Suffolk County Council

Pension Fund

Annual report 2012-2013

Contents

Chairman's Report

As Chairman of the the Suffolk County Council Pension Fund Committee, I am pleased to introduce the Pension Fund's Annual Report and Accounts for 2012-13.

The value of the Suffolk County Council Pension Fund was £1,767 million at March 2013. The Fund administers the local government pension scheme in Suffolk on behalf of 101 separate employers and 47,662 scheme members. The Suffolk County Council Pension Fund Committee is responsible for managing the Fund, with the assistance of council officers, external advisors and professional investment managers.

The last financial year has been a good year for the investment performance of the Fund. The Fund's return of 13.1% in 2012-13 reflects mainly the strong performance of equity markets over the year. However the Fund has also outperformed its own benchmark for the year, thanks to the performance of our investment managers. This is good news after a number of years of disappointing investment returns. The longer term performance of the Fund is also satisfactory, with an investment return of 7.2% per year over the three years to March 2013. Over the past ten years, the Fund's investment return of 8.8% per year is strong and well ahead of both pay and price inflation over this period, and also ahead of the expected long-term return underlying the funding strategy of the Fund.

We have made a number of changes to our investment management arrangements during 2012-13, following an investment review which we carried out with the assistance of our investment advisors, Hymans Robertson LLP. The Pension Fund Committee decided to reduce the Fund's allocation to equities and appoint managers for new mandates in alternative asset classes, including absolute return, infrastructure, timber and debt opportunities. The Fund has terminated the mandates of three managers (JP Morgan, Aberdeen Asset Management and Millennium) and added seven managers for the new mandates. It is too early to judge the effect of the changes and the Committee will continue to monitor performance of the new investment management arrangements.

Despite the strong investment return of the Fund, the funding level of the Fund remains depressed, mainly as a result of the fall in gilt yields over the last three years. 2013 is the year in which we have to carry out the triennial actuarial valuation of the Fund. This will determine the employer contributions that are required for the next three years, starting in April 2014. We are very conscious of the impact of these contributions on the budgets of employers and ultimately on council taxpayers. We will seek to keep any increases in employer contributions to the minimum necessary to ensure the long-term solvency of the Fund.

The coming year is going to be a busy year for the Fund and the scheme employers, with the introduction of the new local government pension scheme from April 2014. We will be working closely with the employers over the coming months to ensure that the introduction of the new scheme goes smoothly. We will also arrange publications and other communications with scheme members to ensure that they understand the impact of the changes on them individually. The key message for scheme members is that the local government pension scheme remains an excellent scheme which can help to secure their financial position in retirement.

Councillor Peter Bellfield
Chairman of Pension Fund Committee
30 September 2013

"The Pension Fund Annual Report and Accounts sets out the income and expenditure and assets and liabilities for the financial year to 31 March 2013."

Report from the Head of Strategic Finance

The Suffolk County Council 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 2013. The Annual Report is set out in a number of sections which are described below.

The governance report sets out the arrangements under the County Council's constitution for the discharge of its statutory responsibilities as the administering authority for the local government pension scheme in Suffolk. This includes the responsibilities of the Pension Fund Committee, the delegations to council officers and the systems and controls which relate to the management of the Fund. The management report sets out the work of the Pension Fund Committee during the year and explains the changes to the Fund's management arrangements that it has agreed. The corporate social responsibility and voting report sets out how the Pension Fund has discharged its responsibilities as a responsible shareholder in relation to the Fund's shareholdings.

The administration report explains how the administration of the scheme benefits is undertaken and sets out details of the performance of the Fund and its employers in administering the scheme. The investment report sets out how the Fund's investments have performed over the year and over the longer term and what changes have been made to the Fund investment management arrangements by the Pension Fund Committee. The actuarial statement sets out the actuarial position of the Fund as at March 2013. The Pension Fund Accounts for 2012-13 set out the detailed accounting statement for the Fund and have been prepared in accordance with the relevant accounting requirements.

There are also a number of policy statements and other disclosures which form part of the prescribed content of the Annual Report, but which are published as separate documents on the website of the Fund (www.suffolkpensionfund.org).

Governance Policy Statement

The governance policy statement sets out the arrangements approved by the County Council for the discharge of its responsibilities for the local government pension scheme in Suffolk, including the role and responsibilities of the Pension Fund Committee.

Governance Compliance Statement

The Government has issued guidance setting out best practice on the governance arrangements for LGPS funds and administering authorities are required to report on the extent of their compliance with the best practice guidance. The Suffolk Pension Fund Committee's governance arrangements comply with the Government's guidance in all material respects. The governance compliance statement is published on the County Council's website.

"The Suffolk Pension Fund had an investment return of 13.1% in 2012-13."

Statement of Investment Principles (SIP)

The statement of investment principles (SIP) provides an overview of the investment strategy for the pension fund investments.

Funding Strategy Statement (FSS)

The funding strategy statement sets out the approach taken by the Pension Fund Committee to meeting the long-term liabilities of the fund. It includes the determination of the individual employers' contributions to the fund for the three years following the triennial actuarial valuation.

Administration Policy Statement

The administration policy statement, which includes the pension fund's communication policy, sets out the arrangements for the day to day administration of the pension fund, including the performance standards which the County Council and the fund's employers are expected to achieve in the administration of the scheme benefits.

Voting Policy

The voting policy sets out the pension fund's policies in relation to voting the shareholder rights attached to the fund's shareholdings.

Investment Performance of the Pension Fund

The Suffolk Pension Fund had an investment return of 13.1% in 2012-13. Equity markets performed strongly in 2012-13, with the UK stock market for example delivering a return of 16.8%. The Fund's investment strategy is diversified across both asset classes and regions which limits the Fund's exposure to the volatility of equities. The medium-term performance of the Fund is also good, with a return over the past three years of 7.2% per year.

Over the past five years the Fund's return was 5.0% per year, which was affected by the credit crunch in 2007 and 2008. Despite the effect of the market crash on investment returns in 2007-08 and 2008-09, over the longer term the Fund's investment returns are good, with a return of 8.8% per year over the ten years to March 2013.

This is a strong performance in absolute terms, although the Fund's performance is weaker than the average local authority fund over the last ten years (9.4% per year). The Fund's long-term underperformance is mainly the result of the poor performance by a number of its investment managers over the past five years. The Pension Fund Committee has made a number of changes to its investment management arrangements over the past year, which are aimed at improving the Fund's performance.

“ The main strategic change was a reduction in the Fund’s allocation to equities during 2012-13 from 63% to 53% ”

The Fund assesses its own investment performance and the performance of its managers by making a comparison between the Fund’s return and its benchmark return, based on the returns of the markets that the Fund is invested in. On the basis of this comparison, the Fund outperformed its target benchmark investment return by +0.9% in 2012-13, as a result of the outperformance of most of the Fund’s investment managers during the year. Although the Fund had a strong investment return in 2012-13, its return for the year was lower than that of the average local authority fund (13.8%). This reflects the fact that the Fund now has a lower allocation to equity markets than other local authority funds following the recent changes to its investment strategy. The Fund’s investment strategy can be expected to underperform compared with other local authority funds when equity markets are particularly strong. It is anticipated that over the medium to long-term the Fund’s investment strategy will provide comparable returns to those of other local authority funds, but with less exposure to the volatility of equity markets.

The Pension Fund Committee assesses the performance of its managers over a full business cycle, so one year’s outperformance (or underperformance) is not considered significant in isolation. Over a five year period, the Fund has underperformed against its own target benchmark return by -1.4% per year. Poor stock selection decisions by several of the Fund’s investment managers over this period was the main reason for this underperformance.

Investment Strategy

The Fund’s investment strategy is set out in its statement of investment principles, which is published on the Pension Fund’s website, and this is subject to a regular review by the Pension Fund Committee. The investment strategy has a significant level of diversification between different asset classes. At 31 March 2013, 53% of the Fund was invested in equities, with the balance in bonds (21%), property (9%) and a number of mandates in alternative investments (17%).

The Pension Fund Committee implemented a number of changes in its investment strategy during 2012-13, following a review which it had carried out with the assistance of our investment advisors, Hymans Robertson LLP. The main strategic change that was involved was a reduction in the Fund’s allocation to equities during 2012-13 from 63% to 53%, and a corresponding increase in the Fund’s allocation to alternatives. The 10% additional allocation to alternatives has been invested in three absolute return mandates with BlueCrest, Pyrford and Winton. The Committee has also appointed investment managers for new mandates in infrastructure (KKR and Partners Group), timber (Brookfield) and debt opportunities (M&G Investments), with the funding for these mandates to be provided by a further reduction in the Fund’s allocation to equities. As at March 2013 only relatively small sums had been drawn down by the managers of these mandates.

As part of the changes to the Fund’s investment strategy in 2012-13, the mandates managed by JP Morgan (global equities) and Aberdeen (UK bonds) were terminated and the mandate of AllianceBernstein (UK equities) was reduced. The sums earmarked for future investment in infrastructure, timber and debt opportunities are being managed as part of Legal and General’s passive index-tracking mandate pending the drawdowns against these mandates by the managers concerned. The Committee decided to terminate the mandate of Millennium (active currency) in February 2013, although the change was implemented after the end of the financial year.

Actuarial Valuation and Funding Strategy Statement

The Fund is required to obtain an independent actuarial valuation of its assets and liabilities every three years. The Fund had an actuarial deficit at the last actuarial valuation in March 2010 of £306 million and the assets represented 82% of its liabilities at that date. The Funding Strategy that was approved following the 2010 actuarial valuation set out the Pension Fund Committee’s approach to funding the liabilities of the Fund, in order to recover the deficit and bring the Fund back to a fully funded position over the medium to long-term.

The next actuarial valuation will be undertaken as at March 2013 and the results of the valuation will determine the employer contributions that are required for the three years starting in April 2014. The estimated funding level at March 2013 was 74% and the actuarial deficit at that date was £656 million. This is the result principally of the impact of the decline in gilt yields over the period since March 2010. As a result it is likely that the Pension Fund Committee will need to consider increases in employer contributions from April 2014 when it reviews the Funding Strategy towards the end of 2013.

The approach to the Funding Strategy that was approved following the 2010 actuarial valuation sought to stabilise the contributions that were required for the public sector employers in the Fund, by limiting any increases in employer contributions to a maximum of 1% of payroll. The Committee will seek to continue this approach as far as possible following the 2013 actuarial valuation, although it is required to adopt a prudent approach to deficit recovery when setting the employer contributions to the Fund. The scheme employers will be consulted on the future Funding Strategy for the Fund towards the end of 2013.

Local Government Pension Scheme 2014

The Government's reforms to the Local Government Pension Scheme will take effect from April 2014 and these will be taken into account by the Fund actuary in setting employer contribution rates from April 2014 onwards. The arrangements to amend the Pension Fund's software systems and procedures were started in 2012-13 and will be completed in 2013-14, once the changes to the scheme regulations for the new scheme have been finalised. The Fund will ensure that the scheme employers are kept informed of the changes to the scheme as they affect their responsibilities for scheme administration. The Fund will also communicate with scheme members during 2013-14 to make them aware of the implications of the changes for them.

Audit

The Pension Fund accounts are included within the County Council's Statement of Accounts for 2012-13, which is subject to audit by Ernst and Young. The Pension Fund Annual Report and Accounts is not subject to a separate audit. As part of the audit review, the external auditor will provide an opinion to confirm whether the information provided within Pension Fund Annual Report and Accounts is consistent with that contained within the County Council's Statement of Accounts.

Geoff Dobson
Head of Strategic Finance
30 September 2013

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, that officer is the Head of Strategic Finance;
- 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 30 September 2013 on behalf of Suffolk County Council and have been authorised for issue.

Councillor M Bond
Michael Bond
Chairman of the Audit Committee
Date 30 September 2013

The responsibilities of the Head of Strategic Finance (Section 151 Officer)

The Head of Strategic Finance is responsible for the preparation of the Council's Statements of Accounts including those of the Pension Funds. 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 our financial position and that of the Pension Funds at 31 March 2013, and the income and expenditure (spending) for the year to that date.

In preparing this Statement of Accounts, the Head of Strategic Finance 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 Head of Strategic Finance 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 Authority at 31 March 2013 and its income and expenditure for the year to that date.

Geoff Dobson

Head of Strategic Finance (Section 151 Officer)
Date 30 September 2013

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

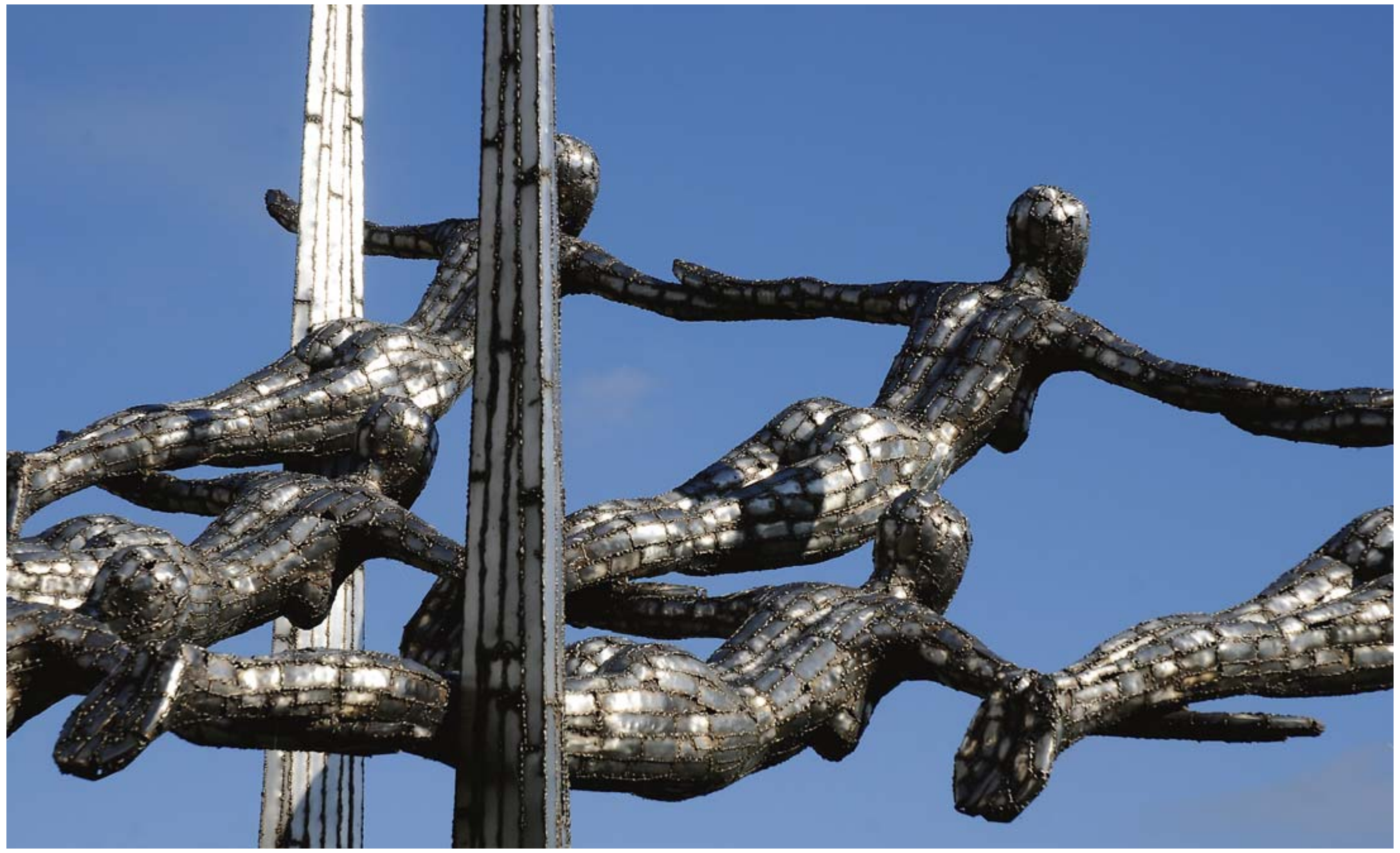
Opinion on the pension fund financial statements

We have audited the pension fund financial statements for the year ended 31 March 2013 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 27. 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 2012/13.

This report is made solely to the members of Suffolk County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the authority and the authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Head of Strategic Finance and auditor

As explained more fully in the Statement of the Head of Strategic Finance Responsibilities set out on page 9, the Head of Strategic Finance is responsible for the preparation of the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.



Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Strategic Finance and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

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 2013 and the amount and disposition of the fund's assets and liabilities as at 31 March 2013; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

In our opinion, the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Peter O'Neill
for and on behalf of Ernst & Young LLP,
Appointed Auditor Reading
30 September 2013

“The Suffolk County Council Pension Fund Committee carries out the County Council’s responsibilities for the management of the Pension Fund.”

Governance Report

Governance of the Suffolk County Council Pension Fund

The Local Government Pension Scheme (LGPS) is a pension scheme established under statute, which provides pension benefits for local government employees and certain other groups of workers involved in the provision of local government services. Administering authorities for the LGPS were established by the Local Government Superannuation Act 1972 and Suffolk County Council is the administering authority for the LGPS within Suffolk.

The Pension Fund Governance Policy Statement sets out how the County Council’s statutory responsibilities for the LGPS will be carried out. The Suffolk County Council Pension Fund Committee carries out the County Council’s responsibilities for the management of the Pension Fund.

Pension Fund Committee

The Pension Fund Committee’s key responsibilities are:

a) The effective and prudent management of the Suffolk County Council Pension Fund.
b) The approval of the Fund’s investment strategy and the appointment of the investment managers.
c) The approval of the funding strategy following the triennial actuarial valuation, and the determination of the employers’ contributions to the Fund.

Delegations to the Head of Strategic Finance

The Head of Strategic Finance, the County Council’s responsible financial officer under section 151 of the Local Government Act 1972, is responsible for all decisions concerning the pension fund within the scope of the policies that have been approved by the Pension Fund Committee.

Membership of the Committee

During 2012-13 the Pension Fund Committee consisted of five county councillors, who were appointed by the County Council, and who reflect the political balance on the County Council. 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.

Attendance at the six committee meetings held during 2012-13 are as follows:

Committee member	Meetings attended/ (Number of possible meetings)
Cllr Peter Bellfield	6 (6)
Cllr Jeremy Pembroke	4 (6)
Cllr Guy McGregor to May 2012	1 (2)
Cllr Richard Kemp	4 (6)
Cllr Derrick Haley	6 (6)
Cllr Andrew Reid	4 (6)
Cllr John Hale	3 (6)
Cllr James Finch from July 2012	3 (4)
Mr Steve Warner	3 (6)

“The Committee recognises the importance of ensuring that those who are responsible for the pension scheme are equipped with the necessary knowledge and skills.”

All members of the Pension Fund Committee have voting rights. Following the County Council elections in May 2013, the membership of the Committee was increased to include seven county councillors.

Committee members must declare any conflicts of interest at each committee meeting which are recorded on the minutes. In addition, all members have to complete a register of interests 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 County Council’s audit committee.

Key Management Personnel disclosure

The posts of Head of Strategic Finance and Corporate Finance Manager are deemed to be key management personnel in regards to the Pension Fund. The members of the Pension Fund Committee also have a directing role in relation to the Pension Fund. The financial value of short-term pay and associated costs (recharged to the Pension Fund) and post employment pension benefits for officers and for members of the Pension Fund Committee are as follows:

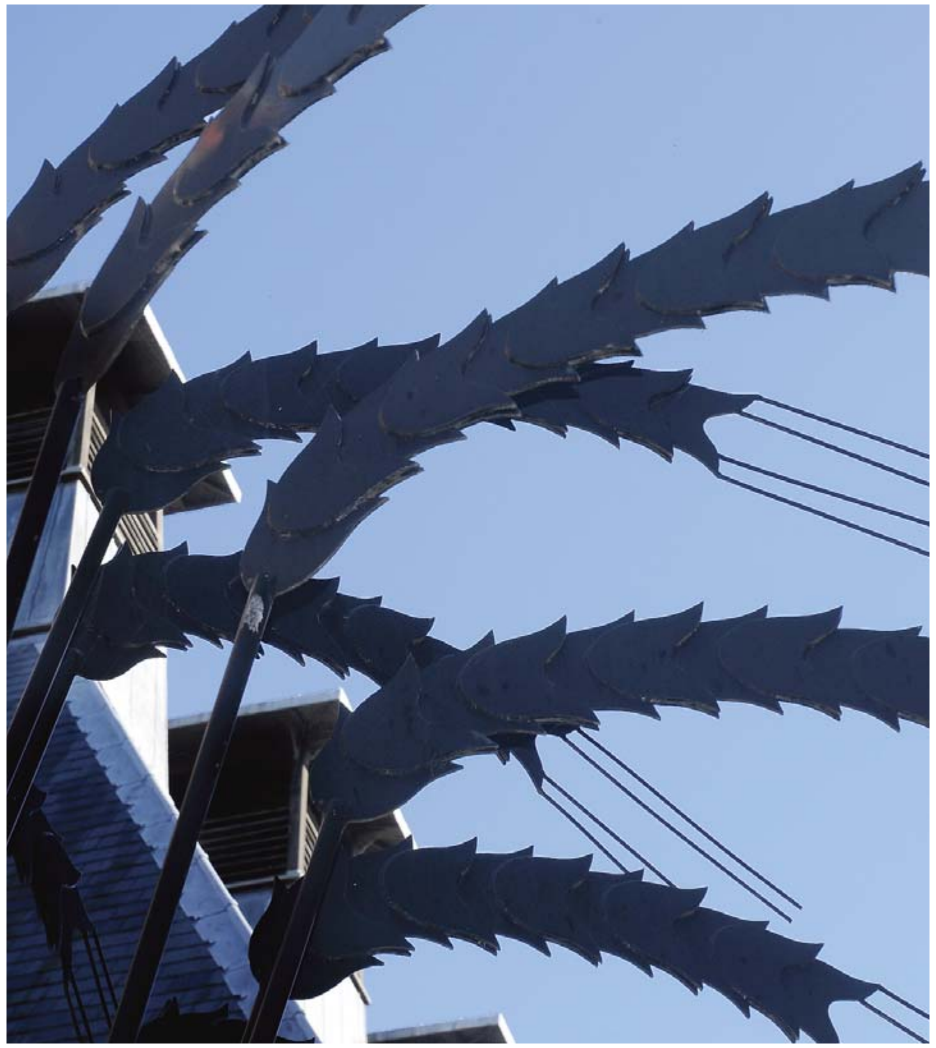
	Officers	Committee Members
	£’000	£’000
Short Term Benefits	73	-
Post Employment	866	79

Committee Training

As the body responsible for the administration of the Local Government Pension Scheme in Suffolk, the Pension Fund Committee recognises the importance of ensuring that those who are responsible for financial management and decision-making with regard to the pension scheme are equipped with the necessary knowledge and skills. The Committee has made the Head of Strategic Finance 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. This is supplemented by external training provided by the Local Government Employers and investment seminars organised by fund managers and other organisations. Committee members and officers have access to the

Governance Report



on-line training and reference material contained in the CIPFA Pensions Knowledge and Skills 'tool-kit'.

In addition, the Committee has received presentations during the year from the Fund's investment advisors on the following topics:
Debt opportunities
Actuarial risk management
LGPS 2014
Currency hedging
Funding strategy

Advisers to the Committee

The Pension Fund Committee is advised by the County Council's officers led by the Head of Strategic Finance, Mr Geoff Dobson. The Pension Fund Committee is also assisted by a number of external professional advisers, with the principal adviser being Hymans Robertson LLP, the fund's actuary and investment adviser. The Committee receives performance analysis from State Street Investment Analytics (the WM Company) on the investment performance of its investment managers. Pension Investment Research Consultants (PIRC) advises the Committee on matters relating to voting its shareholdings. During 2012-13 the Pension Fund Committee appointed an independent professional advisor, Mr Mark Stevens, to assist it with its work.

Systems and internal control

Suffolk County Council's statement of accounts, including the accounts of the pension fund, is subject to external audit by Ernst and Young, who replaced the Audit Commission as the Council's auditors with effect from 2012-13. Ernst and Young produce an audit opinion on the Council's accounts. The Pension Fund Annual Report and Accounts is not subject to an audit separate from the Council's accounts. The auditors produce a statement for the Pension Fund Annual Report to confirm that it is consistent with the Council's accounts. The Pension Fund is also subject to an internal review by the Council's internal auditors who report to the Committee in an annual statement of internal control, commenting on the robustness of the Pension Fund's systems, procedures and controls. There were no concerns raised by the internal auditors in the statement of internal control for 2012-13.

Risk Management

The Pension Fund Committee maintains a risk register for the Pension Fund, which forms part of the County Council's

"The Pension Fund Committee consults with employers whenever any significant changes in the investment or funding strategy are under consideration."

corporate approach to risk management. All pension fund risks are subject to regular monitoring, with a formal annual review as part of the approval of the Pension Fund's business plan each year. All risks are monitored on the basis of their expected likelihood and impact on the Fund.

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 advisors, Hymans Robertson LLP.

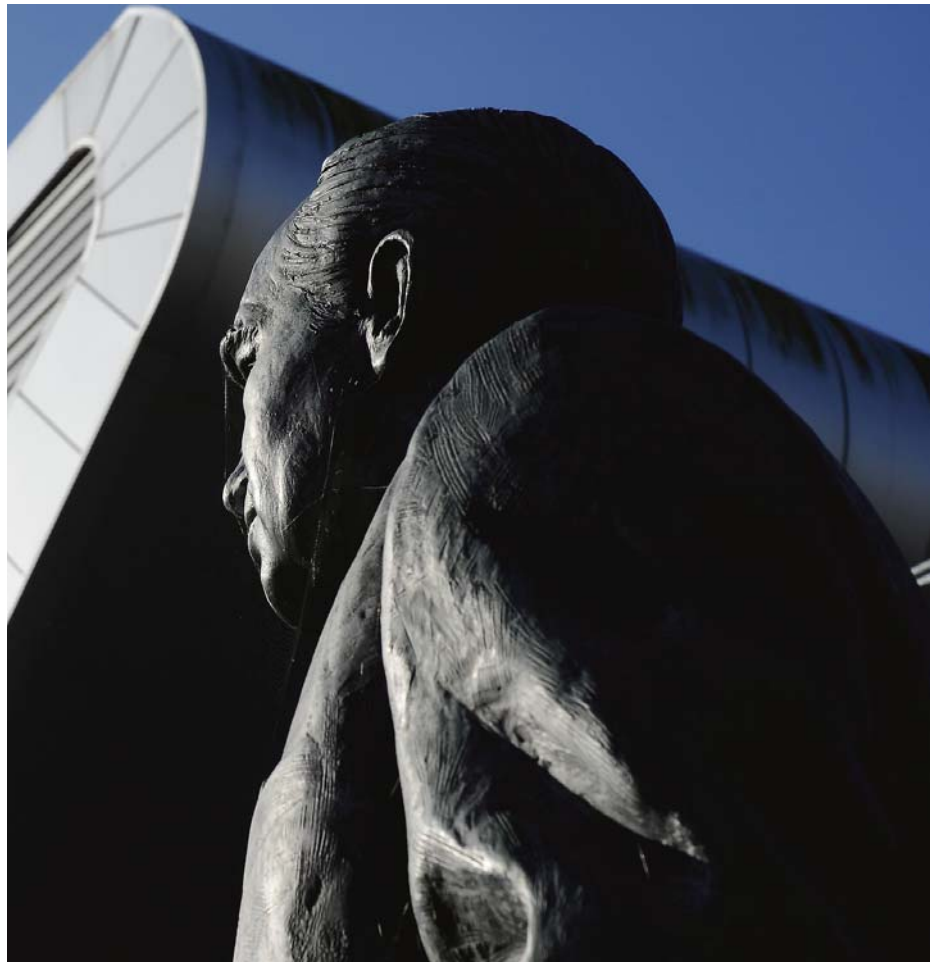
A summary of the key funding risks and the controls that are in place to mitigate them are included in the Funding Strategy Statement (FSS) which is available on the Pension Fund's website (www.suffolkpensionfund.org). Third party risks such as payments of contributions are monitored by Customer Service Direct. Assurance over the systems operated by the Fund's investment managers and custodians is maintained by obtaining relevant documentation about their internal control environment such as ISAE 3402 reports, prepared in accordance with the guidance from the Audit and Assurance Faculty of the ICAEW.

A review of the robustness of the Pension Fund's accounting systems is undertaken by the Fund's external auditors, Ernst and Young, as part of the annual audit. The Council's internal auditors also undertake regular reviews of the control environment for the Pension Fund.

Accountability to stakeholders in the LGPS

The Pension Fund Annual Report and Accounts is distributed to all employers in the Pension Fund and also published on the Pension Fund's website. The Annual Report is the formal mechanism for reporting on the performance of the Fund to its stakeholders. In addition the Pension Fund Committee invites all the Fund employers to an annual meeting to receive reports on the activities of the Fund during the year and on any developments relating to the local government pension scheme. The annual meeting for 2012-13 was held on 24 July 2013.

The Pension Fund Committee consults formally with the employers whenever any significant changes in the Pension Fund's investment strategy or funding strategy are under consideration. In addition Council officers maintain a regular dialogue with individual employers during the year on fund administration issues.



“The Committee oversaw the implementation of the changes to the investment management arrangements for the Fund during 2012-13.”

Management Report

Work of the Pension Fund Committee

The Pension Fund Committee has a business plan which sets out its performance management framework and its priorities for service development. The Pension Fund Committee met on six occasions during 2012-13.

Following the review of investment strategy which the Committee undertook in 2011-12, the Committee oversaw the implementation of the changes to the investment management arrangements for the Fund which were carried out during 2012-13. Legal and General Investment Management were commissioned to manage the transition of Fund assets from the mandates of JP Morgan, Aberdeen Asset Management and AllianceBernstein to the Fund's new mandates with BlueCrest, Pyrford and Winton, with the balance of the funds released being invested in Legal and General's own pooled funds. The transition exercise was undertaken on a staged basis between August and November 2012 and the Committee received a report on the outcome of the transition process at its meeting in February 2013. The Committee also approved an allocation of £30 million (around 2% of the Fund) to the debt opportunities fund managed by M&G Investments at its meeting in April 2012, although the drawdowns against the mandate will be undertaken on a phased basis over a period of two to three years.

The Committee reviewed the mandates of Newton, AllianceBernstein, Millennium Global Investments and Schroders Property Management during the year. The Committee agreed to terminate Millennium's mandate at its meeting in February 2013, although the realisation of the assets from the mandate took place after the financial year end. The Committee monitored the investment performance of the Fund and all its managers on a quarterly basis, and also received an annual report on investment performance produced by State Street Investment Analytics, the Fund's performance advisors.

The Pension Fund used the brokerage services of MF Global UK in relation to a UK equities futures programme. MF Global UK went into administration on 31 October 2011 following financial problems at its US parent. The accountancy firm KPMG was appointed as the administrator of the firm, and the Suffolk Pension Fund registered its claim (£8.4 million) with the administrator. The Fund received an interim distribution of £2.2 million during 2012-13. A further distribution of £3.8 million was received following the financial year end, which brings the total sums received to £6.0 million (70% of the claim). The administration process may take some further time to determine the final amount that the Fund receives. In the light of the failure of MF Global UK, the Committee reviewed its arrangements for the safekeeping of Fund assets at its meeting in May 2012. The Committee was satisfied that the potential risks associated with the safekeeping of the Fund's assets were not a matter for concern and that the key contractual relationship with the Fund's custodian (State Street Bank and Trust) was low risk.

“The Committee was satisfied that the funding strategy was still sustainable as a long term approach to recovering the Fund's deficit.”

The Committee monitored the actuarial position of the Fund on a quarterly basis during 2012-13. Although the estimated funding level of the Fund improved slightly during the year from 72% funded to 74% funded at March 2013, this still represented a reduction in the funding level compared with the position at the last statutory actuarial valuation at March 2010. At its meeting in February 2013 the Committee considered a report from Hymans Robertson on the prospects for the 2013 actuarial position for the Fund. The Committee was satisfied that the funding strategy that was adopted following the previous valuation was still sustainable as a long-term approach to recovering the Fund's deficit. The Committee's objective remains to stabilise employer contributions as far as possible, while ensuring that the Fund adopts a prudent approach to returning the Fund to a fully funded position over the medium to long term.

The Committee contributed during the year to the national discussions between the Government, local authority employers and trade unions on the new local government pension scheme from April 2014, and it responded to the government consultations on proposed changes to the scheme regulations associated with the introduction of the new scheme.

A number of schools in Suffolk were established as academies during 2012-13 and these automatically become employers in the local government pension scheme with respect to their non-teaching employees.

At March 2013 there were 31 academies and 2 free schools in the Suffolk Fund. Further academies and free schools are expected to join the scheme in 2013-14. In addition there are a number of new admission bodies in the Fund, which have arisen as a result of the outsourcing of services and transfer of scheme members from local authorities to the new employers. At March 2013 the Suffolk Pension Fund administered the LGPS for 101 scheme employers, compared with 85 employers at March 2012.

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 and the pension fund risk register is reviewed on a regular basis during the year. The top pension fund risks (medium and high risk) are shown below.

Risk	Impact	Probability	Risk Score	Existing risk control measures
Investment: Failure of investment markets (market crash). Impact: increase in employer contribution rates	4	3	12	Diversification between asset classes. Regular reporting and monitoring arrangements for investment performance by the Fund and its managers are in place.
Investment: Failure of investment strategy to produce long-term returns assumed by Funding Strategy. Impact: increase in employer contribution rates	4	3	12	Investment Strategy is reviewed regularly by the Pension Fund Committee. Changes to investment strategy are currently in the process of implementation.
Demographic: Pensioners living longer than assumed in actuarial assumptions. Impact: increase in employer contribution rates	3	3	9	Review life expectancy assumptions at each valuation. Set mortality assumptions with some allowance for future increases in life expectancy.
Financial: Pay and price inflation significantly higher than anticipated. Impact: increase in employer contribution rates	3	3	9	Inter-valuation monitoring. The focus of the actuarial valuation process is on real returns on assets. Some investment in bonds helps to mitigate this risk.
Regulatory: Changes to regulations (e.g. changes to scheme design following the Public Service Pensions Act 2013) Impact: reduction in scheme membership /participation rates	3	3	9	The Pension Fund responds to all consultation proposals issued by the Department of Communities and Local Government.

Note: The Risk Score is determined by multiplying the scores for the possible impact and the assessed likelihood together. Depending on the value of the risk score, the risk is assessed as low (1-4), medium (5-9), high (10-15) or very high risk (16-25). The risks are managed in accordance with the County Council's arrangements for managing risks, including appropriate monitoring and mitigation measures.

The notes to the Pension Fund statement of accounts (note 18) includes a statement of the nature and extent of risks associated with the Fund's investments. These are analysed over the following categories:

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 market performance

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). Both of these risks are included in the Fund's risk register and subject to appropriate management and monitoring arrangements.

Cost of Running the Fund

The costs of administration and investment management has increased by £872,000 (12.8%) in 2012-13, the majority of which relates to investment management fees.

The main factor that determines the investment management fees, is the value of the funds under management, which increased significantly during the year reflecting the investment return of 13.1%.

The majority of the administration costs relate to the benefits administration, which is undertaken by Customer Service Direct, a joint venture company that is jointly owned by BT, the County Council and Mid-Suffolk District Council. The total administration and investment management costs represent about 0.4% of the value of the Fund at 31 March 2013, which is broadly in line with previous years and with the local authority average.

Administrative and Management Expenses	2011-12 £000	2012-13 £000
Administrative Costs		
Suffolk County Council	1,209	1,228
Actuarial and Investment Advisory Services	66	235
Audit Fees	39	36
Legal Fees	46	44
Other Consultancy Charges	46	120
Total Administration Costs	**1,391**	**1,513**
Fund Management Expenses		
Aberdeen	223	93
AllianceBernstein	273	329
BlackRock	936	552
Bluecrest	-	327
JP Morgan	718	178
KKR	87	260
Legal & General	472	772
M&G	-	41
Millennium	512	434
Newton	868	912
Pantheon	312	549
Pyrford	-	226
Schroders	266	363
Wilshire	373	530
Winton	-	518
Other Costs	4	-151
Custodian (State Street Bank and Trust)	127	69
	5,171	**6,002**
Consultancy Costs		
Performance Analysis	30	28
Proxy Voting Service	30	30
Investment Advice	169	90
	229	**148**
Total	**6,791**	**7,663**

Notes:
1. The mandates held by JP Morgan and Aberdeen were terminated during the year.
2. Bluecrest, M&G, Pyrford and Winton are new investments for 2012-13.
3. KKR was appointed part way through 2011-12 and the costs shown above for 2011-12 represent part year management fees. The fees are based on the net asset value of the fund and has not been fully funded to date.
4. M&G was appointed part way through 2012-13 and the costs shown above represent part year management fees.

Management Structure

Pension Fund Committee

Cllr. Peter Bellfield (Chairman)

Cllr. Jeremy Pembroke (Vice-Chairman)

Cllr. Andrew Reid

Cllr. Guy McGregor (to May 2012)

Cllr. Richard Kemp

Cllr. James Finch (from July 2012)

Cllr. Derrick Haley (District Councillor)

Cllr. John Hale (District Councillor)

Mr. Steve Warner (UNISON)

Suffolk County Council

Geoff Dobson, Head of Strategic Finance

Peter Edwards, Corporate Finance Manager,
Suffolk County Council, Endeavour House,
8 Russell Road, Ipswich, Suffolk IP1 2BX

Lynn Wright, Strategic Payroll and Pensions Manager,
Customer Service Direct, Constantine House,
5 Constantine Road, Ipswich, Suffolk IP1 2DH

Pension Fund Advisers

Actuaries	Hymans Robertson LLP
Investment Consultancy Services	Hymans Robertson LLP
Independent Investment Adviser	Mark Stevens
Performance Measurement	State Street Bank and Trust
Investment Custodians	State Street Bank and Trust
Legal advisors	Squire Sanders (UK) LLP
Voting advisors	PIRC

Auditors

Ernst & Young

Investment managers

AllianceBernstein

BlackRock Investment Management

BlueCrest Capital Management

Kohlberg, Kravis, Roberts

Legal & General Investment

M&G Investments

Millennium Global Investments

Newton Investment Management

Pantheon Ventures

Partners Group

Pyrford International

Schroder Investment Management

Wilshire Associates

Winton Capital Management

AVC providers

Prudential

Equitable Life

Clerical Medical

Century Life

Standard Life

Corporate Social Responsibility and Voting Report

“The Fund seeks to protect and enhance the value of its shareholdings by promoting good practice in the governance of the companies that it invests in.”

Environmental, Social and Governance Issues

The Pension Fund is required to disclose in its statement of investment principles to what extent that it takes account of environmental, social or ethical considerations in the selection, realisation or disposal of investments. The Pension Fund Committee considers that the primary responsibility of the Committee is to ensure that the long-term return from its investments is sufficient to meet the Fund’s liabilities and that the selection of investments should be undertaken to achieve the best financial return for the Fund, subject to an appropriate level of risk. It has not placed any requirements on the Fund’s investment managers in the selection or retention of investments by reference to environmental, social or ethical criteria. All investments that are made for the Fund comply with the legal and regulatory requirements that apply to the local government pension scheme.

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. The Fund’s equity holdings give the Fund the right to vote on the resolutions at company general meetings. The Pension Fund Committee has a voting policy which covers its holdings in UK and overseas companies. Voting is carried out on the Fund’s behalf by our governance and voting advisers, Pension Investments Research Consultants (PIRC). The Fund’s voting guidelines are published on the County Council Pension Fund website www.suffolkpensionfund.org.

“The Fund voted against the board of directors’ proposals on 1,383 occasions (25%).”

Resolution Type	For		Abstain		Oppose		Total
	No.	%	No.	%	No.	%	No.
Annual Report	155	84.7	21	11.5	7	3.8	183
Remuneration Report	12	4.6	207	79.9	40	15.4	259
Director Election	1,850	72.9	601	23.7	88	3.5	2,539
Dividend	152	96.8	3	1.9	2	1.3	157
Appoint Auditors	263	83.2	16	5.1	37	11.7	316
Issue Shares with pre-emption	97	89.8	7	6.5	4	3.7	108
Issue shares for Cash	109	88.6	13	10.6	1	0.8	123
Approve Share buy back	133	90.5	7	4.8	7	4.8	147
Executive Pay Schemes	29	26.1	70	63.1	12	10.8	111
Articles of Association	69	82.1	9	10.7	6	7.1	84
Political Donations	34	73.9	6	13.0	6	13.0	46
Shareholder Resolutions	131	76.2	16	9.3	25	14.5	172

The general principles followed in our voting guidelines are:-

- We 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.
- We will vote against proposals which breach the Code and where the company is unable to provide a satisfactory explanation of its policy.
- We will in general abstain on proposals which do not relate to issues contained in the good practice guidance in the Code.

Voting activity in 2012-13

The Fund voted at 381 meetings involving 5,440 resolutions, supporting 3,684 resolutions (68%) and abstaining on 297 occasions. The Fund voted against the proposal on 1,383 occasions (25%), an increase on the 10% opposing votes exercised in the previous year.

The Fund’s UK voting record is analysed over the page. Full details of the voting by the Fund are contained within the reports to the Pension Fund Committee which are published on the Pension Fund website (www.suffolkpensionfund.org).

Report by Pension Investment Research Consultants (PIRC)

The past twelve months have seen shareholder engagement with companies in the UK and elsewhere become a major news story. During the so-called ‘shareholder spring’ of 2012 in particular numerous companies faced challenges from investors over issues such as leadership, pay and strategy.

Directors’ pay continues to be a major flashpoint in relations between companies and their owners. From the second quarter of 2012 onwards several UK companies lost the votes on their remuneration reports, including FTSE100 companies Aviva and WPP. Aviva’s remuneration report received a vote against of just over 50%, and WPP’s nearly 60%. Suffolk held shares in both companies and was amongst those investors which voted against the company. There were also large votes against remuneration reports, but falling short of defeats, at other well-known companies such as Xstrata (35% against), Prudential (29%) and Barclays (25%). Suffolk opposed the remuneration reports of all three companies. Overall nine companies lost the vote on their remuneration report in 2012, making it a record year of defeats.

It wasn't just remuneration reports that saw shareholder opposition, individual incentive schemes also came under fire. For example, at Petrofac's May AGM there was a 20% vote against the Value Creation Plan, a share option for senior executives. Suffolk voted against the Plan because of a lack of clarity about the targets, and the emphasis on share price appreciation over other performance measures.

There were also some interesting moves against directors. Budget airline easyJet saw another attempt by founder, controlling shareholder, Sir Stelios Hajiloannou to reshape the board. He called an EGM in August to seek to remove Sir Mike Rake as chair of the company. Suffolk abstained from voting on the resolution, reflecting the fact that a compelling case had not been made for the chair's removal but that concerns over his time commitments remained. The effort to remove the chair fell short, with the resolution obtaining a vote of 46.7% in favour.

However a number of directors were forced out, including Andrew Moss, chief executive at Aviva, and David Brennan, chief executive at Astrazeneca. Notably neither director received a significant vote against their election but press commentary on the departures indicated that shareholders had privately sought their removal. Suffolk voted in support of both directors.

Another issue that seems to be increasingly troubling investors is the appointment, and remuneration, of audit firms. In particular there has been a greater focus on cases where accounting firms earn more from non-audit work than from the audit itself. This creates concerns that the audit firm may become conflicted and not act independently. For example, at Premier Oil's 2012 AGM, there was a vote of just under 11% against the appointment of Deloitte as the audit firm. There was also a large number of abstentions, taking the total level of dissent to over 35%. Suffolk voted against the appointment because of the value of non-audit work undertaken by Deloitte and the concern that this may undermine their independence. There was also a vote of 10% against Laird's auditor Ernst & Young, with abstentions taking the total not in favour to 46%.

Administration Report

Introduction to the Fund

The Local Government Pension Scheme (LGPS) exists to provide 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 State for the Department for Communities and Local Government.

The LGPS is administered within Suffolk by Suffolk County Council. The County Council's statutory responsibilities for the scheme are fulfilled by delegating the necessary powers to the Pension Fund Committee with day-to-day decision-making undertaken by the Head of Strategic Finance.

The Scheme is open to all County Council employees (except teachers and fire fighters who have their own scheme), employees of the Suffolk district councils and employees of certain other public bodies (known as scheduled bodies) within Suffolk. Parish and Town Councils may decide by resolution to allow their employees to join the Pension Fund. The regulations also permit the Pension Fund Committee to admit to the Fund certain other bodies which provide public services.

All local government employees automatically become members of the scheme unless they choose to opt out.

How the Fund Works

The LGPS is a funded scheme. This means the scheme is financed by contributions from the Fund's employers and their employees and by income from the Fund's investments. The surplus of contributions and investment income over the benefits currently being paid is invested in a range of investments in compliance with the LGPS investment regulations.

The employers' contributions are assessed periodically by the Fund's Actuary and have to be enough to maintain the long term solvency of the Fund. The law requires that these reviews (actuarial valuations) be carried out every three years. The last statutory actuarial valuation was carried out as at 31 March 2010.

Benefits of the Pension Fund

Most of the benefits payable under the regulations are mandatory but in certain instances discretion is given to employing bodies. Pensions payable from the Fund are defined as "official pensions" for the purposes of the Pensions (Increase) Act 1971, the effect of which is to increase the pension annually in line with inflation. With effect from April 2011 the Government has determined that pension increases for the LGPS should be in line with movements in the Consumer Price Index.

"The scheme is financed by contributions from the Fund's employers and their employees and by income from the Fund's investments."

The local government pension scheme pays more than the minimum pension requirements of the State Second Pension (S2P) scheme (formerly the State Earnings Related Pension Scheme, SERPS) and the pension scheme is therefore classified as being 'contracted out' of the S2P arrangements.

The core scheme benefits are:

- 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 of three times the value of the accrued service to 31 March 2008.
- Life assurance of three times the member's yearly pay from the day they join the scheme.
- Pensions for spouses, civilly registered partners and qualifying co-habiting partners. Eligible children are also entitled to a pension.
- An entitlement paid early if a member has to stop work permanently due to permanent ill health.
- Pensions increases in line with inflation (measured by the Consumer Price Index).
- Pensions are payable from age 55 with employer's consent, including flexible retirement.

Costs of Membership

Employees pay between 5.5% and 7.5% of the pay they receive for their contractual hours. The rate that employees pay depends on the pay band they fall into.

The pay bands that applied during 2012-13 are as below:

If your Whole time Pay Rate is:	You pay a contribution rate of:
Up to £13,500	5.5%
£13,501 to £15,800	5.8%
£15,801 to £20,400	5.9%
£20,401 to £34,000	6.5%
£34,001 to £45,500	6.8%
£45,501 to £85,300	7.2%
More than £85,300	7.5%

The band ranges will be increased each April in line with changes in the cost of living.

Pensions administration

The Pension Administration team is led by Lynn Wright, the Strategic Payroll and Pensions Manager, and consists of 19 full-time equivalent (FTE) staff who carry out the full range of pension benefit calculations and administration functions. There is significant pensions experience within the team ranging from 6 months to 26 years, with the majority of staff having pensions experience in excess of 5 years.

Pensions administration involves:

- Maintaining an accurate database of pension 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;
- Calculating and paying dependent pensions and lump sums when a member, deferred member or pensioner dies;
- Paying pensioners monthly;
- Providing estimates of benefits, information on entitlements and implementing pension sharing orders on divorce;
- Assessing the impact of, and implementing amending legislation when received and also communicating the effect of those changes to members, deferred members, pensioners and scheme employers.

Internal Dispute Resolution Procedure (IDRP)

If a scheme member has a complaint about the administration of the pension fund or wishes to make an appeal against a decision which has affected them, they may invoke the Pension Fund's Internal Disputes Resolution Procedure. This provides for the action of the Fund to be reviewed in the first instance by a person unconnected with the original decision. The nominated person for the first stage review will consider the complaint and notify the scheme member of their decision. This may involve a change to the original decision and if appropriate an award of compensation where a scheme member has been adversely affected by the original decision.

If the scheme member is dissatisfied with the first stage decision, they may apply for a second stage review of the decision, which is undertaken by the Head of Legal Services as the person nominated by the Committee to hear such disputes. If they are still dissatisfied with the outcome of the second stage review, they may apply to the Pensions Ombudsman for a further review. The Pensions Advisory Service (TPAS) is available at any time to assist members and beneficiaries of the Scheme in connection with any pensions query they may have or any difficulty which they cannot resolve with the scheme administrator.

Changes affecting Local Government Pension Scheme 2014 (LGPS 2014)

"From 1 April 2014 the current scheme will end and a new scheme will be implemented."

From 1 April 2014 the current LGPS will end and a new scheme will be implemented. The key elements of the LGPS 2014 scheme are as follows:

- The LGPS 2014 contains an option for members to pay 50% of the contributions for a 50% pension whilst retaining the full value of other benefits of the scheme such as an ill health pension, death in service and redundancy. It is intended to attract non-members on low pay to the scheme and retain members who suffer periods of financial difficulty.
- All members will have contribution rates based on actual and not full time equivalent pay, this will result in some part-time workers paying lower contributions.
- The average member contribution to LGPS 2014 will remain 6.5% and most members will pay the same or lower contributions than at present.
- All pensions already being paid or built up before April 2014 will be fully protected. The proposed changes will not affect those in receipt of a pension or have left with a deferred pension. Current contributing scheme members' pre-April 2014 pension will still be based on final salary at retirement, and current Normal Pension Age.
- The new LGPS will start on 1 April 2014. Only pensionable service after that point will be in the new scheme, under the new LGPS 2014 rules.
- Final salary pension from the LGPS 1997 and LGPS 2008 will be calculated separately when members retire and be added to the pension from the LGPS 2014.
- In addition, to ensure that no member within 10 years of age 65 as at 1 April 2012 is worse off, there will be an underpin. This means that those members who would see a

Administration Report

"The average member contribution will remain 6.5% of pay and most members will pay the same or lower contributions than as at present."

change in their pension age in that period will get a pension at least equal to that which they would have received in the current scheme.

- Previously agreed protection will continue. This includes the retirement age provisions for remaining members with Rule of 85 benefits.
- The provisions of the current scheme are to be extended to ensure that all staff whose employment is compulsorily transferred will still be able to retain membership of the LGPS when transferred.

Administration Performance

Liaison and Communication

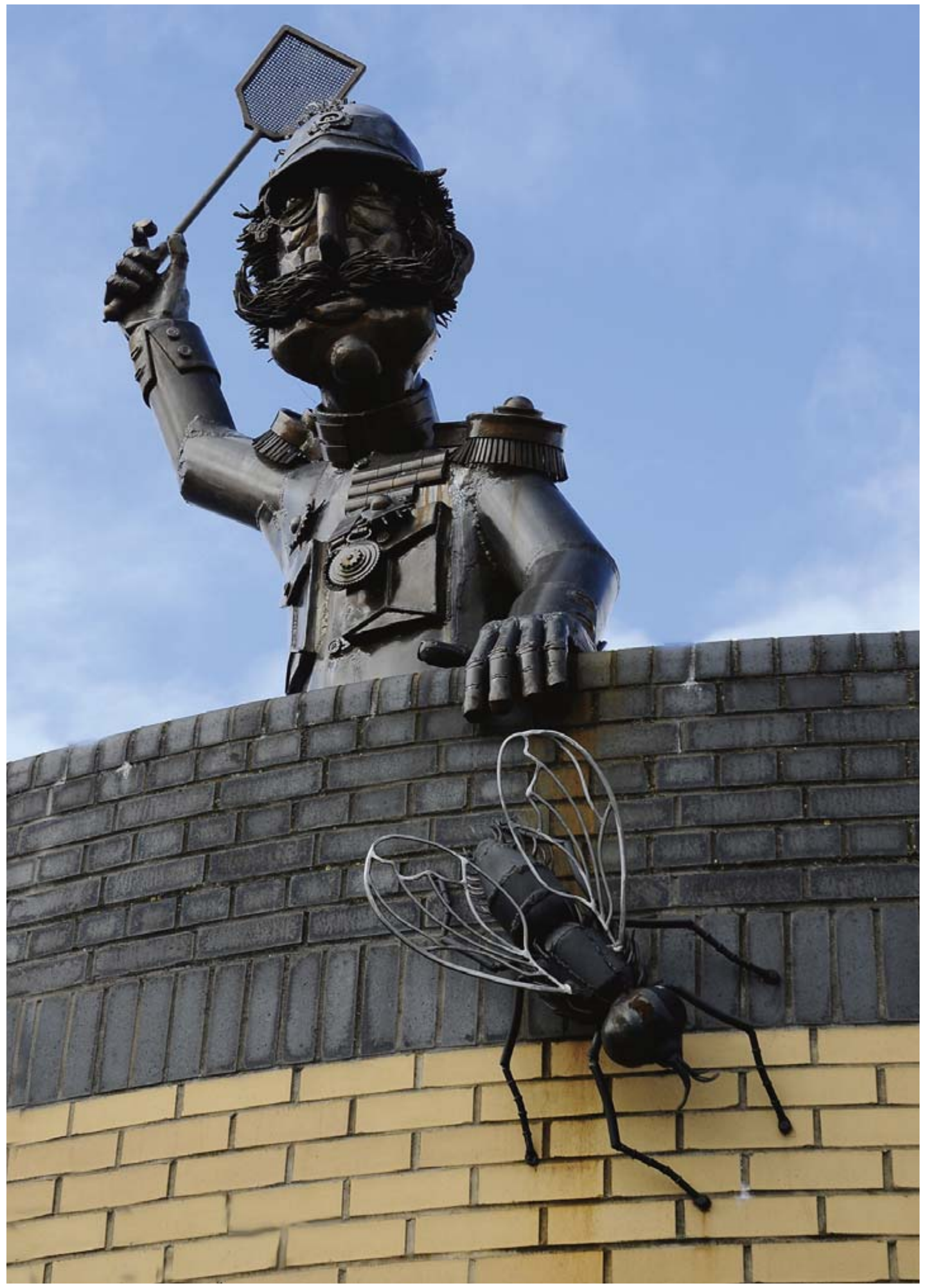
- Remit and provide details of total employer/employee contributions by 5th working day of month after deduction – 100%.
- Respond to enquiries from administering authority within 10 days of receipt of enquiry – 99%.
- Provide year end information required by the Suffolk Pension fund by 21st April after year end - 71%.
- Distribute any information provided by Suffolk Pension fund to scheme members/potential scheme members within 15 days of receipt – 100%.
- Notification to Suffolk pension fund of material changes to workforce/assumption related areas by no later than 10 days after material change/formal employer agreement on assumption related areas - 100%.
- Provide new/prospective members with scheme information and new joiner forms within 5 days of commencement of employment or change in contractual conditions – 100%.

Fund administration

- Payment of additional fund payments in relation to early payment of benefits from ill health, flexible retirement, redundancy or business efficiency retirement within 30 working days of receipt of invoice from the Suffolk Pension fund/within timescales specified in each case – 100%.

Employer Administration

- Make all necessary decisions in relation to new scheme members in the LGPS (whether full or part time, pensionable pay, appropriate contribution rate band etc) within 10 working days of scheme member joining – 100%.
- Provide administering authority with scheme member details on appropriate form/via electronic interface within 10 working days of scheme member joining/from month end of joining – 100%.
- Arrange for the correct deduction of employee contributions from a scheme members pensionable pay on becoming a scheme member – immediately on joining the scheme opting in or change in circumstances – 100%.
- Ensure correct employee contribution rate is applied and arrange for reassessment of employee contribution rate in line with the employers policy immediately upon commencing scheme membership reviewed as per the policy – 100%.
- Ensure correct rate of employer contribution is applied immediately following confirmation from the administering authority of appropriate employer contribution rate – 99%.
- Ensure correct deduction of pension contributions during any period of child related leave, trade dispute or other forms of leave of absence from duty is applied immediately following receipt of election from scheme member to make the necessary pension contributions – 99%.
- Commence/amend/cease deductions of additional regular contributions. Commence/amend in month following election to pay contributions or notification received from administering authority; cease immediately following receipt of election from scheme member – 100%.
- Arrange for deduction of AVC's and payment over of contributions to AVC providers by achieving the following targets – 1) Commence deduction of AVC in month following election (100% from those who have returned) & 2) pay over contributions to the AVC providers by the 19th of the month of election – 100%.
- Refund any employee contributions when employees opts out of the pension scheme before 3 months – to be actioned the month after opt out – 100%.
- Cease deduction of employee contributions where a scheme member opts to leave the scheme – month following month of election or such later date specified by the scheme member – 100%.



- Provide the administering authority with details of all material changes in employees circumstances (e.g. marital or civil partnership status), contractual changes to a scheme members hours and/or weeks via appropriate form/electronic interface within 10 working days of change or notification of change – 100%.
- Leave of absence with permission (maternity / paternity / secondment) without pay etc. (communications with employee and confirmation to

pension fund) – within 10 working days of notice from employee/HR/ Payroll – 100%.

- Determine reason for leaving and provide notification to administering authority of scheme leavers – by the end of the month the member left – 99%.
- Provide advance basic information relating to members retiring – within 5 days of receipt of resignation/ notification – 99%.
- Determine reason for retirement and provide notification to administering authority of retiree – within 10 working days of notification of intention to retire – 99%.
- Provide final pay information for each scheme member who leaves/ retires/dies and forward to Suffolk Pension Fund on appropriate form/ via electronic interface - Within 10 working days following date of leaving/retirement/death – 100%.
- Appoint an independent medical practitioner qualified in occupational health medicine, in order to consider all ill health retirement applications and agree appointment with Suffolk Pension Fund - Within one month of commencing participation in the scheme or date of resignation of existing medical adviser – 100%.
- Appoint person for stage 1 of the pension dispute process and provide full details to the administering authority - Within 30 working days following the resignation of the current "appointed person" – 100%.

Note: All percentages are based on the responses from employees who have submitted returns.

Financial Performance

A review was carried out of the timings of the payment of employee and employer contributions to the fund by the employers. 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 review highlighted that several employers were not meeting these timescales. These employers were reminded of the required payment timescales and a further review carried out for the second half of the financial year indicated an improvement. The table below summarises the receipts:

	Quarter 1			Quarter 2			Quarter 3			Quarter 4		
	Emp.	Contribs		Emp.	Contribs		Emp.	Contribs		Emp.	Contribs	
	%	£'000	%	%	£'000	%	%	£'000	%	%	£'000	%
On Time	70	18,440	95	72	18,673	95	74	18,911	95	75	19,776	96
Up to 1 week late	11	646	3	10	198	1	10	809	4	12	391	2
Over 1 week late	19	358	2	18	712	4	16	237	1	13	324	2
Total		**19,444**			**19,583**			**19,957**			**20,491**	

"Members receive an annual benefit statement estimating their pension benefits for retirement."

The Fund's performance on the recovery of overpayments of pensions	Financial Year	Overpayments Recovered	Overpayments written off
		£	£
	2012-13	23,447	3,564

Communications Policy

The Fund has published a Communication Policy Statement which sets out how it communicates with employers and representatives of employers, Scheme members and prospective Scheme members. A copy of this document is available on the Pension Fund website (www.suffolkpensionfund.org).

The Suffolk Pension Fund has fully met the requirements set out in the communications policy in its communications with all of its stakeholders.

Scheme information has been provided to members, representatives and employers at all appropriate times during the year. Members receive scheme booklets when they join and everyone is issued with an annual benefit statement estimating their pension benefits for retirement. The Pension Fund reports and accounts have been created and communicated as per the policy. With regards to members who have joined under Auto enrolment they are issued with a letter confirming this as per the regulators requirements. Pensioners have been issued with their 6 monthly newsletters confirming any matters that relate directly to them. We continue to be available to meet Union representatives to discuss matters as and when required.

Further to this the Strategic Payroll and Pensions Manager reports to the Pension Fund Committee on performance and provides presentations and training on LGPS matters.

In relation to employers, they are all contacted and provided with the necessary information when they join including provision of the employers guide. Employer liaison meetings are held 6 monthly and these are used effectively to communicate important information including the changes coming as a result of the new LGPS 2014. All employers were written to in relation to Auto enrolment and provided with the guidance required to help them through this period of change. We continue to support our employers and are happy to meet them to help them through their current scenario and staff visit various employers throughout the year attending workshops and meeting members. Each employer has an individual liaison officer so they have a named point of contact and this has helped ensure a good rapport between employer and fund. Newsletters are being rebranded and it is expected the new version will be ready to be distributed by the end of September 2013.

Members of the Pension Fund regularly attend regional and national meetings ensuring that the members are represented on all important scheme matters as well as having the opportunity to learn valuable information and feedback ensuring the Pension Fund is fully aware of impending changes.

In terms of promoting scheme membership to prospective members all new employees are issued with the overview of the LGPS leaflet and information is contained in their contracts of employment explaining their situation with regards to individual entrance to the scheme. In the near future there will be promotion of the new Pension Fund website beginning with the annual benefit statement packs, and a poster to be used by employers in their workplace. This will help to encourage new members to join the scheme in the coming months.

Employers In The Fund

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

Suffolk County Council
Babergh District Council
Forest Heath District Council
Ipswich Borough Council
Mid Suffolk District Council
St. Edmundsbury Borough Council
Suffolk Coastal District Council
Suffolk Police & Crime Commissioner
Suffolk Valuation Tribunal
Waveney District Council

Colleges

Lowestoft 6th Form College
Lowestoft College
Otley College (Left July 2012)
Suffolk New College
University Campus Suffolk
West Suffolk College

Academies

Bungay High School
Bury St Edmunds Academy Trust
Copleston High School
Castle Manor Academy
Debenham High School
East Bergholt High School
East Point Academy
Elveden C of E Primary Academy
Farlingaye High School
Felixstowe Academy
Forest Academy
Hadleigh High School
Hartismere Academy
Holbrook High School
Ipswich Academy
Kesgrave High School
Langer Primary Academy
Ormiston Endeavour Academy
Ormiston Sudbury Academy
Place Farm Academy
Priory School
Samuel Ward Academy
Sir John Leman High School
St Alban's Catholic High School
St Mary's C of E Academy
Stradbroke High School
Suffolk New Academy
The Ashley School
Thomas Mills High School
Thomas Wolsey School
Westbourne Academy

Free Schools

Breckland Free School
Stour Valley Community School

Resolution Bodies

Resolution bodies are bodies, usually town and parish councils who formally pass a resolution designating staff to be eligible to join the Fund.

Beccles Town Council
Boxford Parish Council
Bury St. Edmunds Town Council
Felixstowe Town Council
Framlingham Town Council
Great Cornard Parish Council
Hadleigh Town Council
Haverhill Town Council
Kesgrave Town Council
Lakenheath Parish Council
Leavenheath Parish Council
Leiston-cum-Sizewell Town Council
Mildenhall Parish Council
Nayland & Wissington Parish Council
Newmarket Town Council
Onehouse Parish Council
Pinewood Parish Council
Southwold Town Council
Stowmarket Town Council
Sudbury Town Council
Woodbridge Town Council
Woolpit Parish Council
Eastern Facilities Management Solutions

Admitted Bodies

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

Abbeycroft Leisure
Anglia Community Leisure Trust
Association of Colleges in the Eastern Region
Association of Inshore Fisheries and Conservation Authorities
Care Quality Commission
Care UK
Churchill Contract Services
Flagship Housing Group Ltd.
Hadleigh Market Feoffment Charity
Havebury Housing Partnership
Housing 21
Lapwing
Leading Lives
Leiston Long Shop Steam Museum
Marina Theatre Trust
Norland Managed Services
Papworth Trust
Realise Futures
Seckford Foundation
Sentinel Leisure Trust
Sports and Leisure Management Ltd
Suffolk Association of Local Councils
Suffolk Coastal Leisure Community
Suffolk Norse Ltd
Suffolk Norse Transport
Suffolk Libraries
The Partnership in Care
Waveney Norse

Summary of Financial Position and Membership

The following table shows the Pension Fund's financial position and membership for the past five years.

Financial Summary	2008-09	2009-10	2010-11	2011-12	2012-13
	£'000	£'000	£'000	£'000	£'000
Contributions	90,622	93,826	94,028	90,904	88,855
Other Income	5,467	8,895	7,417	3,619	6,062
Total income	**96,089**	**102,721**	**101,445**	**94,523**	**94,917**
Benefits Payable	-55,537	-62,923	-68,415	-74,562	-76,415
Other Expenditure	-5,422	-6,115	-42,858	-6,276	-13,681
	-60,959	**-69,038**	**-111,273**	**-80,838**	**-90,096**
Net additions / withdrawals(-) from dealings with members	**35,130**	**33,683**	**-9,828**	**13,685**	**4,821**
Investment Income (net of fees)	21,442	24,906	22,984	22,677	19,278
Change in Market Value of Investments	-324,595	325,247	73,377	-3,539	186,986
Net Returns on Investments	**-303,153**	**350,153**	**96,361**	**19,138**	**206,264**
Change in Fund during the year	**-268,023**	**383,836**	**86,533**	**32,823**	**211,085**
Addition of No. 2 Pension Fund	-	15,505	-	-	-
Net Assets at 31 March	**1,037,187**	**1,436,528**	**1,523,061**	**1,555,884**	**1,766,969**

Membership Summary	2008-09	2009-10	2010-11	2011-12	2012-13
Members	19,058	19,759	18,505	17,779	18,155
Pensioners	10,306	11,032	11,627	12,321	12,856
Deferred	12,442	13,861	14,593	16,040	16,651
Total	**41,806**	**44,652**	**44,725**	**46,140**	**47,662**

Investment Report

Market Review Year to 31 March 2013

Equity markets performed strongly over the 12 months to 31 March 2013. This positive tone contrasted with mixed developments on the economic front, continuing difficulties associated with the financial crisis and debt 'overhangs' in the US and Europe.

Optimism over global economic growth prospects deteriorated progressively over the period, with mixed data in the UK and much of Europe falling into recession. Although the US exhibited consistent growth, policy makers remained cautious. Initiatives taken by central banks in the US, Europe and Japan differed in nature and size. In the US, activity was principally focused on stimulating economic growth. In other regions, it was designed to counter deflationary forces.

In the UK, the Governor of the Bank of England forecast a period of persistently low economic growth, citing problems in the Eurozone as a contributory factor. The Chancellor of the Exchequer presented his March 2013 budget against a background of downward revisions to economic growth forecasts and a cut in the credit rating. With rising debt, austerity remains the order of the day. The budget incorporated further unpopular cuts in public spending.

Key events over the 12 month period were:

Global Economy

- Policy makers in the UK, Eurozone, US, Japan and China announced asset purchase programmes to stimulate economies;
- Short-term interest rates were unchanged in the US and UK, and reduced (by 0.25%) in the Eurozone;
- The Eurozone reported its third consecutive quarter of economic contraction;
- Economic growth in major Asian markets was impaired by weak external demand;
- France and Italy pressed the case for economic growth rather than austerity as a policy priority;
- The UK's credit rating was cut by Moody's, on concerns over continuing economic weakness.

Equities

- Defensive stocks outperformed cyclicals over the period;
- The strongest sectors, relative to the 'All World' Index, were Health Care (+13.1%) and Consumer Services (+8.8%); the weakest sectors were Basic Materials (-15.7%) and Technology (-11.4%).

Bonds

- The European Central Bank announced a bond purchase programme to assist countries struggling to raise funds;
- Corporate bonds outperformed government issues by a comfortable margin.

"Equity markets performed strongly over the 12 months to 31 March 2013."

Investment Powers

The principal restrictions on the powers to invest local authority pension fund assets are contained within Schedule 1 of the Local Government Pension Scheme (Investment and Management of Funds) Regulations 2009 (S.I. 2009/3093).

The regulations provide for the following limits on investments as set out in column 1, with the proviso that pension funds can approve higher limits up to the limits set out in column 2, subject to a specific resolution being approved following consideration of proper advice.

Category of investment	Col. 1	Col. 2
1. Any single sub-underwriting contract	1%	5%
2. All contributions to any single partnership.	2%	5%
3. All contributions to partnerships.	5%	15%
4. The sum of:- (a) all loans (but not including loans to the UK Government); and (b) any deposits with:- (i) any local authority; or (ii) any body with power to issue a precept or requisition to a local authority, or to the expenses of which a local authority can be required to contribute, which is an exempt person (within the meaning of the 2000 Act) in respect of accepting deposits as a result of an order made under section 38(1) of that Act.	10%	—
5. All investments in unlisted securities of companies.	10%	15%
6. Any single holding (with the exception of gilts and bank deposits with an institution authorised under the Financial Services and Markets Act 2000).	10%	—
7. All deposits with any single bank, institution or person (other than the National Savings Bank).	10%	—
8. All sub-underwriting contracts.	15%	—
9. All investments in units or shares of the investments subject to the trusts of unit trust scheme managed by any one body (but not including any securities guaranteed by the UK Government).	25%	35%
10. All investments in open-ended investment companies where the collective investment schemes constituted by the companies are managed by one body.	25%	35%
11. All investments in unit or other shares of the investments subject to the trusts of unit trust schemes and all investments in open-ended investment companies where the unit trust schemes and the collective investment schemes constituted by those companies are managed by any one body (but not including any investments guaranteed by the UK Government).	25%	35%
12. Any single insurance contract.	25%	35%
13. All securities transferred (or agreed to be transferred) by the authority under stock lending arrangements.	25%	35%

“At March 2013 the Fund had 53% of its assets in equities.”

The Pension Fund Committee has approved the following higher limits (within the ceilings allowed in column 2, in the table opposite):

- All contributions to any single partnership. 5%
- All contributions to partnerships. 12%
- Any single insurance contract. 35%

The Pension Fund's investments in the pooled funds managed by Legal and General Investment Management amounted to 43% of the Fund at March 2013.

These investments are structured in the form of two separate insurance contracts which ensures that the Pension Fund complies with the regulatory limit on any single insurance contract. The Suffolk Pension Fund complied with all the regulatory limits on its investments during 2012-13.

The Pension Fund has separate banking arrangements from those of the County Council. No loans are made from the Suffolk Pension Fund to Suffolk County council.

Asset Allocation

At March 2013 the Fund had 53% of its assets in equities, 21% in bonds, 9% in property, 10% in absolute return mandates and 7% in other alternative investments with a small balance in cash.

Statement of Investment Principles

The Pension Fund Committee has approved a customised asset allocation for the Pension Fund, based on a review of investment strategy that it carried out with the assistance of its investment advisors, Hymans Robertson. This asset allocation is incorporated into a formal policy statement for the Fund, the statement of investment principles. The statement is published on the Pension Fund website (www.suffolkpensionfund.org). The statement of investment principles is reviewed on a regular basis, most recently in March 2012.

The Fund's investments are allocated across a range of asset classes. The largest allocation (53% of the Fund at March 2013) was to equities and the equity allocation also accounts for the majority of the investment risk taken by the Fund. The investment strategy of the Fund was reviewed during 2011-12 and the Committee agreed to reduce the target allocation of the Fund to equities to 45% of the Fund, with the allocation to alternative investments being increased to 35%. The additional allocations to alternative investments included absolute return (10%), infrastructure (5%) and timber (2%). In addition the Committee approved an allocation of 2% of the Fund to a specialist debt opportunities fund managed by M&G Investments during 2012-13, with the funding for this to be provided by a reduction in the Fund's allocation to UK gilts.

The strategic benchmark and the actual asset allocation of the Fund at March 2013 are shown overleaf. The implementation of the strategic benchmark is expected to take place over the next two to three years as the investment managers for the new mandates are funded.

Investment Management Arrangements

The following investment managers managed the Fund's assets at March 2013:

- Alliance Bernstein Institutional Investments manage a UK equity mandate (8% of the fund);
- BlackRock Investment Management manage a UK equity mandate (9% of the fund);
- BlueCrest Capital Management manage an absolute return fund mandate (2% of the fund);
- Kohlberg, Kravis, Roberts (KKR) manage an infrastructure mandate (1% of the fund);
- Legal & General Investment Management manage a multi-asset index tracking mandate (43% of the fund at March 2013);
- Millennium Global Investments manage a currency mandate (2% of the fund);
- Newton Investment Management manage a global equity mandate (14% of the fund);
- Pyrford International manage a

Asset Allocation		
	Actual Allocation March 2013	Long-term Strategic Benchmark
	%	%
UK Equities	17.7	18
Overseas equities	35.3	27
Total equities	53.0	45
Private equity	4.3	5
Property	8.9	10
Currency	2.1	3
Absolute return	9.8	10
Infrastructure	0.9	5
Timber	-	2
Total Alternatives	26.0	35
UK Government Bonds	2.1	2
UK Corporate Bonds	12.0	12
UK Index-linked Gilts	4.3	4
Emerging market debt	2.1	2
Total Bonds	20.5	20
Cash	0.5	-
Total	**100.0**	**100**

multi-asset absolute return mandate (6% of the fund);

- Schroder Property Investment Management manage a property mandate (9% of the fund);
- Wilshire Associates and Pantheon Ventures manage private equity mandates (4% of the fund);
- Winton Capital Management manage an absolute return mandate (2% of the fund).
- Partners Group (infrastructure), Brookfield (timber) and M&G Investments (debt opportunities) have been appointed to manage mandates for the Fund but no significant drawdowns had been made by these mandates by March 2013.

During 2012-13 the mandates managed by JP Morgan (global equities) and Aberdeen Asset Management (UK bonds) were terminated. The Pension Fund Committee meeting in February 2013 agreed to terminate the Millennium mandate. The realisation of the assets in the mandate took place after the financial year end.

Changes to Investment management arrangements

Following the changes to the Fund's investment strategy that the Pension Fund Committee approved during 2011-12, it appointed Kohlberg, Kravis, Roberts (KKR) and Partners Group for infrastructure mandates (5% of the Fund), Brookfield for a timber mandate (2% of the Fund) and Winton, BlueCrest and Pyrford for absolute return mandates (10% of the Fund).

The Committee decided that the mandates of JP Morgan and Aberdeen should be terminated and that the mandate of AllianceBernstein reduced to 7.5% of the Fund as part of the changes to the investment management structure. The transition of the Fund's assets to the new investment mandates took place during 2012-13. In the short term, until the new mandates for infrastructure and timber are fully funded, the sums earmarked for these mandates will be managed by Legal & General as part of their index-tracking mandate.

The Fund's investment management arrangements at March 2013 are shown opposite.

Fund Manager Allocation			
Investment Manager	Asset class	Actual allocation March 2013	Strategic target allocation
		%	%
Alliance Bernstein	UK equities	8	7.5
BlackRock	UK equities	9	9.2
BlueCrest	Absolute return	2	2.0
Brookfield	Timber	-	2.0(1)
Kohlberg, Kravis, Roberts (KKR)	Infrastructure	1	2.5(1)
Legal & General	Equities and bonds	43	36.0(1)
Millennium	Currency	2	2.5(2)
M&G Investments	Debt opportunities	-	-
Newton	Global equities	14	12.9
Pantheon	Private equity	2	1.9
Partners Group	Infrastructure	-	2.5(1)
Pyrford	Absolute return	6	6.0
Schroder	Property	9	10.4
Wilshire	Private equity	2	2.6
Winton	Absolute return	2	2.0
Total		**100**	**100.0**

Note (1): The actual allocation to the Legal & General mandate is expected to be higher than the target allocation shown above pending the investment of the sums earmarked for the mandates managed by KKR, Partners Group and Brookfield.

Note (2): The Committee agreed to terminate the Millennium mandate at its meeting in February 2013, but realisation of the proceeds from the mandate took place after the financial year end.

Investment Income

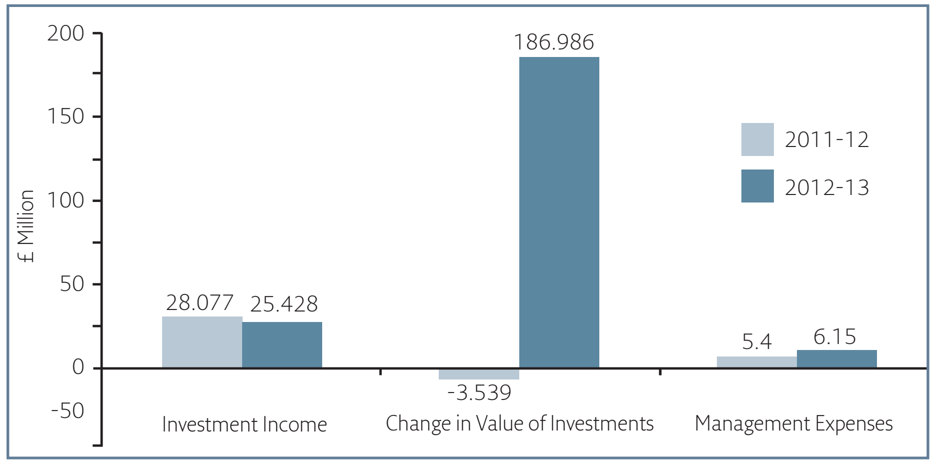
The following table shows the sources of Investment Income earned by the Fund in 2012-13.

Investment Income				
	2011-12		2012-13	
Investment Income	£'m	%	£'m	%
Interest from Fixed Interest Securities	0.890	3.1	0.384	1.5
Dividends from Equities	20.522	72.1	19.394	75.1
Income from Pooled Investment Vehicles (Property)	6.679	23.5	5.489	21.2
Income from Pooled Investment Vehicles (Other)	0.000	0.0	0.043	0.2
Interest on Cash Deposits	0.004	0.0	0.051	0.2
Interest from Custodian Holdings	0.025	0.1	0.012	0.0
Interest on Money Market Funds	0.078	0.3	0.132	0.5
Stock Loan Income	0.128	0.5	0.088	0.3
Class Actions	0.012	0.0	0.015	0.1
Return on Capital	0.045	0.2	0.051	0.2
Other	0.053	0.2	0.040	0.2
Taxes on Income	-0.359		-0.413	
Total	**28.077**	**100.0**	**25.428**	**100.0**

Investment Report

Investment Performance

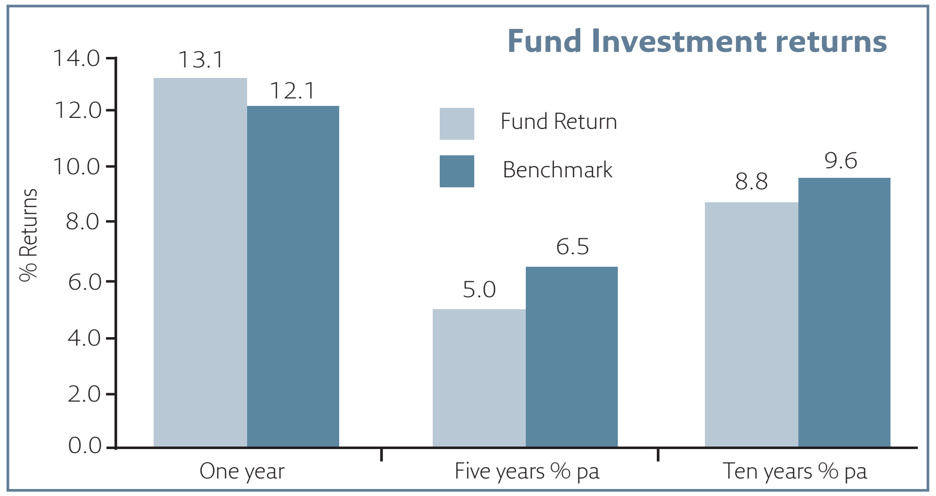
The chart below shows the comparative investment returns between 2011-12 and 2012-13. The change in the value of the Fund's investments includes realised and unrealised gains and losses during the year.



The Fund's assets increased from £1,556 million to £1,767 million during 2012-13, representing an investment return of 13.1%. The Fund's benchmark is based on the weighted average of the market index returns for the markets in which it invests. The Fund outperformed the benchmark by 0.9%.

The Fund has however, underperformed compared with its benchmark over the longer term, by -1.4% per year for the five year benchmark and by -0.7% per year for the ten year benchmark, which is a similar position to the previous year.

The Fund investment returns compared with its benchmark index over one, five ten years is shown below:



"The Fund's investment return is below the local authority average."

Long-term Investment Performance

The Fund's investment return in each of the last ten years is shown below. The Fund's investment returns are shown compared with the Fund's own benchmark and also compared with the average local authority pension fund (as collated by the WM Company's performance measurement service). In addition the Fund's returns are compared with the movement in retail prices over this period.

Long-term Investment Performance

The Fund's investment return in each of the last ten years is shown below. The Fund's investment returns are shown compared with the Fund's own benchmark and also compared with the average local authority pension fund (as collated by the WM Company's performance measurement service). In addition the Fund's returns are compared with the movement in retail prices over this period.

The Fund's rolling investment return over one, three, five and ten years is shown below, against various comparators.

The Fund's investment return is below the WM local authority fund average in each of the periods shown above. Over one year the Suffolk Fund's investment return was in the bottom third of local authority funds (71st percentile ranking) and the Fund was also in the bottom quarter of local authority returns over three, five and ten years. However over each of these periods the Fund's investment return is substantially above the increase of retail prices, which is an important factor in the movement in the Fund's pension liabilities.

Long-term performance (annualised)				
	1 year	3 year	5 year	10 year
	%	p.a. %	p.a. %	p.a. %
Fund return	**13.1**	**7.2**	**5.0**	**8.8**
Fund benchmark	12.1	8.1	6.5	9.6
Relative return	+0.9	-0.8	-1.4	-0.7
WM local authority average	**13.8**	**8.1**	**6.5**	**9.4**
WM local authority ranking (percentile)	71st	86th	89th	75th
Retail prices	**3.3**	**4.1**	**3.3**	**3.3**

Long-term performance (year ended 31 March)										
	04	05	06	07	08	09	10	11	12	13
	%	%	%	%	%	%	%	%	%	%
Fund return	**23.9**	**11.0**	**26.2**	**8.3**	**-2.6**	**-22.2**	**32.9**	**7.2**	**1.7**	**13.1**
Fund benchmark	24.1	11.9	26.4	7.7	-3.6	-21.3	37.6	8.5	3.8	12.1
Relative return	-0.1	-0.8	-0.2	0.5	1.0	-1.2	-3.4	-1.2	-2.0	+0.9
WM average	**23.4**	**11.7**	**24.9**	**7.0**	**-2.8**	**-19.9**	**35.2**	**8.2**	**2.6**	**13.8**
WM ranking (percentile)	50th	60th	26th	13th	37th	72nd	70th	74th	80th	71st
Retail prices	**2.6**	**3.2**	**2.4**	**4.8**	**3.8**	**-0.4**	**4.4**	**5.3**	**3.6**	**3.3**

“The majority of the Fund’s investment managers outperformed in 2012-13”

Manager Performance

The table and chart below shows the investment returns by the Fund’s principal managers relative to their benchmarks over one, three and five years.

Note: Legal and General manages a passive index-tracking mandate, which is not expected to outperform the benchmark. However the manager’s performance may under or outperform from time to time compared with the benchmark index for technical reasons. The mandates managed by the Fund’s recently appointed managers (KKR, Partners Group, BlueCrest, Pyrford and Winton) do not yet have a sufficient track record to report meaningful performance numbers.

Investment Manager Performance

Share of Fund 31 Mar 13	Manager	2012-13 Relative Return	3 Year Relative Return	5 Year Relative Return
%		%	% p.a.	% p.a.
8	AllianceBernstein	+0.3	-2.7	-5.2
9	BlackRock	+0.7	+0.1	+1.9
43	Legal & General	-0.1	-0.3	-0.2
2	Millennium	+7.0	+0.9	N/A
14	Newton	+6.8	+0.7	-1.2
9	Schroders	+0.6	-0.1	-0.3

The majority of the Fund’s investment managers outperformed in 2012-13, with Millennium and Newton performing especially strongly. The managers’ performance is assessed by the Pension Fund Committee based on their long-term track record, typically over three or five years. Over three years, BlackRock, Millennium and Newton achieved a modest level of outperformance, while the Fund’s other managers underperformed compared with their benchmarks. Over five years, those managers with a full performance track record over this period underperformed compared with their benchmarks, with the exception of BlackRock. There was significant underperformance by AllianceBernstein over the five year period. The Pension Fund Committee has made a number of changes to the investment mandates of the Fund during 2012-13, which included a reduction in the allocation to the AllianceBernstein mandate.

Analysis of Investments at 31 March 2013

Holdings	Pooled Investment Vehicles Market Value	Segregated Holdings Market Value	Total Market Value	% of Market
	£000	£000	£000	%
Bonds				
Fixed Interest UK Securities - Gilts	36,764		36,764	2.1
Index Linked Gilts	74,845		74,845	4.3
Overseas Fixed Interest Securities	36,775		36,775	2.1
Corporate Bonds	212,188		212,188	12.1
Total Bonds	**360,572**		**360,572**	**20.6**
UK Equities				
Basic Materials		24,419	24,419	1.4
Consumer Goods		50,155	50,155	2.9
Consumer Services		30,466	30,466	1.7
Financials		65,220	65,220	3.7
Health Care		25,575	25,575	1.5
Industrials		21,114	21,114	1.2
Oil and Gas		47,571	47,571	2.7
Technology		18,853	18,853	1.1
Telecommunications		4,545	4,545	0.3
Utilities		9,963	9,963	0.6
Pooled	9,232		9,232	0.5
Total UK Equities	**7,612**	**297,881**	**307,113**	**17.5**
Overseas Equities				
Europe	118,208	60,867	179,086	10.2
North America	125,877	126,016	251,893	14.4
Japan	36,640	23,975	60,615	3.5
Other Asia	47,021	18,037	65,058	3.7
Other International	56,742	10,269	67,011	3.8
Total Overseas Equities	**218,626**	**376,191**	**594,817**	**35.6**
Absolute Return	166,256		166,256	9.5
Private Equity	72,797		72,797	4.2
Infrastructure	16,504		16,504	0.9
Money Market Investments	7,547		7,547	0.4
Active Currency	36,009		36,009	2.1
Forward Foreign Exchange Contracts		751	751	0.0
Cash held by Investment Manager		1,114	1,114	0.1
Property Unit Trusts	155,589		155,589	8.9
Total	**1,171,629**	**582,466**	**1,754,095**	**100.0**

Top 40 Holdings as at 31 March 2013

The following table details the top 40 Holdings as at 31 March 2013 and the corresponding holdings as at 31 March 2012:

31 March 2012			31 March 2013	
Market Value £ Million	% of Market Value	Holding	Market Value £ Million	% of Market Value
95.079	6.18%	L&G Investment Grade Corporate Bond	212.188	12.02%
88.281	5.73%	North America Equity Index GBP hedged	125.877	7.13%
77.271	5.02%	L&G European Equity Index Hedged	118.208	6.70%
0.000	0.0%	Pyrford Global Mutual Fund	99.986	5.67%
65.355	4.24%	L&G Over 5 Year Linked Gilts Index	74.845	4.24%
36.258	2.35%	L&G Global Emerging Markets Index	56.742	3.22%
31.054	2.02%	L&G Pacific Basin Equity Index Hedged	47.021	2.66%
0.000	0.00%	L&G Passive Government Bond	36.775	2.08%
28.369	1.84%	L&G Over 15 Years Gilts Index	36.764	2.08%
0.000	0.0%	Winton Futures Mutual Fund	33.342	1.89%
0.000	0.0%	AllBlue Limited	32.927	1.87%
29.511	1.92%	Millennium Active Currency Total	31.779	1.80%
22.019	1.43%	L&G Japan Equity Index Hedged	28.521	1.62%
18.521	1.20%	HSBC Holdings	22.570	1.28%
18.331	1.19%	British American Tobacco	20.018	1.14%
22.799	1.46%	Royal Dutch Shell	19.496	1.11%
21.558	1.40%	Vodafone Group	16.273	0.92%
18.055	1.17%	BP	16.204	0.92%
15.700	1.02%	Schroders Exempt Property Units	15.363	0.87%
14.279	0.93%	Standard Life Pooled Pension Property Fund	14.366	0.81%
14.128	0.92%	Rio Tinto	13.592	0.77%
10.305	0.67%	BlackRock Property Fund	13.293	0.75%
12.586	0.82%	L&G Managed Property Fund	12.829	0.73%
17.522	1.14%	GlaxoSmithKline	12.599	0.71%
9.896	0.64%	Lothbury Property Units	12.380	0.70%
8.404	0.55%	Hermes Property Unit Trusts	11.618	0.66%
9.299	0.60%	Wilshire US Private Markets Fund VII	10.004	0.57%
7.581	0.49%	Mayfair Capital Property	9.330	0.53%
7.612	0.49%	BlackRock UK Smaller Companies Fund	9.172	0.52%
7.608	0.49%	Real Income Fund	8.859	0.50%
11.754	0.76%	AstraZeneca	8.629	0.49%
6.191	0.40%	Imperial Tobacco Group	8.460	0.48%
0.000	0.00%	L&G Japan Equity Index	8.118	0.46%
0.000	0.00%	Diageo Plc	7.821	0.44%
8.107	0.53%	Barclays	7.735	0.44%
6.830	0.44%	West End of London Property Units	7.568	0.43%
6.097	0.39%	Wilshire European Private Markets Fund VII	6.940	0.39%
3.379	0.22%	Centrica Plc	6.708	0.38%
5.433	0.35%	Standard Chartered Plc	6.704	0.38%
6.606	0.43%	Columbus UK Real Estate	6.666	0.38%

These 40 holdings total £1,248 million, 71% of the total portfolio

Actuarial Statement for 2012-13

This statement has been prepared in accordance with Regulation 34(1)(d) of the Local Government Pension Scheme (Administration) Regulations 2008, and Chapter 6 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the UK 2012-13.

Description of Funding Policy

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

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

The FSS sets out how the Administering Authority seeks to balance the potentially 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 below the theoretical rate required to return their portion of the Fund to full funding over 20 years if the valuation assumptions are borne out. 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 still a better than 50% chance that the Fund will return to full funding over 20 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 was as at 31 March 2010. This valuation revealed that the Fund's assets, which at 31 March 2010 were valued at £1,415 million, were sufficient to meet 82% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2010 valuation was £306 million.

Individual employers' contributions for the period 1 April 2011 to 31 March 2014 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 my valuation report dated 24 March 2011.

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 2010 valuation were as follows:

Financial assumptions	31 March 2010	
	% p.a. Nominal	% p.a. Real
Discount rate	6.1%	2.8%
Pay increases *	5.3%	2.0%
Price inflation/ Pension increases	3.3%	-

* plus an allowance for promotional pay increases. Short term pay growth was assumed to be 1% p.a. for 2010/11 and 2011/12, reverting to 5.3% p.a. thereafter.

The key demographic assumption was the allowance made for longevity. As a member of Club Vita, the baseline longevity assumptions adopted at this valuation were a bespoke set of VitaCurves that were specifically tailored to fit the membership profile of the Fund. Longevity improvements were in line with standard PXA92 year of birth mortality tables, with medium cohort projections and a 1% p.a. underpin effective from 2007. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.4 years	23.3 years
Future Pensioners	23.7 years	25.7 years

Copies of the 2010 valuation report and Funding Strategy Statement are available on request from Suffolk County Council, administering authority to the Fund.

Experience over the period since 1 April 2010

The Administering Authority monitors the funding position on a regular basis as part of its risk management programme. The most recent funding update was produced as at 31 March 2013. It showed that the funding level (excluding the effect of any membership movements) has worsened since the 2010 valuation due to falling real bond yields and lower asset returns than expected.

The next actuarial valuation will be carried out as at 31 March 2013. The Funding Strategy Statement will also be reviewed at that time.

Peter Summers
(For and on behalf of Hymans Robertson LLP 12 Aug 2013)

Pension Fund Accounts for 2012-2013

Fund Account

Restated 2011 - 2012 £ million	Fund Account Dealings with Members, Employers and Others Directly Involved in the Scheme	Notes	2012 - 2013 £ million
	Contributions and Benefits		
	Contributions Receivable:		
	From Employers		
61.568	Normal	9	61.068
6.200	Deficit Funding	9	6.456
3.936	Other	9	2.924
	From Members		
19.200	Normal	9	18.407
	Transfers In		
3.402	Individual Transfers In from Other Schemes		6.045
0.194	Group Transfers In from Other Schemes		0.000
0.023	Other Income		0.017
	Benefits Payable:		
-55.097	Pensions	9	-60.245
-17.246	Commutations of Pensions and Lump Sum Retirement Benefits	9	-15.350
-2.219	Lump Sum Death Benefits	9	-0.820
	Payments To and On Account of Leavers:		
-0.007	Refunds of Contributions		-0.006
-4.878	Individual Transfers Out to Other Schemes		-3.986
0.000	Group Transfers Out to Other Schemes		-8.176
-1.391	Administration Expenses Borne by the Scheme*	10	-1.513
13.685	**Net Additions (Withdrawals) from Dealings with Members**		**4.821**
	Returns on Investments		
	Investment Income		
0.890	Interest from Fixed Interest Securities		0.384
20.522	Dividends from Equities		19.394
6.679	Income from Pooled Investment Vehicles		5.489
0.000	Income from Other Managed Funds		0.043
0.004	Interest on Cash Deposits		0.051
0.341	Other		0.480
-0.359	Taxes on Income		-0.413
2.680	Change in Market Value of Investments*		186.986
-6.219	Impairment of Investments	27	0.000
-5.400	Investment Management Expenses Borne by the Scheme*	11	-6.150
19.138	**Net Returns on Investments**		**206.264**
32.823	Net Increase (Decrease) in the Fund During the Year		211.085
1,523.061	Opening Net Assets of the Scheme		1,555.884
1,555.884	**Closing Net Assets of the Scheme**		**1,766.969**

* 2011 - 2012 figures have been adjusted as detailed in Note 2

Net Asset Statement

31 March 2012 £ million	Net Asset Statement	Notes	31 March 2013 £ million
	Investment Assets		
	Fixed Interest Securities		
23.053	UK Government Fixed Interest Securities	13,14	0.000
	Equities		
330.882	UK Companies	13,14	297.881
376.191	Overseas Companies	13,14	239.164
66.212	Private Equity	2	0.000
9.338	Other Managed Funds	2	0.000
	Pooled Investment Vehicles		
83.537	Open Ended Investment Company	2	0.000
15.010	Unit Trusts	2,13,14	9.232
443.687	Unit Linked Insurance Policies	2,13,14	745.060
147.155	Property	13,14	155.589
0.000	Other Managed Funds	2,13,14	305.304
	Derivative Contracts		
33.724	Active Currency	2	0.000
	Other Investment Balances		
0.026	Cash held by broker for Futures Contracts		0.000
4.457	Cash Backing Open Futures Contracts		0.000
6.307	Cash [held by the Investment Managers]		1.114
0.000	Forward Foreign Exchange Contracts	16	0.751
0.049	Margin Variation		0.000
1,539.628			**1,754.095**
	Investment Liabilites		
-4.457	Futures:Overseas		0.000
-0.086	Forward Foreign Exchange Contracts		0.000
1,535.085	**Total Investments**		**1,754.095**
	Current Assets		
13.292	Debtors	21	6.964
12.273	Cash Deposits	18	10.377
0.374	Cash at Bank	18	0.164
25.939			**17.505**
	Current Liabilities		
-5.140	Creditors	22	-4.631
-5.140			**-4.631**
20.799	**Net Current Assets**		**12.874**
1,555.884	**Net Assets**		**1,766.969**

1. Description of the Fund

The Suffolk County Council Pension Fund is administered by Suffolk County Council and is governed by the Superannuation Act 1972. 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 101 employer organisations with active members within the scheme. A full list of the organisations can be found in the Funding Strategy Statement on the Suffolk County Council Pension Fund website (www.suffolkpensionfund.org). Teachers, fire-fighters and NHS staff have their own pension schemes and are not included in this Fund.

The Fund has the following number of members and pensioners:

31 March 2012		31 March 2013
17,779	Members	18,155
12,321	Pensioners	12,856
16,040	Deferred	16,651

LGPS 2014
The LGPS is currently under going a major change and it is proposed that the new scheme (LGPS 2014) will apply to all service that builds up on and after 1 April 2014.

2. Restatements

Three adjustments have been identified which need to be reflected within these accounts. These restatements do not affect the bottom line of the accounts. Adjustment 1 has been reflected in 2012 - 2013 whereas adjustments 2 and 3 have been restated in the prior year to ensure comparability.

Adjustment 1. Reclassification of Pooled Investment Vehicles
Some of the Pooled Investment Vehicles were shown incorrectly on the face of the accounts in 2011 - 2012. The 2007 Statement of Recommended Accounting Practice (SORP), Financial Reports of Pension Schemes, states that Pooled Investment Vehicles should not be disclosed on the Net Asset Statement under the classification of the underlying asset but classified as Pooled Investment Vehicles analysed between Unit Trusts, Unit Linked Insurance, Property and Other Managed Funds. The categorisation used to prepare the accounts has been reviewed and applied in the 2012 - 2013 Net Asset Statement as follows:

Other Managed Funds (£9.338 million at 31 March 2012) and Private Equity (£66.212 million at 31 March 2012) have been reclassified as Pooled Investment Vehicles.

The currency investment (£33.724 million at 31 March 2012) has been reclassified from Active Currency to Other Managed Funds within Pooled Investment Vehicles because although it is an investment in Active Currency it is held within a Pooled Fund.

The money market fund investment administered by Customer Service Direct for the Pension Fund Account has been moved from Cash Deposits to Pooled Investment Vehicles so that there is a comparable treatment with similar investments held by the custodian.

Some of the investments (£3.519 million at 31 March 2012) shown as Unit Trusts have been reclassified as Other Managed Funds within Pooled Investment Vehicles as per the SORP.

Adjustment 2. Indirect Management Fees
Indirect management fees are expenses that are charged against the Net Asset Value of the underlying fund as opposed to being directly invoiced to the Pension Fund; this is the typical fee charging method for Pooled Investment Vehicles. The Suffolk Pension Fund has increased the size of these investments during 2012 - 2013 and therefore if these indirect fees are not presented in the accounts it could understate the expenses incurred in managing the Fund in future years.

An adjustment has been made to restate the 2011 - 2012 indirect management fees of £1.199 million. This investment management expense has been offset against change in market value, to enable a consistent comparison to be made between 2011 - 2012 and 2012 - 2013 investment management costs (see Note 11).

Adjustment 3. Investment Management Expenses
In addition, an adjustment has been made to restate the fees charged for managing the investments

(£0.228 million), which had previously been charged to administration expenses. In previous years only expenses linked to investment managers were charged to investment expenses. Having reviewed this practice all expenses linked to investments are now included. The 2011 - 2012 figures have been amended to include investment advisory services to ensure that a direct comparison with 2012 - 2013 can be made.

3. Significant Changes to the Fund

In 2011 - 2012 the Pension Fund Committee reviewed the investment strategy of the Fund and made a number of changes to the asset allocation. This involved the termination of the mandates held by Aberdeen Asset Management and JP Morgan Asset Management, and the reduction of the AllianceBernstein Institutional Investments holding by £50 million. The funds from these mandates have been utilised to invest in absolute return mandates with Pyrford, Winton and Bluecrest, infrastructure mandates with Partners Group and Kohlberg Kravis Roberts, and a Debt Opportunity Fund with M&G Investments. The Committee also approved a timber mandate with Brookfield but no draw downs had been made by the manager as at 31 March 2013.

Although the financing of the Infrastructure mandates began in 2011 - 2012 most of these changes were implemented during 2012 - 2013.

4. Events After the Balance Sheet Date

At the Pension Fund Committee meeting held on 27 February 2013 the Committee agreed to terminate the Millennium Global Investments mandate. The investment was liquidated on the 30 April 2013 and the Pension Fund received £35.935 million on 15 May 2013.

This change has been deemed a non-adjusting post balance sheet event.

There has been no event between 31 March 2013 and the date when these accounts were authorised that requires any adjustments to these accounts.

5. Basis of Preparation of Pension Fund Accounts

The Statement of Accounts summarises the Fund's transactions for the 2012 - 2013 financial year and its position as at 31 March 2013.

These accounts have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in United Kingdom 2012 - 2013', which is based upon International Financial Reporting Standards (IFRS). The Code also incorporates elements of 2007 SORP 'Financial Reports of Pension Schemes'.

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 20 of these accounts.

6. Summary of Significant Accounting Policies

Expenditure and income are accounted for on an accruals basis with the exception of transfers into and out of the scheme which are accounted for on a cash basis. Acquisition costs of investments are included in the purchase price.

6.1 Fund Account - Revenue Recognition

Contribution Income

Normal contributions from the 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' augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classified 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 Local Government Pension Scheme 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.

Bulk 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.

Dividend Income

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.

Distributions from Pooled Funds

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.

Income from Fixed Interest, Index Linked Securities, Cash and Other Investments

This income is accounted for on an accruals basis.

Movement in the Market Value of investments

Movement in the net market value of investments is recognised as income and comprises all realised and unrealised, gains and losses during the year.

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 current liabilities.

Taxation

The Fund is a registered public service 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.

Administration Expenses

Administration expenses are accounted for on an accruals basis. Suffolk County Council staff cost are charged to the Pension Fund based on time spent.

Investment Expenses

All investment expenses are accounted for on an accrual basis. Investment management fees are agreed in the respective mandates governing their appointment. Fees are based on the market value of the portfolio.

Custodian fees and the cost of obtaining investment advice from external advisors 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 31 March. 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 have been determined as follows:

Market Quoted Investments

Managed Funds are valued by the bid market price on 31 March 2013.

Unquoted Investments

Unquoted Securities include Pooled Investments in Property, Infrastructure, Debt Opportunities and Private Equity. The fair value of investments for which market quotations are not readily available is determined as follows:

Investments in Unquoted Property and Infrastructure Pooled Funds are valued at the net asset value or a single price advised by the fund manager.

Investments in Private Equity and Unquoted Limited Partnerships are valued based on the Fund's share of the net asset using the latest financial statements published by the respective fund manager in accordance with guidelines set out by the British Venture Capital Association and adjusted for capital calls and distributions received from that date to 31 March 2013.

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 held in foreign currencies have been valued on the relevant basis and translated into sterling at the rate as at 31 March 2013.

Derivatives

Derivative financial instruments are used to manage exposure to specific risks arising from investment activities and are not held for speculative purposes.

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.

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 are therefore clearly 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 and its policy is that fixed term deposits of any length should be classified as an investment and not a cash equivalent on the Net Asset Statement.

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.

Impairments
Assets are assessed at each year end to determine whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and where this is less than the carrying amount of the asset, an impairment loss is recognised in the Fund Account.

Financial Liabilities
The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the Net Asset Statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

Contingent Liabilities and Contractual Commitments
A contingent liability arises where an event has taken place that gives the Pension Fund a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Pension Fund.

Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that a payment will be required or the amount of the obligation cannot be measured with reliability.

Contingent liabilities are not recognised in the financial statements, but are disclosed as a note to the accounts, unless the possibility of a payment is remote. See Note 26.

Contingent Assets
A contingent asset arises where an event has taken place that gives the Pension Fund a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Pension Fund.

Contingent assets are not recognised in the financial statements, but are disclosed as a note to the accounts, unless the possibility of a receipt is remote. See Note 27.

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(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (Note 23).

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 (Note 20).

7. 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 judgements that the Pension Fund has to take into account are:

Unquoted Private Equity Investments
It is important to recognise the highly subjective nature of determining the fair value of Private Equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted Private Equities are valued by the investment managers using guidelines set out by the British Venture Capital Association. The value of unquoted Private Equities at 31 March 2013 was £72.797 million (£66.212 million at 31 March 2012) (Note 14).

Infrastructure and Debt Opportunity
In addition to Private Equity, the Pension Fund also has holdings in Unquoted Infrastructure of £16.504 million (£6.097 million at 31 March 2012) and Debt Opportunity of £6.191 million, a new holding for this year. These holdings are valued by the investment managers using a probable realisation value and are based on judgement and a high degree of estimation (Note 14).

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 and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 19. This estimate is subject to significant variances based on changes to the underlying assumptions.

8. 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.

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 is engaged to provide the Fund with expert advice about the assumptions to be applied.

Private Equity
Private Equity investments are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.

The total Private Equity investments in the financial statements are £72.797 million at 31 March 2013. There is a risk that this investment may be under or overstated in the accounts.

Infrastructure and Debt Opportunity
Infrastructure and Debt Opportunity are investments that are valued by the investment managers using probable realisation valuation. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.

The Infrastructure and Debt Opportunity investments at 31 March 2013 are £16.504 million and £6.191 million respectively. There is a risk that these investments may be under or overstated in the accounts.

9. Contributions Received and Benefits Paid during the Year

2011 - 2012				2012 - 2013		
Employers' Contributions £ million	Employees' Contributions £ million	Restated Benefits Paid £ million		Employers' Contributions £ million	Employees' Contributions £ million	Benefits Paid £ million
40.144	10.987	-39.327	Suffolk County Council	34.672	9.508	-38.694
28.956	7.514	-32.351	Other Scheduled and Resolution Bodies	31.403	7.752	-35.418
2.604	0.699	-2.884	Admitted Bodies	4.373	1.147	-2.303
71.704	**19.200**	**-74.562**	**Total**	**70.448**	**18.407**	**-76.415**

The 2011 - 2012 figures have been restated to include lump sum benefits whereas in previous years these figures only included pensions paid.

Included within employers normal contributions of £70.448 million (£71.704 million 2011 - 2012) shown in the Fund Account, is an amount for deficit funding of £12.035 million paid within the employers percentage (£12.563 million in 2011 - 2012). The deficit funding shown separately on the Fund Account of £6.456 million (£6.200 million in 2011 - 2012) refers to those employers who funded their deficit by means of lump sum payments.

Employer contributions are made up of two elements:

a) the estimated cost of future benefits being accrued, the "future service rate"; plus

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

The Fund's actuary is required by regulation to report the Common Contribution Rate for all employers collectively at each triennial valuation. It combines items (a) and (b) and is expressed as a percentage of pay. For the purpose of calculating the Common Contribution Rate, the surplus or deficit under (b) has in the past been spread over a period equivalent to the remaining working lifetime of all the employers' scheme members. The aim is to cover any deficit within 20 years as per the actuarial position on Note 19.

The Common Contribution Rate for the whole Fund at 31 March 2010 was 22.3%. This comprised the anticipated cost of new benefits being earned by members in the future (16.6%) plus the additional contributions required to repay the deficit over a 20 year period (5.7%). These rates are in addition to the contributions that will be made by members.

The Fund's actuary is also required to adjust the Common Contribution Rate for circumstances which are deemed specific to an individual employer. It is the adjusted contribution rate which employers are actually required to pay.

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

2012 - 2013 is the second year in a three year period for the contribution rates set by the actuary to reflect (a) and (b) above.

A full list of employers and their contribution rates in the Funding Strategy Statement is available separately on the new Suffolk County Council Pension Fund website (www.suffolkpensionfund.org).

10. Administration Expenses

Restated 2011 - 2012 £ million		2012 - 2013 £ million
1.209	Suffolk County Council Administration Costs	1.227
0.066	Actuarial Fees	0.117
0.036	External Audit Fees	0.025
0.003	Internal Audit Fees	0.003
0.046	External Legal Fees	0.041
0.000	Internal Legal Fees	0.003
0.031	Other	0.097
1.391	**Total Administration Costs**	**1.513**

Costs of £0.228 million in the 2011 - 2012 figures have been removed from administration costs and restated as investment expenses. These were the investment advisory services from the actuary of £0.168 million and the voting and performance analysis services received from PIRC Ltd (£0.030 million) and State Street Investment Analytics of (£0.030 million).

11. Investment Management Expenses

Restated 2011 - 2012 £ million		2012 - 2013 £ million
5.045	Investment Management Expenses	5.934
0.127	Custodian Fees	0.069
0.168	Investment Advice	0.090
0.060	Performance Management Fees	0.057
5.400	**Total Investment Expenses**	**6.150**

In addition to the restatement of £0.228 million of administration costs set out in Note 10, the 2011 – 2012 investment management expenses has been increased by £1.199 million to include the indirect management fees incurred as a result of the Fund's investments with Partners Group, Wilshire, M&G Investments, Millennium and Pantheon. These costs are not charged directly to the Suffolk County Council Pension Fund but to the pooled funds of the investments. An adjustment has been made to the Fund Account to include these costs in the accounts.

The amount of indirect management fees included in the 2012 - 2013 Investment Management Expenses is £3.025 million.

12. Analysis of the Market Value of Investments by Investment Manager

31 March 2012 Market Value £ million	31 March 2012 Percentage of Assets %		31 March 2013 Market Value £ million	31 March 2013 Percentage of Assets %
106.710	7.00%	Aberdeen Asset Management	0.000	0.00%
165.261	10.84%	AllianceBernstein Institutional Investments	135.451	7.73%
140.778	9.24%	BlackRock Investment Management	165.542	9.44%
0.000	0.00%	Bluecrest	32.927	1.88%
0.064	0.00%	Cambridge Research & Innovation Limited	0.064	0.00%
207.517	13.61%	JP Morgan Asset Management	0.000	0.00%
1.232	0.08%	Kohlberg Kravis Roberts	12.254	0.70%
443.687	29.11%	Legal and General Investment Management	745.060	42.51%
0.000	0.00%	M&G Investments	6.191	0.35%
33.724	2.21%	Millennium Global Investments	36.033	2.06%
202.046	13.26%	Newton Investment Management	253.106	14.44%
26.691	1.75%	Pantheon Ventures	31.784	1.81%
4.865	0.32%	Partners Group	4.251	0.24%
0.000	0.00%	Pyrford	99.986	5.70%
152.215	9.99%	Schroder Property Investment Management	156.042	8.90%
39.456	2.59%	Wilshire Associates	40.948	2.34%
0.000	0.00%	Winton	33.342	1.90%
1,524.246	**100.00%**		**1,752.981**	**100.00%**

In 2011 - 2012 the Pension Fund Committee reviewed the investment strategy of the Fund and made a number of changes to the asset allocation. This involved the termination of the mandates held by Aberdeen Asset Management and JP Morgan Asset Management and the reduction of the AllianceBernstein Institutional Investments holding by £50 million. The funds from these mandates have been utilised to invest in absolute return mandates with Pyrford, Winton and Bluecrest.

The Infrastructure mandates with Partners Group and Kohlberg Kravis Roberts, the Private Equity mandates held by Pantheon Ventures and Wilshire Associates, and the Debt Opportunity Fund held with M&G Investments, continue to be funded with cash as investment opportunities are identified by the investment managers.

13. Reconciliation of Movements in Investments and Derivatives

	Opening balance 1 April 2011 £ million	Purchases at cost and Derivative Movements £ million	Transaction costs on purchase £ million	Sales Proceeds and derivative Receipts £ million	Transaction costs on sale £ million	Change in market value £ million	Closing balance 31 March 2012 £ million
Quoted							
UK Government Fixed Interest Securities	22.601	14.928	0.000	-18.441	0.000	3.965	23.053
UK Companies	340.136	149.675	0.143	-142.467	0.137	-16.742	330.882
Overseas Companies	390.029	269.106	0.981	-262.330	0.287	-21.882	376.191
Other Managed Funds	0.000	69.434	0.000	-60.460	0.000	0.364	9.338
UK FTSE Exchange Traded Futures	45.666	84.480	0.000	-128.969	0.000	-1.177	0.000
UK Treasury Exchange Traded Futures	1.406	2.218	0.004	-3.744	0.000	0.116	0.000
Overseas Treasury Exchange Traded Futures	-4.084	17.213	0.001	-17.225	0.000	-0.362	-4.457
Derivatives - Currency	32.414	0.000	0.000	0.000	0.000	1.310	33.724
Derivatives - Forward Foreign Exchange contracts	-0.070	344.908	0.000	-344.908	0.000	-0.016	-0.086
Pooled Investment Vehicles							
Open ended investment company	75.356	6.646	0.000	-2.535	0.000	4.070	83.537
Unit trusts	8.679	32.380	0.000	-25.494	0.000	-0.555	15.010
Unit linked insurance policies	429.485	28.375	0.000	-37.375	0.000	23.202	443.687
	1,341.618	**1,019.363**	**1.129**	**-1,043.948**	**0.424**	**-7.707**	**1,310.879**
Unquoted							
Pooled investment vehicle -property unit trust	142.065	20.541	0.000	-18.358	0.000	2.907	147.155
Private Equity	59.518	5.717	0.000	-4.440	0.000	5.417	66.212
	201.583	**26.258**	**0.000**	**-22.798**	**0.000**	**8.324**	**213.367**
	1,543.201	**1,045.621**	**1.129**	**-1,066.746**	**0.424**	**0.617**	**1,524.246**

	Opening balance 2011-2012 £ million	Movement in cash balance £ million	Impairment of investments £ million	Change in market value £ million	Closing balance 2011-2012 £ million
Margin Variation	2.182	0.000	0.000	-2.133	0.049
Cash Backing Open Futures	-42.986	45.309	0.000	2.133	4.457
Cash Held by the Broker for Future Contracts	2.974	-2.948	0.000	0.000	0.026
Cash Held by the investment managers	6.764	4.945	-6.219	0.818	6.307
	-31.066	**47.306**	**-6.219**	**0.818**	**10.839**

The Pooled Investment Vehicles are managed by fund managers registered in the UK.

The change in market value of £1.435 million (£0.617 million plus £0.818 million on the table above) is £1.245 million lower than the change in market value of £2.680 million in the Fund Account. The difference is caused by indirect management expenses of £1.199 million (see note 2) and the exchange rate differences between the Aberdeen futures when they were opened in 2010 - 2011 and when they closed in 2011 - 2012.

	£ million	Restatements £ million	Restated Opening Balance 01 April 2012 £ million	Purchases at cost and Derivative Movements £ million	Transaction costs on purchase £ million	Proceeds and derivative Receipts £ million	Transactio n costs on sale £ million	Change in Market Value £ million	Closing Balance 31 March 2013 £ million
Quoted									
UK Government Fixed Interest Securities	23.053	0.000	23.053	107.902	0.000	-133.475	0.000	2.520	0.000
Overseas Fixed Interest	0.000	0.000	0.000	1.307	0.000	-1.332	0.000	0.025	0.000
UK Companies	330.882	0.000	330.882	357.445	0.151	-421.442	0.139	30.706	297.881
Overseas Companies	376.191	0.000	376.191	333.199	3.006	-519.338	7.929	38.177	239.164
Other Managed Funds	9.338	-9.338	0.000	0.000	0.000	0.000	0.000	0.000	0.000
UK FTSE exchange traded futures	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
UK Treasury Exchange Traded Futures	0.000	0.000	0.000	-0.004	0.004	0.000	0.000	0.000	0.000
Overseas Treasury Exchange Traded Futures	-4.457	0.000	-4.457	262.940	0.012	-259.244	-0.005	0.754	0.000
Derivatives - Currency	33.724	-33.724	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Derivatives - Forward Foreign Exchange contra	-0.086	0.000	-0.086	636.976	0.000	-636.976	0.000	0.838	0.751
Pooled Investment Vehicles									
Open ended investment company	83.537	-83.537	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Other Managed Funds	0.000	136.297	136.297	321.241	0.000	-261.652	0.000	13.925	209.811
Unit trusts	15.010	-3.866	11.144	0.000	0.000	-3.476	0.000	1.564	9.232
Unit linked insurance policies	443.687	0.000	443.687	376.931	0.000	-160.607	0.000	85.049	745.060
	1,310.879	**5.832**	**1,316.711**	**2,397.937**	**3.173**	**-2,397.542**	**8.063**	**173.558**	**1,501.899**
Unquoted									
Pooled Investment Vehicles									
Other Managed Funds	0.000	72.308	72.308	19.396	0.000	-9.157	0.000	12.946	95.493
Property	147.155	0.345	147.500	31.374	0.000	-20.368	0.000	-2.917	155.589
Private Equity	66.212	-66.212	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	213.367	**6.441**	**219.808**	**50.770**	**0.000**	**-29.525**	**0.000**	**10.029**	**251.082**
	1,524.246	**12.273**	**1,536.519**	**2,448.707**	**3.173**	**-2,427.066**	**8.063**	**183.586**	**1,752.981**

	Opening Balance 2012-2013 £ million	Movement in cash balance £ million	Change in Market Value £ million	Closing Balance 2012-2013 £ million
Margin Variation	0.049	0.000	-0.049	0.000
Cash Backing Open Futures	4.457	-4.591	0.134	0.000
Cash Held by the Broker for Future Contracts	0.026	0.014	-0.040	0.000
Cash Held by the investment managers	6.307	-5.438	0.243	1.114
	10.839	**-10.015**	**0.290**	**1.114**

The Pooled Investment Vehicles are managed by fund managers registered in the UK.

The change in market value of £183.876 million (£183.586 million plus £0.290 million on the table above) is £3.110 million lower than the change in market value on the Fund Account of £186.986 million. The difference is caused by indirect management fees of £3.025 million (see note 2) and the exchange rate differences between the Aberdeen futures when they were opened in 2011 - 2012 and when they closed in 2012 – 2013. The realised gain of £0.085 million has been included in the Fund Account.

14. Analysis of Investments (excluding Derivatives)

The table above breaks down the Pooled Investment Vehicles and further analyses the Other Managed Funds in the accounts based on the 2012 - 2013 analysis of investments and so will not tie back directly to the 2011 - 2012 analysis on the Net Asset Statement. 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).

Market Value 31 March 2012 £ million	Market Value 31 March 2012 £ million		Market Value 31 March 2013 £ million	Market Value 31 March 2013 £ million
		Fixed Interest Securities		
	23.053	UK Government Fixed Interest Securities		0.000
		Equities		
	330.882	UK Companies		297.881
	376.191	Overseas Companies		239.164
		Pooled Investment Vehicles - Quoted		
	11.146	Unit trusts		9.232
	443.687	Unit linked insurance policies		745.060
		Other Managed Funds		
33.724		Active Currency	36.009	
0.000		Absolute Returns	166.255	
83.538		Open ended investment company	0.000	
6.759		Money Market Funds	7.547	
124.021		Total Quoted Other managed Funds	209.811	
		Pooled Investment Vehicles - Unquoted		
		Other Managed Funds		
0.000		Debt Opportunity	6.191	
6.097		Infrastructure	16.504	
66.212		Private Equity	72.797	
72.309		Total Unquoted Other Managed Funds	95.492	
	196.330	Total Other Managed Funds		305.303
	147.500	Property		155.589
	1,528.789	**Total**		**1,752.229**

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 2012 £ million	Percentage of the Fund at 31 March 2012	Asset Type	Manager	Market Value 31 March 2013 £ million	Percentage of the Fund at 31 March 2013
95.079	6.19%	Corporate Bond Index	Legal and General	212.188	12.02%
88.281	5.75%	North American Index	Legal and General	125.877	7.13%
77.272	5.03%	European Equity Index Hedged	Legal and General	118.208	6.70%
0.000	0.00%	Pyrford Global Total Return Mutual Fund	Pyrford	99.986	5.67%
77.941	5.08%	Global Sterling Credit Fund	Aberdeen	0.000	0.00%

This is a summary of individual holdings within the Fund which exceed 5% of any class or type of security at the balance sheet date based on the holdings analysis for 2012 - 2013.

Market Value of Asset Class Restated 31 March 2012 £ million	Market Value of Securities 31 March 2012 £ million	Percentage of the Asset Class 31 March 2012 %	Holdings by Asset Type	Market Value of Asset Class 31 March 2013 £ million	Market Value of Securities 31 March 2013 £ million	Percentage of the Asset Class 31 March 2013 %
23.053			**UK Government Fixed Interest Securities**	0.000		
	4.604	19.97%	Treasury 4 1/4 2036 Bonds		N/A	N/A
	4.041	17.53%	Treasury 4 1/2 2042 Bonds		N/A	N/A
	3.514	15.24%	Treasury 4 1/4 2055 Bonds		N/A	N/A
	3.384	14.68%	Treasury 4 1/4 2060 Bonds		N/A	N/A
	3.273	14.20%	Treasury 4 1/4 2046 Bonds		N/A	N/A
	2.938	12.74%	Treasury 4 1/4 2039 Bonds		N/A	N/A
	1.299	5.64%	Treasury 4 1/4 2049 Bonds		N/A	N/A
23.053	**23.053**	**100.00%**		**0.000**	**0.000**	**0.00%**
330.882			**UK Equities**	297.881		
	18.521	5.60%	HSBC Holdings PLC		22.570	7.58%
	18.331	5.54%	British American Tobacco		20.018	6.72%
	22.799	6.89%	Royal Dutch Shell PLC		19.496	6.54%
	21.558	6.52%	Vodafone Group PLC		16.273	5.46%
	18.055	5.46%	BP PLC		16.204	5.44%
	17.522	5.30%	GlaxoSmithKline		N/A	N/A
330.882	**116.786**	**35.31%**		**297.881**	**94.561**	**31.74%**
11.491			**Pooled Investment - Unit trusts**	9.232		
	7.611	66.23%	BlackRock Fd Mgrs Bief UK Smaller Co Fund		9.172	99.36%
11.491	**7.611**	**66.23%**		**9.232**	**9.172**	**99.36%**
443.687			**Pooled Investment - Unit linked insurance policies**	745.060		
	95.079	21.43%	L&G Investment Grade Corporate Bond		212.188	28.48%
	88.281	19.90%	North America Equity Index GBP hedged		125.877	16.89%
	77.272	17.42%	L&G European Equity Index Hedged		118.208	15.87%
	65.355	14.73%	L&G Over 5 Year Linked Gilts Index		74.845	10.05%
	36.258	8.17%	L&G Global Emerging Markets Index		56.742	7.62%
	31.054	7.00%	L&G Pacific Basin Equity Index Hedged		47.021	6.31%
	28.369	6.39%	L&G Over 15 Years Gilts Index		N/A	N/A
443.687	**421.668**	**95.04%**		**745.060**	**634.881**	**85.22%**
147.155			**Property unit trust**	155.589		
	15.700	10.67%	Schroder UK Property Fund		15.363	9.87%
	14.279	9.70%	Standard Life Assurance		14.366	9.23%
	10.305	7.00%	BlackRock Asset Management Ltd		13.293	8.54%
	12.586	8.55%	Legal And General Managed Property		12.829	8.25%
	9.896	6.73%	Lothbury Prop Property Fund		12.380	7.96%
	8.404	5.71%	Hermes Property Unit Trust		11.618	7.47%
	7.581	5.15%	Mayfair Capital Property Units		9.330	6.00%
	7.608	5.17%	Real Income Fund A Units		8.859	5.69%
147.155	**86.359**	**58.68%**		**155.589**	**98.038**	**63.01%**
196.330			**Other Managed Funds**	305.304		
	N/A	N/A	Pyrford Global Total Return Mutual Fund		99.986	32.75%
	N/A	N/A	Winton Futures Fund Class D Mutual Fund		33.342	10.92%
	N/A	N/A	AllBlue Limited		32.927	10.78%
	29.510	14.15%	Alpha Fund Limited Class A Gbp Shares Series 1		31.779	10.41%
	77.940	37.36%	Aberdeen Global II Sterling Crd Fd Z2		N/A	N/A
196.330	**107.450**	**51.51%**		**305.304**	**198.034**	**64.86%**
			Securities/Asset types with no holdings over 5%			
376.191	0.000	0.00%	**Overseas companies**	239.164	0.000	0.00%
6.307	0.000	0.00%	**Cash [held by the investment managers]**	1.114	0.000	0.00%
0.000	0.000	0.00%	**Forward Foreign Exchange**	0.751	0.000	0.00%
4.457	0.000	0.00%	**Cash Backing Open Futures**	N/A	N/A	N/A
0.026	0.000	0.00%	**Cash held by broker for Futures Contracts**	N/A	N/A	N/A
0.049	0.000	0.00%	**Margin Variation**	N/A	N/A	N/A
387.030	**0.000**	**0.00%**		**241.030**	**0.000**	**0.00%**
1,539.628	**762.927**	**49.55%**	**Total**	**1,754.095**	**1,034.686**	**57.88%**

N/A denotes that the holding is lower than 5% in the relevant year.

16. Analysis of Derivatives

Most of the holdings in derivatives are to hedge liabilities or hedge exposure to reduce risk in the Fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the Fund and the various investment managers.

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 hedges a proportion of the Euro and Yen exposure within the portfolios managed by Legal and General Investment Management. All of the Legal and General investments of £745.060 million (£443.687 million at 31 March 2012) are invested in its own index pooled funds. Of this £146.729 million is invested in currency hedged funds (£206.560 million as at 31 March 2012). The pooled funds are one step removed from direct ownership of the assets.

The Open Forward Currency contracts as at 31 March 2012 are as follows:

Settlement	Currency Bought	Local Value million	Currency Sold	Local Value million	Asset Value £ million	Liability Value £ million
Up to six months	USD	13.613	BRL	25.002	0.076	
	USD	9.255	AUD	8.764	0.097	
	USD	8.373	EUR	6.506		-0.093
	USD	4.843	GBP	3.124		-0.091
	USD	6.872	INR	375.638		-0.117
	GBP	5.630	USD	8.924	0.042	
				Total	**0.215**	**-0.301**
		Net Forward Currency contracts as at 31 March 2012				**-0.086**

The Open Forward Currency contracts as at 31 March 2013 are as follows:

Settlement	Currency Bought	Local Value million	Currency Sold	Local Value million	Asset Value £ million	Liability Value £ million
Up to one month	EUR	13.901	GBP	11.954		-0.198
Up to six months	EUR	3.253	USD	4.276		-0.096
	JPY	881.634	USD	9.425		-0.016
	USD	10.534	JPY	881.634	0.381	
	USD	7.945	GBP	4.935	0.300	
	USD	4.276	EUR	3.253	0.159	
	GBP	11.977	EUR	13.900	0.221	
				Total	**1.061**	**-0.310**
		Net Forward Currency contracts as at 31 March 2013				**0.751**

17a. Financial Instruments – Classification

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenditure, 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).

The debtor figure of £3.571 million below (£6.344 million at 31 March 2012) excludes statutory debtors of £3.393 million (£6.948 million at 31 March 2012).

The creditor figure of £2.842 million below (£2.077 million at 31 March 2012) excludes statutory creditors of £1.789 million (£3.063 million at 31 March 2012).

No financial assets were reclassified during the accounting period. Although some adjustments have been carried out regarding asset classification, this does not involve reclassification of the assets themselves but rather the classification under which they are shown on the Net Asset Statement.

31 March 2012				31 March 2013		
Designated as Fair Value through Profit & Loss	Loans and Receivables	Financial Liabilities at Amortised Cost		Designated as Fair Value through Profit & Loss	Loans and Receivables	Financial Liabilities at Amortised Cost
£ million	£ million	£ million		£ million	£ million	£ million
			Financial Assets			
23.053			Fixed Interest Securities	0.000		
716.411			Equities	537.045		
542.234			Pooled Investments	0.000		
66.212			Private Equity	0.000		
0.000			Pooled Investments - Unit Trusts	9.232		
0.000			Pooled Investments - Unit Linked Insurance	745.060		
147.155			Pooled Investments - Property	155.589		
0.000			Pooled Investments - Other Managed Funds	305.304		
10.839			Other Investment Balances	1.865		
33.724			Derivatives	0.000		
	6.344		Debtors		3.571	
	12.647		Cash		10.541	
1,539.628	18.991	0.000		1,754.095	14.112	0.000
			Financial Liabilities			
-4.543			Derivative contracts	0.000		
		-2.077	Creditors			-2.842
-4.543	0.000	-2.077		0.000	0.000	-2.842
1,535.085	**18.991**	**-2.077**		**1,754.095**	**14.112**	**-2.842**

17b. Net Gains and Losses on Financial Instruments

Restated 31 March 2012 £ million		31 March 2013 £ million
	Financial Assets	
0.995	Fair value through profit and loss	181.994
-1.316	Loans and receivables	0.290
	Financial Liabilities	
-0.378	Fair value through profit and loss	1.592
2.134	Loans and receivables	0.000
1.435	**Total**	**183.876**

17c. Fair Value of Financial Instruments and Liabilities

The following table summarises the carrying values of the financial assets and financial liabilities by class of instrument compared with their fair values.

Restated 31 March 2012 Carrying Value	Restated 31 March 2012 Fair Value		31 March 2013 Carrying Value	31 March 2013 Fair Value
£ million	£ million	**Financial Assets**	£ million	£ million
1,551.901	1,551.901	Fair value through profit and loss	1,754.095	1,754.095
6.718	6.718	Loans and receivables	14.112	14.112
1,558.619	**1,558.619**	**Total Financial Assets**	**1,768.207**	**1,768.207**
		Financial Liabilities		
-4.543	-4.543	Fair value through profit and loss	0.000	0.000
-2.077	-2.077	Financial Liabilities measured at amortised cost	-2.842	-2.842
-6.620	**-6.620**	**Total Financial Liabilities**	**-2.842**	**-2.842**
1,551.999	**1,551.999**	**Total**	**1,765.365**	**1,765.365**

17d. Valuation of Financial Instruments Carried at Fair Value

Level 1

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

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.

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.

Such instruments would include unquoted equity investments, infrastructure and investments in the Debt Opportunity Fund, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in Private Equity are based on valuations provided by the general partners to the Private Equity funds in which Suffolk County Council Pension Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US Generally Accepted Accounting Practices (GAAP). Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

The values of the investment in infrastructure and debt opportunity are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value.

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

18. Nature and Extent of Risks Arising from Financial Instruments

Restated Values at 31 March 2012	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	1,340.795	0.049	198.784	1,539.628
Loans and receivables	18.991	0.000	0.000	18.991
Total Financial Assets	**1,359.786**	**0.049**	**198.784**	**1,558.619**
Financial Liabilities				
Fair value through profit and loss	-4.543	0.000	0.000	-4.543
Financial Liabilites at amortised cost	-2.077	0.000	0.000	-2.077
Total Financial Assets	**-6.620**	**0.000**	**0.000**	**-6.620**
Net Financial Assets	**1,353.166**	**0.049**	**198.784**	**1,551.999**

Values at 31 March 2013	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	1,379.146	0.000	374.949	1,754.095
Loans and receivables	14.112	0.000	0.000	14.112
Total Financial Assets	**1,393.258**	**0.000**	**374.949**	**1,768.207**
Financial Liabilities				
Financial Liabilites at amortised cost	-2.842	0.000	0.000	-2.842
Total Financial Assets	**-2.842**	**0.000**	**0.000**	**-2.842**
Net Financial Assets	**1,390.416**	**0.000**	**374.949**	**1,765.365**

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, derivative positions (futures) 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.

The 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 2013 is provided in Note 21.

The securities lending programme is undertaken on behalf of the Fund by the custodian State Street Bank and Trust and is managed through a securities lending agreement. The arrangements to manage risks in the securities lending programme are set out in Note 25.

Forward currency contracts by the fund managers within the terms set out in their investment management agreements. All parties entering into forward contracts on behalf of the Fund are Financial Conduct Authority (FCA) regulated and meet the requirements of the LGPS investment regulations. Further details of forward foreign exchange contracts are provided in Note 16.

The Fund's bank account is held with Lloyds Bank Group 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' and a Short Term Rating 'F1' with Fitch as at May 2013.

Pension Fund cash that is held pending its allocation to the Fund's investment managers is held with Lloyds Bank Group Plc and also placed with institutions on the Pension Fund Committee's approved counter-party list. The management of cash is carried out by the Treasury Management team of Customer Service Direct in accordance with the cash management strategy approved by the Pension Fund Committee and set out in its statement of investment principles. The Pension Fund Committee invests only in money market funds with a 'AAA mf' rating. The Fund has had no default or uncollectable deposits.

The Fund's cash within the custody system is held in the bank account of the custodian, State Street Bank and Trust, or placed on deposit at the instruction of the individual managers.

At 31 March 2013, £10.541 million was with Lloyds (at 31 March 2012, £0.374 million was in Lloyds and £12.273 million in the Insight Money Market Fund). Cash held within the custody system amounted to £5.106 million at 31 March 2013 (£6.759 million at 31 March 2012) and BlackRock held £2.441 million within their money market fund (£1.302 million at 31 March 2012 that had previously been classed as a Unit Trust).

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 holds sufficient working capital to ensure that it has cash available to meet benefit and transfer payments and cash draw down 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, infrastructure and Private Equity funds are considerably less liquid but these make up a far smaller proportion of the overall portfolio (less than 20% of the Fund).

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 pool 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 statement of investment principles that is available at http://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 by the investment managers) are as below:

31 March 2012 £ million		31 March 2013 £ million
23.053	Fixed Interest Securities	0.000
12.647	Cash held for Deposit	10.541
13.068	Cash and Cash equivalent	8.661
48.768	**Total**	**19.202**

The Pension Fund recognises that interest rates vary and can impact on the fair value of assets. The sensitivity of the Fund's investments to changes in interest rates has been analysed in the tables below by showing the effect of a 100 basis point (1%) change in interest rates. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Asset Type	Value as at 31 March 2012 £ million	Change + 100 BP's £ million	Change - 100 BP's £ million
Fixed Interest Securities	23.053	0.231	-0.231
Cash held for Deposit	12.647	0.126	-0.126
Cash and Cash Equivalent	13.068	0.131	-0.131
Total Assets	**48.768**	**0.488**	**-0.488**

Asset Type	Value as at 31 March 2013 £ million	Change + 100 BP's £ million	Change - 100 BP's £ million
Cash held for Deposit	10.541	0.105	-0.105
Cash and Cash Equivalent	8.661	0.087	-0.087
Total Assets	**19.202**	**0.192**	**-0.192**

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. To partly mitigate this risk the Fund has a currency hedging programme in place. This is undertaken by investment in the currency-hedged funds managed by its index-tracking manager, Legal & General Investment Management.

The table below analyses the historical data and expected investment return movements based upon information provided by State Street Investment Analytics.

Asset Type	Value £ million	Change %	Value on increase £ million	Value on decrease £ million
Overseas Equities	239.164	3.40%	247.296	231.032
Index Linked	384.488	2.60%	394.485	374.491
Total overseas assets	**623.652**		**641.781**	**605.523**

The overseas equities are held in the currencies shown in the table below along with the potential market movement price risk index for each currency that the Fund has holdings in within overseas equity. If the market price of the currency increases or decreases in line with the potential market movements then the change in the value of the assets in each currency would be as follows:

Currency	Value 31 March 2013 £ million	Change %	Value on Increase £ million	Value on Decrease £ million
Australian Dollar	4.637	10.0%	5.101	4.173
Brazilian Real	2.984	11.6%	3.330	2.637
Canadian Dollar	5.887	5.6%	6.217	5.558
Danish Krone	1.291	7.7%	1.390	1.191
EURO	36.116	0.0%	36.116	36.116
Hong Kong Dollar	9.784	8.5%	10.615	8.952
Indian Rupee	2.649	9.3%	2.895	2.402
Indonesian Rupiah	2.189	7.1%	2.344	2.034
Japanese Yen	23.975	5.9%	25.389	22.560
Swedish Krona	2.155	8.1%	2.330	1.980
Swiss Franc	21.305	9.4%	23.308	19.303
Thai Baht	6.064	7.9%	6.543	5.585
US Dollar	120.129	4.4%	125.415	114.843
Total	**239.165**		**250.993**	**227.334**

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. The local government investment regulations contain prescribed limits to avoid over-concentration in specific areas. The Fund complies with all the restrictions contained in the investment regulations.

An analysis of historical data and expected investment return movements by State Street Investment Analytics 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 2012 £ million	Change %	Value on Increase £ million	Value on Decrease £ million
UK Equities	330.882	16.67%	386.040	275.724
Overseas Equitie	376.191	14.48%	430.663	321.719
Total Bonds	23.053	5.77%	24.383	21.723
Index Linked	443.687	7.66%	477.673	409.701
Cash	10.839	0.02%	10.841	10.837
Property	147.155	6.33%	156.470	137.840
Alternatives	203.278	8.95%	221.471	185.085
Total Assets	**1,535.085**		**1,707.541**	**1,362.629**

Asset Type	Value as at 31 March 2013 £ million	Change %	Value on Increase £ million	Value on Decrease £ million
UK Equities	297.882	14.4%	340.777	254.987
Overseas Equities	239.164	12.60%	269.299	209.030
Index Linked	745.059	8.40%	807.645	682.473
Cash	1.114	0.00%	1.114	1.114
Property	155.589	1.50%	157.923	153.255
Alternatives	315.287	7.00%	337.357	293.217
Total Assets	**1,754.095**		**1,914.114**	**1,594.076**

G. Custody

The Fund has appointed State Street Bank and Trust as a global custodian with responsibility for safeguarding the assets of the Fund. State Street Bank and Trust is an established custodian bank with more than

$15 trillion of assets under custody. They were reappointed as the Fund's custodian in 2007 following an Official Journal of the European Union tendering process. Monthly 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 segregated and pooled fund managers to manage portions of the Fund. An Investment Management Agreement is in place for each segregated mandate. 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 the Pension Fund Committee. The Fund makes use of a third party performance measurement service (State Street Investment Analytics). All managers have regular review meetings and discussions with officers and also explain their performance to the committee.

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 1.6% 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 outperformance of the Fund's investments over gilts could be assumed.

The table below has been prepared by the Fund Actuary and shows how the funding level (top) and deficit (bottom) would vary if the investment conditions at 31 March 2013 had been different. The level of the FTSE 100 index is used as a proxy for investment performance and the Fixed Interest Gilt yield as the proxy measure for the valuation of Fund's liabilities. The shaded box is the actual position at 31 March 2013.

Fixed Interest Gilts yield (% p.a.)						
	3.15%	71% (£718m)	74% (£658m)	76% (£595m)	78% (£538m)	81% (£478m)
	3.02%	69% (£779m)	72% (£719m)	**74% (£656m)**	77% (£599m)	79% (£539m)
	2.85%	67% (£860m)	70% (£800m)	72% (£737m)	74% (£680m)	77% (£620m)
FTSE 100 Index		5,900	6,150	6,412	6,650	6,900

The list of how extreme future investment conditions may be is not exhaustive. There are other factors not related to market risk that will also impact on the funding position at a given date including longevity, member profile, pay awards etc. The risks are covered in more detail in the formal actuarial valuation report which is available at http://www.suffolkpensionfund.org.

19. Funding Position

In line with the Local Government Pension Scheme (Administration) Regulations 2008, 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 is a type of appraisal which requires making 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 provides the Fund's Actuarial appraisal.

The key elements of the funding policy are:

- To ensure the long term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment.
- To ensure that employer contribution rates are as stable as possible
- To minimise the long term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risks and returns.
- 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 tax payer from an employer defaulting on its pensions obligations.

The aim is to achieve 100% solvency over a period of 20 years and to provide stability in employer contribution rates by spreading increases in rates over a period of time. This is usually over 3 years but in some cases this period can be extended.

Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable.

When an employer's funding level is less than the funding target, a deficit recovery plan will be in place requiring additional contributions from that employer to meet the shortfall.

Formal Valuation

The last formal three-yearly actuarial valuation was carried out as at 31 March 2010. The valuation report sets out the rates of the employers' contributions for the three years starting 1 April 2011. 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 2010.
- The 'projected unit method' of actuarial valuation.
- Projected investment returns of 6.1% per year, increases in future salaries of 5.3% a year (pay increases of 1.0% in 2010 - 2011 and 2011 - 2012 and 2.0% thereafter plus any allowance for increments) and for pension increases of 3.3% a year.
- The actuarial assessment of the value of the Fund's assets was £1,415 million at 31 March 2010 (the market value of assets in the accounts of the Pension Fund).
- The actuarial assessment of the Fund's liabilities, was £1,721 million at 31 March 2010.

The valuation showed that the Fund's assets covered 82% of its liabilities at the valuation date, and the deficit based on the actuarial valuation was £306 million. The actuary confirmed that the employers' common contribution rate should be 22.3% of pensionable pay for the three years starting 1 April 2011. The aim is to recover the Pension Fund deficit over a period of 20 years.

The next formal valuation is at 31 March 2013.

20. Actuarial Present Value of Promised Retirement Benefits

Interim Valuation

An interim valuation is carried out annually. The valuation is based on the actuary's Navigator report which is based on long term financial assumptions for the Suffolk Fund and contains the following assumptions:

- Projected investment returns of 4.60% per year.
- Increases in future salaries of 4.80% a year.
- Pension increases of 3.31% a year.

The actuarial value of the Fund's assets are £1,896 million and the liabilities £2,552 million at 31 March 2013.

The valuation showed that the Fund's assets covered 74.3% of its liabilities at the valuation date and the deficit was £656 million.

International Accounting Standard 26 (IAS 26)

CIPFA's Code of Practice on Local Authority Accounting 2012 - 2013 requires administering authorities of 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:

- Projected investment returns of 4.5% per year.
- Increases in future salaries of 5.1% a year.
- Pension increases of 2.8% a year.

The IAS 26 calculation shows that the present value of promised retirement benefits amount to £2,506 million as at the 31 March 2013 (£2,114 million as at the 31 March 2012).

21. Current Debtors

The current debtors can be analysed as below:

31 March 2012 £ million		31 March 2013 £ million
	Debtors	
6.190	Employers Contributions	2.562
0.373	Employee Contributions	0.426
6.250	Investment Assets	3.415
0.064	Transfers In	0.165
0.415	Sundry Debtors	0.396
13.292	**Total**	**6.964**

These can be further analysed into sectors as below:

31 March 2012 £ million		31 March 2013 £ million
	Analysis of Debtors	
0.183	Central Government Bodies	1.037
6.765	Other Local Authorities	2.081
6.344	Other Entities and Individuals	3.846
13.292	**Total**	**6.964**

22. Current Creditors

The current creditors can be analysed as below:

31 March 2012 £ million		31 March 2013 £ million
	Creditors	
-0.079	Prepayments and Amounts Owed to Employers	-0.101
-1.466	Investment Expenses	-0.738
-0.028	Administration Expenses	-0.052
-0.064	Transfer Values In Adjustment	-0.165
-0.905	Lump Sum Benefits on Retirement and Death	-0.769
-2.598	Sundry Creditors	-2.806
-5.140	**Total**	**-4.631**

Creditors can be further analysed into sectors as below:

31 March 2012 £ million		31 March 2013 £ million
	Analysis of Creditors	
-0.610	Central Government Bodies	-0.673
-1.479	Other Local Authorities	-1.349
-0.077	NHS Bodies	-0.012
-2.974	Other Entities and Individuals	-2.597
-5.140	**Total**	**-4.631**

23. Additional Voluntary Contributions

Scheme members have the option to make additional voluntary contributions to enhance their pension benefits. In accordance with regulation 5 (2) (C) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (as amended), 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 £0.622 million was paid over to Prudential, Clerical Medical, Standard Life, Equitable Life and Century Life in 2012 - 2013, (£0.823 million 2011 - 2012).

24. 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 £34.672 million to the Fund in 2012 - 2013 (2011 - 2012 £40.144 million). In addition the council incurred costs of £1.233 million (2011 - 2012 £1.212 million) in relation to administration of the Fund and has been reimbursed by the Fund.

Under legislation introduced in 2003 - 2004 councillors are entitled to join the scheme. Three members of the committee, including two councillors are scheme members within the Pension Fund, but are not currently receiving benefits from the scheme. Each member of the Pension Fund committee is required to declare their interests at each meeting.

Part of the Pension Fund cash holdings are invested by the Treasury Management operations of Customer Service Direct through a service level agreement. During the year ending 31 March 2013 the Fund had an average investment balance of £14.869 million (2011 - 2012 £10.548 million) earning interest of £102,867 (2011 - 2012, £76,765) from these investments.

Key Management Personnel

No senior officer responsible for the administration of the Fund has entered into any contract, other than their contract of employment with the Council for the supply of goods or services to the Fund.

Paragraph 3.9.4.3 of the Code exempts Local Authorities from the key management personnel disclosure requirements of IAS 24. The disclosure requirements for officer remuneration and members' allowances detailed in section 3.4 of the Code satisfy the key management personnel disclosure requirements that apply to the Suffolk Pension Fund. The disclosures required can be found in the main accounts of Suffolk County Council.

Disclosure of senior officers' remuneration is made in Note 28 of the Statement of Accounts of the Administering Authority (Suffolk County Council). This disclosure includes the Head of Strategic Finance who has responsibility under S151 of the Local Government Act 1972 for the proper financial administration of the Fund and performs the role of Fund Administrator.

25. Stock Lending

The Fund has an arrangement with its custodian State Street Bank and Trust to lend eligible securities from within its portfolio of stocks to third parties in return for collateral. Lending is limited to a maximum of 25% of the total value. Collateralised lending generated income of £0.088 million in 2012 - 2013 (£0.128 million 2011 - 2012). This is included within 'other' investment income in the Fund Account.

At 31 March 2013, £4.933 million (£18.695 million at 31 March 2012) worth of stock was on loan, for which the Fund was in receipt of £5.181 million worth of collateral (£19.614 million at 31 March 2012). This is a minimal share (less than 1%) of the Fund holdings in 2012 - 2013 (1.22% 2011 - 2012).

The stock lending levels and income raised through stock lending has significantly decreased from the previous financial year as a result of the repositioning of the portfolio investments from equities to a number of pooled investments.

26. Contingent Liabilities and Contractual Commitments

Contractual Commitments

Since 2003 the Fund has made contractual commitments to Private Equity managed by Wilshire and Pantheon. Commitments are made in the underlying currency of the funds (Euros and Dollars respectively) and are therefore subject to volatility (risk) arising from exchange rate fluctuation. This volatility will impact both on the value of unfunded commitments in Sterling terms and the valuation of the funded interest and monies received as distributions.

At 31 March 2013 the unfunded commitment (monies to be drawn in future periods) was £21.123 million (£25.692 million at 31 March 2012). The commitments are paid over the investment timeframe of the underlying partnerships. The current value of the funded commitment net of distributions in these funds at 31 March 2013 is included in the Net Asset Statement.

Within the Schroder's property portfolio there are new unfunded commitments of £8 million made in the 2012 - 2013 financial year. The unfunded commitment of £1.961 million reported in 2011 - 2012 accounts has now been invested.

In 2011 - 2012 the Pension Fund made commitments to infrastructure investments managed by Partners Group and Kohlberg Kravis Roberts. Draw downs on the commitments have been made and the outstanding commitments at 31 March 2013 are £41.030 million and £24.967 million respectively.

Brookfield Timberlands have a commitment of £30.921 million and have not invested any of this money to date. M&G Investments have made draw downs on their £30.000 million commitment of £5.717 million leaving a remaining commitment of £24.283 million.

27. Contingent Assets

The Pension Fund used the brokerage services of MF Global UK in relation to a UK Equities Futures programme. MF Global UK went into administration on 31 October 2011, following problems with its US parent, MF Global Inc. The accountancy firm KPMG is the appointed administrator of MF Global UK Ltd.

The Pension Fund has made a claim to KPMG for £8.412 million in respect of client money held by MF Global UK for the Fund. KPMG has made an interim distribution of £2.193 million in respect of this claim, which represents 26% of the Fund's claim. The ultimate amount of any payment by KPMG in respect of the claim is currently unknown. Only the initial distribution of £2.193 million has been taken into account in the Pension Fund. The distribution could be subject to claw back by KPMG in the event of a future shortfall in the funds recovered by the administrator.

KPMG have announced that they expect to be in a position to commence further distributions on or shortly after 1 August 2013. There is currently no indication of the likely size of the final settlement in relation to the outstanding £6.219 million owing to the Suffolk County Council Pension Fund.

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Bengali

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Farsi

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