in the valuation.

The unquoted Private Equity investments at 31 March 2024 are £117.728 million with Pantheon and £4.255 million with Wilshire.

Infrastructure
Infrastructure investments are valued through a fair market value process designed in accordance with IFRS. These investments are not publicly listed and as such there is a high degree of estimation involved in the valuation.

The Infrastructure investments held with Partners, M&G, KKR and JP Morgan at 31 March 2024 are £48.876 million, £69.390 million, £43.985 and £223.169 million respectively.

Illiquid Debt
Illiquid Debt is valued by a valuation agent who will use an independent pricing source to value most loans at market value or a probable realisation valuation method if market quotations are not readily available. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.

Illiquid Debt is held with M&G and includes the Debt Opportunity investments, the Illiquid Credit Opportunity Fund and the Debt Solutions Fund totalling £28.067 million and a Multi Asset Credit Fund held with Partners Group valued at £116.274 million as at 31 March 2024.


Memorial to Sir Daniel Cooper Bart, Newmarket

10. Contributions Received and Benefits Paid during the Year

2022 - 2023				2023 - 2024		
Employers' Contributions £ million	Employees' Contributions £ million	Benefits Paid £ million		**Employers' Contributions £ million**	**Employees' Contributions £ million**	**Benefits Paid £ million**
39.428	11.171	-51.584	Suffolk County Council	37.373	12.562	-58.662
63.506	16.103	-56.766	Other Scheduled and Resolution Bodies	65.533	18.018	-61.096
2.569	0.781	-2.986	Admitted Bodies	1.833	0.683	-7.326
105.503	28.055	-111.336	**Total**	**104.739**	**31.263**	**-127.084**

Employer contributions are the ongoing contributions paid into the scheme by the employers in accordance with the rates and adjustments certificate provided by the actuary, which sets out the contribution rates for all the employers in the Fund.

Employer contributions are made up of two elements:
a) The primary rate which is the level sufficient to cover all new benefits
b) The secondary rate which are the costs associated with sufficiently funding benefits accrued up to the valuation date.

Included within the employer normal contributions of £103.626 million shown in the Fund account, is an amount of £1.748 million which represents the secondary rate paid within the employers' percentage (£3.929 million in 2022 - 2023).

The additional employer contribution identified separately on the Fund account of £0.049 million (£2.922 million in 2022 - 2023), refers to those employers funding their secondary rate by means of lump sum payments.

The Fund undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the next three-year period. 2023 - 2024 was the first year in the three-year period following the 31 March 2022 valuation for the contribution rates set by the actuary to reflect a and b above.

A list of employers and their contribution rates is available on the Suffolk Pension Fund website at www.suffolkpensionfund.org.

11. Management Expenses

2022 - 2023 £ million		**2023 - 2024 £ million**
15.449	Investment Management Expenses	12.253
1.429	Administration Expenses	1.668
0.684	Oversight and Governance Costs	0.692
17.562		14.613

Management expenses are categorised into investment management expenses, administration expenses and oversight and governance costs in accordance with the CIPFA guidance to Accounting for Local Government Pension Scheme Management Costs.

Administration Expenses includes costs associated with members, pensioners and scheme employers. This would include all activities associated with pension administration - staff costs, IT, membership fees and subscriptions.

Oversight and Governance Costs includes costs incurred in the monitoring of investments, investment advisory services, independent advisors, support to the Pension Fund Committee and Pension Board, voting services, costs associated with the production of statutory and non-statutory reporting, legal services, actuarial services, audit services and accountancy services.

External audit fees charged by Ernst & Young for 2023 - 2024 were £0.094 million, (£0.028 million 2022 - 2023). The external fee for 2022 - 2023 is subject to change, depending on additional charges which may be made by the external auditors on high-risk areas. £0.015 million has been accrued for additional work.

£0.013 million has been received from the Department for Levelling Up, Housing and Communities to support the implementation of the Redmond Review recommendations, to meet the anticipated rise in fees for the 2023 - 2024 audits driven by new audit requirements.

Investment management expenses include costs that are incurred in association with the management of the Pension Fund assets and financial instruments, whether directly invoiced to the fund or deducted from the fund assets. This includes management fees, performance fees and investment transaction costs as below:

2022 - 2023 **Assets**	**Management Fees £ million**	**Performance Fees £ million**	**Transaction Costs £ million**	**Total £ million**
UK Equities		0.749		0.749
Pooled Investments				
Equities	0.285			0.285
Unit Linked Insurance Policies	0.459			0.459
Fixed Income	1.294		2.149	3.443
Property	0.880		0.023	0.903
Absolute Returns	0.669			0.669
Private Equity	2.123			2.123
Infrastructure	4.832	1.545		6.377
Illiquid Debt	0.365			0.365
Timberlands	0.042			0.042
Total Investment Expenses	10.949	2.294	2.172	15.415
Custody	0.034			0.034
Total Investment Management Expenses	10.983	2.294	2.172	15.449

2023 - 2024 **Assets**	**Management Fees £ million**	**Performance Fees £ million**	**Transaction Costs £ million**	**Total £ million**
Pooled Investments				
Equities	0.184		0.066	0.250
Unit Linked Insurance Policies	0.488			0.488
Fixed Income	0.159		0.432	0.591
Property	1.088			1.088
Absolute Returns	0.291			0.291
Private Equity	1.476	0.000		1.476
Infrastructure	3.689	0.651		4.340
Illiquid Debt	2.724	0.978		3.702
Money Market	-0.013			-0.013
Total Investment Expenses	10.086	1.629	0.498	12.213
Custody	0.040			0.040
Total Investment Management Expenses	10.126	1.629	0.498	12.253

Question Mark, Ipswich

12. Analysis of the Market Value of Investments by Investment Manager

31 March 2023 Market Value £ million	31 March 2023 Percentage of Assets %		31 March 2024 Market Value £ million	31 March 2024 Percentage of Assets %
		Investments managed within the ACCESS Pool		
1,603.749	**42.84%**	Waystone	1963.037	**46.30%**
1,006.746	**26.91%**	UBS Group	1174.539	**27.72%**
0.000	**0.00%**	JP Morgan	223.169	**5.27%**
2,610.495	**69.75%**	**Total within the ACCESS Pool**	**3,360.745**	**79.29%**
		Investments managed outside the ACCESS Pool		
0.235	**0.01%**	Brookfield Asset Management	0.041	**0.00%**
0.061	**0.00%**	Cambridge Research & Innovation Limited	0.026	**0.00%**
224.875	**6.01%**	JP Morgan	0.000	**0.00%**
28.715	**0.77%**	Kohlberg, Kravis, Roberts	43.985	**1.04%**
98.813	**2.64%**	M&G Investments	97.458	**2.30%**
20.420	**0.55%**	Northern Trust	13.091	**0.31%**
157.414	**4.21%**	Pantheon Ventures	161.771	**3.82%**
133.029	**3.56%**	Partners Group	165.149	**3.90%**
140.959	**3.77%**	Pyrford International	69.580	**1.64%**
318.754	**8.52%**	Schroder Property Investment Management	321.619	**7.60%**
7.955	**0.21%**	Wilshire Associates	4.255	**0.10%**
1,131.230	**30.25%**	**Total outside the ACCESS Pool**	**876.975**	**20.71%**

Waystone Management UK Ltd are the Authorised Contractual Scheme operator of the ACCESS Pool. The UBS Group and JP Morgan investments are managed within the ACCESS Pool on a pool governance basis. JP Morgan became pool aligned during the 2023 - 2024 financial year.

The Northern Trust holding is the surplus cash invested in money market funds.

The Multi Asset Credit mandates with Partners Group, the Infrastructure mandate with Kohlberg, Kravis, Roberts, the Private Equity mandate with Pantheon Ventures Investments, and the Debt Solutions Fund and Infracapital Fund with M&G have been funded as investment opportunities are identified by the investment managers. These investments are funded from surplus cash and from the Pyrford International mandate.

The Debt Opportunity mandate with M&G, Private Equity with Wilshire and Infrastructure with Partners Group are mature investments that are returning funds as the investments are realised.

13. Reconciliation of Movements in Investments and Derivatives

	Opening Market Value 31 March 2022 £ million	Purchases £ million	Sales £ million	Change in Market Value £ million	Closing Market Value 31 March 2023 £ million
Quoted					
Pooled Investment Vehicles:					
Equities	813.781	15.513	-	-1.992	827.302
Fixed Income	765.601	384.693	-368.232	-5.615	776.447
Unit linked insurance policies	1,030.112	15.000	0.000	-38.366	1,006.746
Other Managed Funds	260.514	608.432	-643.357	-9.925	215.664
Unquoted					
Pooled Investment Vehicles:					
Other Managed Funds	527.448	115.660	-58.407	34.056	618.757
Property	343.274	31.518	-26.046	-51.937	296.809
Total of Investments	**3,740.730**	**1,170.816**	**-1,096.042**	**-73.779**	**3,741.725**

	Opening Market Value 31 March 2022 £ million	Movement in Cash Balance £ million	Impairment of Investments £ million	Change in Market Value £ million	Closing Market Value 31 March 2023 £ million
Other Investment Balances:					
Cash Held for Investment	5.145	-4.250	-	-0.186	0.709
Net Investments	**5.145**	**-4.250**	**-**	**-0.186**	**0.709**

The change in market value of -£73.965 million (-£73.779 million and -£0.186 million) is £9.823 million different than the change in market value on the Fund Account of -£64.142 million. The difference is caused by indirect management fees which are charged against the NAV and not directly to the Fund.

The Pooled Investment Vehicles are managed by fund managers registered in the UK.

	Opening Market Value 31 March 2023 £ million	Purchases £ million	Sales £ million	Change in Market Value £ million	Closing Market Value 31 March 2024 £ million
Quoted					
Pooled Investment Vehicles:					
Equities	827.302	57.112	-60.066	148.469	972.817
Fixed Income	776.447	154.522	0.000	59.251	990.220
Unit linked insurance policies	1,006.746	25.000	-39.949	182.743	1,174.540
Other Managed Funds	215.664	291.217	-382.207	17.478	142.152
Unquoted					
Pooled Investment Vehicles:					
Other Managed Funds	618.757	64.819	-13.184	-18.581	651.811
Property	296.809	24.969	-4.038	-11.560	306.180
Total of Investments	**3,741.725**	**617.639**	**-499.444**	**377.800**	**4,237.720**

	Closing Market Value 31 March 2023 £ million	Movement in Cash Balance £ million	Impairment of Investments £ million	Change in Market Value £ million	Closing Market Value 31 March 2024 £ million
Other Investment Balances:					
Cash Held for Investment	0.709	3.084	-	-0.223	3.570
Net Investments	**0.709**	**3.084**	**-**	**-0.223**	**3.570**

The change in market value of £377.577 million (£377.800 million and -£0.223 million) is £9.791 million different than the change in market value on the Fund Account of £387.368 million. The difference is caused by indirect management fees and transaction costs which are charged against the NAV and not directly to the Fund.

The Pooled Investment Vehicles are managed by fund managers registered in the UK.

Pairs of Tritons, Lowestoft

14. Analysis of Investments (excluding Cash and Derivatives)

Market Value 31 March 2023 £ million	£ million		Market Value 31 March 2024 £ million	£ million
		Pooled Investment Vehicles - Quoted		
	827.302	Equities		972.817
	776.447	Fixed Income		990.220
	1,006.746	Unit Linked Insurance Policies		1,174.540
		Other Managed Funds		
140.959		Absolute Returns	69.580	
42.365		Money Market Funds	28.528	
32.340		Private Equity	44.044	
215.664		Total Quoted Other Managed Funds	142.152	
		Pooled Investment Vehicles - Unquoted		
		Other Managed Funds		
106.195		Illiquid Debt	144.341	
379.237		Infrastructure	385.420	
133.090		Private Equity	122.009	
0.235		Timberlands	0.041	
618.757		Total Unquoted Other Managed Funds	651.811	
	834.421	Total Other Managed Funds		793.963
	296.809	Property		306.180
	3,741.725	**Total**		**4,237.720**

The table above breaks down the Pooled Investment Vehicles and further analyses the Other Managed Funds. These investments are either quoted (they are traded on an exchange and have a visible market valuation) or unquoted (stocks that are not traded on an exchange and are difficult to value).

15. Holdings Above 5% of the Fund

This is a summary of the individual holdings within the Fund which exceed 5% of the total net assets available to pay benefits as at the balance sheet date.

Market Value 31 March 2023 £ million	Percentage of the Fund 31 March 2023	Asset Type	Manager
551.208	14.73%	Climate Aware	UBS
519.456	13.88%	Global Equity - Newton	Link Fund Solutions
403.435	10.78%	Fixed Income - M&G	Link Fund Solutions
373.013	9.97%	Fixed Income - Janus Henderson	Link Fund Solutions
308.518	8.24%	Low Carbon Transition Fund	UBS
307.847	8.23%	UK Equity - Blackrock	Link Fund Solutions
224.875	6.01%	Infrastructure Investment Fund	JP Morgan

Market Value 31 March 2024 £ million	Percentage of the Fund 31 March 2024	Asset Type	Manager
657.180	15.49%	Climate Aware	UBS
581.682	13.71%	Global Equity - Newton	Waystone Management UK Ltd
496.417	11.70%	Fixed Income - Janus Henderson	Waystone Management UK Ltd
493.803	11.64%	Fixed Income - M&G	Waystone Management UK Ltd
358.766	8.46%	Low Carbon Transition Fund	UBS
349.411	8.24%	UK Equity - Blackrock	Waystone Management UK Ltd
223.169	5.26%	Infrastructure Investment Fund	JP Morgan

16. Analysis of Derivatives

The Pension Fund's investment managers are permitted to use derivatives in the management of their mandates, subject to the restrictions set out in the individual manager's investment management agreement. The investment managers will make use of currency hedging for the purpose of reducing exchange rate risk in the investments held in their mandates.

In order to maintain appropriate diversification and to take advantage of overseas investment returns, the fund switched its Low Carbon Transition Fund holding with UBS, into the sterling hedged version. This was implemented in April 2023. The holding as at 31 March 2024 was £358.766 million.

17a. Financial Instruments – Classification

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 table below analyses the carrying amounts of financial assets and liabilities by category and Net Asset Statement heading, excluding statutory creditors (prepayments from employers, transfer values, lump sum benefit payments, payroll adjustments) and statutory debtors, (employer and employee contributions, VAT, transfer values and capital cost of retirement).

31 March 2023				31 March 2024		
Designated as Fair Value through Profit & Loss £ million	Assets at Amortised Cost £ million	Financial Liabilities at Amortised Cost £ million		Designated as Fair Value through Profit & Loss £ million	Assets at Amortised Cost £ million	Financial Liabilities at Amortised Cost £ million
			Financial Assets			
827.302			Pooled Investments - Equities	972.817		
776.447			Pooled Investments - Fixed Income	990.220		
1,006.746			Pooled Investments - Unit Linked Insurance	1,174.540		
296.809			Pooled Investments - Property	306.180		
834.421			Pooled Investments - Other Managed Funds	793.963		
	0.709		Other Investment Balances		3.570	
	2.500		Debtors		2.097	
	7.083		Cash		7.308	-1.319
3,741.725	10.292	0.000	Total Financial Assets	4,237.720	12.975	-1.319
			Financial Liabilities			
		-2.069	Creditors			-4.133
0.000	0.000	-2.069	Total Financial Liabilities	0.000	0.000	-4.133
3,741.725	10.292	-2.069	Total	4,237.720	12.975	-5.452

The debtor figure of £2.097 million above (£2.500 million at 31 March 2023) excludes statutory debtors of £9.936 million (£11.786 million at 31 March 2023).

The creditor figure of £4.133 million above (£2.069 million at 31 March 2023) excludes statutory creditors of £2.382 million (£2.861 million at 31 March 2023).
No financial assets were reclassified during the accounting period.

17b. Net Gains and Losses on Financial Instruments

31 March 2023 £ million	Financial Assets	31 March 2024 £ million
-73.779	Fair value through profit and loss	377.800
-0.186	Amortised cost - unrealised gains	-0.223
	Financial Liabilities	
0.000	Fair value through profit and loss	0.000
-73.965	**Total**	**377.577**

18a. Fair Value Hierarchy

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

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

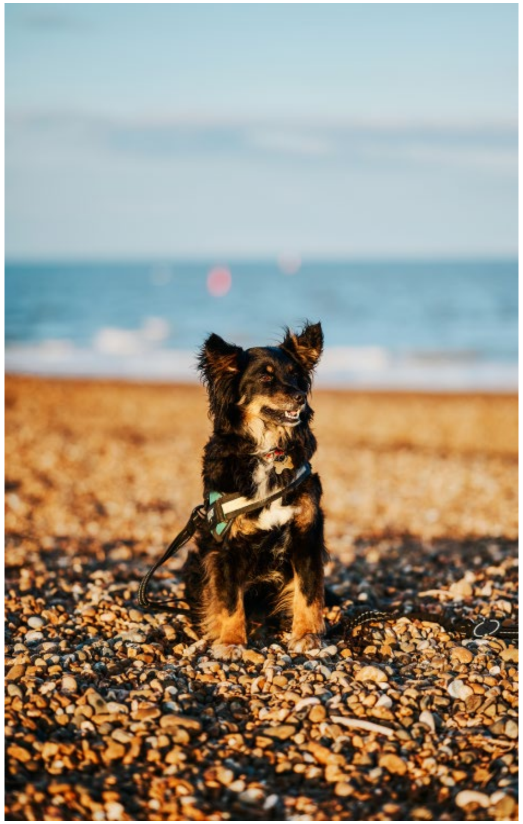
Listed investments are shown at bid price. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2
Financial instruments 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 and where these techniques use inputs that are based significantly on observable market data.

Assets classified as level 2 include pooled equity and fixed income investments.

Level 3
Financial instruments 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.

These instruments would include unquoted investments such as Property, Private Equity, Infrastructure, Illiquid Debt and Timberlands, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.


Shingle Street

18.b Fair Value - Basis of valuation

The basis of valuation for each class of investment asset is set out below:

Asset	Valuation Hierarchy	Basis of Valuation	Observable and Unobservable inputs	Key Sensitivities affecting the Valuations
Market Quoted Equities Money Market Funds Absolute Returns	Level 1	Published bid market price	N/A	N/A
Unit Linked Life Assurance Policies Equity Pooled Funds	Level 2	Valuation technique with quoted prices of a similar asset	Price of recent transactions for identical instrument	Significant change in economic circumstances or time lapse since the transaction took place.
Fixed Income	Level 2	The prices are published reflecting the NAV at each dealing point but are not exchange traded	Price of recent transactions for identical instrument	Significant change in economic circumstances or time lapse since the transaction took place.
Property	Level 3	Assets are priced based on valuations received from the Managers which are determined in accordance with the last known NAV and adjusted for subsequent capital calls and distributions and other relevant information provided by the property fund.	Pricing inputs are unobservable and includes situations where there is little market activity. Estimated rental growth. Covenant strength for existing tenancies. Discount rate. Land/Building valuation surveys.	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices and volumes of sales and purchases
Illiquid Debt	Level 3	The valuation techniques used include comparison to recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option adjusted spread models and, if applicable, enterprise valuation.	These techniques may include a number of assumptions relating to variables such as credit risk and interest rates.	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Funds reporting date, by changes to expected cash flows, earning multiples and discount rates used in the discounted cash flow analysis.
Private Equity	Level 3	The valuation of the investments are carried at fair value as determined in good faith by the General Partner in accordance with the terms of the Partnership Agreement and US GAAP.	Management's cash flow projections Estimates of growth expectations and profitability Profit margin expectations Adjustments to current prices for similar assets valuation techniques	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Funds reporting date, by changes to expected cash flows, earning multiples and discount rates used in the discounted cash flow analysis.
Infrastructure	Level 3	The valuation of the investment assets is determined in accordance with generally accepted valuation principles in compliance with article 5(3) of the Luxembourg law of 15 June 2004 on investment companies in risk capital.	Management's cash flow projections. Estimates of growth expectations and profitability. Profit margin expectations. Adjustments to current prices for similar properties	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Funds reporting date by changes to expected cash flows and fair value adjustments

Henry Moore sculpture at Snape Maltings

18.c Valuation of Financial Instruments Carried at Fair Value

Values at 31 March 2023	Quoted Market Price Level 1 £ million	Using Observable Inputs Level 2 £ million	With Significant Unobservable Inputs Level 3 £ million	Total £ million
Financial Assets				
Fair value through profit and loss	74.704	2,751.455	915.566	3,741.725
Assets at amortised cost	10.292			10.292
Total Financial Assets	**84.996**	**2,751.455**	**915.566**	**3,752.016**
Financial Liabilities				
Fair value through profit and loss				
Financial Liabilites at amortised cost	-2.069			-2.069
Total Financial Liabilities	**-2.069**	**0.000**	**0.000**	**-2.069**
Net Financial Assets	**82.927**	**2,751.455**	**915.566**	**3,749.948**

Values at 31 March 2024	Quoted Market Price Level 1 £ million	Using Observable Inputs Level 2 £ million	With Significant Unobservable Inputs Level 3 £ million	Total £ million
Financial Assets				
Fair value through profit and loss	72.571	3,207.158	957.991	4,237.720
Assets at amortised cost	12.975			12.975
Total Financial Assets	**85.546**	**3,207.158**	**957.991**	**4,250.695**
Financial Liabilities				
Fair value through profit and loss				
Financial Liabilites at amortised cost	-5.452			-5.452
Total Financial Liabilities	**-5.452**	**0.000**	**0.000**	**-5.452**
Net Financial Assets	**80.094**	**3,207.158**	**957.991**	**4,245.243**

18.d Reconciliation of Fair Value measurements within Level 3

Assets	Opening Market Value 01 April 2022 £ million	Purchases £ million	Sales £ million	Realised Gains/(Losses) £ million	Unrealised Gains/(Losses) £ million	Closing Market Value 31 March 2023 £ million
Property	343.274	31.518	-26.046	4.112	-56.049	296.809
Illiquid Debt	95.674	22.307	-11.662	0.323	-0.448	106.195
Infrastructure	288.479	87.915	-25.165	3.105	24.903	379.237
Private Equity	135.285	5.438	-13.502	10.137	-4.268	133.090
Timberlands	8.010	0.000	-8.078	2.632	-2.329	0.235
Total of Investments	**870.722**	**147.179**	**-84.453**	**20.309**	**-38.191**	**915.566**

Assets	Opening Market Value 01 April 2023 £ million	Purchases £ million	Sales £ million	Realised Gains/(Losses) £ million	Unrealised Gains/(Losses) £ million	Closing Market Value 31 March 2024 £ million
Property	296.809	24.969	-4.038	1.271	-12.831	306.180
Illiquid Debt	106.195	41.773	-5.545	0.022	1.896	144.341
Infrastructure	379.237	19.108	5.307	- 2.249	-15.983	385.420
Private Equity	133.090	3.938	-12.946	9.303	-11.376	122.009
Timberlands	0.235	0.000	0.000	-	-0.194	0.041
Total of Investments	**915.566**	**89.788**	**-17.222**	**8.347**	**-38.488**	**957.991**

George, Sunset at Levington

18.e Sensitivity of assets values at Level 3

An analysis of historical data and expected investment return movements by Hymans Robertson has determined a potential market movement range for the value of the holdings classified as level 3 as below:

	Market Value 31 March 2023 £ million	Valuation Range	Value on Increase £ million	Value on Decrease £ million
Property	296.809	15.5%	342.815	250.804
Illiquid Debt	106.195	8.3%	115.009	97.381
Infrastructure	379.237	16.0%	439.915	318.558
Private Equity	133.090	31.2%	174.614	91.566
Timberlands	0.235	16.0%	0.273	0.197
Total of Investments	**915.566**		**1,072.626**	**758.506**

	Market Value 31 March 2024 £ million	Valuation Range	Value on Increase £ million	Value on Decrease £ million
Property	306.180	15.6%	353.944	258.416
Illiquid Debt	144.341	7.7%	155.455	133.227
Infrastructure	385.420	13.6%	437.837	333.003
Private Equity	122.009	31.2%	160.076	83.942
Timberlands	0.041	13.6%	0.046	0.035
Total of Investments	**957.991**		**1,107.358**	**808.623**

19. Nature and Extent of Risks Arising from Financial Instruments

The fund's primary long-term risk is that the fund's assets will fall short of its liabilities of benefits payable to members. The aim therefore of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole fund portfolio.

This risk is minimised through asset diversification to reduce exposure to market risk and credit risk to an acceptable level. The liquidity risk is managed by ensuring there is sufficient liquidity to meet the fund's forecast cash flows, which forms part of the Pension Fund's overall risk management policy.

Responsibility for the fund's risk management strategy rests with the Pension Fund Committee. Risk management policies are established to identify and analyse the risks and are reviewed regularly to reflect changes in activity and market conditions.

The key risks that have been identified are:

A. Credit risk
B. Liquidity risk
C. Market risk
D. Interest Rate Risk
E. Currency Risk
F. Price Risk
G. Custody
H. Investment Management
I. Sensitivity of Funding position to market conditions and investment performance

A. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to another party by failing to meet its obligations.

The Fund is exposed to credit risk in its operational activities through securities lending, forward currency contracts and treasury management activities. Commercial credit risk also arises with those organisations that pay monies over to the Fund (debtors) as part of the administration function, principally contributions from employers and transfers in from other registered pension schemes.

Fund monitors the monthly receipt of contributions from employers. The Funding Strategy Statement requires safeguards to be in place for all new admission agreements to protect the Fund from an employer default, primarily through a guarantee from a tax-backed scheme employer for any new employer in the Fund. An analysis of debtor balances at 31 March 2024 is provided in Note 22.

The Fund's bank account is held with Lloyds Bank Plc, which is also banker to Suffolk County Council the Administering Authority for the Pension Fund. The bank held a Long-Term rating of 'A+' (strong) with Standard and Poor and with Fitch as at March 2024. The management of this cash held for the purpose of managing the cashflow was carried out by the Council's Treasury Management team in accordance with the cash management strategy approved by the Pension Fund Committee. The Fund has had no occasion of default or uncollectable deposits.

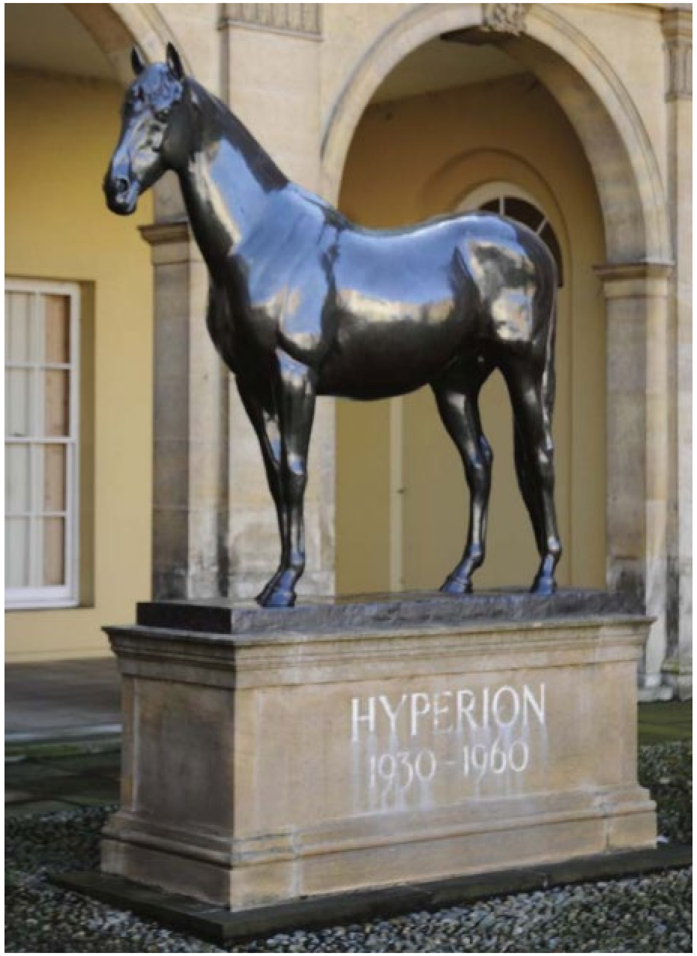
The Fund's cash pending allocation for investment, is held within the custody system in the bank account of the custodian, Northern Trust.

At 31 March 2024, £5.989 million was with Lloyds (£7.083 million at March 2023). Cash deposited with Northern Trust amounted to £16.982 million at 31 March 2024 (£21.128 million at March 2023) and Schroders held £15.117 million in their money market fund, (£21.945 million at March 2023).

B. Liquidity risk

Liquidity risk is the risk that the Fund will have insufficient liquid assets (cash) to meet its investment or benefit obligations as they fall due. The Pension Fund takes steps to ensure it has adequate cash resources to meet its commitments.

The Pension Fund holds sufficient working capital to ensure that it has cash available to meet benefit and transfer payments and cash drawdown requirements in respect of certain investment transactions. Within mandates it is the responsibility of the individual managers to ensure that they have sufficient funds available to meet the transactions they enter into on behalf of the Fund. These responsibilities are detailed within the investment management agreements. At an investment level a large proportion of the Fund's investments are held in instruments that can be realised at short notice if a cash flow need arose. Certain investments, particularly property, unquoted private equity, illiquid debt, timberlands and infrastructure funds are considerably less liquid, but these make up a far smaller proportion of the overall portfolio, £957.991 million, 23% (£915.566 million, 24% at March 2023).



Hyperion, Newmarket

C. Market risk

Market risk is the risk that the fair value of cash flows of a financial instrument will fluctuate due to changes in market sentiment. Market risk reflects interest rate, currency and other price risk.

Market risk is inherent in the investments that the Fund makes. To mitigate market risk the investments are made in a diversified set of asset classes and investment approaches to ensure a risk adjusted balance between categories. The Fund takes formal advice from its independent investment advisers (Hymans Robertson LLP and Mark Stevens) and the portfolio is split between a number of managers and investment strategies with different benchmarks and performance targets. Full details can be found in the investment strategy statement that is available at www.suffolkpensionfund.org. Investment risk and strategy are regularly reviewed by the Pension Fund Committee.

D. Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Pension Fund's exposure to interest rate movements from its investments in fixed interest securities and cash and cash equivalents which includes the custodian money market fund and cash held for investment.

The Pension Fund recognises that interest rates can vary and can affect both income to the fund and the value of the net assets. A 100-basis point (BPS) movement in interest rates (equivalent to 1%) is consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

The analysis overleaf, assumes that all other variables remain constant and shows the effect in the year of a +/- 100 BPS change in interest rates on the cash available to pay benefits.

Asset Type	Value as at 31 March 2023 £ million	Change + 100 BP's £ million	Change - 100 BP's £ million
Cash held for Deposit	7.082	0.071	-0.071
Cash and Cash Equivalent	43.073	0.431	-0.431
Total Assets	**50.156**	**0.502**	**-0.502**

Asset Type	Value as at 31 March 2024 £ million	Change + 100 BP's £ million	Change - 100 BP's £ million
Cash held for Deposit	5.989	0.060	-0.060
Cash and Cash Equivalent	32.099	0.321	-0.321
Total Assets	**38.087**	**0.381**	**-0.381**


Call of the Sea, Lowestoft

E. Currency Risk

Currency risk is the extent to which the Pension Fund is exposed to fluctuations in exchange rates and the impact these fluctuations have on the sterling valuation of assets denominated in foreign currency.

The one year expected standard deviation for an individual currency as at 31 March 2024 is 9.3% (as provided by Hymans Robertson). This is based on the assumption that there is no diversification with other assets and that all other variables, in particular interest rates remain constant.

The foreign exchange rate movement exposure to the strengthening or weakening of sterling against the various currencies in which the fund holds investments which are not hedged to sterling are as follows:

Asset Type	Value as at 31 March 2023 £ million	Potential Market Movement £ million	Value on Increase £ million	Value on Decrease £ million
Overseas Equities	519.456	51.426	570.882	468.030
Overseas Index Linked Equitie	896.105	88.714	984.820	807.391
Alternative Investments	445.000	44.055	489.054	400.945
Total overseas assets	**1,860.561**	**184.195**	**2,044.756**	**1,676.366**

Asset Type	Value as at 31 March 2024 £ million	Potential Market Movement £ million	Value on Increase £ million	Value on Decrease £ million
Overseas Equities	623.406	57.977	681.382	565.429
Overseas Index Linked Equit	1,015.946	94.483	1,110.430	921.463
Alternative Investments	438.053	40.739	478.792	397.314
Total overseas assets	**2,077.405**	**193.199**	**2,270.604**	**1,884.206**

F. Price Risk

Price risk is the risk of volatility in the valuation of the assets held by the Fund. The level of volatility will vary by asset class and also over time. The Fund has some diversification in the asset classes in which it invests, which seeks to reduce the correlation of price movements between different asset types, while employing specialist investment managers to best deploy capital in line with the Fund's overall strategy.

An analysis of historical data and expected investment return movements by Hymans Robertson has resulted in a potential market movement price risk index for each asset type. If the market price of the fund's investments increase or decrease in line with the potential market movements then the change in the value of the net assets would be as follows:

Asset Type	Value as at 31 March 2023 £ million	Change %	Value on Increase £ million	Value on Decrease £ million
Equities	827.302	18.70	982.008	672.597
Fixed Income	776.447	7.50	834.681	718.214
Index Linked	1,006.746	17.90	1,186.953	826.538
Cash & FFX	0.709	0.30	0.711	0.707
Money Markets	42.365	2.00	43.212	41.517
Property	296.809	15.50	342.815	250.804
Alternatives	792.056	16.88	925.755	658.357
Total Assets	**3,742.434**		**4,316.134**	**3,168.734**

Asset Type	Value as at 31 March 2024 £ million	Change %	Value on Increase £ million	Value on Decrease £ million
Equities	972.817	16.72	1,135.472	810.162
Fixed Income	990.220	7.50	1,064.486	915.953
Index Linked	1,174.540	15.40	1,355.418	993.660
Cash & FFX	3.570	0.30	3.581	3.559
Money Markets	28.528	2.00	29.099	27.958
Property	306.180	15.50	353.638	258.722
Alternatives	765.435	15.80	886.373	644.497
Total Assets	**4,241.290**		**4,828.067**	**3,654.511**

G. Custody

The Fund appointed Northern Trust as its global custodian with responsibility for safeguarding the assets of the Fund. Northern Trust is an established custodian bank and were appointed as the Fund's custodian in 2021 following a national framework tendering process. Quarterly reconciliations are performed between the underlying records of the custodian and the appointed investment managers.

H. Investment Management

The Fund has appointed a number of investment managers to manage portions of the Fund. An Investment Management Agreement is in place for each relationship. All appointments meet the requirements set out in the LGPS investment regulations. Managers' report performance on a quarterly basis and this is monitored and reported to Pension Fund Committee. The Fund makes use of a third-party performance measurement service provided by Northern Trust. All managers have regular review meetings and discussions with members of the Pension Fund Committee, officers and the Independent Financial Adviser Mark Stevens.

I. Sensitivity of Funding position to market conditions and investment performance

When preparing the formal valuation, the Actuary takes the assets of the Fund at the market value on the valuation date. Volatility in investment performance as a result of market risk factors can have an immediate effect on the funding level and deficit. This is particularly relevant because the Fund is invested predominantly in riskier (and historically higher return) assets such as equities and equity-like investments (e.g., property trusts). A rise or fall in the level of equity prices can have a direct impact on the financial position of the Fund.

Less obvious is the effect of anticipated investment performance on the Fund's liability to pay future pension benefits. Here the returns available on government bonds (gilts) are important, as the discount rate that is used to place a value on liabilities is the gilt yield at the valuation date plus a margin of 1.8% per annum. Effectively if the gilt yield rises the discount rate will increase and all other things being equal the value placed on liabilities will fall. If the Fund was invested entirely in gilts rather than potentially higher returning assets the discount rate would be lower as no margin for the expected-out performance of the Fund's investments over gilts could be assumed.

The Drums to the Fore and Aft, Woodbridge

20. Funding Position

In line with Regulation 62 of the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period.

An actuarial valuation uses economic and demographic assumptions in order to estimate future liabilities of pensions payable. The assumptions are typically based on a mix of statistical studies and experienced judgement. Hymans Robertson LLP provides the Fund’s Actuarial appraisal.

The key elements of the funding policy are:
- To take a prudent long-term view to secure the long-term solvency of the Fund, with sufficient funds to pay benefits to members and their dependents
- Use a balanced investment strategy to minimise long-term cash contributions from employers for long term efficiency.
- To ensure that employer contributions rates are as stable as possible.
- To reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so.
- To use reasonable measures to reduce the risk to other employers and ultimately to the council taxpayer from an employer defaulting on its pension’s obligations.

The primary objective of the Fund is to set employer contribution rates that will adequately cover the cost of benefits which will accrue in the future and any costs related to benefits already earned.
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Formal Valuation

The last formal three-yearly actuarial valuation was carried out as at 31 March 2022. The valuation report sets out the rates of the employer’s contributions for the three years starting 1 April 2023. The valuation was based on:
- Meeting the requirements of the Local Government Pension Regulations.
- 100% funding of future liabilities for service completed to 31 March 2022.
- The ‘projected unit method’ of actuarial valuation.

Financial Assumptions

Financial assumptions typically try to forecast when benefits will come into payment, what form these will take and how much the benefits will cost the Fund in the future. The financial assumptions included in the valuation are as follows:

- Projected investment returns of 3.7% per year
- Projected increase in future salaries of 3.7% a year.
- Projected pension increases of 2.7% a year. (CPI)

Funding Position

The actuary uses the market value of the Fund's assets as stated in the audited accounts of March 2022. The actuarial assessment of the value of the fund’s assets was £3,756 million as at 31 March 2022 and the liabilities at £3,522 million.

The valuation showed that the Fund’s assets covered 107% of its liabilities at the valuation date, and the surplus based on the actuarial valuation was £235 million.

Contribution Rates

The Fund actuary uses a model to project each employer’s asset share over a range of future economic scenarios. The contribution rate takes each employer’s assets into account as well as the projected benefits due to their members.

Employer contributions are made up of two elements:

- the primary contribution rate – contributions payable to cover all future benefits.

- the secondary contribution rate – costs associated with sufficiently funding benefits accrued up to the valuation date.

The total contribution rate for each employer is then based on:

- the funding target – how much money the Fund aims to hold for each employer,
- the time horizon – the time over which the employer aims to achieve the funding target,
- the likelihood of success – the proportion of modelled scenarios where the funding target is met.

This approach takes into account the maturing profile of the membership when setting employer contribution rates.

The whole fund primary rate (payroll weighted average of the underlying individual employer rates) is 20.0% of pensionable pay for the three years starting 1 April 2023.

The average employee contribution rate is 6.6% of pensionable pay.

The next formal valuation is as at 31 March 2025.

21. 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 every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year.

In 2015 the Government introduced reforms to public sector pensions, meaning most public sector workers were moved into new pension schemes in 2015 with transitional protections introduced for older members. In December 2018, the Court of Appeal ruled that the ‘transitional protection’ offered to some members of the judicial and fire fighters’ schemes, as part of the reforms, amounted to unlawful discrimination on the basis of age discrimination. This ruling does have implications for the Local Government Pension Scheme.

As part of the introduced reforms the LGPS changed from a final salary scheme (a pension based on the members salary when they left) to a career average scheme (a pension which is built up based on what the member earnt each year)

Older members who were closer to retirement were protected from the changes. This means when a protected member takes their pension, the benefits payable under the career average scheme are compared with the benefits that would have been built up, had the final salary scheme continued and they receive the higher amount. This protection is called the underpin.

To remove the McCloud age discrimination, qualifying younger members will now receive the underpin protection too. This change will come into force on 1 October 2023. Underpin protection only applies to pension built up in the remedy period, between 1 April 2014 and 31 March 2022. From 1 April 2022, there is no underpin protection. Pension built up after this date is based on the career average scheme only.

The cost to the Suffolk Pension Fund of the McCloud remedy has been built into the valuation and funding position by the Fund's actuary.

In June 2023, the UK High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The judgment has now been upheld by the Court of Appeal.

The Local Government Pension Scheme is a contracted out defined benefit scheme and amendments have been made during the period 1996 to 2016 which could impact member benefits. Work is being performed by the Government Actuary’s Department as the Local Government Pension Scheme actuary to assess whether section 37 certificates are in place for all amendments and some of these have been confirmed however, at the date of these financial statements, the full assessment is not complete.

Until this analysis is complete, we are unable to conclude whether there is any impact on the assessed actuarial present value of promised retirement benefits under IAS 26, or if it can be reliably estimated. As a result, The Suffolk Pension Fund does not consider it necessary to make any allowance for the potential impact of the Virgin Media casein the disclosure of the actuarial present value of promised retirement benefits in its financial statements.

Interim Valuation

An interim valuation was carried out as at 31 March 2024. The valuation was included in the actuary's Navigator report which is based on long term financial assumptions for the Suffolk Pension Fund and contains the following assumptions:

- Increases in future pensions of 2.4% a year (2.7% 31 March 2022)
- Projected investment returns of 5.4% per year (3.7% 31 March 2022)

The actuarial value of the Fund’s assets were £4.254 billion and the liabilities £2.870 billion at 31 March 2024 (£3.756 billion and £3.521 billion at 31 March 2022).

The valuation showed that the Fund’s assets covered 148% of its liabilities at the interim valuation date and the surplus was £1.384 billion (107%, £235 million surplus at March 2022).

The required asset return for 100% funding is 3.3% p.a. (3.3% March 2022) and there is a greater than 95% (84% March 2022) likelihood of the assets achieving this return.

International Accounting Standard 26 (IAS 26)

CIPFA’s Code of Practice on Local Authority Accounting 2023 - 2024 requires administering authorities of the LGPS funds that prepare pension fund accounts to disclose what IAS 26 refers to as the actuarial present value of promised retirement benefits. This is similar to the interim valuation, but the assumptions used are in line with IAS 19 rather than assumptions tailored to the Suffolk Pension Fund.

The following assumptions have been used for the IAS 26 calculation:

- Pension increases of 2.75% a year (3.2% 31 March 2022)
- Increases in future salaries of 3.75% a year (4.2% 31 March 2022)
- Discount Rate of 4.85% per year (2.7% 31 March 2022)

The IAS 26 calculation shows that the present value of promised retirement benefits amount to £3.354 billion as at 31 March 2024 (£4.591 billion as at 31 March 2022). This incorporates an approximate allowance for the potential increase in liabilities arising from the impact of the McCloud judgement.

St Edmund, Bury St Edmunds

22. Current Debtors

The current debtors can be analysed as below:

31 March 2023 £ million		31 March 2024 £ million
	Debtors	
8.433	Employers Contributions	7.620
2.201	Employee Contributions	2.185
1.526	Investment Assets	0.700
2.098	Sundry Debtors	1.264
0.028	Asset Pooling	0.264
14.286		**12.033**

23. Current Creditors

The current creditors can be analysed as below:

31 March 2023 £ million		31 March 2024 £ million
	Creditors	
-0.878	Amounts owed to Employers	-0.845
-0.632	Investment Expenses	-2.676
-0.180	Administration and Governance Expenses	-0.084
-0.154	Transfer Values In Adjustment	-0.642
-0.612	Lump Sum Benefits	-0.731
-2.474	Sundry creditors	-1.537
-4.930		**-6.515**

24. Additional Voluntary Contributions

Scheme members have the option to make additional voluntary contributions to enhance their pension benefits. In accordance with regulation 4 (1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, additional voluntary contributions have been excluded from the Fund Account and Net Asset Statement. These contributions are held by the providers and therefore do not form part of the Fund's investments.

A total of £0.086 million was paid over to the providers Clerical Medical, Standard Life and Utmost (previously Equitable Life) in 2023 - 2024, (£0.065 million 2022 - 2023).

25. Related Party Transactions

Related party transactions requiring disclosure in accordance with IAS 24 are as follows:

The Suffolk Pension Fund is administered by Suffolk County Council and consequently there is a strong relationship between the Council and the Pension Fund.

Suffolk County Council is the largest single employer of members of the Pension Fund and contributed £37.373 million to the Fund in 2023 - 2024 (£39.428 million in 2022 - 2023). In addition, the council incurred costs of £1.411 million (£1.239 million in 2022 - 2023) in relation to the administration of the Fund, audit, legal and committee services. These have all been reimbursed by the Fund.

Part of the Pension Fund cash holdings are invested by the Treasury Management operations of Suffolk County Council through the Treasury Management Policy approved by the Pension Fund Committee. During the year ending 31 March 2024 the Fund had an average investment balance of £10.391 million (£10.469 million in 2022 - 2023) earning interest of £0.487 million (£0.247 million in 2022 - 2023) from these investments.

One member of the Pension Fund Committee and five members of the Pension Fund Board are scheme members within the Pension Fund. All members of the Pension Fund Committee and Board are required to declare their interests at each meeting.

26. Key Management Personnel

No senior officer responsible for the administration of the Pension Fund provides any goods or services to the Fund other than those covered by their contract of employment with the Council.

The key management personnel of the Fund are the S151 Officer, Head of Pensions and Lead Accountant (Pensions). The total remuneration payable to the key management personnel by the Suffolk Pension Fund was £0.163 million in 2023 - 2024 (£0.155 million in 2022 - 2023).

These costs are charged to the Pension Fund as governance and oversight costs, Note 11 and are included in the related parties Note 25.

27. Securities Lending

The Suffolk Pension Fund does not operate securities lending however it is undertaken in the pooled holdings operated by Waystone Management UK Ltd and the proceeds are reflected in the asset value, earning £0.021 million in 2023 - 2024 (£0.021 million in 2022 - 2023).

Suffolk Trinity, Suffolk Showground, Ipswich

28. Contractual Commitments

In 2003 the Fund made contractual commitments to private equity funds managed by Wilshire and Pantheon. Commitments are made in the underlying currency of the funds ($103.131 million and €41.288 million) and are therefore subject to volatility (risk) arising from exchange rate fluctuation. This volatility will impact both the value of unfunded commitments in sterling terms and the valuation of the funded interest and monies received as distributions. At 31 March 2024 the unfunded commitment (monies to be drawn in future periods) is $8.534 million and €2.220 million. The commitments are paid over the investment timeframe of the underlying partnerships.

In 2011 - 2012 a contractual commitment of €54 million was made to an infrastructure investment (Partners Group Global Infrastructure 2012) managed by Partners Group. As at 31 March 2024 7% of the total commitment has been released, leaving €5.429m outstanding.

In 2015 - 2016 contractual commitments of $149.500 million were made to private equity investments managed by Pantheon. Some draw downs on the commitments have been made and the outstanding amounts to 31 March 2024 are $23.017 million.

In 2016 - 2017 the Pension Fund made additional contractual commitments to M & G, of £60 million in the Greenfield infrastructure fund. The outstanding amount is £3.972 million.

During 2017 - 2018 a contractual commitment was made to an infrastructure investment (Partners Group Global Infrastructure 2015) managed by Partners Group of €55 million, the outstanding amount as at 31 March 2024 is €8.314 million.

During 2020 - 2021 a contractual commitment of £75 million was made to the Multi Asset Credit Fund with Partners Group. The undrawn amount at the end of the year is £4.185 million.

During 2021 - 2022 a contractual commitment of $84 million was made to the Global Infrastructure Fund IV with KKR. $32.713 million remains outstanding.

During 2022 - 2023 a contractual commitment of £75 million was made to the Multi Asset Credit Fund VII with Partners Group. £33.227 million remains outstanding.

A summary of the commitments is as below:

Asset Class	2023 - 2024 Commitment £ million	Drawn £ million	Outstanding £ million
Private Equity			
Wilshire (2003-2008)	71.229	67.044	4.185
Pantheon (2003-2010)	45.709	41.241	4.468
Pantheon (2015)	118.346	100.125	18.221
Total Private Equity	**235.284**	**208.410**	**26.874**
Infrastructure			
Partners (2012)	46.167	41.525	4.642
Partners (2016)	47.022	39.913	7.109
M&G (2016)	60.000	56.028	3.972
KKR (IV)	66.495	40.600	25.895
Total Infrastructure	**219.684**	**178.066**	**41.618**
Illiquid Debt			
Multi Asset Credit VI	75.000	70.815	4.185
Multi Asset Credit VII	75.000	41.773	33.227
Total Illiquid Debt	**150.000**	**112.588**	**37.412**

Green Wind, Ravenswood, Ipswich

Suffolk County Council

Agenda Item 7

Suffolk Pension Board

Report Title:	Actuarial Valuation Preparation
Meeting Date:	16 October 2024
Lead Councillor(s):	Councillor Richard Smith MVO
Director:	Stephen Meah-Sims, Deputy Chief Executive and Executive Director of Corporate Services
Assistant Director or Head of Service:	Louise Aynsley, Chief Financial Officer (S151 Officer)
Author:	Tracey Woods, Head of Pensions, Telephone: 01473 265639 Email: tracey.woods@suffolk.gov.uk

Brief summary of report

1. This report provides an initial outline of the next valuation exercise which commences 31 March 2025.

Action recommended

2. The Board is asked to note the process for the March 2025 triennial valuation.

Reason for recommendation

3. In line with other UK Pension Funds, each LGPS Fund is required to undertake an actuarial valuation every three years and it is the Pension Fund Committee who are responsible for the results and impact of the triennial valuation as set out in the Suffolk County Council's constitution.

4. The Board represents the Employers in the Fund and should have appropriate oversight to fulfil their duties.

Alternative options

5. There are no alternative options.

Main body of report

Background

6. A triennial valuation is carried out to review each employer's funding position and determine the required level of employer contribution rates. The valuation compares the sets of the scheme to the estimated costs of the benefits that have been earned, known as liabilities.

7. The Suffolk Pension Fund is required to undertake an actuarial valuation every three years with the previous exercise taking place in March 2022. The Fund was 107% funded, with an 83% likelihood of the Fund achieving the required future investment returns needed to be fully funded at the last valuation.

8. The effective date of new employer contribution rates resulting from a triennial valuation is the 1 April following the year of the valuation. Employer contribution rates are formally stated in a 'rates and adjustment certificate'

9. The report attached as **Appendix 1**, has been prepared by Hymans Robertson as the Funds actuarial consultants, to assist in preparing for the triennial valuation exercise.

10. To help manage risk, the Fund carries out regular funding and risk monitoring between valuations. Since the 2022 valuation there has been a significant shift in the economic environment meaning the LGPS is now facing new risks and opportunities which increases the importance of robust risk management.

11. The report attached as **Appendix 2**, sets out how changes in the funding environment has impacted the Fund and to aid funding strategy planning discussions in preparation for the 2025 formal valuation.

12. At the Annual Training Day on 24 October 2024, Hymans Robertson will be providing training on the assumptions that will need to be adopted. This is to ensure that the Committee has the appropriate knowledge to set these at the meeting in February 2025 and the Board has appropriate knowledge to provide oversight on behalf of the Employers in the Fund.

13. A summary of the key dates for the valuation is as follows:

Major Employer Contributions and Investment Strategy Modelling	December 2024
Pension Fund Committee agree Valuation assumptions	February 2024
Review of Funding Strategy Statement and policies	April 2025
Whole fund results and approval of draft Funding Strategy Statement	September 2025
Sign-off Funding Strategy Statement following employer consultation	January 2026
Final valuation report and employer rates	March 2026

Conclusion

14. In line with other UK Pension Funds, each LGPS Fund is required to undertake an actuarial valuation every three years and it is the Pension Fund Committee who are responsible for the results and impact of the triennial valuation as set out in the Suffolk County Council's Constitution.

15. The Board represents the Employers in the Fund and should have appropriate oversight to fulfil their duties.

16. To help manage risk, the Fund carries out regular funding and risk monitoring between valuations. Since the 2022 valuation there has been a significant shift in the economic environment meaning the LGPS is now facing new risks and opportunities which increases the importance of robust risk management.

17. At the Annual Training Day on 24 October 2024, Hymans Robertson will be providing training on the assumptions that will need to be adopted. This is to ensure that the Committee has the appropriate knowledge to set these at the meeting in February 2025 and the Board has appropriate knowledge to provide oversight on behalf of the Employers in the Fund.

Sources of further information

No other documents have been relied on to a material extent in preparing this report.

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Suffolk Pension Fund

Pensions Committee

Actuarial update

Craig Alexander

Actuarial valuation basics

How the Fund works

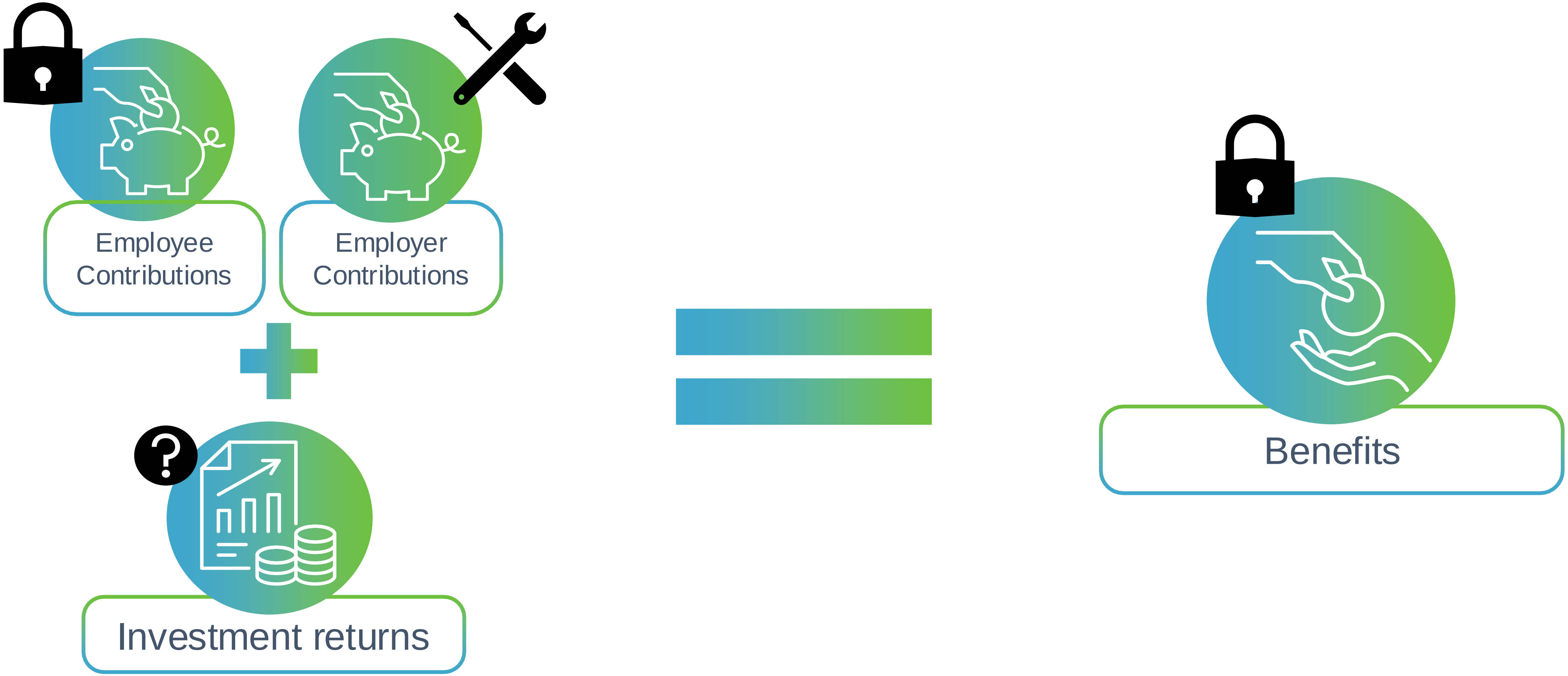
Collect money
(contributions)

Invest money
(its assets)

Pay money out
(benefits)

Overriding goal of the valuation is to make sure there is enough money to pay the benefits

How do we get the sides to balance?



Employer contributions are the main tool we can control to meet the balance of cost

Why else we do a valuation?

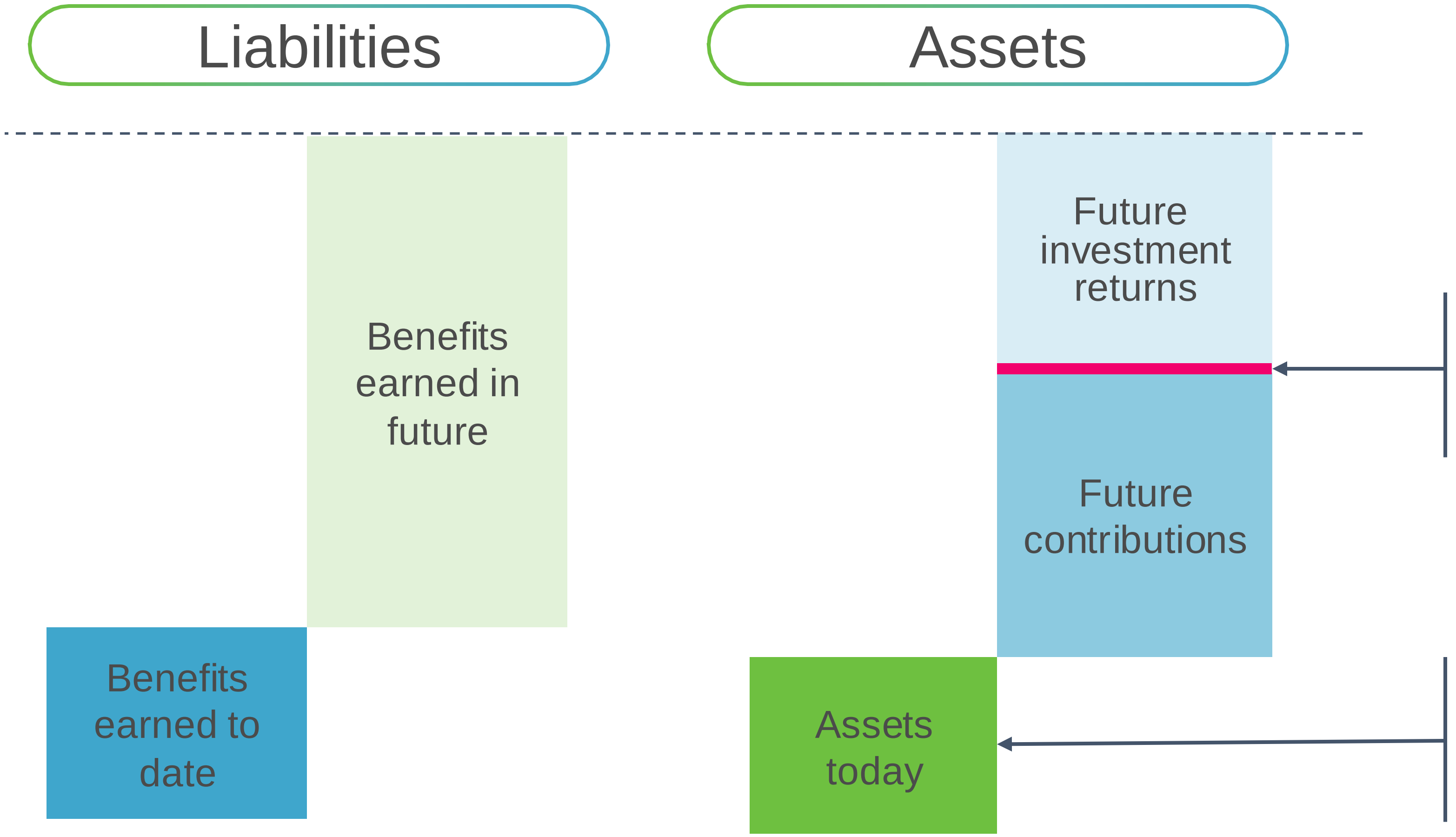
- Calculate employer contribution rates
- Compliance with legislation
- Analyse actual experience vs assumptions
- Review Funding Strategy Statement
- Part of continual ‘health check’ on Fund solvency

The triennial valuation is a key risk management exercise for the Fund

How we do the valuation

Inputs	Actuary's models	Primary outputs
Data for lots of members		Ratio of assets held against benefits promised to date **"Funding level"**
Financial assumptions		Estimated cost of future benefit accrual **"Primary Contribution Rate"**
Demographic assumptions		Estimated cost to fund benefits promised to date **"Secondary Contribution Rate"**
LGPS benefit structure		

Key decision of the valuation



Key funding strategy decision

How much to rely on contributions vs investment returns?

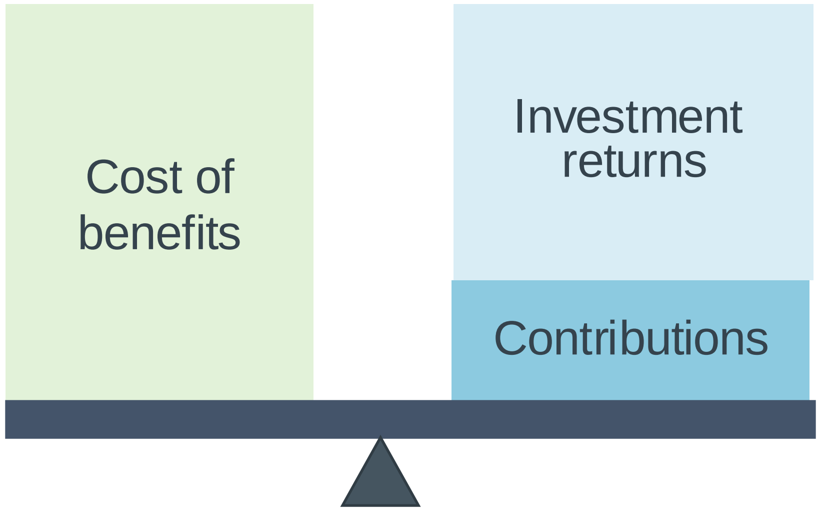
Funding level

Comparison of ‘assets today’ vs. ‘benefits earned to date’

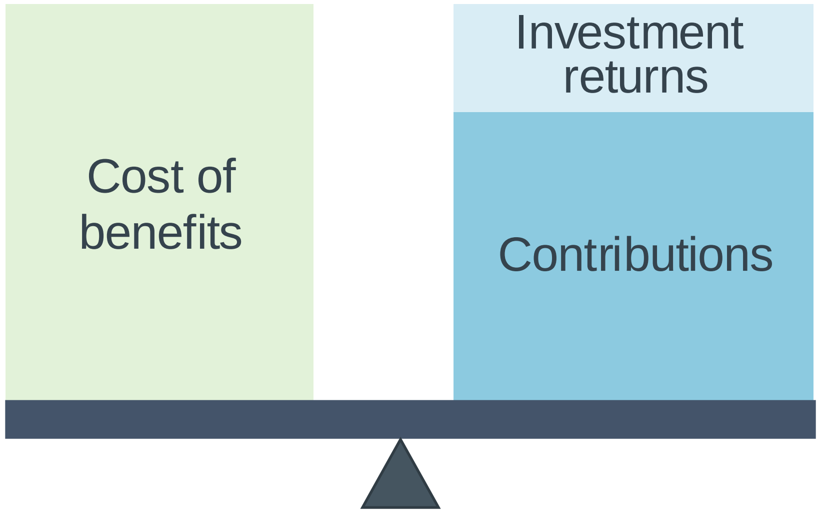
Balance sheet snapshot of Fund at valuation date

Setting strategy is a balancing act

High risk funding strategy



Low risk funding strategy



We must set employer contributions with an appropriate level of prudence (i.e. risk)

Funding update and change in environment

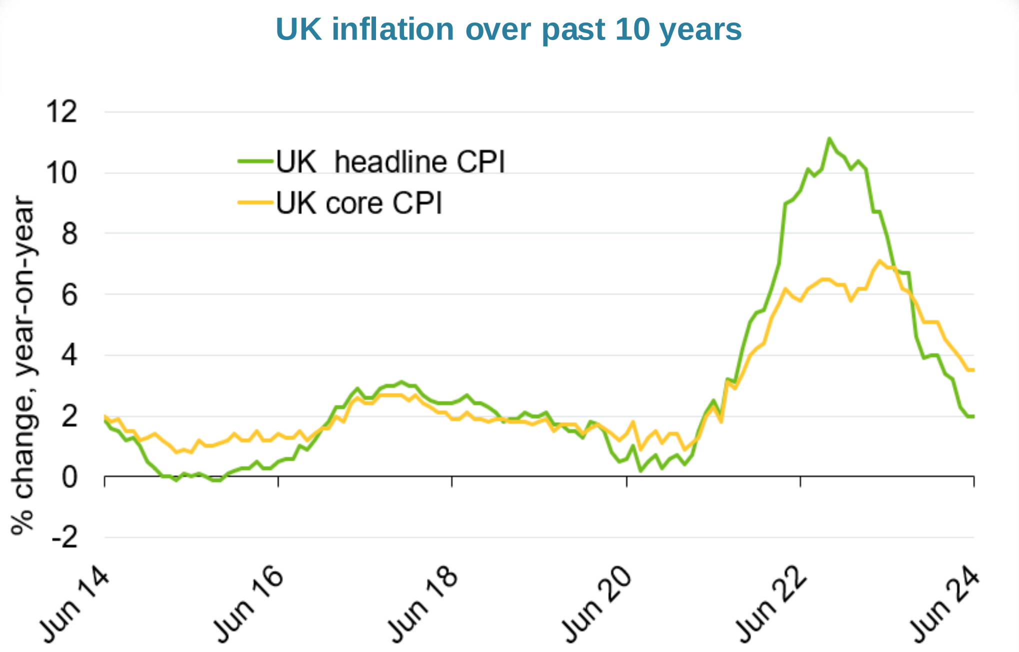
What's happened since 2022?

General insights

- Funding has improved since 2022 (was 107%)
- Assets returns were lower than expected up to September 2023 but have since improved
- Rising interest rates & high inflation
- Higher expected return on the Fund's assets

The funding level has risen to an estimated 154% at 30 June 2024

High inflation



General insights

High inflation increases the cost of benefits.

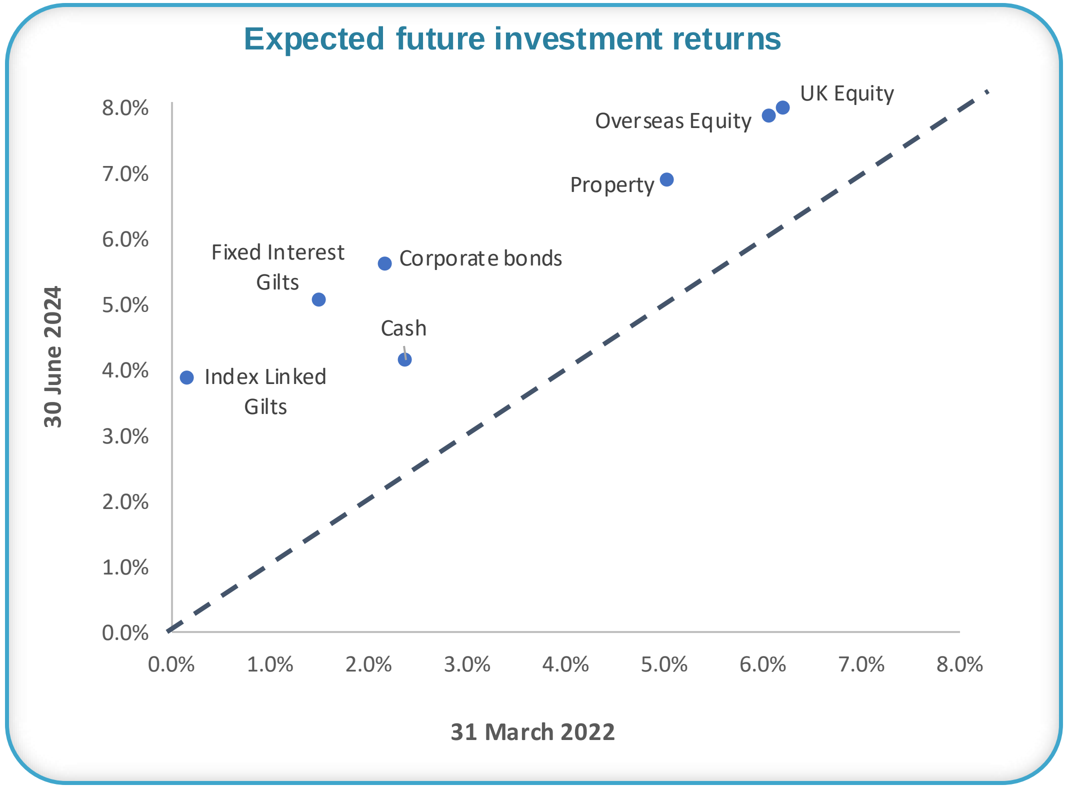
Pensions increased by 10.1% (2023) and 6.7% (2024), causing an immediate impact on the Fund's net cashflow position.

Inflation has now slowed meaningfully, and close to the Bank of England's 2% pa target.

Future inflation remains uncertain.

Monitoring inflation is important to manage long-term benefit cost and short-term cashflow risks

Investment outlook



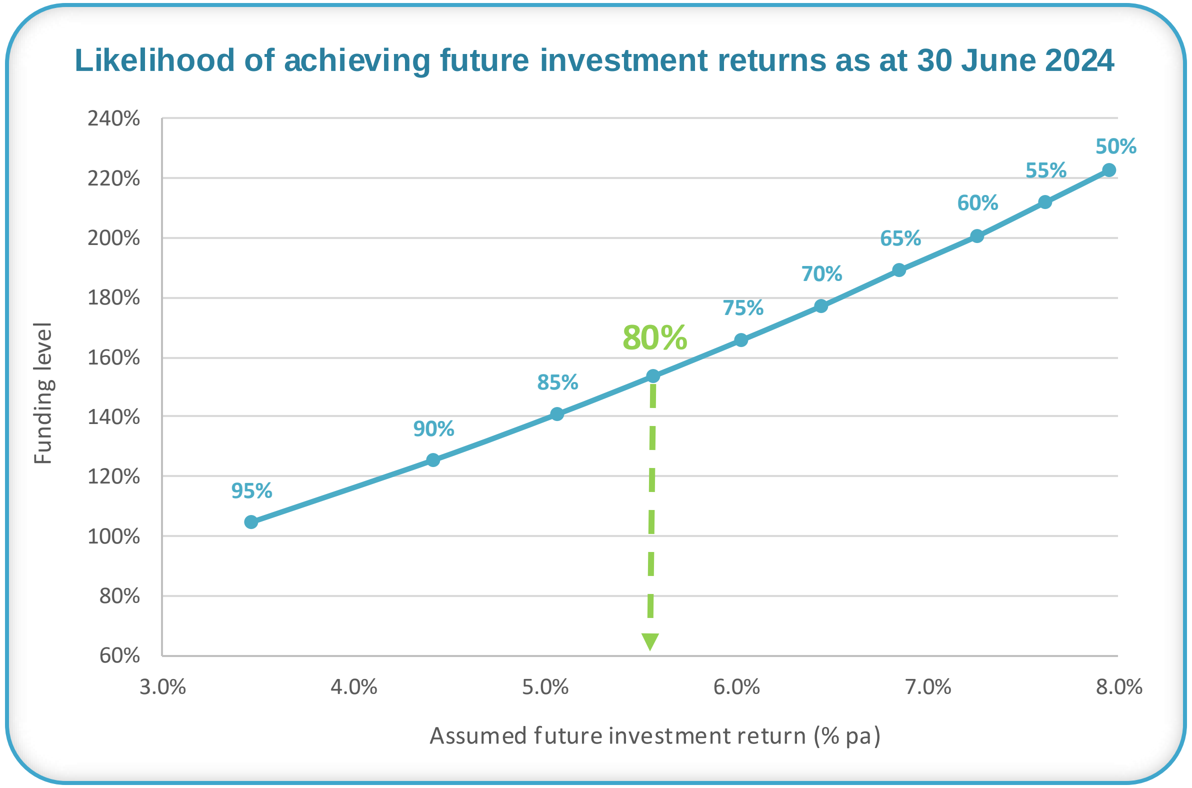
General insights

- Expected returns are higher for all asset classes
- Higher returns driven by increased interest rates
- Leads to a lower value placed on Fund’s liabilities
- Caution required at 2025 valuation

The improvement in funding level is being driven by higher expected *future* investment returns

Key funding risks

Key uncertainty: Investment returns

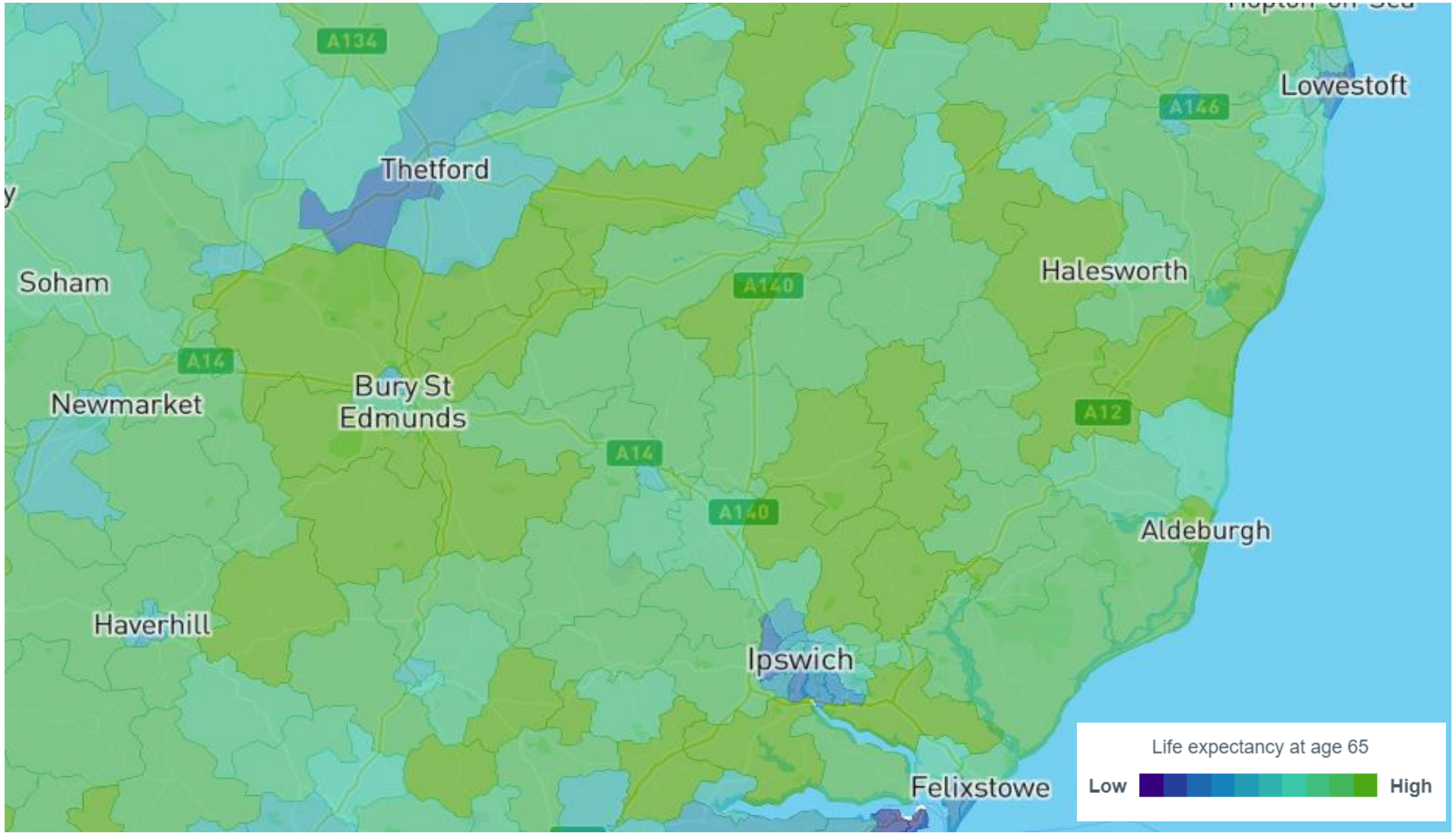


General insights

- Future investment returns remain uncertain
- Estimated funding position of 154% relies on a 80% likelihood, but prudence levels will be reviewed at 2025 valuation
- Required investment return to be fully funded now has > 95% likelihood of being achieved (was 84%)
- Fund currently operates a single investment strategy

Future investment performance is uncertain during periods of increased market volatility

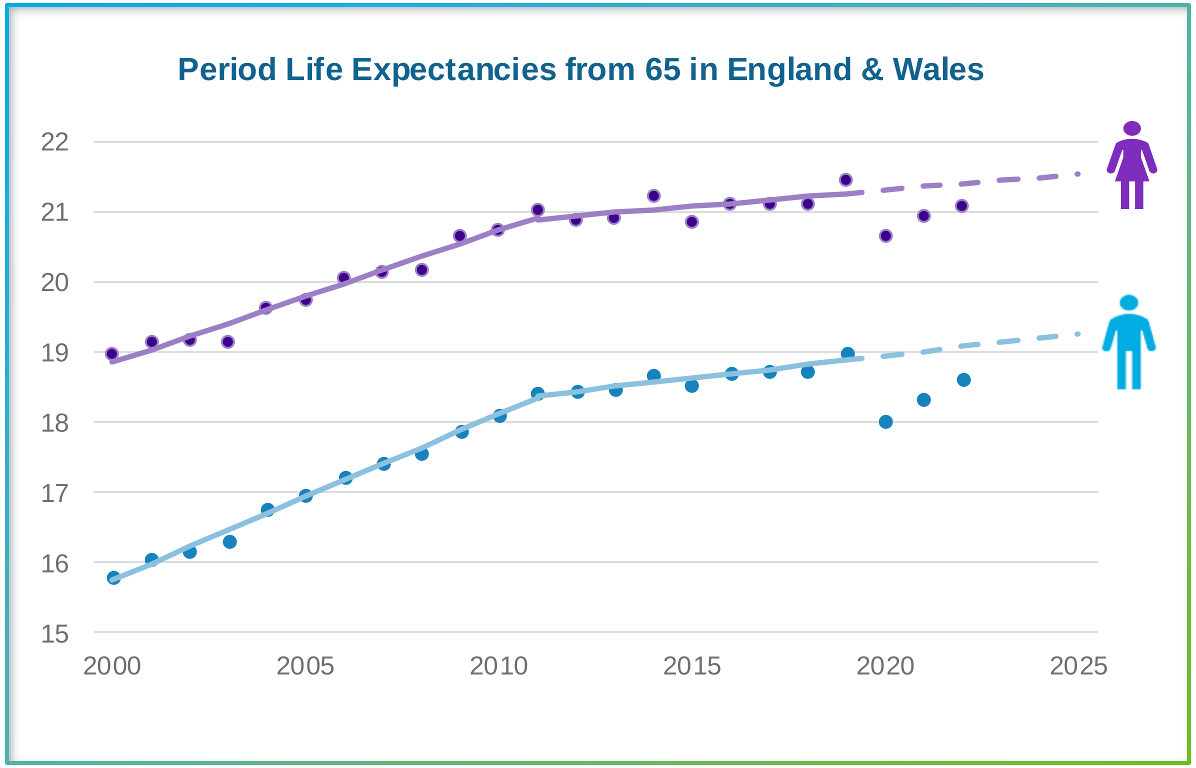
Key uncertainty: Life expectancy



Socio-economic factors can make a big difference in longevity

Source: Club Vita, map available at https://maps.clubvita.co.uk

Recent longevity trends



General insights

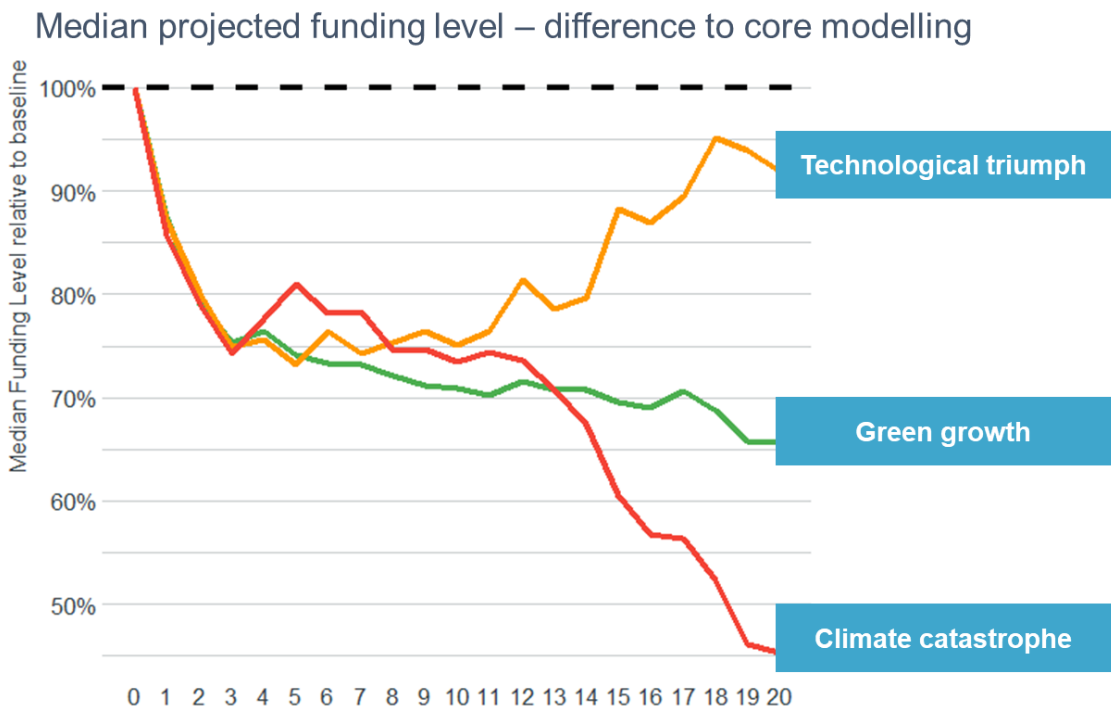
- Improvements slowing down
- Long term impact of the pandemic uncertain
- LGPS 'bucking the trend' on excess deaths

Monitoring longevity trends is key to setting life expectancy assumptions

Source: CMI_2022 model. Life expectancies calculated using projected qx rates, using calibration data, with W_{2020} through W_{2022} set to 100% and Sκ set to 0%.

Key uncertainty: Climate risk

Global food supply shock (example)



General insights

- Climate damages could be extreme
- Narrative-based modelling of downside risks
- Consider impact of ‘shocks’ in funding strategy

Factor in extreme risks when exploring strategy at 2025 valuation

A challenging environment?

Market risk

- High inflation
- Interest rates
- Market volatility

Cashflow risk

- High inflation
- Reduced contributions
- Liquidity risks

Longevity risk

- Increased deaths
- Longevity trends
- Future improvements

Climate risk

- Inflation
- Investment returns
- Longevity

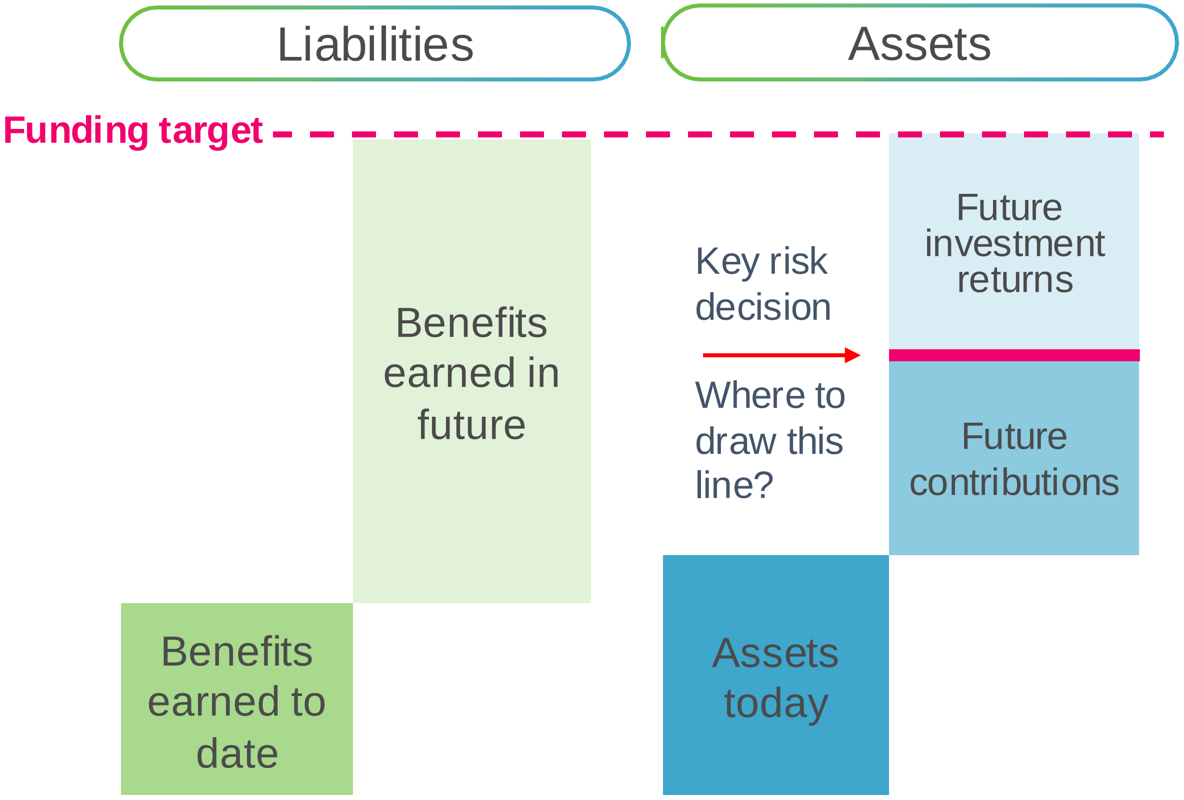
Covenant risk

- Economic environment
- Demographic changes
- Regulatory environment

New economic cycle? What are the options at the 2025 valuation…

2025 valuation

Surplus – what now?



General insights

- Funding level is ‘past service’ only
- Majority of benefits yet to be earned
- Balance future contributions vs investment risk

Setting contributions requires careful management

Surplus – what are the options?

1. Reduce employer contributions

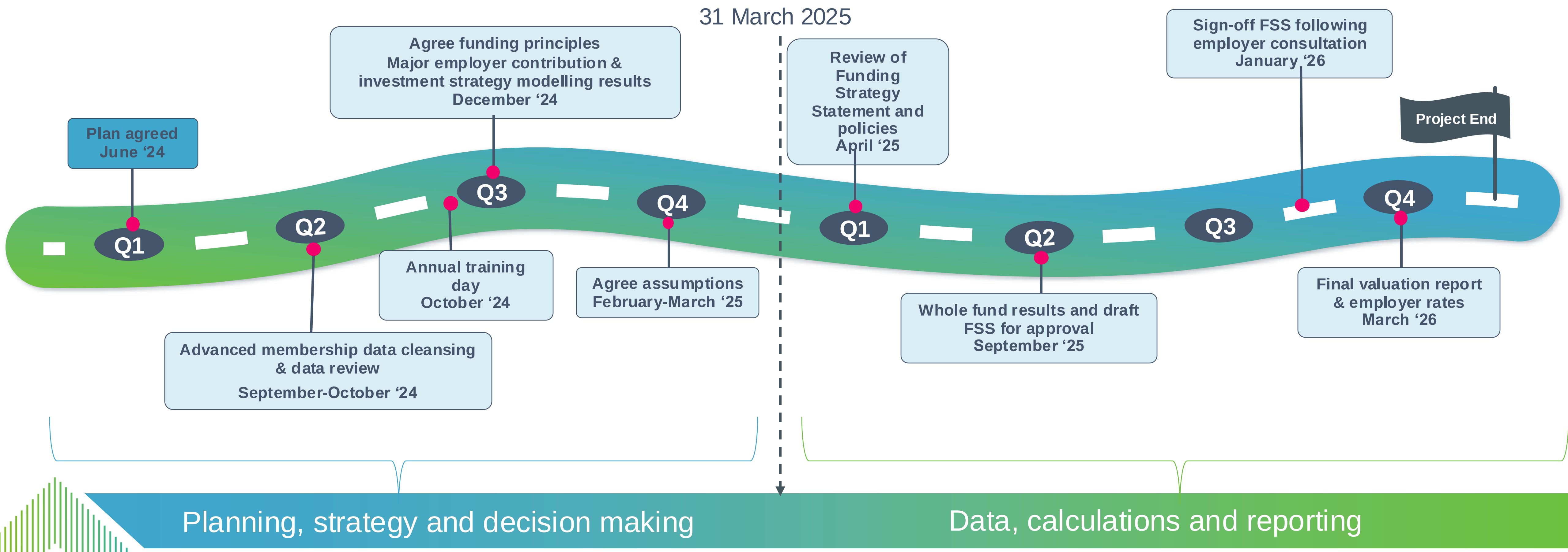
2. Change investment strategy

3. Increase prudence levels

4. Retain the surplus

Focus on balancing employer affordability with long term sustainability

2025 valuation – key committee milestones



HYMANS ROBERTSON

Thank you

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HYMANS ROBERTSON

Suffolk Pension Fund

Funding risk update & 2025 valuation planning

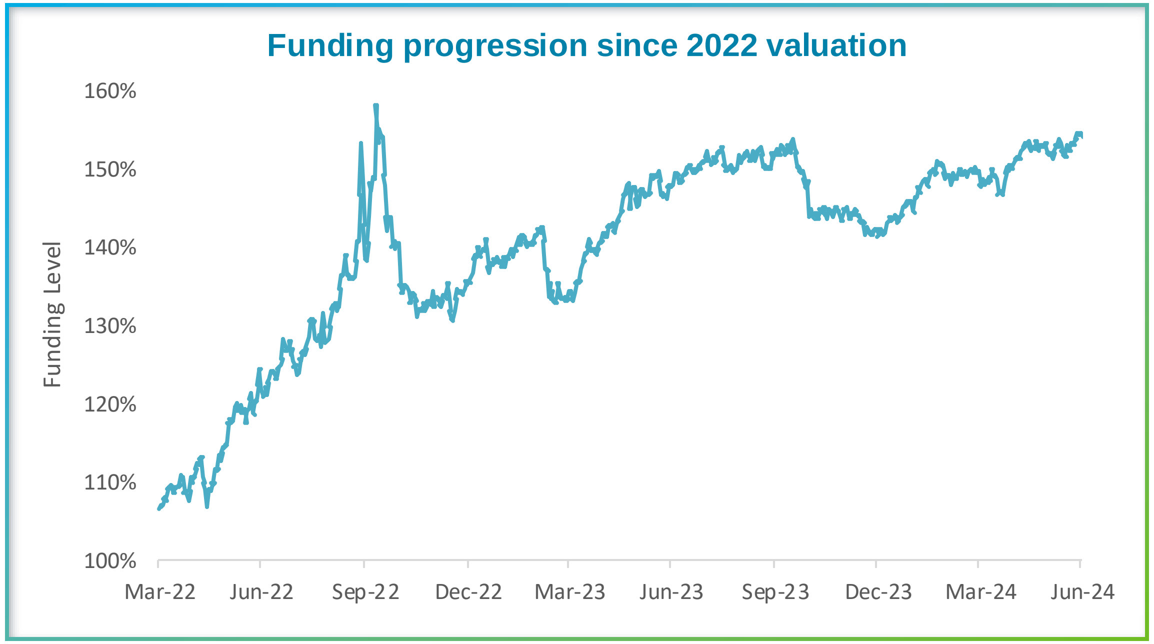
Richard Warden FFA

Agenda Item 7, Appendix 2

Executive summary

To help manage risk, the Fund carries out regular funding and risk monitoring between valuations. Since the 2022 valuation there has been a significant shift in the economic environment meaning the LGPS is now facing new risks and opportunities which increases the importance of robust risk management. This report has been prepared for Suffolk County Council as Administering Authority to the Suffolk Pension Fund (the Fund) to help its stakeholders understand how changes in the funding environment has impacted the Fund and to aid funding strategy planning discussions in preparation for the 2025 formal valuation.

- The past service funding position of the whole fund at 30 June 2024 is now 154% (compared to 107% at the 2022 valuation). The likelihood of the fund achieving the required future investment returns needed to be fully funded has also risen to greater than 95% (from 83%).
- This improvement has been largely driven by an improved investment outlook due to a sharp rise in global interest rates.
- Employer funding positions have seen similar improvements. This is potentially very meaningful, for any employers approaching exit; however, for many employers, having stable contributions over the longer term may be a more important objective.
- Short term inflation has been high since 2022, with pension increases of 10.1% (2023) and 6.7% (2024). While longer term inflation is expected to fall there remains uncertainty over future forecasts.
- Whilst the improved funding position is good news for the Fund, there remains uncertainty in financial markets, and material risks facing LGPS funds. Early planning for the 2025 valuation will be important to help the Fund manage any changes to its funding and investment strategy in the current environment.



It is important for the Fund to consider the impact of risks within the current environment and start planning for the 2025 valuation

HYMANS ROBERTSON

Changes in the funding environment

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Investment outlook

Investment returns since the 2022 valuation have been positive, with the Fund achieving a return of c.14.2% over the period from 31 March 2022 to 30 June 2024. This is higher than the Fund's investment return assumption (at the valuation) of 3.6% pa.

In addition, as shown in the chart, expectations of *future* investment returns are now higher than at the 2022 valuation for all asset classes, largely due to the sharp rise in global interest rates (which had previously been at historic lows). In the case of the UK, the Bank of England base rate has increased from 0.75% at March 2022 to 5.0% at August 2024. If investors can get a higher return on cash and other lower-risk assets, it follows that the return on riskier assets, such as equities, should also increase. This is the approach within our Economic Scenario Service model (Appendix 4).

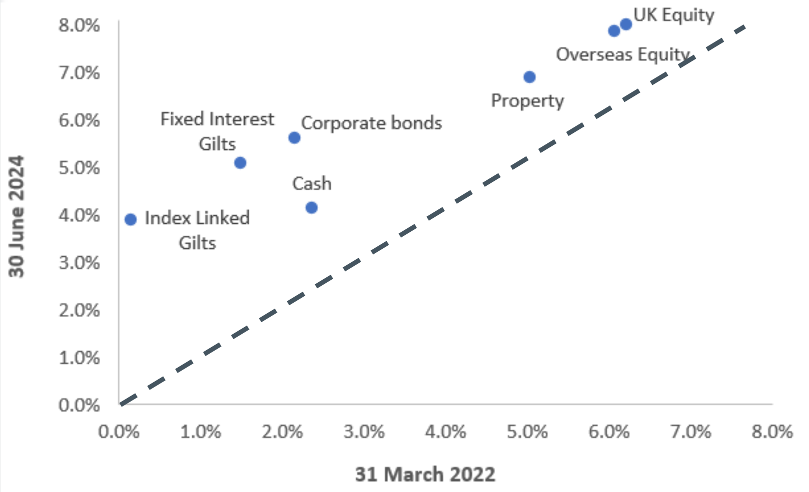
To put this into context, at 31 March 2022 we estimated that the Fund's investments would return 3.6% pa with an 80% likelihood of success. At 30 June 2024, we now estimate that the Fund will achieve a much higher investment return of 5.6% pa with the same 80% likelihood.

Higher future expected investment returns lead to a lower value being placed on the Fund's liabilities. In other words, this means that the improved funding level is reliant on higher income from future investment returns, which may be a reason to be cautious when setting contribution rates at the 2025 valuation.

What can the Fund do to manage investment risk?

- Consider the Fund's beliefs about the investment outlook and whether it should increase the level of prudence adopted in the future expected investment return assumption at the 2025 valuation to manage increased future uncertainty.
- Explore different combinations of investment strategy to understand what they mean for the likelihood of the Fund requiring additional future contributions.
- Investigate whether a single investment strategy for the whole Fund is still fit for purpose and consider carrying out exploratory work into the implementation of individual employer investment strategies.

20 year expected annual returns – 2024 vs 2022



The improvement in funding level is largely being driven by the promise of greater *future* investment returns rather than investment returns actually earned by the Fund.

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High inflation

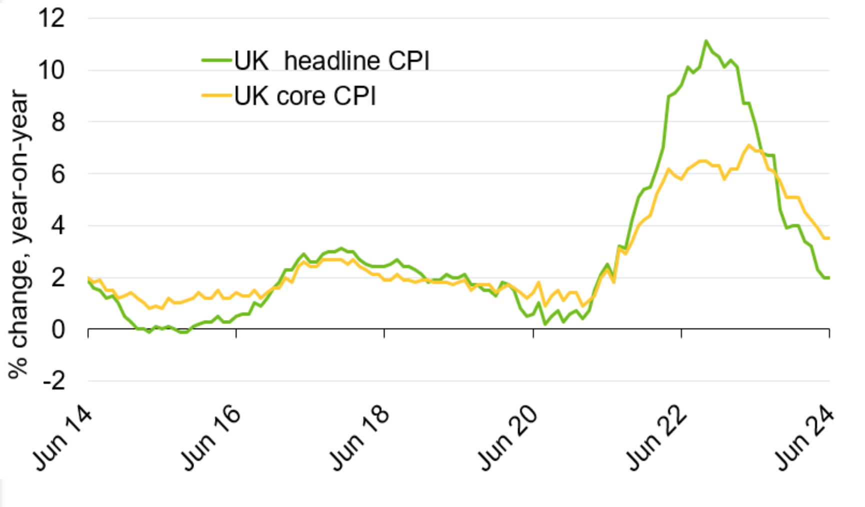
Inflation is a key risk for pension funds to manage. Higher inflation increases the cost of benefits, which increases longer term funding costs but also has an immediate impact on shorter term cash flow (pensions in payment). Since the 2022 valuation, inflation has risen sharply, with pensions increasing by 10.1% (in 2023) and 6.7% (in 2024) which has increased liabilities (in isolation). However, this has been more than offset by central bank reaction to increase interest rates - which has led to higher expected future investment returns, reducing liabilities.

Recent inflation trends & forecasts

- UK year-on-year headline CPI slowed meaningfully, returning to the BoE's 2% target for the first time in almost three years in May & June (before rising slightly to 2.2% in July).
- However, the recent decline was still slightly smaller than expected and is largely due to declines in energy prices and their interaction with the Ofgem energy price cap.
- Core CPI, which strips out volatile components like energy and food prices, has also slowed but, at 3.5% year on year, highlights stubborn underlying inflation pressures. This is further illustrated by services CPI which, though slowing, remained at 5.7% year on year.
- Latest consensus forecasts expect year-on-year headline inflation in the UK to re-accelerate somewhat in the second half, averaging 2.6% over the course of 2024 before slowing in 2025 to an average pace of 2.3%.
- Medium-to-long-term consensus expectations are for UK inflation to stay slightly above the BoE's target. Forecasters point to a range of plausible reasons why inflation, and interest rates, might be higher over the medium term. These include expectations of more persistent labour shortages and a greater prevalence of supply shocks.

Higher inflation is a risk for pension funds. For example, if the long-term pension increase assumption was 1% pa higher, this will reduce the funding level by around 20%

UK inflation over past 10 years



Source: Datastream

What can the Fund do to manage inflation risk?

- Regular monitoring of inflation during periods of volatility is important. The Fund should consider both the short and longer-term impacts on their funding and investment strategies.
- If the strong funding position persists at the 2025 valuation, the Fund may choose to retain a funding cushion to help manage uncertainty surrounding inflation forecasts.
- Consider the Fund's beliefs about future inflation and carry out modelling to understand the impact of inflation risks on funding and cashflow.

HYMANS ROBERTSON

Funding update

Agenda Item 7, Appendix 2

What has happened since the 2022 valuation?

The Fund's past service funding level has significantly improved since the 2022 valuation, rising to 154% (from 107% at 2022). The Fund now has a surplus of around £1.5bn at 30 June 2024 (compared to a surplus of c£0.2bn at 31 March 2022), which has been driven by significant changes in the financial markets.

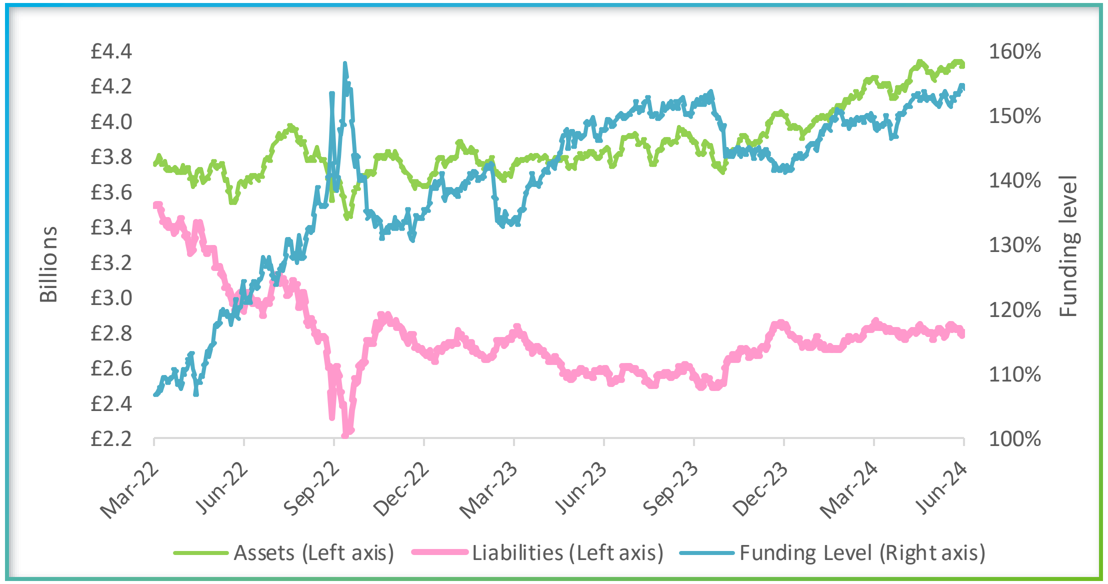
How have assets changed?

The Fund's asset value has remained relatively stable since the 2022 valuation, although there continues to be volatility (see green line in chart). Investment markets initially experienced headwinds leading to lower-than-expected returns on the Fund's investments. However, investment returns have been more positive over the last year, so the Fund is now holding more assets than it did at the 2022 valuation.

How have liabilities changed?

Asset return expectations have risen since the 2022 valuation, in part due to the rise in global interest rates, which has led to the liability reduction (pink line) observed since the 2022 valuation. This effect has been offset, partially, by the effect of inflation being higher than expected at the 2022 valuation.

The improvement in funding level (blue line) is largely being driven by the expectation of higher future investment returns, despite inflationary pressures.



Being over 100% funded is generally good news, however there are limitations to the usefulness of the funding level metric because it is based on a single set of assumptions about the future and asset values at a single point in time. It also only recognises benefits earned to date ("past service") and not the cost of future benefits. The Fund therefore needs to consider the risk inherent in its funding strategy and its beliefs about the outlook for investment returns before taking action to manage any surplus.

The sharp increase in headline funding level will inevitably lead to various stakeholders seeking to understand what it may mean to them.

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Funding level versus investment return assumption

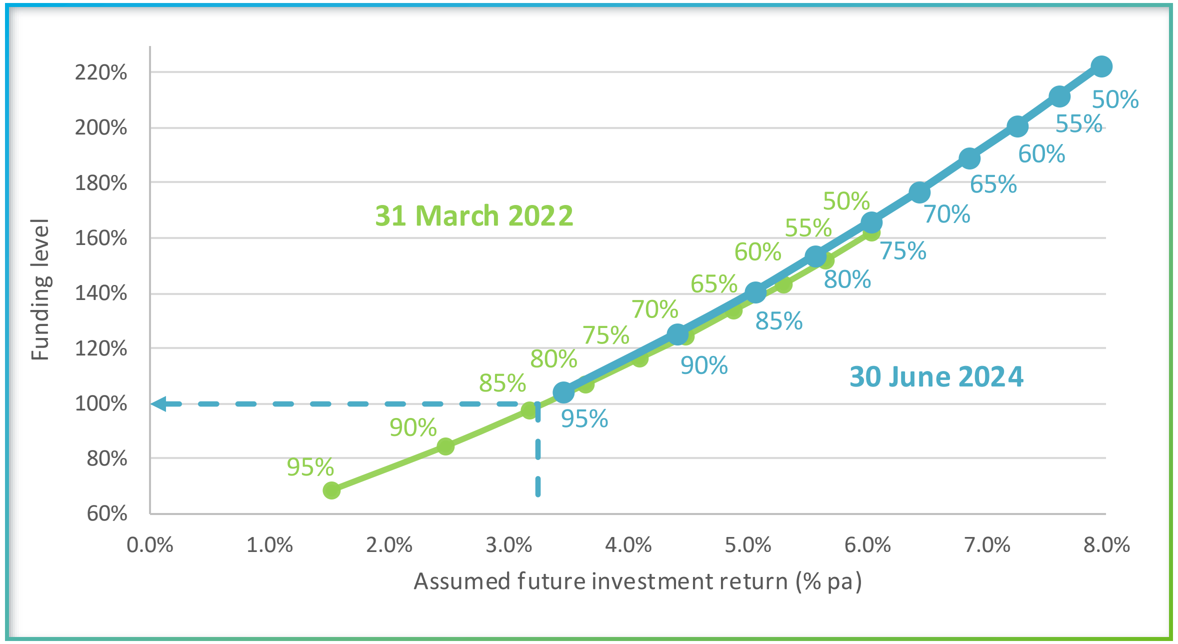
The past service funding level of 154% as at 30 June 2024 has been calculated using a future investment return assumption which has a **80%** likelihood of being achieved. This is in line with the Fund's Funding Strategy Statement, allowing for updated market conditions. However, this reported funding level is extremely sensitive to the return assumption adopted.

The chart shows how the Fund's funding level varies with the future investment return assumption adopted, comparing the position at 31 March 2022 (**green line**) with the updated position at 30 June 2024 (**blue line**). The percentages next to each point on the chart show the likelihood of the Fund's investment strategy achieving that return. From the chart we can see that:

- The future investment return required to be 100% funded is 3.2% pa, which is slightly lower than the required return at the 2022 valuation of 3.3% pa. In effect, we require the Fund's investments to return a slightly lower level than we did at 2022.
- The likelihood of achieving any given future investment return is higher than it was at the 2022 valuation. For example, there is now more than a 95% chance of the Fund achieving the investment returns needed to be 100% funded, compared to 83% at the 2022 valuation.

This highlights that the improvement in funding position is not a result of the Fund holding more assets today. Rather, this has been driven by higher expected future investment returns due to the change in economic environment since the last valuation.

The effect of market volatility may lead to reductions in asset return expectations in the short term. To reflect any concerns about market volatility, additional prudence may be factored into funding plans via the level of assumed future investment return, which all else being equal would reduce the level of surplus in the Fund.



Required return of 3.2% pa has more than a 95% likelihood of being achieved at 30 June 2024

The Fund is now more likely to have sufficient assets to meet earned benefit payments than at the previous valuation. However, this is due to higher return expectations, not because the Fund holds more assets.

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Employer funding and contributions

The Fund is composed of around 360 active employers. Each of these employers will have its own funding objective depending on the type of employer and their participation.

Given this diversity of employers it is important to understand and monitor employer risks. At 30 June 2024 the funding position has improved for all employers. This change in funding will be different for each employer depending on their membership (but similar to the Fund improvement for most).

The majority of employers are now fully funded (>100%) on the Fund's ongoing basis (see chart below). Whilst this is good news for the Fund (and employers), this is not the endgame for employers who continue to participate and accrue benefits in an open scheme

Higher risk employers

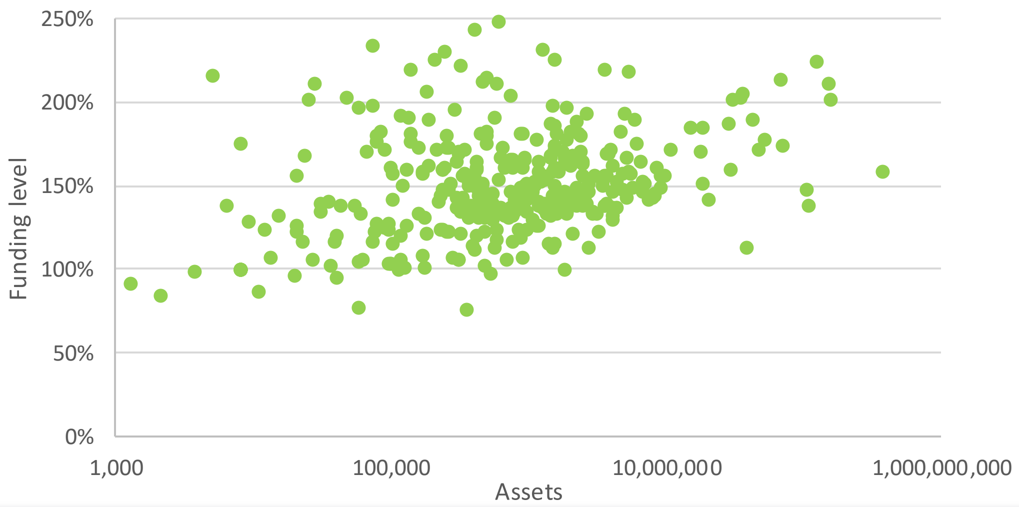
Employers with no tax raising powers or guarantee are typically viewed as 'higher risk'. If these bodies were to exit the Fund, their exit payment would be valued on the Fund's 'low risk' basis which allows for more prudence. Each individual employer position will be different, but in general will have improved, with many now >100% funded on the Fund's low risk basis.

Impact on contributions

Employer contributions are set at the triennial funding valuation. If the current economic environment persists through to the 2025 valuation, there will likely be downward pressure on both primary and secondary contributions as a result of higher expectations of future investment returns and strong past-service funding positions.

The Fund may need to consider options for managing employer surplus ahead of the 2025 valuation. In particular, the Fund may need to consider how to manage high levels of surpluses and increased volatility and uncertainty in the economic environment within its funding and investment strategy, and effectively communicate its approach to employers.

Summary of employers funding positions at 30 June 2024



It is important to understand the impact of improved funding for each employer to set appropriate funding plans

Key funding risks update

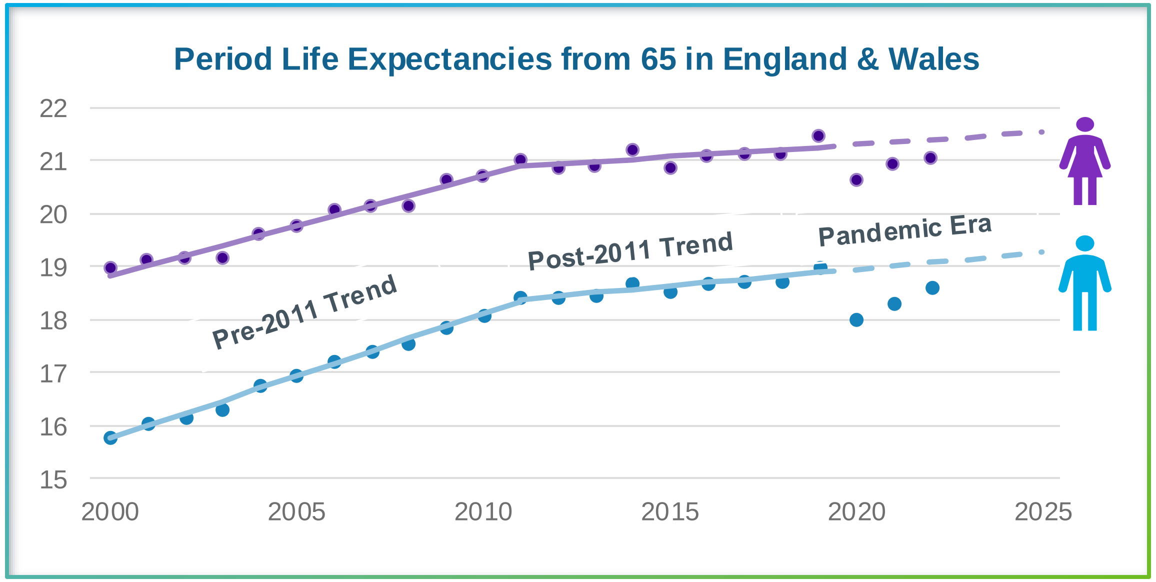
Agenda Item 7, Appendix 2

Longevity risk

Understanding demographic trends and setting appropriate mortality assumptions is key to managing longevity risk. The impact of an increase (or decrease) of 1 year of life expectancy decreases (increases) the funding position by around 4%. The Fund uses Club Vita longevity analytics which take account of the socio-economic profile and regional concentration of the Fund.

Recent longevity trends

- The Covid-19 pandemic led to increased deaths during 2020 and 2021. Excess deaths continued in 2022 (and into 2023) but the cause of excess deaths is less clear cut.
- The question facing pension funds now is: to what extent should we allow for this pandemic era data? Is this recent experience representative of the future or will it be short lived?
- Evidence for making an allowance for post-pandemic ‘excess deaths’ is now higher due to mortality experience in 2022 (and 2023).
- Club Vita estimates that during 2022, mortality was around 6% higher in England & Wales that we might have expected based on pre-Covid-19 mortality rates.
- However, the LGPS appears to be bucking the trend. Initial indications from Club Vita are that **excess mortality rates during 2022 were significantly lower for LGPS pensioners than for the overall population.**
- Analysis also shows that some areas of the UK have been hit harder during the pandemic and the post-pandemic period than others making it important to capture regional differences.



Source: CMI_2022 model. Life expectancies calculated using projected qx rates, using calibration data, with W_{2020} through W_{2022} set to 100% and S_{κ} set to 0%.

What can the Fund do to manage longevity risk?

- The Fund’s longevity assumptions will be reviewed at the 2025 formal funding valuation. As part of this review the Fund should consider its beliefs around future improvements.
- With increased uncertainty on the lasting impact of the pandemic and future longevity, the Fund may choose to maintain a funding cushion to help manage uncertain outcomes.

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Climate risk

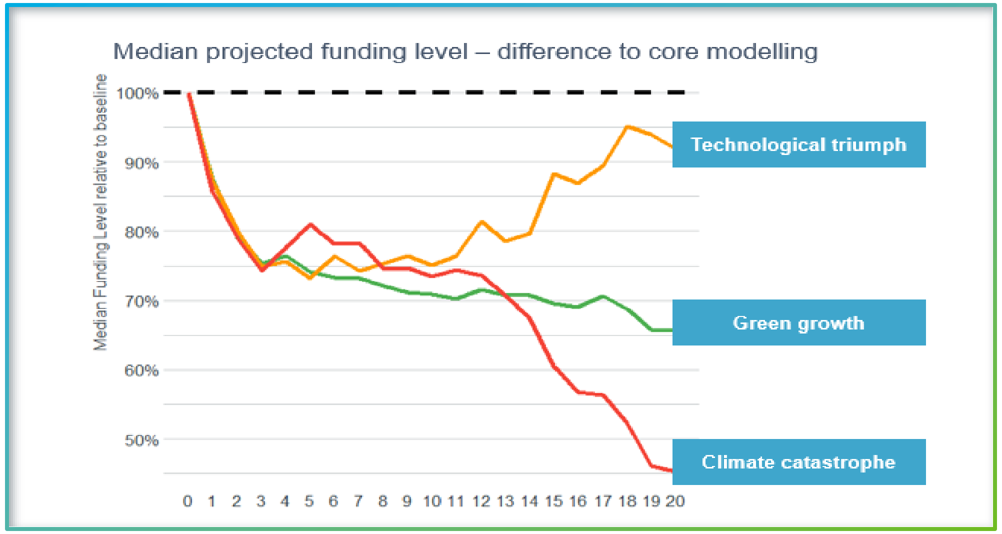
Climate change is now widely regarded as one of the main sources of risk for pension schemes, with potential implications for future inflation, investment returns and longevity. Scenario testing is an effective way for LGPS funds to test how resilient funding strategies are to climate risk.

2022 valuation scenario testing

- At the 2022 valuations, scenarios were chosen representing broad possibilities for how the world might respond to climate change – ‘green revolution’, ‘delayed transition’ and ‘head in the sand’.
- Despite imposing significant stresses and big increases in volatility, the impact on risk metrics of these three scenarios was quite modest.

Importance of considering ‘bad’ outcomes

- Climate change has the potential to make extreme outcomes more likely. It is therefore particularly important to consider catastrophic outcomes when assessing the impact of climate risk.
- New, ‘extreme’, scenarios (complementing the existing scenarios) are now available allowing the Fund to assess the impact of catastrophic outcomes on funding strategies.
- One example of catastrophic outcomes is a failure of global food supply resulting in an estimated 18-36% loss in global crop losses. Ultimate outcome could be trade wars, asset shocks and mortality impacts.
- The graph illustrates the impact of three outcomes: ‘Green growth’ considering collaborative regeneration, ‘Technological triumph’ looking at a tech-driven recovery and ‘Climate catastrophe’ where no action’s taken.
- Modelling narrative-based downside risks helps to better align the Fund’s funding strategy with climate beliefs.



Source: Sample pension fund

What can the Fund do to manage climate risk?

- Ahead of the valuation the Fund should review its approach managing climate risk, including setting objectives, capturing varying views and beliefs of all stakeholders and agreeing scenarios to model.
- Output from modelling (core plus extreme scenarios) can be used to aid funding strategy and to stress test key risk metrics

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Employer covenant

Although the recent improvement in funding is good news, employers continue to face a wide variety of challenges from the evolving economic, demographic and regulatory environment. Higher inflation, interest rates and pay awards are all putting pressure on organisations.

The Fund should continue to monitor employer covenant as part of its risk management framework.

The key covenant risks for each employer are:

- Ability and willingness to make contributions – are there competing demands on cash or any cashflow concerns?
- Likelihood of exit – are there any organisational or external pressures that may result in the employer exiting the LGPS?
- Outcome on exit – what is the outcome for the pension fund? Are there other secured or unsecured creditors?

Improved LGPS funding

Against the backdrop of improved funding positions funds may now be facing new questions and challenges from employers such as:

- Their approach to risk and investment strategy
- Employers exiting the scheme and possible exit credit payments
- Contribution flexibility

What can the Fund do to manage employer covenant risk?

- Whilst the recent improvement in funding will lessen the solvency risk posed to the Fund in potential outcomes on exit, it is important to consider all covenant risks to help manage other risks such as administration, cashflow and reputational.
- Ahead of the 2025 valuation, the Fund should monitor employer covenant risk to ensure appropriate risk categorisation and early engagement with employers.
- The Fund should consider its holistic approach to covenant and funding strategy, including consideration of how employer risk categorisation may impact funding strategy decisions.

2025 valuation planning

Agenda Item 7, Appendix 2

Preparing for the 2025 valuation

The analysis in the funding update section highlighted that the fundamental funding position of the Fund (amount of assets per £ of future pension to pay out) has not materially changed since the last valuation. However, there has been a significant change in the economic environment, which means that the Fund may now be facing new risks and opportunities at the 2025 valuation. The nature of these risks and opportunities will depend on the Fund's beliefs about what the new economic environment means for future investment returns. These are further discussed in our standalone paper[1] but can be broadly summarised as future returns will either be at a similar level to that assumed at the last valuation or, due to the change in interest rate environment, future returns will be higher.

Once the Fund has considered their beliefs in this area, with the valuation less than 12 months away, it should start to work through what these mean for its funding and investment strategy in the new economic environment. This will typically focus on four key areas:

1. Employer contributions
2. Investment strategy
3. Prudence levels
4. Surplus retention

Seek to balance employer affordability with long term sustainability

[1] www.hymans.co.uk/media/uploads/A_new_funding_era_in_the_LGPS.pdf

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Preparing for the 2025 valuation

1. Employer contributions

Given the current cost pressures facing employers, there may be a desire for contribution rate reductions at the 2025 valuations. These expectations may also have been amplified by recent comments for employer advisors. However, the Fund will need to consider:

- **Difficulty of future increases -** The relative ease of reducing contributions versus increasing them. Even if a reduction is only for some short-term relief, it can quickly become the level that employer budgets could anchor on, meaning future required increases are harder to implement.
- **Long term cost of scheme -** What is a long-term stable cost of the LGPS, and are current contribution rates higher or lower than this? If an employer is already paying less than this cost, is it realistic to reduce further?
- **Intergenerational fairness -** Which generation are you being fair to by reducing contributions? The current generation have implicitly supported contribution rate increases over the last 20 years. Or does a reduction place too much risk of future contribution rate increases on future generations?
- **Stabilisation –** How does this interact with the Fund's contribution stability mechanism and are the employers committed to the long-term benefits of stability? Employers have been "underpaying" during the bad times during the last decade, whereas many may now be "overpaying" in the good times to deliver stable long-term contributions.

2. Investment strategy

The change in economic environment and your beliefs about future investment outlook will have a material impact on any changes you make to the investment strategy at the 2025 valuation.

For example, if you think your assets such as equities, property or infrastructure are not going to be able to achieve the market's current long-term risk-free rate of return (currently around 4% pa), should you be taking all that investment risk? The new economic and return environment may also offer opportunities to invest in different asset classes which haven't previously been considered.

Other aspects to consider with the investment strategy at the 2025 valuation are:

- Are there any opportunities to use the investment strategy to further increase the long-term stability of contribution rates for the long-term benefit of employers?
- Are there any opportunities to help reduce funding balance sheet volatility where it matters for a select group of employers?
- If contributions are reduced, what does this do to the cashflow profile of the Fund, and does it affect how the investments are used to manage cashflow?

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Preparing for the 2025 valuation

3. Prudence levels

There is risk inherent with funding for a guaranteed pension amount which is inflation-linked and funded via investment in return-seeking assets. You can never have 100% certainty and must accept some element of risk in the funding strategy. The question is how much, i.e. how prudent are you going to be?

Each LGPS fund will have their own views on how prudent they want to be. And this can change over time. For example, at the 2019 valuation many funds increased the prudence in the funding strategy in light of uncertainty around the benefit structure due to McCloud and the Cost Cap valuation.

At the 2025 valuation, the Fund should review the prudence levels in the funding strategy to explore:

- If the funding position remains strong, could this be used to increase prudence levels? This additional prudence could then be used to help manage any impact on contribution rates if there are poor funding outcomes in the future.
- Do the current market conditions, and increased levels of volatility and uncertainty, warrant mitigation and management by increasing prudence?

4. Surplus retention

An alternative approach to increasing prudence, is explicitly retaining any funding surplus before changes to the funding plan are granted (ie contribution rate reductions). For example, the Fund could:

- Only permit rate reductions if an employer is above a certain funding level threshold. The threshold would be higher than 100% funded.
- Require all open employers to pay at least their primary rate so future benefits are being adequately funded.
- Seek to retain a certain level of surplus in the long-term so both todays and future generations can benefit from the surplus. This would involve increasing the long-term funding target for employers to above 100%

Early engagement and planning for the 2025 valuation will be key to successful outcomes

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What can the Fund do ahead of the 2025 valuation to prepare?

Risk management

There may be individual sources of uncertainty and volatility in the funding plans that could warrant explicit management or mitigation via the funding and investment strategy. Examples could include:

- **Inflation** being higher and/or remaining elevated longer than expected (LGPS benefits are index-linked so this would increase the cost of benefits).
- **Salary increases** being higher than expected would increase the value of those benefits still linked to final salary at retirement. Conversely, lower than expected salary increases would reduce the Fund's contribution income and potentially affect the cashflow position and management of it.
- **Longevity** being materially different from current expectations. Higher than expected increases in longevity would put upward pressure on the Fund's liabilities. The Fund could also be exposed to a deterioration in longevity if it is symptomatic of an unhealthier population, which would increase the occurrence of ill-health retirements and death-in-service, both of which typically result in funding strains.

The Fund should consider the risks inherent in their funding and investment strategies and consider the implementation of risk management tools to seek to hedge some or all of the risk.

Key actions

- **Start planning** – it is important to start conversations with stakeholders well ahead of the valuation to plan effectively.
- **Monitor employer funding and covenant risks** and engage early with higher risk employers, or those with specific circumstances (eg approaching exit).
- **Seek to engage with all employers** in advance of the valuation to build up the appropriate messaging around funding in a surplus environment and any changes in policies.
- **Consider options for funding and investment**, such as prudence levels, maintaining a funding 'buffer' or changing investment risk (in additional to potential changes to contributions).
- **Carry out contribution modelling** for the secure, long-term employers to inform budget setting and financial planning

Summary and next steps

Risk monitoring and valuation planning best practice

As we approach the 2025 valuation, LGPS funds are now facing new challenges within a new economic environment. Planning and stakeholder engagement will be key to successful outcomes and funds should continue to refine their approach to managing risk within this evolving landscape.

Key considerations and next steps

Funding: continue to monitor the funding position and understand the key drivers of change. Consider the messaging of the funding position and what this means for different stakeholders.

Employers: monitor employer funding and seek to engage early with higher risk employers or those approaching exit. Consider employer covenant as a factor within the risk framework and where employer contribution flexibility may be afforded.

Beliefs: identify your Fund's beliefs about what the current economic environment means for future investment returns and consider what that means for contribution rates, investment strategy, prudence levels and any surplus retention.

Review funding and investment strategy: carry out modelling of longer-term secure employers and consider investment strategy options and implications of climate risk.

Risk monitoring and mitigation: consider the Fund's views on inflation, longevity & climate risks, and whether additional prudence may be required in future assumptions or funding plans. Carry out modelling to understand the impact of future inflation (and potential contribution reductions) on the Fund's future cashflows.

Surplus management: if you are in surplus, develop the Fund's policy on surplus management and consider the best use of funding levers at the 2025 valuation.

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Valuation strategy and planning: before 31 March 2025

Strategy

- Beliefs setting including views on economic outlook, climate & longevity
- Council contribution analysis and setting
- Assumptions analysis and setting
- Multiple investment strategies analysis

Stakeholders

- Committee knowledge assessment and training
- Employer engagement and 'early warning'
- Covenant assessments
- Consult on changes to the FSS

Operational

- Agreeing timetable/plan
- Data cleansing
- Employer 'housekeeping' and database
- Policy/FSS reviews

Earlier planning allows more time for engagement, analysis and decision-making

Appendices

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APPENDIX 1

Data

Membership data

The membership data underlying the figures in this report was supplied by the fund for the purpose of the valuation at 31 March 2022 and is summarised below:

31 March 2022				
	Number	Average age	Accrued benefit (£000)	Payroll (£000)
Actives	22,133	51.9	64,083	401,016
Deferred	32,185	51.5	39,685	
Pensioners	18,489	69.2	89,664	

The membership is assumed to evolve over time in line with the demographic assumptions described in the Funding Strategy Statement. Please see Appendix 3 for details of the roll-forward methodology which includes the estimated changes in membership data which have been allowed for.

Cashflows since the valuation at 31 March 2022

We have allowed for the following cashflows in estimating the assets and liabilities at 30 June 2024. Cashflows are assumed to be paid daily. Contributions are based on the estimated payroll, certified employer contributions (including any lump sum contributions) and the average employee contribution rate at 31 March 2022. Benefits paid are projections based on the membership at 31 March 2022.

Estimated cashflows (£000)	31 March 2022 to 30 June 2024
Employer contributions	213,258
Employee contributions	62,924
Benefits paid	241,526

Investment returns since the valuation at 31 March 2022

Investment returns are based on actual returns where available and index returns otherwise.

	Actual / Index	From	To	Return
Whole fund	Actual	1 April 2022	30 June 2024	14.2%

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APPENDIX 2

Assumptions

Financial assumptions

The financial assumptions used to calculate the liabilities are detailed below. For further details please see the Funding Strategy Statement.

Assumption	31 March 2022	30 June 2024
Funding basis	**Ongoing**	
Discount rate methodology	Expected returns on the Whole Fund strategy over 20 years with a 80% likelihood	
Discount rate (% pa)	3.6%	5.6%
Pension increase (% pa)	2.7%	2.3%
Salary increases* (% pa)	3.7%	3.3%

*Salary increases are assumed to be equal to pension increases plus 1.0% pa, plus an additional promotional salary scale.

Demographic assumptions

Demographic assumptions are set out in the Funding Strategy Statement. All demographic assumptions, including longevity assumptions, are the same as at the most recent valuation at 31 March 2022.

Life expectancies from age 65, based on the Fund's membership data at 31 March 2022, are as follows. Non-pensioners are assumed to be aged 45 at that date.

Life expectancy (years)	Ongoing basis	
	Male	**Female**
Pensioners	22.0	24.6
Non-pensioners	22.7	26.2

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APPENDIX 3

Technical information

Funding update methodology

The last formal valuation of the fund was carried out as at 31 March 2022. The results in this report are based on projecting the results of this valuation forward to 30 June 2024 using approximate methods. The roll-forward allows for

- estimated cashflows over the period as described in Appendix 1;
- investment returns over the period as described in Appendix 1;
- changes in financial assumptions as described in Appendix 2;
- estimated additional benefit accrual.

The CARE, deferred and pensioner liabilities at 30 June 2024 include a total adjustment of 11.4% to reflect the difference between actual September CPI inflation values (up to 30 September 2023) and the assumption made at 31 March 2022. The adjustment for each year's actual inflation is applied from 31 October that year, cumulative with prior years' adjustments, which may lead to step changes in the funding level progression chart.

In preparing the updated funding position at 30 June 2024 no allowance has been made for the effect of changes in the membership profile since 31 March 2022. The principal reason for this is that insufficient information is available to allow me to make any such adjustment. Significant membership movements, or any material difference between estimated inputs and actual ones, may affect the reliability of the results. The fund should consider whether any such factors mean that the roll-forward approach may not be appropriate.

No allowance has been made for any early retirements or bulk transfers since 31 March 2022. There is also no allowance for any changes to Local Government Pension Scheme (LGPS) benefits except where noted in the formal valuation report or Funding Strategy Statement.

Sensitivity of results to assumptions

The results are particularly sensitive to the real discount rate assumption (the discount rate net of pension increases) and the assumptions made for future longevity.

If the real discount rate used to value, the accrued liabilities was lower then the value placed on those liabilities would increase. For example, if the real discount rate at 30 June 2024 was 1.0% pa lower, then the liabilities on the Ongoing basis at that date would increase by around 20%.

In addition, the results are sensitive to unexpected changes in the rate of future longevity improvements. If life expectancies improve at a faster rate than allowed for in the assumptions then, again, a higher value would be placed on the liabilities. An increase in life expectancy of 1 year would increase the accrued liabilities by around 3-5%.

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APPENDIX 4

Economic Scenario Service (ESS)

The ESS uses statistical models to generate a future distribution of year-on-year returns for each asset class e.g. UK equities. This approach is also used to generate future levels of inflation (both realised and expected). The ESS is also designed to reflect the correlations between different asset classes and wider economic variables (e.g. inflation).

In the short-term (first few years), the models in the ESS are fitted with current financial market expectations. Over the longer-term, the models are built around our long-term views of fundamental economic parameters e.g. equity risk premium, credit-spreads, long-term inflation etc.

The ESS is calibrated every month with updated current market expectations (a minor calibration). Every so often (annually at most), the ESS is updated to reflect any changes in the fundamental economic parameters as a result of change in macro-level long-term expectations (a major calibration). The following table shows the calibration (for a selection of asset classes) at 30 June 2024.

Time period	Percentile	Asset class annualised total returns								Inflation/Yields		
		UK Equity	Developed World ex UK Equity	Emerging Markets Equity	Listed Infrastructure Equity	Private Equity	Property	Multi Asset Credit (sub inv grade)	Absolute Return Bonds (inv grade)	Inflation (CPI)	17-year real yield (CPI)	17-year yield
10 years	16th	2.0%	1.7%	-0.2%	1.3%	1.1%	1.7%	4.4%	3.6%	0.9%	0.4%	3.4%
	50th	8.1%	7.9%	8.3%	7.4%	12.1%	6.9%	6.2%	4.9%	2.5%	1.6%	4.8%
	84th	14.0%	14.1%	16.9%	13.5%	23.0%	12.2%	8.0%	6.4%	4.2%	2.8%	6.5%
20 years	16th	3.4%	3.3%	1.9%	3.0%	4.1%	3.2%	5.1%	3.4%	0.8%	-0.5%	1.6%
	50th	8.0%	7.9%	8.1%	7.5%	11.9%	6.9%	6.7%	4.9%	2.3%	1.2%	3.6%
	84th	12.5%	12.7%	14.7%	12.1%	19.7%	10.9%	8.2%	6.8%	3.9%	2.9%	6.1%
40 years	16th	4.1%	4.0%	3.1%	3.5%	5.7%	3.5%	4.6%	2.7%	0.8%	-0.7%	1.2%
	50th	7.7%	7.5%	7.8%	7.1%	11.4%	6.5%	6.3%	4.5%	2.1%	1.2%	3.4%
	84th	11.3%	11.2%	12.7%	10.9%	17.2%	9.9%	8.4%	6.8%	3.7%	3.1%	6.2%
	Volatility (1yr)	17%	18%	25%	18%	30%	15%	6%	3%	3%	-	-

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APPENDIX 5

Reliances and limitations

This paper is addressed to Suffolk County Council as Administering Authority to the Suffolk Pension Fund. It has been prepared in our capacity as actuaries to the Fund and is solely for the purpose of discussing funding and risk monitoring ahead of the 2025 valuation. It has not been prepared for any other purpose and should not be used for any other purpose.

The results in this paper are wholly dependent on the valuation data provided to us for the 2022 valuation and the assumptions that we use in our calculations. The reliances and limitations that applied to that valuation apply equally to these results. The results of the valuation have been projected forward using approximate methods. The margin of error in these approximate methods increases as time goes by. The method may not be appropriate if there have been significant data changes since the previous formal valuation (for example redundancy exercises, significant unreduced early retirements, ill health retirements and bulk transfers). The methodology assumes that actual experience since the valuation at 31 March 2022 has been in line with our expectations.

The data used in this exercise is summarised in Appendix 1. Data provided for the purposes of the formal valuation at 31 March 2022 was checked at the time for reasonableness and consistency with other sources. Data provided since then (eg actual investment returns) has been used as-is. The data is the responsibility of the Administering Authority, and the results rely on the data.

The methodology underlying these calculations mean that the results should be treated as indicative only. The nature of the fund's investments means that the surplus or deficit identified in this report can vary significantly over short periods of time. This means that the results set out should not be taken as being applicable at any date other than the date shown.

The Administering Authority is the only user of this advice. Neither we nor Hymans Robertson LLP accept any liability to any party other than the Administering Authority unless we have expressly accepted such liability in writing. The advice or any part of it must not be disclosed or released in any medium to any other third party without our prior written consent. In circumstances where disclosure is permitted, the advice may only be released or otherwise disclosed in its entirety fully disclosing the basis upon which it has been produced (including any and all limitations, caveats or qualifications).

Decisions should not be based solely on these results and your Hymans Robertson LLP consultant should be contacted to discuss any appropriate action before any is taken. Hymans Robertson LLP accepts no liability if any decisions are based solely on these results or if any action is taken based solely on such results.

The following Technical Actuarial Standards are applicable in relation to this advice, and have been complied with where material and to a proportionate degree:
- TAS100 – Principles for technical actuarial work
- TAS300 – Pensions

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Suffolk County Council

Agenda Item 8

Suffolk Pension Board

Report Title:	Pensions Investment Review
Meeting Date:	16 October 2024
Lead Councillor(s):	Councillor Richard Smith MVO
Director:	Stephen Meah-Sims, Deputy Chief Executive and Executive Director of Corporate Services
Assistant Director or Head of Service:	Louise Aynsley, Chief Financial (S151) Officer
Author:	Tracey Woods, Head of Pensions, Telephone: 01473 265639 Email: tracey.woods@suffolk.gov.uk

Brief summary of report

1. This report provides the Board with the scope of the Pensions Investment Review, expected timelines and how the Suffolk Pension Fund are engaging with the review.

Action recommended

2. The Board is asked to note the contents of the report.

Reason for recommendation

3. To keep the Board informed about the Pensions Investment Review.

4. At the national level the Local Government Pension Scheme (LGPS) is governed by the Ministry of Housing, Communities and Local Government (MHCLG) and the LGPS Advisory Board. The investment and management of LGPS assets, the collection of employer and employee contributions, and payment of pension benefits is the responsibility of LGPS administering authorities.

5. The Pension Board assists the County Council as Administering Authority to secure compliance and ensure the effective and efficient governance and administration of the LGPS in line with the requirements set out in legislation.

Alternative options

6. There are no alternative options.

Main body of report

Pensions Review

7. The Chancellor of the Exchequer, Rachel Reeves MP, has launched a Pensions Review and appointed the Minister for Pensions, Emma Reynolds MP, to lead the review. The review is focused on defined contribution workplace schemes and the Local Government Pension Scheme.

8. The first phase of the review is focussed on developing policy in four areas:
    a) Driving scale and consolidation of defined contribution workplace schemes;
    b) Tackling fragmentation and inefficiency in the Local Government Pension Scheme through consolidation and improved governance;
    c) The structure of the pensions ecosystem and achieving a greater focus on value to deliver better outcomes for future pensioners, rather than cost; and
    d) Encouraging further pension investment into UK assets to boost growth across the country.
9. In developing its recommendations, the review will have regard to:
    a) Boosting the returns for pension savers.
    b) Improving the affordability and sustainability of the Local Government Pension Scheme in the interest of members, employers and local taxpayers.
    c) The role of pension funds in capital and financial markets to boost returns and UK growth.
    d) Any implications for wider Government financial stability policy objectives such as with respect to the gilt market.
    e) Fiscal impacts, which will need to be considered in the context of the public finances.
    f) The progress already made on in-train policy initiatives such as the Value for Money Framework and other live reform programmes.
    g) A wide range of external viewpoints, including employers, trade unions, the pensions industry, financial services, local government and consumer voices.
10. The Government has stated that they will consult widely as it develops its analysis and policy options. They have said that co-creation with industry and the Local Government Pension Scheme will be an essential part of the review process, as will expertise from leading voices and think-tanks.
11. The first phase of the review is focussed on investment, and it is expected that the initial findings will be reported later this year and ahead of the introduction of the Pension Schemes Bill.
12. The second phase will start later this year and alongside investment, will consider further steps to improve pension outcomes, including assessing retirement adequacy. Ongoing policy development with respect to defined benefit workplace pensions schemes will remain separate from the review.
13. A Call for Evidence was published inviting input, data and information from interested parties to inform the first phase of the review. The Pension Fund Committee approved a response on behalf of the Suffolk Pension Fund which is at **Appendix 1**. This was submitted in line with the deadline of 11:59pm on Wednesday 25 September 2024.
14. The Government has said that the responses will guide further stakeholder engagement with more targeted questions being considered with specific stakeholder groups. Suffolk Pension Fund officers are attending a meeting for this purpose with MHCLG and HM Treasury alongside the other members of the ACCESS Pool on 10 October 2024.

15. ACCESS also submitted a response as one of the 8 LGPS asset pools. The response was formulated by the Officer Working Group (OWG) and s151 Officers with contributions from the pool's advisers, Hymans Robertson and was shared with the Joint Committee members.

Sources of further information
No other documents have been relied on to a material extent in preparing this report.

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Suffolk Pension Fund Response to the Government Pensions Investment Review – Call for Evidence

Scale and Consolidation

1. **What are the potential advantages, and any risks, for UK pension savers and UK economic growth from a more consolidated future DC market consisting of a higher concentration of savers and assets in schemes or providers with scale?**
   No response as not relevant to LGPS.

2. **What should the role of Single Employer Trusts be in a more consolidated future DC market?**
   No response as not relevant to LGPS.

3. **What should the relative role of master trusts and GPPs be in the future pensions landscape? How do the roles and responsibilities of trustees and IGCs compare? Which players in a market with more scale are more likely to adopt new investment strategies that include exposure to UK productive assets? Are master trusts (with a fiduciary duty to their members) or GPPs more likely to pursue diversified portfolios and deliver both higher investment in UK productive finance assets and better saver outcomes?**
   No response as not relevant to LGPS.

4. **What are the barriers to commercial or regulation-driven consolidation in the DC market, including competitive and legal factors?**
   No response as not relevant to LGPS.

5. **To what extent has LGPS asset pooling been successful, including specific models of pooling, with respect to delivering improved long-term risk-adjusted returns and capacity to invest in a wider range of asset classes?**

   The £4.2 billion Suffolk Pension Fund has pooled 79.3% of its assets within the £65 billion ACCESS LGPS Pool and takes advantage of the benefits of scale. Listed assets have all been pooled. A further 12% has been committed to the Real Estate offering by the Pool, which will take the Fund to 91% pooled by the end of the year. The annual return of the Suffolk Pension Fund for 2023-24 was 12.91% and the three-year return was 7.36%, both of which are ahead of benchmark. In the PIRC Local Authority Performance Universe, the fund performance was ranked 6th out of 62 funds who subscribe to the service, the average return was 9.2%. This overall performance is largely made up of the assets and investments which are pooled. Pooling of the remaining assets will occur as the pre-pooling investments mature and the Fund has investment capital available to make new commitments.

The ACCESS model is meeting the funds needs in terms of providing a diverse range of asset classes to invest in. These are externally appointed and monitored in terms of strategy, responsible investing and performance. Suffolk Pension Fund saved £5.8m in 2023-24 on investment manager fees during the year and has saved £15.1m since pooling their first investment assets.

The ACCESS governance structure ensures all authorities have appropriate oversight. The day-to-day operational activity undertaken by the ACCESS Support Unit is overseen by the subject matter experts of the Officer Working Group, who meet monthly and support the S151 Officers Group and the Joint Committee, who meet around six times a year with special meetings as necessary. This enables timely and effective decision making. The pool is currently implementing the recommendations of an independent review of all aspects of ACCESS pool governance that was undertaken in 2023. It is expected that a governance review will be completed periodically to ensure that the governance structure remains fit for purpose.

Cost vs Value

1. **What are the respective roles and relative influence of employers, advisers, trustees/IGCs and pension providers in setting costs in the workplace DC market, and the impact of intense price competition on asset allocation?**
   No response as not relevant to LGPS.

2. **Is there a case for Government interventions, aimed at employers or other participants in the market, designed to encourage pension schemes to increase their investment budgets in order to seek higher investment returns from a wider range of asset classes?**

   The funding objective that has been adopted for the Suffolk Pension Fund is to ensure that the assets of the Pension Fund, when taken in conjunction with future contributions and expected asset returns, are sufficient to ensure that all future pension and retirement benefits will be fully covered by the Fund's assets when they fall due. Therefore, the fund will continue to maximise the returns on the investments it makes as far as possible and reinvest investment returns until such a time as they are required to pay benefits. The employers of the Suffolk Pension Fund are largely local government organisations who are required to pay employer contribution rates which are approved by the actuary, these are set at a prudent level. The fund is currently fully funded, and it would not be appropriate to increase employer contributions to the fund, especially when they currently have significant budget pressures.

   The Suffolk Pension Fund is currently forecasting a neutral cash flow position. This is likely to turn negative in the very near future, as pensioner numbers and benefits increase whilst employer contributions reduce, due in part, to the improved funding levels. Taking this into account, the Fund targets a growth-based strategy alongside a steady income stream, with the aim of maximising asset performance in the long term within agreed risk levels, whilst also ensuring there is income available to manage the cashflow position. There are significant levels of diversification between different asset classes to reduce overall portfolio risk through combining the performance of each asset class. Diversification into other asset classes has increased the amount spent on investment management fees as the fund recognises that this is necessary to generate higher investment returns.

Investing in the UK

1. **What is the potential for a more consolidated LGPS and workplace DC market, combined with an increased focus on net investment returns (rather than costs), to increase net investment in UK asset classes such as unlisted and listed equity and infrastructure, and the potential impacts of such an increase on UK growth?**
   The fiduciary duty of the local pension fund committees is to ensure that the assets invested in are diversified and the returns meet the long-term needs of the fund. Therefore, consolidation of funds does not lead to increased UK investment unless returns from UK investments provide a guaranteed investment return that is close to that which is achievable through investment in global equities. The savings that could be generated through consolidation are limited and the impact of consultant and legal fees would need to be considered, as well as the significant operational risks that would affect scheme members and employers. Consolidation could also delay the progress that is already being made under existing pooling arrangements.

2. **What are the main factors behind changing patterns of UK pension fund investment in UK asset classes (including UK-listed equities), such as past and predicted asset price performance and cost factors?**
   The funds UK equities manager returned 13.5% in 2023-24, this outperformed the FTSE benchmark by 5.1%. The funds global equities manager returned 25.7% in 2023-24, outperforming the MSCI All World benchmark by 2.7%. The fund has a fiduciary duty to maximise investment returns to ensure assets are available to fund pension benefit liabilities. As the performance of global equities has exceeded that of UK listed equities for some time, the level of investment in global equities has inevitably increased. As a % of the global equities market the UK makes up 4%, therefore with 5% of the fund invested in UK equities the fund will still be overweight in the UK compared to the share of the global market. Some major UK assets are owned by foreign entities and are not being traded on the FTSE, such as EDF Energy. Therefore, investment in a global company can be stimulating growth in the UK economy.

3. **Is there a case for establishing additional incentives or requirements aimed at raising the portfolio allocations of DC and LGPS funds to UK assets or particular UK asset classes, taking into account the priorities of the review to improve saver outcomes and boost UK growth? In addition, for the LGPS, there are options to support and incentivise investment in local communities contributing to local and regional growth. What are the options for those incentives and requirements and what are their relative merits and predicted effectiveness?**
   To increase investment in UK assets the fund needs to be satisfied that it will make a return that will meet the needs of the fund as part of a diversified portfolio so that it can meet its fiduciary duty to act in the best interests of scheme members. Alongside this, meeting the funds responsible investment objectives would also act as an incentive. The fund has made a commitment to be Net Zero by 2050 or earlier so the impact of any new investments on meeting this commitment will need to be demonstrated.
   The Suffolk Pension Fund considers that the Government providing its backing through the National Wealth Fund will make UK investment more attractive to all investors, not just the LGPS. Furthermore, if the UK becomes more attractive for companies to list and invest, this would strengthen the UK market and make it more attractive to investment managers and both LGPS and other investors. If the Government wanted to mandate increased investment in the UK this would require a change to the fiduciary duty. The Suffolk Pension Fund is a long-term investor, and the UK remains a core market for the fund to invest in.

Suffolk County Council

Agenda Item 9

Suffolk Pension Board

Report Title:	Pension Board Risk Register
Meeting Date:	16 October 2024
Lead Councillor(s):	Councillor Richard Smith MVO
Director:	Stephen Meah-Sims, Deputy Chief Executive and Executive Director of Corporate Services
Assistant Director or Head of Service:	Louise Aynsley, Chief Financial Officer (S151)
Author:	Sharon Tan, Lead Accountant (Pensions) Tel. 01473 265636 Email: Sharon.tan@suffolk.gov.uk

Brief summary of report

1. This report sets out the Risk Register for the Pension Board and how the risk control measures have been implemented against the risks.

Action recommended

2. The Board is asked to review the implementation of the risk control measures set out in **Appendix 1**.
3. The Board is asked to review and approve the Pension Board Risk Register set out in **Appendix 3**.

Reason for recommendation

4. 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.
5. 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

6. The Pension Board can include alternative risks to those set out in the Risk Register.

Main body of report

Regulatory Background

7. 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 “Managing

Risk in the Local Government Pension Scheme" (2019). The Pensions Regulator published regulatory guidance in December 2015 entitled "Integrated Risk Management".

Implementation of Risk Control Measures

8. The Pension Fund Committee has a risk management strategy, which identifies the principles for how the Fund will embed risk awareness and management into the decisions and processes of the Pension Fund to ensure that the Fund's objectives are met. It sets out the risk management framework which is used to identify and assess risks and the implementation of the management of those risks. This is set out in **Appendix 1**.

Risk Register

9. 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.
10. The risks within the key categories set out in the risk management strategy have been identified and assessed in terms of its impact on the Fund as a whole and the probability of the risk occurring to establish the risk rating category.
11. Risk control measures have been identified for each risk in the risk register, indicating the most effective way of managing the risk and how the measures have been implemented.
12. The Pension Fund Committee received and approved a new risk register at its meeting on 25 September 2024 and receives a summary risk register at its quarterly meetings. The Pension Fund risk register is attached as **Appendix 2.**
13. The risk register for the Pension Board to approve is attached as **Appendix 3**. The probability and risk impact scores have been scored based on the submissions from the members of the Board using the criteria set out in **Appendix 4**.
14. The risk register and actions taken to mitigate or control the risks are 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) Managing Risk in Local Government Pensions Funds - CIPFA 2019

c) Integrated Risk Management - Pensions Regulator 2015

Suffolk Pension Fund
Risk Management Strategy

The Suffolk Pension Fund has fiduciary duties and responsibilities towards pension scheme members and participating employers to pay future benefits when they fall due.

The Pension Fund cannot eliminate risk but can manage risk through the Funding, Investment, Communication, Governance and Administration policies and strategies.

This strategy sets out how the Suffolk Pension Fund embeds and manages risk across the scheme incorporating it into the polices and strategies and decision-making processes.

Strategy

Vision

To embed risk awareness and management into the decisions and processes of the Suffolk Pension Fund to ensure that the Fund's objectives are met.

Objectives

- To establish and maintain a robust framework for the identification, assessment and management of risk.
- To minimise the cost of risk
- To enable the Pension Fund Committee to make informed decisions.
- To reassure stakeholders.

Achieved through:

- Elimination risk as far as possible, within scheme administration and governance.
- Balance of risk and return within investment activity.

Risk Management Framework

Format

The risk management process is a continuous cycle of:

- risk identification and recording,
- analysis and assessment,
- response to risk,
- implementation of risk management and
- monitoring and reporting.

The risk management strategy sets out how each of these elements of the process are identified and addressed.

Indentification of Risk and Recording

This is the process of recognising risks that may have an impact upon the Suffolk Pension Fund. This involves anticipating new and emerging risks and reviewing how past and current risks have manifested.

An integral part of the development of any new strategy or investment proposal is the consideration and identification of any risks that may impact delivery.

Principle source for identifying risks:

- risk register,
- internal audit reports,
- external audit reports,
- performance monitoring and review
- professional advice from actuarial, investment and legal consultants
- reports and risk register of the ACCESS Pool
- publications from the Pensions Regulator, Local Government Pensions Committee, CIPFA and Scheme Advisory Board.
- Participation in industry networks such as Pensions & Lifetime Savings Association.

Once identified, risks are recorded on the risk register which is the primary document, providing a mechanism to analyse, monitor and report.

The risk register records:

- risk description
- risk consequences
- risk scores and rating
- movement in score assessment
- owner
- strategy
- risk control measures

Analyse and Assess Risk

This is the process of analysing and profiling each risk using the following matrix:

		Impact			
		Minor (1)	Moderate (2)	Major (3)	Critical (4)
Probability	Unlikely (1)	Low (1)	Low (2)	Low (3)	Medium (4)
	Possible (2)	Low (2)	Medium (4)	Medium (6)	High (8)
	Probable (3)	Low (3)	Medium (6)	High (9)	Elevated (12)
	Almost Certain (4)	Medium (4)	High (8)	Elevated (12)	Elevated (16)

The product of these provides the risk ranking

Risk Response

Risks will be treated, tolerated, transferred, or terminated. Control mechanisms will vary depending on the type of risk and activity involved.

- **Treat** – continue with activity and introduce controls and mitigating actions to reduce the likelihood and impact.
- **Tolerate** – accept that the risk exists but it is either unlikely to happen or the opportunities are greater than the risk.
- **Terminate** – cease the activity as even with control measures the risk is either still unacceptable or the cost to implement control measures is unacceptable.
- **Transfer** – transfer part or all of the risk to a third party to deliver the service.

Controls for each risk are described in the risk register and reviewed regularly.

Implement Risk Management

Implementation of risk management is an integral part of the strategic and operational planning and management of the Pension Fund. Consideration of risk and how to mitigate and manage it forms part of the established routines for monitoring and development of the Fund.

Risk Monitoring and Reporting

Regular reviewing of the risk register is central to risk monitoring to ensure that the risk control remains effective. The Pension Fund Committee reviews the full risk register at least annually and a summary version more regularly.

As part of the review consideration is given whether:

- the nature of the risk has changed
- the control environment has changed
- the probability of the risk occurring has changed
- the impact of the risk has changed
- new risks which need to be considered

Risk Categories

The principal risk categories and specific types of risk are as follows:

- Asset & Investment
- Funding & Liabilities
- Employer
- Resource & Skill
- Administration and Communication
- Reputational
- Regulatory & Compliance

Suffolk Pension Fund Risk Register

Risk ID	Risk Description	Risk Consequence	Impact	Prob	Risk rating	Move in Score	Owner	Strategy	Risk Control Measures
SPF01	**Asset & Investment** Failure of investment markets in generating investment returns as set out in the Funding Strategy	Could have a negative effect on the Pension Valuation leading to an increase in contribution rates for employers. Employers unable to plan and budget in the medium term.	Major (3)	Possible (2)	Medium (6)	↔	Pension Fund Committee	Treat	Regular reporting of the Funding position Regular reporting and monitoring arrangements for investment performance. Diversification of asset classes minimises the impact of a single asset class underperforming. Review of assets against the strategic benchmark with rebalancing carried out as necessary. The Funding Strategy Statement incorporates a long term time horizon when setting contribution rates and where applicable can implement a stabilisation approach.

SPF02	**Asset & Investment** Failure in investment performance by an individual investment manager leading to a shortfall in investment return	Could have a negative effect on the Pension Valuation leading to an increase in contribution rates for employers.	Moderate (2)	Probable (3)	Medium (6)	↔	Pension Fund Committee	Treat	Regular meetings are held with investment managers to discuss investment performance. The independent adviser reports on these meetings with additional comments and his opinion on the investments. Hymans Robertson provides a quarterly investment monitoring report which provides an update of any significant changes to the investment mandates and managers and responsible investment ratings. Regular reporting and monitoring arrangements for investment performance for each manager against benchmark. Diversification of asset classes and investment manager structure minimises the impact of a single manager underperforming. Northern Trust presents on the performance data on an annual basis providing an independent view.

SPF03	**Asset & Investment** Negligence, fraud or default by individual investment manager leading to a loss of investment	Could have a negative effect on the Pension Valuation leading to an increase in contribution rates for employers.	Moderate (2)	Unlikely (1)	Low (2)	↔	Pension Fund Committee	Treat	Legal requirements on Fund Manager set out in investment management agreement. Investment Managers are FCA regulated. Review of internal control reports. Reconciliation of custodian data against investment manager reported positions. Professional advice on stability of investment organisations.
SPF04	**Asset & Investment** Failure of custodian leading to incomplete or incorrect information leading to misreporting of financial position.	Decisions made based on misreported information. Reputational loss with incorrect information published.	Moderate (2)	Unlikely (1)	Low (2)	↔	Head of Pensions	Treat	Regular contract reviews of the custodians' performance against agreed SLA's. Review of internal control reports. Reconciliation of custodian data against investment manager reported positions.
SPF05	**Asset & Investment** The Investment Strategy does not allocate sufficient liquid assets to meet liabilities	Fund cannot meet its immediate liabilities because it has insufficient liquid assets leading	Minor (1)	Unlikely (1)	Low (1)	↔	Pension Fund Committee	Treat	Valuation modelling of the Fund identifying the cashflow over the medium term. The cash flow is monitored and reconciled on a daily basis with a

		to additional costs associated with borrowing to meet the cash flow requirements.							review of cash flow trends to anticipate trends. Regular reporting of the long term basis cash flow to Pension Fund Committee.
SPF06	**Asset & Investment** Failure by the Investment Managers to manage the risk Climate Change may have on the assets of the Fund.	Could lead to the potential risk of stranded assets, leading to financial loss if an asset loses significant value and becomes worthless. Increased capital costs of underlying investment companies to transition to greener energy or lower carbon solutions. Risk of natural disasters through adverse weather conditions causing damage to underlying investments.	Major (3)	Probable (3)	High (9)	↔	Pension Fund Committee	Treat	Regular meetings with investment managers to discuss investment performance, investment strategy, stock holdings and their path to net zero as set out in the Investment Managers Engagement Strategy. The Pension Fund officers review the investment holdings on a quarterly basis to categorise what is being held. Diversification of asset classes and investment manager structure minimises the impact of a single stock underperforming. Responsible Investment beliefs are included in the Investment Strategy and Investment Managers are required to demonstrate how they meet the Fund's investment beliefs.

									Risk Update On 15 February the Financial Reporting Council (FRC) announced that they would only be accepting renewal applications for the October 2023 deadline which means that the Suffolk Pension Fund will have to defer submission to April 2024. A draft submission will be brought to the November 2024 Committee meeting.
SPF 07	**Asset & Investment** ACCESS investments do not meet the requirements of the Fund	The Fund is unable to implement its Investment Strategy through pooling. Reputational damage to the Council with adverse publicity.	Moderate (2)	Unlikely (1)	Low (2)	⟺	Pension Fund Committee	Treat	Strong engagement with the activities within the Pool on a Pension Fund officer, S151 officer and Chairman levels. Pension Fund officers are involved with the planning and set up of asset investment offerings to ensure that the needs of the Fund are met. Engagement with investment consultants to evaluate the investment sub-funds.

									Risk Update All liquid assets have been pooled within ACCESS. CBRE have been appointed as the property investment manager for the ACCESS Pool for both UK and Global. Work is currently being undertaken to identify the most cost efficient transition process for the Suffolk Pension Fund.
SPF 08	**Asset & Investment** Global events have an adverse impact on the Pension Fund's investment and cashflow.	Fund cannot meet its immediate liabilities because it is unable to access liquid assets leading to additional costs associated with borrowing to meet the cash flow requirements. Could lead to financial loss if an asset loses significant value and becomes worthless.	Moderate (2)	Possible (2)	Medium (4)	↔	Pension Fund Committee	Treat	Diversification of asset classes, geographical regions and investment manager structure minimises the impact of a single country stock underperforming due to for example imposed financial sanctions. The cash flow is monitored and reconciled on a daily basis with a review of cash flow trends to anticipate trends.

SPF 9	**Regulatory & Compliance** Changes to regulations or legislation not being adhered to	Could result in an increase in the cost of the scheme or increased administration and consultancy cost to correct Could create additional liabilities and administration difficulties for employers. The Pensions Regulator can fine the Fund for breach of regulations. Reputational damage to the Council and the Fund with adverse publicity.	Moderate (2)	Unlikely (1)	Low (2)	↔	Pension Fund Committee Head of Pensions	Treat	The Pension Fund responds to all consultation papers regarding changes to the LGPS issued by Minister of Housing, Communities and Local Government (MHCLG). Pension Fund Officers contribute to discussions with MHCLG through professional bodies the Fund connected with such as CIPFA, PLSA. Pension Fund Officers attend conferences, seminars, webinars to ensure the consequences of legislative changes are understood and implemented. Pension Fund Committee are informed of upcoming changes and how they will be implemented. Regular system updates by Heywood's to incorporate the change to benefit regulations.

SPF 10	**Regulatory & Compliance** Failure to comply with Government expectations on asset pooling	The Government has introduced back stop legislation to ensure compliance. The Secretary of State takes over the investment functions of the Fund and directs its investment strategy to invest in specific assets. Reputational damage to the Council with adverse publicity. Loss of trust from members of the Fund.	Major (3)	Possible (2)	Medium (6)	↔	Pension Fund Committee	Treat	Strong engagement with the activities within the Pool on a Pension Fund officer, S151 officer and Chairman levels. Pension Fund Committee are appraised on the ACCESS Pool developments on a regular basis and how these affect the Pension Fund. **Risk Update** The new Government is continuing with the Pooling agenda. Their plans will become clearer over time. On 4 September 2024 Government published a call for evidence focusing on defined contribution schemes and the LGPS. The review will form the next steps with regards to consolidation and investment in the UK. Responses have to be submitted by 25 September 2024.

SPF 11	**Regulatory & Compliance** Failure of the Pension Fund to be able to undertake the work required to remedy the McCloud High Court ruling.	Could result in an increase in the cost of the scheme or increased administration and consultancy cost to correct Reputational damage to the Council with adverse publicity. Loss of trust from members of the Fund.	Moderate (2)	Unlikely (1)	Low (2)		Head of Pensions	Treat	The Pension Fund officers have attended webinars held by professional bodies to understand the potential requirements. Employers have been engaged and are aware that there will be a requirement for them to produce some of the data which will be needed to undertake the work **Risk Update** Regulations came into force on 1 October 2023. Updates applied to administration system to accommodate this legislation change have been tested. Some further testing needed to ensure full functionality. Identification of records that need reviewing has taken place. Employer end of year data was required so that all records are up to date in order to use a bulk

									function for calculations. This will now be tested fully. The Team will then be in a position to commence review of records in agreed order. There is no timescale to complete work and no issues are expected in terms of doing so.
SPF 12	**Regulatory & Compliance** Failure of the Pension Fund to meet the reporting of climate change risks to come into force April 2024 for reporting by December 2025.	The Pension Fund cannot demonstrate how climate change risk and opportunities are integrated into the Fund's investments and decision making process. Reputational damage to the Council and the Fund with adverse publicity.	Major (3)	Unlikely (1)	Low (3)		Pension Fund Committee Head of Pensions	Treat	The Pension Fund officers will engage with appropriate professional bodies and attend sessions to fully understand the requirement of the reporting obligations. The Pension Fund will engage with the investment managers on how they can provide the appropriate reporting metrics to be included in the Climate Change Risk report. The Pension Fund officers will develop and implement processes in a timely manner to collate the information in advance of the reporting deadlines.

									The original implementation date was April 2023 but the new regulations did not come into force. The risk has been updated to reflect these dates.
SPF 13	**Regulatory & Compliance** Failure of the Pension Fund to meet the requirements of the The Pensions Regulator (TPR) Single Code of Practice	The Fund cannot demonstrate that it meets TPR's expectations of the conduct and practice that governing bodies should meet to comply with their duties in pensions legislation. TPR could take court action against Fund's who do not publish their compliance position.	Major (3)	Unlikely (1)	Low (3)		Head of Pensions	Treat	The Pension Fund officers have commissioned an interactive tool to enable them to review the requirements and collate how they are being met or not met and any improvements required. Initial work has commenced and an update will be presented to the Committee at its meeting in November 2024.
SPF 14	**Regulatory & Compliance** Failure of the Pension Fund to complete the Annual Report &	External audit will put the audit to the back of their timetable if the information is not	Major (3)	Unlikely (1)	Low (3)		Head of Pensions	Treat	The Pension Fund Accounts were available on 20 May 2024, as agreed with EY.

	Accounts by the deadlines set.	available during the time scales agreed. If the Pension Fund accounts are not audited on time this could have a knock on effect to the signing off of the Suffolk County Councils Accounts. Reputational damage to the Council and the Fund with adverse publicity.							The Pension Fund Annual Report and Accounts will be presented to the Committee for approval at it meeting in September 2024. A draft will be published on the website after the meeting and sent to the Scheme Advisory Board. The Annual Report and Accounts will be updated when the Suffolk County Council accounts are signed off, after backstop legislation has been passed in December 2024 and the previous years and 2023/24 accounts can be approved by Audit Committee.
SPF 15	**Funding & Liabilities** The actuarial assumptions used in the triennial valuation and set out in the Funding Strategy are significantly adrift from the actual experience. Fall in risk free returns on	Could increase the liability strain on the valuation leading to an increase in Employer contribution rates which reduces affordability Could lead to an increase in investment risk with a change to	Major (3)	Possible (2)	Medium (6)	↔	Pension Fund Committee	Treat	Additional work is commissioned to validate the assumptions used in the valuation. Mortality assumptions are set with an allowance for future increases in life expectancy utilising data from club vita. The estimated Funding level is reported regularly to the Pension Fund Committee.

	Government bonds leading to an increase in liabilities	investment strategy to riskier assets to offset shortfall							Toleration of risk in the expectation of higher returns from riskier asset classes such as equities, property and alternatives and inflation linked assets helps to mitigate pay and price inflation. **Risk Update** The 2025 valuation exercise will commence during the 2024/25 financial year. An initial paper outlining the exercise will be presented at the September 2024 Committee paper. Hymans will be attending the Annual training day in October 2024, training on setting the financial assumptions. The Committee will be required to set the financial assumptions at its meeting in February 2025.
SPF 16	**Funding & Liabilities** Failure of the investment strategy	Could lead to an increase in employers'	Moderate (2)	Low (1)	Low (2)	⟷	Pension Fund Committee	Treat	The investment Strategy is fully reviewed at least every 3 years by the Pension fund Committee

	to produce the long-term returns assumed to be in the Funding Strategy	contribution rate which reduces affordability Could lead to an increase in investment risk with a change to investment strategy to riskier assets to offset shortfall.							in line with the results of the triennial valuation. This was last reviewed in July 2020. A high-level review is undertaken annually to assess whether the the investment strategy is likely to meet the returns required. The estimated Funding level and performance of the investments are reported regularly to the Pension Fund Committee. **Risk Update** The forecast funding position as at 30 June 2024 is 154%. Liabilities are forecast to be £2.8 bn, a reduction of £0.7 bn since the March 2022 valuation due to the increase in discount rate, meaning that less money is required now as it is expected that investment returns will be higher in the future. The required return assumption for the funding level to be 100% is 3.2% p.a. with a 95% likelihood of the assets achieving this return.

SPF 17	**Employer** Employers' failure to carry out their responsibilities for providing scheme administration data.	The Pension Fund is unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements, fund is closed to new entrants). Not having correct membership data could result in scheme benefits being incorrectly calculated. Could lead to incorrect information being used to make decisions in regards to the employer and the Pension Fund as a whole. Additional time and cost with the Pension administration team	Moderate (2)	Possible (2)	Medium (4)	⟺	Head of Pensions	Treat	The Administration Strategy sets out the employers' responsibilities and is reviewed at least every three years. It was last approved by the Pension Fund Committee at its meeting on 24 November 2021. Employers are made aware of any changes to their requirements or amendments to the strategy. The document is available on the Pension fund website. Employers are required to fill out an annual return by 21 April each year. Each year the Employers are reminded of the requirement. Non-compliance is addressed. Internal audit undertake assurance on the processes and systems on an annual basis.

		to correct or follow up for information. Fined by the Pension Regulator or Information Commissioner. Members may make decisions based on incorrect or incomplete information.								
SPF 18	**Employer** Failure of the Employer to produce the data required to calculate the impact of the McCloud High Court ruling	The Pension Fund will be unable to calculate the impact of the ruling on the Employer/ Fund. Could lead to a member not getting the correct benefit that they are entitled to.	Moderate (2)	Possible (2)	Medium (4)	↔	Head of Pensions	Treat	Employers have been made aware that data will be required from them. Update on the progress and requirements are provided in the Pension Matters newsletter as developments are published. **Risk Update same wording** Regulations came into force on 1 October 2023. Identification of records that need reviewing has taken place. Employer end of year data was required so that all records are	

									up to date in order to use a bulk function for calculations. This will now be tested fully. As the range of members affected has changed from original communications however, there may be some issues getting data from employers. However, there is guidance available for calculating these cases where employers no longer have the data to mitigate this risk.
SPF 19	**Employer** Increase in early retirements due to redundancy and ill health.	Could increase the liability strain for the employer making the scheme unaffordable.	Moderate (2)	Possible (2)	Medium (4)	↔	Head of Pensions	Treat	Employers are charged the capital cost of early retirements through redundancy. Flexibility on payment terms can be offered on a discretionary basis. Ill Health retirements are monitored, any cost in excess of the allowance in the contribution rate is charged to the employer. Smaller employers who have a payroll of less than £1m, are

									mandated to take out an insurance policy to cover the costs of ill health early retirements. The insurance is available to all other employers.
SPF 20	**Employer** Pension Fund fails to identify departing Employer's losing the opportunity to manage an orderly exit and recover any deficit if it exists.	Financial burden would have to be picked up the rest of the employers in the Fund.	Minor (1)	Unlikely (1)	Low (1)	⟷	Head of Pensions	Treat	The Admissions agreement signed by each employer requires employers to inform the Pension Fund of forthcoming changes to its membership position. The Pension Fund officers engage with employers who have a falling active membership to explain the options available when the last active employer ceases contributing. Vetting of employers in regards to financial security of funding streams. Seeking a funding guarantee or indemnity from the scheme employer. Review to ensure Bonds are renewed when expiring and

									reflect current employer position.
SPF 21	**Administration & Communication** Failure to communicate or engage with Pension Fund stakeholders	Can lead to non-compliance with legislation and best practice. Disengagement with the Fund leading to a fall in active members. Damage to the reputation of the Fund	Moderate (2)	Possible (2)	Medium (4)	↔	Head of Pensions	Treat	Maintenance and implementation of the Communication strategy, which is subject to regular review. This was last reviewed in February 2021. The use of Member Self Service enables effective and cost efficient communications for all active, deferred and pensioner members that have signed up to it. Regular communications to employers are provided through the form of Pension Matters newsletters and the Annual Employer meetings. Pension Fund Committee and Pension Board papers are published within statutory deadlines.

									The Pension Fund website was updated in 2022 to enable a better user experience.
SPF 22	**Administration & Communication** Failure of Pensions administration IT systems	Pension Benefits are not paid on time. Failure to meet statutory requirements. Inability to deal with enquiries effectively. Reputational risk to Suffolk County Council and the Pension Fund.	Major (3)	Possible (2)	Medium (6)	↔	Head of Pensions	Treat	Suffolk County Council has a disaster recovery plan in place which includes the key tasks within the Pension Fund. The Pension Fund administration and pensioner payroll system is hosted by its supplier, Heywoods. Systems are backed up nightly.
SPF 23	**Administration & Communication** Risk of a successful cyber attack.	The Fund suffers significant financial cost. Pension Benefits are not paid on time. Failure to meet statutory requirements.	Major (3)	Possible (2)	Medium (6)	↔	Chief Financial Officer	Treat	The Pension Fund administration and pensioner payroll system is hosted by its supplier, Heywoods. Systems are backed up nightly. Mandatory training on preventing cyber attack risks.

		Inability to deal with enquiries effectively. Unable to manage cashflow, contributions, capital calls or distributions. Reputational risk to Suffolk County Council and the Pension Fund.							Robust IT security systems in place to identify risks, evolving threats and prevention. Robust arrangements with the data processors of the Fund's member data.
SPF 24	**Administration & Communication** Failure to implement and comply with LGPS benefit regulations	Could result in incorrect benefit calculations and members not getting the correct benefit that they are entitled to. Pension Benefits are not paid on time. Additional time and cost with the Pension administration team to correct.	Major (3)	Unlikely (1)	Low (3)	↔	Head of Pensions	Treat	The Pensions administration team adheres to stringent procedures required to comply to the benefits regulations. Regular system updates by Heywood's to incorporate the change to benefit regulations Knowledge and understanding is kept up to date by attending the relevant training courses on offer by professional bodies.

		Loss of trust from members of the Fund.							All calculations are independently checked and verified. Sample testing is undertaken by internal and external audit.
SPF 25	**Administration & Communication** Failure to collect and account for full receipt of contributions and deficit payments received from employers.	Fund cannot meet its immediate liabilities because it has insufficient liquidity, leading to additional costs associated with borrowing to meet the cash flow requirements.	Moderate (2)	Unlikely (1)	Low (2)	⟺	Head of Pensions	Treat	The Administration Strategy sets out the employers responsibilities and is reviewed at least every three years. It was last approved by the Pension Fund Committee at its meeting on 24 November 2021. Reconciliations are undertaken to reconcile the receipts from employers against the rate that they should be paying. Timeliness of receipts are monitored and reported. Non-compliance is addressed. Sample testing is undertaken by internal and external audit.

SPF 26	**Administration & Communication** Staff fraud /theft / negligence	Reputational risk to Suffolk County Council and the Pension Fund.	Moderate (2)	Unlikely (1)	Low (2)		Head of Pensions	Treat	Systems have security measures in place to reduce the risk. Administration staff cannot access their own records or records of relatives using their log in. Finance staff cannot authorise payments on the custodian system that they have entered using their log in. All financial transactions are independently checked and verified with further scrutiny undertaken when authorised. Internal and external audit undertake scrutiny and testing of the internal controls arrangements.
SPF 27	**Resource & Skills** Pension Fund Committee members do not have the appropriate skills or knowledge to discharge their responsibility.	Could lead to inappropriate decisions being made. Could increase the liability strain for the employer	Major (3)	Unlikely (1)	Low (3)		Pension Fund Committee	Treat	The Committee has adopted the CIPFA Pensions Knowledge and Skills Framework as the basis for assessing its training and development needs. Committee members are required to undertake the

		making the scheme unaffordable. Could lead to investment managers not permitting the Fund to retain its MiFID opt up as a professional client and the fund having to disinvest from investments that are not open to non-professional clients.							Hymans online training modules to demonstrate their understanding. The Committee approves a formal training plan which is designed to cover the Committee's responsibilities. This training is delivered by Pension Fund officers, investment consultants and subject matter experts. New Committee members and substitutes receive appropriate training before attending a committee meeting and are fully briefed by a Pension Fund officer to enable them to participate. External advisors are employed to advise the Pension Fund Committee.
SPF 28	**Resource & Skill** Pension Fund officers do not have the appropriate skills or knowledge to complete statutory duties or advise the Pension Fund appropriately.	Could lead to inappropriate decisions being made. Could increase the liability strain for the employer	Major (3)	Unlikely (1)	Low (3)	↔	Head of Pensions	Treat	Pension Fund officers attend seminars, conferences, training and webinars laid on by the professional bodies involved with the LGPS. Staff are recruited with the necessary skills to undertake the

		making the scheme unaffordable. Reputational risk to Suffolk County Council and the Pension Fund.							relevant duties assigned to them. Training and development needs are identified through the personal development review (PDR) process.
SPF 29	**Resource & Skill** Pension Fund does not have appropriate staffing resources to carry out all the pension functions and is open to key man risk.	Could lead to key work deliverables not being met. Could lead to a back log of work without an SLA but still requires completion. Key staff leaving due to inappropriate workloads leading to a lack of continuity and transfer of knowledge.	Major (3)	Possible (2)	Medium (6)	⟺	Head of Pensions	Treat	Future new regulations are evaluated and additional resource requirements are identified ahead of time. Processes are documented to assist continuity of process. Regular one- to-one discussions with manager should be used to highlight workload issues. Completion statistics on administration tasks with SLA's and other administrative tasks are regularly reported.
SPF 30	**Reputational** Conflicts of interest between the County Council and the Pension Fund	Advice and decisions may be taken in the best interest of the Council or the Fund which may differ.	Major (3)	Unlikely (1)	Low (3)	⟺	Chief Financial Officer	Treat	The Council constitution sets out the roles and responsibilities of all entities. The conflict of interest policy sets out the code of conduct and

		Employers cannot differentiate between the Council and the Pension Fund					Pension Fund Committee		recognition of potential conflicts of interest for officers and Committee members and how they should be managed. This was last updated in June 2020.
SPF 31	**Reputational** The Pension Fund does not proficiently administrate the Fund.	Incorrect information is reported and used to make decisions. Members records are not up to date which could cause transfers or benefits to be paid incorrectly. Loss of credibility amongst external bodies and peers.	Major (3)	Unlikely (1)	Low (3)	⟺	Chief Financial Officer Pension Fund Committee Head of Pension	Treat	The Pension Fund annually approves a Business Plan that identifies the key developments to be achieved. Progress and completion of each key tasks is reported. Feedback is sought from Professional advisers. Costs are annually benchmarked with similarly sized funds.
SPF 32	**Reputational** Failure by the Pension Fund to manage Environmental, Social and Governance (ESG) risk within the investment strategy	Investments have poor ESG compliance leading to adverse publicity and financial loss in asset value.	Major (3)	Probable (3)	High (9)	⟺	Pension Fund Committee	Treat	Regular meetings with investment managers to discuss investment performance, investment strategy and engagement activities. Diversification of asset classes and investment manager

	and implementation of investment decisions.	Risk to income yield by restricting the market due to ESG concerns without considering the wider picture on the investment strategy. Risk to investment managers capacity to implement the investment strategy by restricting investments. Risk to wider ESG issues by focusing on a single issue.							structure minimises the impact of a single stock underperforming. Regular reporting of ESG implementation by investment managers and voting at shareholder meetings on behalf of the Pension Fund. Investment Managers are required to demonstrate how they incorporate ESG into their investment strategy.

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Risk ID	Risk	Impact	Prob	Risk Score	Risk Rating	Risk Control Measures
SPB01	**Employer** Employers’ failure to carry out their responsibilities for paying contributions and providing information required for the administration team to fulfil their responsibilities. Consequence Could lead to incorrect information being used to make decisions in regards to the employer and the Pension Fund as a whole. The financial burden would have to be picked up by the rest of the employers in the Pension Fund.	3	1	3	Low	An effective Administration Strategy setting out the employers responsibilities. An effective Communications Strategy so that employers are engaged with the Pension Fund. Monitoring and reporting of the compliance of the employers. 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. Non compliance is addressed.
SPB02	**Scheme Members** Scheme members are not in receipt of the correct benefit and/or paid on time. Consequence Additional administration time required to correct any errors. Reputational risk to the Suffolk Pension Fund and Suffolk County Council.	3	1	3	Low	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. Knowledge and understanding is kept up to date by attending the relevant training courses on offer by professional bodies. Calculations are independently checked and verified. Internal and external audit review the internal control arrangements in place.

Risk ID	Risk	Impact	Prob	Risk Score	Risk Rating	Risk Control Measures
SPB03	**Governance** Failure to communicate or engage with employers and scheme members. <u>Consequence</u> Leading to non compliance with legislation and best practice. Inability to determine policy and effective decisions. Damaging to reputation.	3	2	6	Medium	Maintenance and implementation of a communication strategy. Regular communications to employers on LGPS matters are provided by Pension Fund officers in the form of newsletters and bi-annual employer meetings. Regular meetings are held by the Pension Board with the papers published within statutory deadlines. A range of communication tools are available to enable effective communication such as newsletters, pension help desk, pensions website. An annual employers meeting is held.
SPB04	**Governance** Pension Fund Board members do not have the appropriate skills or knowledge to discharge their responsibility. <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.	3	3	9	Medium	The Board has adopted the CIPFA Pensions Knowledge and Skills Framework as the basis for assessing its training and development needs. The Board approves a formal 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. The Board members have access to the Hymans online learning academy modules. New Board members are fully briefed by a Pension Fund officer to enable them to participate in meetings. External advisers are employed to advise the Pension Fund Board as required.

Risk ID	Risk	Impact	Prob	Risk Score	Risk Rating	Risk Control Measures
SPB05	**Regulatory** Changes to regulations or legislation not being adhered to. <u>Consequence</u> Could result in an increase in the cost of the scheme or increased administration time to correct. Reputational risk to the Suffolk Pension Fund.	3	2	6	Medium	The Pension Fund responds to all consultation papers regarding changes to the LGPS issued by the Ministry of Housing, Communities and Local Government (MHCLG). Pension Fund officers attend conferences and seminars to ensure the consequences of legislative changes are understood and implemented. New legislation is reported to the Pension Fund Committee and Board with regular updates on progress on implementation, the guidance produced, legal advice taken and any issues identified.
SPB06	**Asset Pooling** The ACCESS Pool does not have the governance in place to make appropriate decisions and does not meet the investing authorities needs. <u>Consequence</u> Could result in Government intervening and allocating another Pool for the Fund to invest in. Reputational risk to the Suffolk Pension Fund.	3	2	6	Medium	The Pension Board is updated on the progress and development of the ACCESS Pool at each Board meeting. The Pension Fund officers actively participate in the meetings and sub-groups of the ACCESS Pool and ensure that the needs of the Suffolk Pension Fund are met. The ACCESS Pool reports on its development to MHCLG on an annual basis and attend meetings as required. The ACCESS Pool commissions professional advice to ensure that decisions are taken in accordance with statutory requirements and best practice. The ACCESS Support Unit (ASU) is currently going through a third party review.

Risk ID	Risk	Impact	Prob	Risk Score	Risk Rating	Risk Control Measures
SPB07	**IT Systems** The Pension Fund IT systems do not have appropriate cyber security in place and updates to systems are not appropriately tested before implementation. Consequence Could result in personal data not being secure or correct pension payments not being paid on time. Reputational risk to the Suffolk Pension Fund.	3	2	6	Medium	Heywoods (Pension Data and Pensioner payroll), Northern Trust (Custodian), Suffolk County Council (Payroll and financial ledgers) and Waystone (ACCESS Pool Operator) all have approprate IT Security policiesand frameworks in place to identify risk and implement appropriate testing. Heywood system updates are loaded into the test system for the Team to test. If any issues are found then the live launch is delayed until resolved. Heywood updates are reviewed by the Technical Pensions Specialist and communicated to the Pension Fund Officers and the Operations Manager for Pensioner Payroll updates. Work has been undertaken to produce specific reports from Oracle Fusion, reconciliation and further developments to the outputs are ongoing.

Risk rating criteria

1. The impact of each risk has been assessed as:
    - Insignificant (1)
    - Minor (2)
    - Moderate (3)
    - Major (4)
    - Extreme (5)

2. The risk has then been assessed on the probability of the risk occurring.
    - Rare (1)
    - Unlikely (2)
    - Possible (3)
    - Likely (4)
    - Almost certain (5)

3. This has been used to allocate a risk score (multiplication of the score value in brackets above) to each risk which produces one of the risk ratings as follows:
    - Low (1-4)
    - Medium (5-9)
    - High (10-15)
    - Very High (16-25)

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Suffolk County Council

Agenda Item 10

Suffolk Pension Board, 16 October 2024

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 the following items:

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1. Annual Training Day

1.1 The next Annual Training Day is to be held in Endeavour House on 24 October 2024.

1.2 The session will commence with Craig Alexander, the Fund's actuary will be taking the attendees through the background and variables to the assumptions that will need to be approved in February 2025 as part of the triennial valuation.

1.3 In the afternoon, the three new investment managers that were allocated to in March 2024 will be presenting on their strategy, how responsible investment is implemented, and there will also be an opportunity for attendees to ask questions directly to the investment managers

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2. CBRE Investment

2.1 The Committee agreed to transfer their property from Schroders to the Pool appointed provider, CBRE. All relevant paperwork was submitted including the signed investment managers agreement and notice submitted to the outgoing provider Schroders. The transition was completed on 1 October 2024.

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3. Investment Decision Implementation

3.1 At its committee meeting held on 31 March the Committee approved a number of investment allocations recommended by Hymans. It was recommended that these were implemented in tranches spread out over the financial year.

3.2 On 24 September 2024 the second tranche was implemented as follows:

Reductions:

Newton	£126m
Blackrock	£42m
UBS 5 Year Gilts	£42m

Investments

New ACCESS Baillie Gifford LTGG	£84m
New ACCESS Fidelity	£42m
New ACCESS Longview	£84m

3.3 The third tranche will be implemented in November 2024.

4. ACCESS Voting Guidelines

4.1 Following a procurement via National LGPS Frameworks, and a report to the September 2023 Joint Committee, Pensions & Investment Research Consultants (PIRC) were appointed to provide Responsible Investment (RI) advice and support to ACCESS which included a review of the voting guidelines.

4.2 The structure and format of the Voting Guidelines has been reviewed and overhauled, the revised guidelines now incorporate introductory narratives on various aspects of corporate governance. Furthermore, expectations are described alongside the actual voting guidelines. These are attached as **Appendix 1**.

4.3 The voting guidelines were approved at the Joint Committee meeting held on 9 September 2024 and will be circulated to the investment managers and applied once their systems have been updated.

For further information on any of these information items please contact:

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PRIVATE AND CONFIDENTIAL

ACCESS Voting Guidelines

DRAFT

16 July 2024

Contents

Introduction

These voting guidelines form part of ACCESS' approach to meeting its stewardship responsibilities. Voting at company meetings enables investors to express support for management or highlight areas where they expect improvement. Voting can drive up standards within specific companies. It can also address market-wide risks.

At their heart, these guidelines are about creating long-term value. For ACCESS, high standards in the way that companies are run and governed, alongside consideration of environmental and social impacts, are critical to enhancing and protecting shareholder value. As such, it is the responsibility of investors as good stewards of capital to ensure companies are living up to expected standards.

These guidelines therefore set out the expectations that ACCESS makes of companies on corporate governance, as well as environmental and social factors, and voting positions where these expectations are not met. They aim to be supportive of companies and management but also hold directors to account where policies and practices fall short.

The guidelines are designed to provide information about voting positions and set out where ACCESS would expect to see improvement in company practices. While providing clear expectations and a consistent approach to voting, they also leave room for flexibility to take account of market context.

In high-level terms, the voting guidelines are based on the following principles:

- Good corporate governance is a prerequisite for creating and protecting shareholder value.
- The board and management should have clearly defined roles.
- Companies should have in place internal controls and checks and balances.
- Board independence is essential for minority shareholders.
- Transparency and accountability are necessary to ensure high corporate standards.
- Investors need adequate and timely disclosures for them to make informed votes.
- Companies should not seek to undermine shareholder rights, including the principle of one share, one vote.
- Environmental and social factors can be material issues for companies and investors.
- Remuneration policy should support long-term value creation.

Although focused principally on the expectations of companies, the guidelines also provide guidance to ACCESS' asset managers. ACCESS expects its asset managers to fulfil their own stewardship responsibilities, including by being signatories to the UK stewardship code and UN Principles for Responsible Investment (and, if not, explaining why). ACCESS also expects its managers to follow these voting guidelines and explain where they do not. To meet their stewardship duties, ACCESS expects its fund managers to be:

- Exercising their voting rights.
- Actively using their voting rights over contentious issues, to signal concern, and as an escalation tool.
- Aligning their voting to their engagement activity.
- Working with boards constructively as a critical friend and support boards whose approach is consistent with long-term value creation.

- Engaging companies where they have not supported the board position.
- Disclosing their voting positions to ACCESS.

ACCESS monitors its fund managers to ensure they are meeting these expectations and that their voting is aligned with these guidelines. Where there are concerns about misalignment or the adequacy of explanations, ACCESS actively seeks to engage its managers on the issue.

Company board

Boards are responsible for the long-term success of companies. As such, they are responsible for the company strategy and management's execution of it. Boards should thus clearly establish and disclose what the company is seeking to achieve and the strategy for delivering on those objectives and purposes.

To successfully implement the strategy and meet the company's ambitions, ACCESS expects company boards to be entrepreneurial and demonstrate leadership, thereby delivering value to its shareholders and wider stakeholders.

Main business risks and opportunities should be considered and disclosed, including social and environmental factors. The board's leadership role also extends to setting the company culture, and ensuring throughout the organisation people act with integrity and in the best interest of the company.

Running a company is complex. To effectively manage the varied challenges and opportunities, ACCESS expects company boards to be balanced, diverse and comprised of the right skills mix.

Boards are responsible for the delegation of authorities to company management who are tasked with meeting the company's purposes and delivering the company strategy. Boards therefore should not only be ensuring adequate internal controls are in place but also be providing oversight of management performance and challenge where needed. To provide that challenge and safeguard the interest of minority shareholders, ACCESS expects boards and sub-committees to have the appropriate levels of independence. (Independence criteria are outlined in the appendix.)

ACCESS' stewardship approach aims to be constructive and supportive. However, it also seeks to hold boards and individual office holders accountable where practices are out of step with good practice. Just as ACCESS' approach aims to be constructive ACCESS also expects boards to actively engage with its shareholders on material issues and areas of concern, and to do likewise with their wider stakeholders.

Expectation	Voting guideline
SKILLS, CULTURE AND ACCOUNTABILITY	
Skills mix For companies to make the most of the opportunities and manage the varied risks they face, boards need to have the right mix of skills. ACCESS expects companies to disclose the skills of individual board members so that investors can understand board composition. For example, understanding the board's technical knowledge and leadership experience enables investors to see whether the board will be able to provide sufficient challenge and hold executive management to account.	ACCESS will oppose the chair of the nomination committee where the chairs of the committees do not possess sufficient skills that would allow them to undertake that role with reasonable care. Examples include chairs of the sustainability committee without significant experience in sustainability; chairs of the audit committee without financial experience; and chairs of a remuneration committee without previous experience of remuneration or human resources.

Given the importance of skills, we expect the chairs of board subcommittees to have adequate skills, experience and knowledge.	
Culture ACCESS expects boards to set out their company values. Boards should lead, and be responsible for, a company's culture and outline the expectations it makes of employees throughout the organisation. Where a company is found to fall short in its culture or the behaviours of employees, the board will be held accountable. ACCESS considers a positive culture underpinned by the company's purpose essential to delivering innovative and successful companies. As part of this positive culture, ACCESS would expect boards to establish and promote openness, integrity, and diversity. ACCESS expects boards and individual directors to lead by example. Where the board or the company is demonstrably falling short of expected behaviours needed to protect and enhance long-term value board members should be held accountable.	ACCESS will vote against the re-election of relevant board members where a material ethical issue has been identified.
Accountability Boards are responsible for and are therefore accountable to shareholders for the governance of companies. ACCESS expects boards to be effective leaders and establish policies needed to promote the long-term success of the company. To fulfil their responsibilities ACCESS expects companies to establish the appropriate company structures and internal controls to manage risks, provide oversight of the delivery of the strategy and ensure the efficient allocation of capital. To enable investors to understand how the board is meeting its responsibilities, ACCESS expects companies to provide adequate disclosures.	Board members will be held to account for failing to meet expectations regarding board structure, internal controls, disclosure and entrepreneurial leadership.

Where companies are not meeting their responsibilities or not disclosing how they are doing so, the board should be held accountable.	
INDEPENDENCE	
Independent chair ACCESS expects companies to have an independent, non-executive chair. ACCESS considers independence a critical element to fulfilling the functions of being chair. For example, the chair is responsible for hiring and removing the chief executive. ACCESS considers the chair's role distinct from that of the chief executive. The chair's role is to set the strategy, provide oversight and scrutinise how well the chief executive, and the executive team more broadly, are executing the strategy. As such, there should be a separate chair and chief executive, while a temporary combination of the roles may be acceptable for example, while looking for a successor CEO, such interim measures should not continue long-term. For publicly traded companies, shareholders consider independence an important way of safeguarding and representing the interests of minority shareholders. Independence helps address potential non-alignment between shareholders (principals) and managers acting on behalf of shareholders (agents). Chairs can provide diversity of views, balance on the board and challenge where needed. Independence not only refers to a chair's non-executive status. To ensure adequate challenge and distance from the executive team, ACCESS classes independence in terms of length of tenure. Similarly, an executive director moving to become the chair is not deemed independent given the need to challenge and scrutinise past decisions. A full list of independent criteria is provided at the end of the guidelines.	ACCESS will oppose a candidate where the roles of the chair and chief executive are combined, unless there are exceptional circumstances e.g. a temporary arrangement, pending separation of the posts. ACCESS will oppose the candidate where proposed as an executive chair and there is no separately designated chief executive, unless there is an explanation of how the chair's role is balanced by other executive directors. ACCESS will oppose candidates that have previously been an executive member. ACCESS will oppose the candidate, even if they are a non-executive, where they are deemed not to be independent and where less than one half of the Board are independent non-executive directors. Circumstances include where the non-executive has been on the board for over nine years, even if independent when first appointed. ACCESS will oppose the candidate proposed who also chairs the remuneration or audit committee.

Board independence ACCESS considers well-balanced boards essential to their effectiveness. ACCESS expects that no one group on a board should dominate. As such, ACCESS expects boards to meet required standards on independence so that boards can hold management to account and protect the interests of minority parties. ACCESS expects companies to have boards where the majority of directors are independent. ACCESS acknowledges that flexibility may be required in applying this policy not least to account for the market and company ownership structure. Where there is a shareholder or connected group of shareholders holding more than 30% of the voting rights, there should be safeguards in place to protect the rights of other shareholders. A majority of the board should not be connected with the controlling shareholder.	ACCESS will oppose an executive director, where less than half of the Board are independent non-executive directors. ACCESS will oppose a non-executive director who is not independent, where less than half of the Board are independent non-executive directors. ACCESS will consider escalating its voting position and vote against the chair where, in the absence of sufficient explanation or plan to address the issue, a board lacks independence.
Independent audit committee ACCESS expects companies to establish audit committees to ensure the company is fulfilling its internal and external audit functions and responsibilities and ensure the reporting obligations reflect the true positions of the company. To ensure adequate oversight of financial statements and review risk management and internal controls, ACCESS expects audit committees to be fully independent. To effectively provide independent oversight and challenge to the leadership of the company and board, the audit committee should not include the chair.	ACCESS will oppose a director, who is not independent, and who is a member of the Audit Committee. ACCESS will vote against the audit committee chair where the committee is not comprised of only independent members or where the audit committee includes the company chair.
Independent nomination committee ACCESS expects companies to establish a nomination committee. Given its role in leading the appointments process and succession planning, the committee should be comprised of a majority of independent non-executive directors.	ACCESS will vote against a member of the nomination committee chair, where a majority of the nomination committee are not independent non-executive directors.

Independent remuneration committees ACCESS expects companies to establish a remuneration committee to determine the executive director remuneration policy, and to set the remuneration of the chair and executive directors. Given its role, the committee should be comprised solely of independent non-executive directors and the board chair should not chair the committee. As part of its function, ACCESS considers it important to review workforce remuneration and alignment of pay with the interests of the company when establishing remuneration policies.	ACCESS will vote against the remuneration report where a director, who is not independent, is a member of the remuneration committee. ACCESS will consider a vote against executive directors if they sit on the remuneration committee, given expectations that all members of the committee should be independent. ACCESS will consider escalating this position and vote against the remuneration committee chair after a year of serving as chair of the committee where members are not independent.
Senior Independent Director ACCESS expects boards to appoint a senior independent non-executive director. SIDs play an important role as an intermediary for shareholders and a sounding board for the chair. They also have an important function when boards are considering the succession of the company chair. Companies should disclose the role and responsibilities of SIDs to their shareholders. The SID should be judged as independent at the time of re-election not at the point of appointment.	ACCESS will oppose the election of a senior independent director where they are not judged to be independent. ACCESS will consider voting against the chair where the company does not have a senior independent director.
Company secretaries Company secretaries provide counsel to boards. They are often the first point of contact for investors to answer questions they may have. As these roles require objectivity, ACCESS considers it important that company secretaries are not executive directors.	ACCESS will vote against a director if they are also the company secretary.
COMPOSITION, COMMITMENT AND COMPETENCE	
Gender, ethnic and socio-economic diversity Diversity is critical to effective corporate governance. Diversity helps to guard against groupthink and provides different perspectives on the challenges and opportunities that companies face.	A vote against the Report and Accounts should be considered if a diversity statement is not included or is unsatisfactory. If there is no clear evidence that diversity is being considered by the board then a vote against the Chair or Chair of the Nominations Committee should be considered. ACCESS will oppose the re-election of the nomination committee chair where less than

Diverse leadership and companies can help attract and retain the talent needed to enhance and deliver shareholder value. As such, ACCESS expects companies to disclose information on diversity. The report and accounts should include a statement of the board's policy on diversity, objectives set for implementing the policy and its progress against these objectives. ACCESS would expect companies to outline, plans to promote diverse workplaces and ensure that the company meets standards set within local markets on board diversity. Such expectations apply not only to diversity of skills and experience, but also include, but are not limited to, gender, ethnicity and socio-economic background.	a third of board positions are filled by women (dependent on company size and market). ACCESS will oppose the re-election of the nomination committee chair in markets where information is available and the board lacks ethnic diversity and there is no plan for addressing it. In the UK context, this includes meeting expectations set out by the government-commissioned Parker Review. ACCESS may consider voting against the annual report for UK companies that fail to disclose their gender pay gap.
Commitment Directors require adequate time to meet the demands of the role. When seeking to appoint directors, the board should consider significant external time commitments, which should also be disclosed to shareholders ahead of approval. ACCESS' position will factor in the role and responsibilities of the executive members, but where there are concerns about a director sitting on multiple boards (overboarding), ACCESS will oppose their election. Once appointed, ACCESS expects directors to attend board meetings to carry out their duties.	ACCESS will oppose the election of a director with directorships at five quoted companies. ACCESS will oppose full-time executives who are non-executive directors at more than one quoted company. ACCESS will oppose the chair should they have more than one other chair role or more than three other NED roles. ACCESS will oppose directors with a record of low attendance (below 75%) at board meetings.
Evaluation and succession ACCESS expects companies to undertake a formal evaluation process to assess board effectiveness as a whole, the performance of each member, and outline areas for improvement. ACCESS considers it good practice for there to be an annual internal assessment alongside periodic (every three years) external evaluations. Board appointments should be subject to formal and rigorous procedures. This process should be disclosed to shareholders	ACCESS will oppose the chair of the nomination committee where a company has failed in sufficient time (e.g. ahead of a chair becoming non-independent due to length of tenure) to: have a succession plan; disclose succession planning to investors; and consider diversity in the succession plan.

alongside succession planning for board and senior management positions. The process should be led by a nomination committee, which should base its appointments on merit and pay due regard to diversity, inclusion and equal opportunities.	
Director elections All directors should be subject to regular re-election. As part of that process, the board should outline to shareholders the contribution of individual directors. Such elections enable shareholders to support those directors contributing to the long-term success of the business and hold those to account who are falling short. For shareholders to approve the performance of individual directors, ACCESS expects elections to take place on an individual basis and not as part of a bundled resolution. To limit the company's exposure regarding contract termination, director contract periods should (dependent on the market and legal requirements) be no more than a year.	ACCESS will oppose a director, who is not subject to re-election by rotation at least every three years. In the UK and other relevant markets, ACCESS will oppose the election of directors who are not up for annual re-election. ACCESS will oppose directors elected under bundled resolutions, unless the reasons are fully explained, subject to market and legal requirements, or the issues concerned are immaterial. ACCESS will oppose a director, who has a contract period of longer than one year, subject to market and legal requirements and where there are no exceptional circumstances. ACCESS will oppose the election of a non-executive director where termination provisions are in excess of one year's salary and benefits.
Independent remuneration committees ACCESS expects companies to establish a remuneration committee to determine the executive director remuneration policy, and to set the remuneration of the chair and executive directors. Given its role, the committee should be comprised solely of independent non-executive directors and the board chair should not chair the committee. As part of its function, ACCESS considers it important to review workforce remuneration and alignment of pay with the interests of the company when establishing remuneration policies.	ACCESS will vote against the remuneration report where a director, who is not independent, is a member of the remuneration committee. ACCESS will consider a vote against executive directors if they sit on the remuneration committee, given expectations that all members of the committee should be independent. ACCESS will consider escalating this position and vote against the remuneration committee chair after a year of serving as chair of the committee where members are not independent.

Remuneration

Executive remuneration should be designed to support the long-term success of the business. Policies should therefore be designed in a way that is, as best can be, aligned to the interests of shareholders and other stakeholders and reward executives for the successful implementation of the company strategy. Pay packages should not be excessive and when setting policies boards should pay due regard to workforce pay.

Remuneration policies should seek to be simple and understandable. Companies should disclose the policies and outcomes to shareholders. Incentive schemes should be objective and have measurable targets. They should be designed to ensure that directors are not rewarded for failure. Executive remuneration should be determined by a remuneration committee, which is fully independent.

Expectation	Voting guideline
Alignment ACCESS expects executive remuneration to be aligned with the long-term success of the company and linked to the delivery of the company's strategy and purpose. To support the alignment of interests, share-based incentive schemes should require a significant financial commitment from the participant. For boards to understand alignment with shareholder interests, boards should be seeking to engage investors about proposed changes to remuneration policies. This is particularly important when seeking to increase pay awards and incentives and also following significant shareholder opposition to a pay policy.	ACCESS will oppose the remuneration reports where the remuneration policies and awards are not deemed to be aligned with the interests of shareholders. ACCESS will oppose the remuneration report where a director, who is not independent, is a member of the remuneration committee.
Quantum Companies should ensure that total rewards available under the terms of the director's contract are not excessive. ACCESS expects companies to show restraint when making awards. Companies should be cautious about the use of pay benchmarks which can be used to drive up executive pay and should provide credible explanations and disclosures when seeking to set remuneration policies. Companies should pay due regard to workforce remuneration when setting pay policies and ensure consistency of	ACCESS expects companies to guard against excessive pay awards that are not aligned with the long-term interests of the company. To ensure pay is aligned and not excessive, ACCESS will assess whether pay levels are set at the appropriate level based on the company's long-term performance against peers and may factor in economic, workforce and societal considerations. ACCESS expects that any increases in executive compensation are clearly explained and linked to material changes. Where there is not a clear and credible explanation regarding any increase, ACCESS will consider opposing the award.

approaches between executives and the wider workforce. Total rewards available under the terms of the director's contract should not be excessive. Therefore, performance targets for minimum rewards should be based on at least producing median performance for the industry or average market returns. Performance should be measured by reference to comparison with the company's competitors, rather than by reference to general market movements. Excessiveness shall be judged with regard to bonus and LTIP plans. We expect that pay should be aligned with the financial health of the company and not promote excessive risk-taking, which could damage the long-term success of the company and destroy shareholder capital. ACCESS expects companies to include caps on awards within remuneration policies.	ACCESS may oppose remuneration reports and pay arrangements if there is no justifiable rationale for large increases in pay relative to the workforce. ACCESS will oppose remuneration policies which include uncapped bonuses and LTIPs.
Disclosure For investors to make informed decisions about remuneration policies, they require full and transparent disclosure of each director's remuneration. As part of company disclosures, ACCESS expects disclosures around remuneration the structure, targets and outcomes. ACCESS expects companies to set out clear and measurable metrics on which executive performance is to be judged and refrain from using qualitative measures which will not be transparent in their application.	ACCESS will oppose pay arrangements where there is not sufficient disclosure of remuneration structure, metrics/targets and outcomes.
Targets ACCESS expects remuneration targets to be stretching to ensure the pay policies are driving performance. ACCESS does not support provisions whereby a pay metric can be re-tested if a specific threshold (e.g. total shareholder return or share price) is not first met. Such retesting provisions can allow pay metrics to	ACCESS will oppose remuneration policies and reports that are not based on performance targets, or where performance targets do not reflect performance relative to the company's competitors, rather than general market factors. ACCESS will oppose arrangements which include re-testing provisions.

be retested until the 'right answer' is arrived at. When setting targets, boards should pay due regard to complexity. Complexity can make remuneration hard to understand not only for investors but importantly for executives thereby reducing the effectiveness of the incentives themselves. Awards should not be excessive. ACCESS would expect limits on both annual bonuses and long-term incentive plans. Long-term incentive schemes should be based on challenging performance targets over a consecutive period of at least three. To reward service to the company and align the interests of management with shareholders over the longer term, companies should therefore include a vesting period of at least three years within long-term incentive plans, with an additional two-year post-vesting holding period. ACCESS also encourages companies to include within their metrics relevant Environmental, Social and Governance (ESG), or non-financial metrics. Such ESG metrics should be determined by the material issues facing the company and aligned to the company's strategy on the issue. These metrics should be disclosed and measurable and performance against them disclosed on an annual basis.	ACCESS will oppose executive remuneration schemes where the period over which performance is assessed is less than 5 years. ACCESS will oppose long-term incentive plans that do not include a vesting and holding period of at least five years.
Pension alignment As outlined above, boards should consider pay arrangements for the wider workforce when setting remuneration arrangements for executives. All employees should receive a pension that reflects their tenure, and companies should disclose information on arrangements to shareholders. Pensions should be based on basic salary (e.g. excluding annual bonus and long-term incentives). ACCESS expects there to be alignment between pension arrangements. As such, ACCESS does not	ACCESS expects pension arrangements to be aligned with those of the workforce. Failure to ensure alignment will result in a vote against the remuneration report.

support preferential arrangements for executives.	
Discretion, malus and clawback provisions ACCESS expects companies to outline clear and transparent pay arrangements. As part of this approach, ACCESS will not support discretionary payments. Remuneration schemes should include malus and clawback provisions. Malus provisions act as a financial penalty or negative bonus. Clawback ensures unvested, pending or paid awards can be recovered. These exist to enable boards to forfeit or reduce awards in exceptional circumstances, such as for a significant and recurring financial or ESG failing. Reduction of awards should include major events, such as large acquisitions, that make targets inappropriate. Within the annual report, companies should disclose a description of such provisions, including the circumstances in which they would be used, the period over which the provisions apply, whether such provisions were used in the reporting period, and, if so, why.	ACCESS will oppose the use of discretionary payments or retention awards. ACCESS will oppose remuneration schemes and policies that do not include malus and clawback provisions for a significant and/or recurring financial or ESG failing.
Equity holding ACCESS expects executives to invest personal wealth in their company to help align interests with those of investors. This should ideally involve the direct purchase of shares and share-based incentive schemes should require a significant financial commitment from the participant.	ACCESS will oppose the remuneration policy where there is no capital commitment on the part of executive participants.
Contract period Executive director contracts should not be longer than one year apart from in markets where longer contracts are required. Nor should contracts provide for automatic compensation in excess of one year's salary in the event of termination of the contract.	ACCESS will oppose remuneration reports where the contract period is longer than one year, and there are no exceptional circumstances. This is subject to the specific market where expected terms may differ.

Accounts and audit

Financial statements should at all times present a 'true and fair' view of the company's position. Financial reporting is critical to investor decision-making. This includes having timely information ahead of company meetings. Companies should also outline the internal audit processes in place to manage existing and new risks.

For investors to have trust in the reported company performance, the role of auditors is critical. Not all information can be disclosed for commercial reasons. It is vital, therefore, that auditors test the assumptions that are contained within the financial statements and provide investors with assurance. Given this role, ACCESS expects auditors to be acting for shareholders and be independent of company executives.

Expectation	Voting guideline
ACCOUNTS	
Transparency and timeliness For shareholders to make informed investment and stewardship decisions, it is vital that annual reports and financial statements are a true and fair reflection of the company's position, and that they are balanced and understandable. In addition, for shareholders to be able to consider annual reports and proxy materials ahead of company meetings, information should be provided (and be easily accessible) in good time. ACCESS expects annual reports to cover company strategy, the sustainability of the company's business model, the contribution of governance to realising strategy, the principal risks facing the company, and material ESG matters.	ACCESS will oppose the report and accounts if it is not considered to present a true and fair view of the company's financial position. ACCESS will oppose the report and accounts where information is not delivered in a complete or timely fashion to allow for an informed voting decision.
Internal audit To manage existing and emerging risks, companies should have an effective and resourced internal audit system. Companies should communicate to shareholders their risk and control systems. ACCESS expects such disclosures to identify specific principal risks the company faces and how these are being managed. The risk management and internal control framework should be monitored and reviewed regularly. Such reviews should cover operational, financial, and compliance	ACCESS will oppose the chair of the audit committee, where the company does not outline its approach to internal controls and principal risks.

controls which should be outlined in the annual report.	
Audit committee ACCESS consider audit committees responsible for providing clear and transparent information to the company's shareholders. Their functions include ensuring the company is meeting the expected market standards on audit committees, recommendations regarding the appointment of external auditors, review of risk management and internal controls system and monitoring financial statements. Alongside expectations regarding the independence of audit committees, audit committees need to ensure committee members have appropriate skills and levels of integrity. As such, at least one member of the audit committee should have significant financial experience. The annual report should include a separate section describing the work of the audit committee.	ACCESS will vote against the audit committee chair where there are concerns over accounting and audit practices at the company. ACCESS will oppose the election of committee members where there are concerns around the competency, including where there have been audit concerns while being an audit committee member or involved in a material audit failing. ACCESS will oppose the chair of the nomination committee where no one on the audit committee has significant financial experience.
Whistleblowing ACCESS considers the audit committee responsible for the provision of adequate whistleblowing policies and processes. Adequate whistleblowing mechanisms are needed to safeguard against fraud, bribery, corruption and breaches of company ethics.	ACCESS will oppose the audit committee chair when there are serious concerns over whistleblowing policies and mechanisms. Such concerns may include the company having no external whistleblowing hotline/process as a minimum needed to ensure that those with serious concerns (including issues such as fraud or embezzlement) are able to come forward. ACCESS will oppose individual board members who have failed to act on whistleblowing information.
AUDIT	
Audit statement The report and accounts should present a true and fair view of the company's financial position and prospects and receive an unqualified audit opinion, unless there are exceptional circumstances that are fully explained in the annual report.	ACCESS will oppose the adoption of the report and accounts when the auditor's report is qualified, and there is no satisfactory explanation.

Auditor competency To have confidence in a company's financial disclosures, investors need to be assured about the quality of work undertaken by auditors. ACCESS would be concerned where an audit is undertaken by an audit partner who has been involved in a material audit controversy.	ACCESS will oppose the reappointment of the audit if the audit partner has been involved previously in a material audit controversy.
Audit rotation In line with regulation, ACCESS believes audit rotation helps ensure independence and more effective audits. As such, ACCESS expects companies to retender and rotate auditors on a periodic basis.	Depending on the market, ACCESS will oppose the auditor reappointment if its tenure exceeds ten years or is undisclosed.
Audit and non-audit fees The integrity of audits has the potential to be undermined where non-audit fees are excessive. High non-audit fees create potential conflicts of interest. Given this, audit and non-audit fees should be disclosed. Non-audit fees should not affect audit independence. In general, fees for non-audit work should not represent more than 25% of the total audit fees, unless there are special circumstances which are explained.	ACCESS will oppose the auditor reappointment where transparency of audit and non-audit fees is lacking. ACCESS will oppose the auditor reappointment where non-audit fees exceed 50% of audit fees.

Capital authorities and shareholder rights

As good stewards of capital, it is the responsibility of investors to ensure that managers are acting in the best interest of the company. For investors to meet these obligations and promote high corporate governance standards, shareholders need rights to scrutinise, approve and where necessary challenge the decisions of managers and the board.

Shareholder rights have an economic value and provide investors with protections against poor decision making by executive directors. Such protections include oversight of capital authorities which have the potential to destroy value and should be subject to shareholder approval.

Expectation	Voting guideline
CAPITAL AUTHORITIES, DIVIDENDS AND LISTINGS	
Share issue authority and pre-emption rights Companies will at times need to raise capital. Nevertheless, powers should be used sparingly and limited to where it is essential to delivering the company's strategy. To ensure fair treatment of existing shareholders, pre-emption rights are essential. Instances without such rights can lead to dilution of existing shareholders.	ACCESS will oppose the disapplication of pre-emption rights if the share allotment exceeds 5% of issued share capital within one year or 7.5% within a 3-year rolling period. ACCESS will oppose the proposal if it does not comply with the UK Pre-emption Guidelines or the country equivalent.
Dividends Dividends and distribution policies are fundamental to the income needs of investors and the company's financial planning. ACCESS is likely to support the majority of dividend payments. However, there will be times when proposed dividends are too low but also too high and therefore could undermine the business' sustainability. For investors to understand the appropriateness of dividend payments, companies should disclose their dividend policy and provide a rationale for their decisions. Policies should clearly set out the circumstances for distributions. Where changes are required to protect the long-term success of the business, boards should make changes. Nevertheless, they should be mindful when making changes (or adjustments in exceptional circumstances)	ACCESS will oppose the dividend if the proposed dividend and special dividends are not covered by earnings and the company offers no explanation of policy. ACCESS will oppose the annual report, where dividend policy is not put to a vote. ACCESS will oppose a scrip dividend or equivalent without a cash alternative, unless the reasons are fully explained.

of the importance of dividends to investors. Given the importance of dividends, ACCESS is unlikely to support dividends not paid in cash unless there is a credible explanation. Shareholders should have the opportunity to approve the dividend each year.	
Share buybacks Where companies use share buybacks, their application should enhance shareholder value and not undermine shareholder rights. ACCESS expects certain limits on share buyback authorities to ensure that an undue premium is not made on repurchases. UK stock exchange guidance is that market repurchases of up to 15% of share capital may be made within a 12-month period, provided that the price does not exceed 105% of market value. Share buybacks should be limited in scope. In the UK, buybacks have the potential to trigger Rule 9 of the Takeover Code. In such circumstances, the buyback of shares by the company can result in increased shareholding (including controlling stake) without minority shareholders being paid a premium for the loss of control. Share buybacks may affect earnings per share and so performance targets for directors' remuneration should be adjusted accordingly.	ACCESS will oppose buyback authorities where the premium exceeds 5% of the share price and over 15% of share capital, which is in line with FCA expectations. Such authorities should also be limited to two years so shareholders can reassess and approve them regularly and as circumstances change. ACCESS will oppose Rule 9 waivers (or similar proposals in non-UK markets) given concerns about the potential for them to lead to a change in control of a company without minority shareholders being paid a premium.
Related party transactions Many investee companies will be involved in related party transactions, including subsidiary companies and between a controlling shareholder and the company. Such transactions can pose risks to (minority) shareholders, including fraud, collusion and manipulation. To guard against this, a fully independent audit committee should be responsible for ensuring fair valuation. ACCESS expects shareholders to have the opportunity to approve material transactions.	ACCESS will oppose related party transactions where there are concerns that they have not been subject to board oversight and shareholder approval, are not beneficial to the company and in the interests of stakeholders and were not undertaken on fully commercial terms and in the normal course of business.

ACCESS also expects companies to provide sufficient disclosure to make informed voting decisions.	
Sustainable borrowing limits Companies should place limits in their articles of association on the amount that directors can borrow. When proposals are made regarding borrowing limits, ACCESS will consider the justification in disclosures, borrowing limits in the articles of association, industry comparisons, headroom over and above existing levels, and whether the increase will be for a limited period or subject to renewal by shareholder approval.	ACCESS will oppose proposals which seek additional borrowing limits or lending arrangements where there are concerns about the sustainability of the debt.
Listings and tax strategy ACCESS considers high corporate governance standards a foundation for long-term sustainable returns. Companies should be abiding by the rules and listing requirements of exchanges. Companies should not seek to lower those standards by changing listing or incorporation location. Meeting local obligations extends to tax practices. Even where structured in a legal way, companies face considerable reputational and regulatory risks for adopting aggressive tax strategies. As universal owners, such strategies pose wider, systemic risks for investors. ACCESS therefore expects companies to have a tax policy that is sustainable, complies with tax laws, and regulations, pays taxes in line with where economic value is generated, and discloses tax policy and information to investors.	ACCESS will oppose proposals that recommend moving the location of a company's incorporation to jurisdictions that offer lower legal and governance protections to shareholders and other stakeholders or are based on tax benefits.
Political donations Any political donations companies make should be disclosed and justified. ACCESS also expects donations to be subject to a specific vote.	ACCESS will oppose the annual report, where political donations are material (accounting for the index) and are not subject to a separate vote. ACCESS will oppose any proposal for authority to make party political donations which are material, accounting for the index and therefore what is material for the size of the company.

	ACCESS may consider opposing the annual report where disclosure of political donations is not broken down.
SHAREHOLDER RIGHTS	
Voting rights Voting rights hold economic value. Valuations of companies will in part be based on share structures, which are particularly important to minority shareholders. Companies should adhere to the principle of one share, one vote. Where differential structures are in place ACCESS expects companies to address and eliminate the unequal treatment of some shareholders. The principle of equal treatment of shareholders also applies to anti-takeover mechanisms. ACCESS expects companies not to have poison pill mechanisms which can entrench management positions and protect companies from the reality of the market.	ACCESS will oppose proposals that seek to introduce or continue differential voting rights. ACCESS will oppose poison pill mechanisms which can entrench management positions and undermine long-term value creation.
Bundled resolutions As outlined above, ACCESS does not support bundled resolutions for director elections. More broadly, no resolutions should be bundled so that shareholders have the opportunity to approve specific resolutions.	Subject to the market context, ACCESS will oppose bundled resolutions.
Shareholder meetings Company meetings provide shareholders with access to boards, enable shareholders to ask questions to the whole board, and enable shareholders to hold board members to account in person. While virtual attendance can enable shareholders to attend that could not in person, ACCESS considers in-person attendance an important shareholder right. For example, shareholders cannot participate in the same way online and online meetings can separate participants from exchanges with the board. ACCESS therefore expects shareholders to have the opportunity to attend company meetings in person.	ACCESS will oppose proposals (amendments to articles of association) for virtual-only company meetings. ACCESS will vote against the chair if no in-person meeting is provided without adequate justification on public health grounds, or for other relevant reasons.

Shareholder proposals ACCESS supports the right of shareholders to file proposals to companies. Shareholder resolutions are an important way for investors to present a resolution on a specific issue that may not be subject to a vote as part of a company's standing items.	ACCESS will review shareholder resolutions on a case-by-case basis and will support proposals that are in line with ACCESS' approach and guidelines on responsible investment.

Other expectations

Securities.lending¿Securities lending is an activity where assets are borrowed by a third party, in return for a fee. Collateral is provided at the point of the asset being borrowed, which is held until the asset is returned. One aspect of securities lending is that the legal title of the asset is transferred to the borrower, which means that any votes attached to the asset transfer to the borrower.

ACCESS is of the view that as responsible asset stewards, they should vote at all company meetings for the assets they own. Accordingly, ACCESS will inform its agents that it expects any assets that are out on loan to be recalled with sufficient time to permit votes to be cast. ACCESS will monitor this requirement.

Vote.abstention¿In certain circumstances vote abstentions will be the appropriate way of discharging ACCESS' stewardship responsibilities. Abstentions can be a useful way for investors to demonstrate concern about a proposal. As such, ACCESS expects companies to include abstain or 'vote withheld' options on the ballot.

Memorandum.and.articles.of.association¿Any proposals affecting the memorandum and articles of association should be put as separate resolutions.

Investment trusts

Given their different nature and structure to other listed companies, ACCESS has specific expectations and voting positions for investment trusts. These expectations relate to director independence and the reissue of shares.

Expectation	Voting guideline
Independent directors Separation of ownership and control creates inherent risks that the company will be run in the interests of managers rather than owners. To safeguard against this within externally managed investment trusts, non-independent directors should be kept to a minimum.	ACCESS will oppose the re-election of non-independent directors where there is more than one non-independent director in an externally managed investment company. Non-independence shall include a director who is a current or recent (within five years) employee or adviser to the external fund manager.
Reissue of treasury shares Share issuance at a discount can be viewed as a failure of governance, especially when there is no clear plan or action to address the problem. When seeking share issuance authorities, companies should include a commitment that shares will not be issued at a discount. The issuance of discounted shares is dilutive and therefore should be used sparingly, and, when used, there should be a convincing reason that it is being done in the interest of shareholders.	ACCESS will oppose share issuance authorities at investment trusts that fail to include a commitment to not issuing shares at a discount to Net Asset Value (NAV). ACCESS will oppose share issuance at a discount to Net Asset Value (NAV) at investment trusts without a credible explanation that it is in the best interest of shareholders.

Sustainability

Companies impact and are impacted by environmental and social factors. Such factors can have a material bearing on a company's performance. Boards should therefore seek to minimise the negative impacts to and from environmental and social factors, manage principal risks emanating from these factors and seek to make the most of the opportunities that higher environmental and social standards present. Given the investment implications of non-traditional financial issues, ACCESS expects companies to be providing adequate disclosure to support shareholders' investment and stewardship decisions.

Climate change poses a significant and systemic risk to investors. ACCESS believes in a 'just transition' to a low carbon economy that ensures fair treatment for stakeholders during the move to net zero. ACCESS supports the objectives of the Paris Agreement and believes that keeping a global temperature rise this century to well below 2C relative to pre-industrial levels is entirely consistent with securing strong financial returns. Accordingly, ACCESS expects its investment managers to make climate risk a key component of any engagement process, including voting decisions. In addition, ACCESS expects its managers to be signatories to and comply with the Financial Reporting Council's Stewardship Code and United Nations Principles of Responsible Investment (UNPRI) which should inform their voting decisions.

Alongside adequate social and environmental disclosures, ACCESS expects companies to disclose cybersecurity risks and any material incidents.

Expectation	Voting guideline
Environmental and social disclosures Companies impact and are impacted by a range of environmental factors. Beyond climate change, environmental issues cover nature loss, biodiversity, deforestation, water use and pollution, and plastics. Companies also face a range of social risks, covering human capital management, human and labour rights, and the impact of their products. The risks (and opportunities) will vary by company. ACCESS expects companies to adequately disclose material risks and their management of them to investors. This includes, but is not limited to, reporting in line with the Task force for Climate-Related Disclosures (TCFD) recommendations outlined below and the Taskforce on Nature-Related Disclosures (TNFD). As such, companies should publish a formal statement setting out its approach to dealing with environmental and social issues. The annual report should disclose the company's procedures for auditing and	ACCESS will oppose the annual report where significant environmental and social risks in relation to the company's activities are not disclosed or reported on, or where reporting is considered poor or inadequate.

reporting on environmental risks	
Climate change Climate change poses material risks to high-emitting companies and idiosyncratic and systemic risks to investors. ACCESS expects companies to be managing climate-related risks and reducing emissions in line with global commitments. To meet those expectations, we expect companies, especially those in high-emitting sectors, to be meeting requirements outlined by the Task Force on Climate-related Disclosures. Companies should therefore be providing investors with adequate information to support stewardship and investment decisions. This should include: Climate.change.governance¿board oversight; and management's role in assessing and managing risks and opportunities. Climate.Change.Strategy¿disclose risks and opportunities over the short, medium or long-term; How these are factored into strategies; and Strategy resilience in the face of climate scenarios, including 2C or lower. Climate.Change.Risk.Management¿ processes for integration of these risks into the overall risk management process). Metrics.and.Targets¿Disclose: the metrics used; Scope 1, 2 and relevant 3 GHG emissions; and The targets used to manage climate-related risks, opportunities and performance against these targets. Where climate-related financial risks are deemed not to have been disclosed or adequately managed, ACCESS will consider voting accordingly. ACCESS expects companies to be setting out credible transition plans, with targets and an appropriate emissions pathway for its sector. For companies in high-emission sectors, ACCESS expects auditors to assess a company's accounts, and disclose in the auditor report how they have done so for climate-related risks.	ACCESS will generally support shareholder proposals calling for companies to disclose or introduce elements of TCFD reporting. This includes proposals calling for emissions disclosures, target setting and transition planning. ACCESS supports the aims of the Paris Agreement and expects companies to have the same level of commitment to managing climate-related risks. ACCESS may therefore oppose the company chair or the chair of the sustainability committee for companies in high-risk sectors that have not set emission reduction targets or have a commitment to net zero by 2050 at the latest. ACCESS will oppose the reappointment of the auditor where it has not clearly assessed and tested the accounts for climate-related risks for companies in high-emission sectors.

Social factors and human rights ACCESS expects its managers to be signatories to the UN Principles for Responsible Investment. ACCESS expects investee companies to abide by the UN Guiding Principles on Business and Human Rights and to identify and manage human rights risks and impacts within its own operations and across its value chain. ACCESS expects companies to support long-term sustainable growth through high human capital management standards, fair treatment of workers and adherence to (and seek to go beyond) legal requirements. This expectation includes companies seeking a just transition to net zero that ensures fair treatment for employees and communities that would otherwise bear the brunt of industrial change.	ACCESS will oppose the board chair or sustainability committee chair where there is a serious concern about its involvement/remediation of a breach of global conventions, its approach to human rights or human rights due diligence or failing to treat employees and workers responsibly. ACCESS is likely to support shareholder resolutions that seek improvements in human rights due diligence and human rights disclosures.

Appendix: Independence criteria

ACCESS judges a director not to be independent if they:

- Are or have recently been an employee of or consultant to the company;
- Have had an association with the company for more than nine years;
- Are in receipt of a loan from the company;
- Are related to other directors of the company;
- Have been nominated through a non-independent process;
- Receive compensation from a third party in relation to their directorship;
- Benefit from material-related party transactions;
- Hold a significant holding in the company or serve as a director or employee in another company that does;
- Have a material commercial relationship with the company, such as being a director or employee of a supplier or customer;
- Serve as a director or employee of a competitor;
- Were or are partners or held a senior position within the company's auditors without a sufficient cooling-off period; and
- Have not demonstrated independence of thought or behaviour.

Suffolk County Council

Agenda Item 11

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 Suffolk 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

Meeting date (see Note)	Date added	Subject	Short description	How is it anticipated the Committee will deal with this issue?
Wednesday 4 December 2024	Added 23 July 2024	Complaints, Compliments and Administration Performance	To receive a report on the administration performance of the fund, including complaints and compliments.	Written Report
	Added 23 July 2024	Suffolk's progress on Pooling of Assets	To receive an update on the progress of pooling assets.	Verbal Report
	Added 16 October 2024	**Single Code of Practice Assessment**	**To receive a report on compliance with the Single Code of Practice**	**Written Report**
	Added 16 October 2024	**Plan for Net Zero pathway**	**To receive a report on how the fund is going to achieve Net Zero**	**Written Report**
	Added 23 July 2024	Recent Developments	To receive an information bulletin covering recent developments that the Board has an interest in.	Written Report
	Added 23 July 2024	Forward Work Programme	To approve the Forward Work Programme for the Suffolk Pension Board.	Written Report

Meeting date (see Note)	Date added	Subject	Short description	How is it anticipated the Committee will deal with this issue?
Friday 7 March 2025	**Added 16 October 2024**	**Complaints, Compliments and Administration Performance**	**To receive a report on the administration performance of the fund, including complaints and compliments.**	**Written Report**
	Added 16 October 2024	**Suffolk's progress on Pooling of Assets**	**To receive an update on the progress of pooling assets.**	**Verbal Report**
	Added 16 October 2024	**Administration and investment management costs**	**To receive a report on the administration and investment management costs for 2025/26.**	**Written Report**
	Added 16 October 2024	**Pension Board Risk Register**	**To review the Pension Board Risk Register.**	**Written Report**
	Added 16 October 2024	**Forward Work Programme**	**To approve the Forward Work Programme for the Suffolk Pension Board.**	

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

If you have any questions or queries, please contact Tracey Woods. Email: tracey.woods@suffolk.gov.uk, Telephone: 01473 265639.

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