

Suffolk Pension Board

(Quorum 2 – 1 member of each representative group)

Scheme Employer Representatives

Councillor Richard Smith MVO, representing Suffolk County Council.

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

Marie McCleary, representing all other employers in the Fund.

Scheme Member Representatives

Suzanne Williams, representing the Unions

David Rowe, representing Active Members

Eric Prince, representing Pensioners

Date: Monday, 12 December 2016

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

Time: 11:00am

For further information on any of the agenda items, please contact Ann McPherson, Democratic Services Officer, on 01473 264379.

Business to be taken in public

1. Apologies for Absence

To note and record any apologies for absence received.

2. Declarations of Interest and Dispensations

To receive any declarations of interests, and the nature of that interest, in respect of any matter to be considered at this meeting.

- | | | |
|-----|---|-------------|
| 3. | Minutes of the Previous Meeting | Pages 5-10 |
| | To approve as a correct record, the minutes of the meeting held on 6 October 2016. | |
| 4. | Suffolk's progress on Pooling of Assets | |
| | To receive an update on the pooling of assets | |
| 5. | Management Expenses | Pages 11-14 |
| | To receive a report on the management expenses for the Fund | |
| 6. | Compliments and Complaints | Pages 15-16 |
| | To receive a report summarising the compliments and complaints received by the Fund's administration team. | |
| 7. | Administration Performance Report | Pages 17-20 |
| | To receive a report on the administration performance of the Fund from April to October 2016. | |
| 8. | Scheme Advisory Board | Pages 21-22 |
| | To receive an information bulletin on the role of the Scheme Advisory Board | |
| 9. | Recent Developments | Pages 23-34 |
| | To receive an information bulletin on some recent developments that will be of interest to the Board | |
| 10. | Risk Register for the Pension Board | Pages 35-38 |
| | To agree a risk register associated with the Pension Board | |
| 11. | Forward Work Programme | Pages 39-42 |
| | To consider whether there are any matters which the Board would wish to have included in its Forward Work Programme. | |
| 12. | Urgent Business | |
| | To consider any other item of business which, in the opinion of the Chairman, should be considered by reason of special circumstances (to be specified in the minutes), as a matter of urgency. | |

13. **Date of next scheduled meeting – Thursday, 9 March 2017 at 11:00 am.**

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Email: Committee.Services@suffolk.gov.uk; or by writing to:

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

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Deborah Cadman OBE
Chief Executive

Minutes of the Suffolk Pension Board meeting held on 6 October 2016 at 11:00 am in the Rose Room, Endeavour House, Ipswich.

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

Also present: Stuart Potter, Pensions Operations Manager

Supporting officers present: Paul Finbow (Senior Pensions Specialist), Sharon Tan (Pensions Technical Specialist), Ann McPherson (Committee Administrator)

Public Participation Session

There were no applications received from the public.

1. Apologies for Absence and Substitutions

There were no apologies.

2. Declarations of Interest and Dispensations

The following Board members declared a local non-pecuniary interest by virtue of the fact that each was a contributing member of the Local Government Pension Scheme:

Councillor Richard Smith, MVO

David Rowe

Homira Javadi

Suzanne Williams

Eric Prince declared a local pecuniary interest by virtue of the fact that he is in receipt of a pension from the Local Government Pension Scheme.

3. Election of Chairman and Vice Chairman

Councillor Richard Smith was elected as Chairman of the Committee and David Rowe as Vice Chairman both with a unanimous vote.

4. Minutes of the Previous Meeting

The minutes of the meeting held on 11 July 2016 were confirmed as a correct record and signed by the Chairman.

5. Pension Fund Annual Report and Accounts 2015/16

The Board received a report at Agenda Item 5, providing details of the Annual Report and Accounts published by the Suffolk Pension Fund and the opinion issued by the Fund's auditors, EY.

The Board heard that the accounts were approved by the Pension Fund Committee on 22 September, followed by approval by the Audit Committee on 28 September.

The Board were told that by law the Pension Scheme must produce a separate statement of accounts, although it is included with the Suffolk County Council Statement of Accounts. The Annual Report is also included, produced in line with CIPFA guidance.

The Board members felt that the probability index in the Risk Register was still high, despite risk management being in place. They were told that most of the risk was not under the control of the Pension Fund Committee or of Officers. The Board heard that the Risk Register was produced by officers, after research of the Risk Registers of other LGPS'. The Board felt that a scale, to indicate what each level of risk was aligned to, would be useful.

The Board heard that a further item on risk was scheduled for the December meeting.

The Board were in agreement that the language used in the EY report was very technical and heard that the letter within the audit report, signed by Geoff Dobson, Director Resource Management, was the confirmation that Suffolk County Council had fulfilled its obligations.

The acronym RAFI was clarified to mean Research Affiliates Fundamental Indexation.

The Board complimented Sharon Tan, Pensions Technical Specialist, on all the excellent work she had done towards the production of the accounts and report.

Decision: The Board agreed to note the report and asked for the following changes to be made: -

- a)** The Board should be added to the information regarding management structure, advisers etc. but should be listed as Governance Arrangement.
- b)** The lay-out of Governance Report should be reviewed.

Reason for Decision: The report is an important channel of communication to report on the Pension Fund Committee's stewardship of the Pension Fund to employers, scheme members and other stakeholders.

Alternative options: There were none considered.

Declarations of interest: Declarations of interest are reported at Minute number 2 of these minutes.

Dispensations: There were none reported.

6. Suffolk's Progress on the Pooling of Assets

The Board received at Agenda Item 6, a verbal update on the progress being made by the ACCESS group towards the pooling of assets.

The Board heard that Government have taken a long time to respond to the submission made by the ACCESS group on 15 July.

In a telephone call from DCLG on 31 August, the group were told that they were broadly content with the submission but were concerned about time-frame and the fact that there were few operators if the rental route was chosen.

The ACCESS group were informed that a letter of agreement would be sent following an evaluation panel meeting on 8 September. However, by 15 September the letter had not been received and further delay, due to the Conference season, was expected as there were no Ministers available to sign the letter.

The ACCESS group decided that no further expenditure on progressing the project would be made until approval was received.

A meeting of Pension Fund Chairmen on 2 September agreed to initially rent an operator, with the option to build their own vehicle in the future.

The Board heard that other pools have fund managers while ACCESS do not have this knowledge or skill. To over-come this, staff could be employed but it would be expensive due to the proximity to London. Preparation work in appointing a legal advisor for help in procuring an operator is being undertaken and a note has been sent to the market asking for expressions of interest from rental operators.

The Board heard that all ACCESS members' Monitoring Officers would be meeting to discuss possible constitutional changes around Pension Fund Committees and their relationship with Pension Boards.

7. Compliments & Complaints

The Board received a report at Agenda Item 7, from Stuart Potter, Pensions Operations Manager, providing details of the compliments and complaints received to enable them to determine any further action.

The Board heard that since the meeting on 11 July 2016, nine complaints have been received. One of these was in relation to an incorrect date being provided as to when a deferred pension could be paid without reduction and another in respect of the amount of income tax deducted from the pension.

The remaining complaints were regarding the time taken to respond to queries. The Board heard that this was due to the additional work needed to complete the statutory triennial valuation work by the deadline.

Five compliments have been received since the 11 July. These were cases where individuals had gone out of their way to thank the team rather than the

regular word of 'thanks' received daily as part of the communication with customers.

Eric Prince thanked the Pensions Team for the excellent service given during his recent retirement.

The Board agreed that training needed to be addressed in relation to complaints and there was a need to manage people's expectations.

Decision: The Board agreed to note the report.

Reason for Decision: The reports contained matters relevant to the Board.

Alternative options: There were none considered.

Declarations of interest: Declarations of interest are reported at Minute Number 2 of these minutes.

Dispensations: There were none reported.

8. Recent Developments

The Board received an Information Bulletin at Agenda Item 8, providing them with information about Annual Benefit Statements, Actuarial Valuation Results and Board Insurance.

Decision: The Board agreed to note the Bulletin.

Reason for Decision: The Bulletin contained matters relevant to the Board.

Alternative options: There were none considered

Declarations of interest: Declarations of interest are reported at Minute Number 2 of these minutes.

Dispensations: There were none reported.

9. Training Needs for Board Members

The Board received a report at Agenda Item 9 outlining suggested areas of training for Board members to gain the necessary knowledge and understanding to fulfil their Board role.

The Board heard that a log of training was being kept and they requested that it should be uploaded to the Pension Fund website. They were told that short term training needs to be assessed once the new Board member is appointed.

The Board requested that they should be notified of date and type training being given to Pension Fund Members. The Committee Administrator was asked to circulate details three weeks before each Pension Fund Committee Meeting. The Board will continue to have its own training session prior to each meeting, commencing at 10 a.m.

The following topics were agreed on for future training: -

- a) A half-day session on Communication and Financial Information.
- b) Types of Employers in the Fund and their risk characteristics.

- c) The Fund's arrangements for additional voluntary contributions and the providers and Ill Health retirement strain costs.
- d) Understanding of role of different asset classes and the understanding of different markets/investment vehicles.
- e) Sharon Tan was asked to produce a paper on the work of the Scheme Advisory Board and its sub-committees.

10. Forward Work Programme

The Board received a report at Agenda Item 10, a copy of the Forward Work Programme.

Decision: The Board agreed to note the Forward Work Programme.

Reason for Decision: The Forward Work Programme is a responsibility of the Board under their Terms of Reference

Alternative options: There were none considered.

Declarations of interest: Declarations of Interest are recorded at Minute No. 2 of these minutes.

Dispensations: There were none reported.

11. Urgent Business

There was none reported.

The meeting closed at 13.00

Chairman

Suffolk Pension Board, 12 December 2016

Information Bulletin

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

This Information Bulletin covers Management Expenses

Administration costs

- Administrative costs consist of expenses incurred by Suffolk County Council as administering authority of the Pension Fund. These relate to activities the pension administration team perform to administer pensions and provide members with scheme and benefit entitlement information such as benefit estimates and annual benefit statements.
- The actual administration costs for 2015-16 and estimated costs for 2016-17 and 2017-18 are set out below:

	Actual	Estimate	Estimate
Administration Expenses	2015-16	2016-17	2017-18
	£'000	£'000	£'000
Suffolk County Council Administration Costs	755	724	739
Heywood System	193	182	150
Other Expenses	32	40	40
Total Administration Costs	980	946	929

- The Heywood administration software system supports the pensions administration team to fulfil the complex requirements around administering the scheme; such as calculating pension benefits and producing the annual statements. The system holds every pension members record and history.
- The charges are incurred through maintaining the system, development costs to keep the system up to date with regulatory changes, license fees per user and consultancy costs.

Governance and oversight costs

5. Governance and oversight costs relate to the 'over seeing' of the fund such as actuarial costs, internal and external audit costs and the costs of independent advisers to the Board. Costs associated with the operation and support of the Pension Fund Committee and Pension Board and costs associated with statutory and non-statutory reporting such as committee reports, annual reports and accounts are also included.

	Actual	Estimate	Estimate
Governance and oversight costs	2015-16	2016-17	2017-18
	£'000	£'000	£'000
Suffolk County Council Administration Costs	171	146	149
Investment Advice	96	88	90
Actuarial costs	85	194	100
Performance Data costs	31	31	46
Voting Service	32	10	10
ACCESS Asset Pool costs	28	76	150
Pension Fund Committee	7	8	9
Pension Board	5	6	7
Audit Fees	36	36	37
Legal Fees	5	7	10
Miscellaneous Expenses	18	20	20
Total Governance and Oversight Costs	514	622	628

6. ACCESS asset pooling costs represents costs incurred for advice and guidance in relation to the Governments requirements for all LGPS Funds to pool their assets. These costs are shared equally by the eleven funds which are members of the ACCESS pool.
7. The actuarial cost is forecast to increase in 2016-17 due to the triennial valuation exercise.

Investment Management Expenses

8. Investment management expenses are costs related to the management of the fund's assets including directly invoiced fees from investments managers and fees payable to fund managers which are deducted from the fund assets as opposed to being invoiced to the Pension Fund.
9. Transaction costs are incurred in the purchasing and selling of shares. Stamp duty reserve tax (SDRT) is a UK tax paid on all purchases of UK equities and Irish registered stock. There are similar taxes levied by many of the overseas markets which the Pension Fund pays on overseas shares. In addition, commission costs are paid to a broker for facilitating purchasing and selling transactions.

	Actual	Estimate	Estimate
Investment Management Expenses	2015-16	2016-17	2017-18
	£'000	£'000	£'000
Blackrock	1,794	1,965	2,024
Bluecrest	850	-	-
Brookfield	99	75	78
KKR	865	1,001	661
Legal & General	957	927	955
M&G	1,516	1,528	1,697
Newton	1,153	1,291	1,330
Pantheon	722	761	784
Partners	218	459	750
Pyrford	562	610	628
Schroders	327	344	354
Wilshire	387	348	313
Winton	459	752	775
Total Managers Expenses	9,909	10,061	10,349
Other Costs			
Custodian	32	26	35
Transaction Costs	739	850	876
Total Other Costs	771	876	911
Total Investment Management Expenses	10,680	10,937	11,260

10. The fees charged by the custodian, HSBC, are also included. The decrease in 2016-17 is due to some disputed costs written off by the previous custodian.
11. The Bluecrest mandate was terminated in January 2015, the proceeds have been invested in Winton which accounts for the increase in their fees.
12. The KKR mandate has recently distributed a third of its holding and so management fees will reduce going forward.

Performance Fees

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

	Actual
Performance Fees	2015-16
	£'000
Blackrock	1,008
Bluecrest	150
KKR	620
M&G	-225
Partners	-175
Total Performance Fees	1,337

Total costs

15. The costs incurred by the Pension Fund in managing the Fund relate to administration costs, governance and oversight costs and investment costs.

	Actual	Estimate	Estimate
Management Expenses	2015-16	2016-17	2017-18
	£'000	£'000	£'000
Administration Costs	980	946	929
Governance and Oversight Costs	514	622	628
Investment Costs	10,680	10,937	11,260
Total Management Expenses	12,174	12,505	12,817
Scheme Assets (£m)	2,213	2,324	2,440
Costs as % of assets	0.55	0.53	0.52
Scheme Membership	55,648	56,761	57,896
Costs per scheme member (£)	15.99	16.67	16.34

16. These costs represent about 0.55% of the value of the Fund at 31 March 2016, which is broadly in line with the previous year (0.54%).
17. The comparative national figures for management expenses are published in the SF3 statistical return by the Department for Communities and Local Government (DCLG) who calculate the unit costs for local authority pension funds based on the submissions by the English and Welsh administering authorities.
18. However this year a number of errors have been identified in the published returns particularly within the management expenses area. Therefore, no comparisons of Suffolk's costs against other funds has been produced for this report. Additional work is now being undertaken by the Funds to check the published returns and a revised schedule will be published in due course.

Suffolk Pension Board

Report Title:	Compliments and Complaints
Meeting Date:	12th December 2016
Chairman:	Councillor Richard Smith MVO
Director:	Geoff Dobson, Director of Resource Management Tel. 01473 264347
Author:	Stuart Potter

Brief summary of report

1. This report provides the Pension board with the number of compliments and complaints received by the Pension Administration team since the previous board meeting on 6th October 2016.

Action recommended

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

Reason for recommendation

3. The board requested to receive information about the number of compliments and complaints received.

Alternative options

4. There are no alternative options.

Main body of report

5. At the Pension Board Meeting on 24 July 2015, the Board requested to receive information about the number of compliments and complaints received by the Pensions Administration team.
6. Updates have been provided at each Board Meeting since this date.
7. Following the previous update in the Board Meeting of 6th October 2016 there have been 3 compliments received by members of the team. These are cases where the individuals have gone out of their way to thank us for something, rather than the regular words of 'thanks' received daily as part of the day to day communications with customers.
8. Two of the compliments were from employers thanking us for our time and advice in relation to support they needed. One required a visit to the employer and the other was provision of advice in respect of a former employee's contributions. The other compliment was a thank you card received by a member of the team acknowledging the help they have given the customer.
9. During this time there have been 2 complaints. The first of these was in relation to a member who is terminally ill and requested to have their pension benefits, currently in payment, made into a one off payment. This is not allowed under the regulations, after pension payments have commenced, however clarification was sought from the Local Government Association who supported our interpretation.

The member has been notified of this. The second complaint was from a member who had been provided with an estimated value of pension that was lower than the actual value at the time she requested her pension came into payment. This was caused by a data input error when entering information onto a spreadsheet which should have been identified during the checking process in accordance with our processes. This has been addressed with individuals involved and the complaint is fully resolved to the members' satisfaction.

10. There have been no new IDRP (Internal Dispute Resolution Process) complaints since the last Board meeting.

Sources of further information

- | |
|---------|
| a) None |
|---------|

Suffolk Pension Board

Report Title:	Pensions Administration Performance
Meeting Date:	12th December 2016
Chairman:	Councillor Richard Smith MVO
Director:	Geoff Dobson, Director of Resource Management Tel. 01473 264347
Author:	Stuart Potter

Brief summary of report

1. This report provides the Pension board with an update on the performance of the Pensions Administration Team.

Action recommended

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

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

Alternative options

4. There are no alternative options.

Main body of report

5. This report covers staff performance and team achievements from the period 1 April 2016 – 31 October 2016 and looks ahead to some significant changes.
6. As the Board is aware 2016 is the triennial valuation year for the Pension Fund and this posed a significant challenge for the team to meet the 30 June 2016 deadline to provide information to the Pension Actuary Hymans Robertson. The employer deadline to return information was April 21 2016 and around 92% of employers managed to achieve this deadline. Following this many exchanges of information were made between the Administration Team and Employers and the information was provided to Hymans, with their agreement on 1 July 2016. The day delay was to accommodate the very late return of one large employer in the fund.
7. The statutory deadlines linked to the valuation required all Annual Benefit Pension statements to be issued by 31 August 2016. This deadline was successfully achieved.
8. During this time the Pension Administration team also needed to spend considerable resource on work that is not Pension fund work. This included the Firefighters Pension scheme triennial valuation with data provided to Government on the 12 August 2016 deadline, and Annual Benefit statements issued by 31 August 2016. In addition, several weeks of effort needed to be spent

on work that was not resourced including the Teachers Annual Service Return, the NHS Annual Pension returns and completing over 100 redundancy estimates as part of a School Organisation review. All of the statutory deadlines linked to these returns were also met.

9. This work had a significant impact on the completion of day to day work within the team and this is reflected in the Service Level Agreements for our 'key' processes which we strive to achieve a 95% achievement on. These SLA's are as below and the annual achievement rate up to the 31 October 2016 is showing:
 - Provision of a transfer quote to scheme members within 10 days of the receipt of the estimated value and all necessary information – Total cases to date **83**, percentage completed in SLA **75%**
 - Estimates are issued to members or employers within 10 working days of receipt of all information – Total cases to date **1023**, percentage completed in SLA **80%**
 - Retiring employees are notified of their options with 5 working days of receipt of all information – Total cases to date **698**, percentage completed in SLA **89%**
 - Retirement lump sums will be paid within 10 working days of receipt of all necessary information after retirement – Total cases to date **561**, percentage completed in SLA **93%**
 - Notification of survivor benefits will be issued within 10 working days of receipt of all information – Total cases to date **242**, percentage completed in SLA **97%**
 - Outstanding monies owed in respect of a deceased pension, and any death grant, will be paid within 10 working days of receipt of all information – Total cases to date **214**, percentage completed in SLA **88%**
10. Following the completion of our statutory deadlines and work that we are not resourced to complete, the expectation is that the performance against these SLA levels will continue to rise. These are being targeted by the team in specific and organised manner and there is a clear drive to ensure the Members are provided with the information they need as soon as possible.
11. In terms of the provision of transfer quotes to scheme members we were asked to stop calculating the majority of these by the Local Government Association on 24 March 2016 and instructions were not issued as to how to proceed until June 2016. This was due to the discount rate, which affects the rate of benefits that would be purchased in the LGPS, being changed in the budget resulting in GAD needing to issue new factors, which were delayed. This obviously impacts on the SLA figures included in paragraph 9.
12. During this busy period some changes were made to the team structure moving the back office team from 2 separate teams into 1. This change was made at a point a Senior Officer left on maternity leave and the opportunity was taken to create one team, which in time will result in more people being able to do a full range of tasks rather than a select few. Clearly this creates significant training needs which are being managed in a planned training programme but in the long term will benefit our customers and allow more people to work on specific areas when the need arises.
13. Linked to this change we have purchased a Member Self Service module which will allow members to go online and perform as many variations as they wish to help them determine when they might like to retire. This change will hopefully significantly reduce the volume of estimate requests received in the team, as well

as giving our customers the freedom to obtain the information they need whenever they need it. In addition, Members will be able to update their addresses and nominations allowing them more control with their pension. Initially the Administration team expect to receive queries about how to use the system and password re-sets so the benefit of this will be a little further down the line. This is currently at the User Acceptance testing stage.

14. We have also met with relevant Senior HR staff to discuss handing over all work that is not resourced in the Pensions Administration team. Agreement was reached over the handover of this work, however was delayed slightly due to issues outside of our control. All of this work was handed over on 1 December 2016 although some training and support is being provided as required. This change will allow us to focus on our customers and the LGPS work that we have.
15. A project which is scanning all of our microfiche onto our Pensions Administration software has also commenced. This project, which will be completed during 2017, will allow quicker access to all of the data held in relation to a members' pension and save considerable time for Pension Administrators. This will also remove the risk element of relying on old microfiche readers which are becoming harder to purchase parts for, and microfiche being damaged.
16. This report will be ongoing in all future Board meetings and will be developed in accordance with the requirements of the Board.

Contribution payments

17. The administration strategy requires contributions from employers to be received by the Pension Fund within 5 working days of the month end in which the contributions were deducted. The table below summarises the timeliness of receipts received to date in the 2016-17 financial year:

	Quarter 1			Quarter 2		
	Employer	Contributions		Employer	Contributions	
	%	£'000	%	%	£'000	%
On Time	88	25,136	99	88	29,933	98
Up to 1 week late	2	21	-	4	275	1
Over 1 week late	10	253	1	8	260	1
Total		25,410			30,467	

18. There were six academies (of which four belonged to the same trust) that had changed their payroll provider and had set up the payments on an incorrect payment date. They have all been contacted and this has now been corrected.

Sources of further information

- a) None

Suffolk Pension Board, 12 December 2016

Information Bulletin

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

This Information Bulletin covers the Scheme Advisory Board.

Introduction

1. The Local Government Pension Scheme Advisory Board was set up under Section 7 of the Public Service Act 2013 and The Local Government Pension Scheme Regulations 110-113.
2. The Scheme Advisory Board for England and Wales was set up in a shadow format in 2013 and established as a statutory body on 1 April 2015. Scotland has a separate Scheme Advisory Board.
3. The Board is required to submit a budget and work programme to the Secretary of State each year for approval. Once approved the budget for the Board is funded via a statutory levy on LGPS administering authorities which is classified as administration expenses and therefore can be recharged to the pension fund. The charge for the Suffolk Pension Fund to cover 2015/16 was £3,981.
4. The Board considered and agreed its proposed terms of reference on 1 August 2016 and these have been sent to the Minister for approval. The Minister also received the Board's suggested budget (£384,375) and work plan for 2016/17. The budget was submitted along with a suggestion that the Board's secretariat, through an additional post, provide support to the DCLG. The purpose of the post would be to ensure the Board's recommendations are given the degree of consideration and research necessary for the effective development of the Scheme.

Membership

5. The membership of the Board is designed to include a broad spectrum of scheme stakeholders. Members have been appointed either by appropriate representative bodies or by nomination and election.

Purpose

6. The purpose of the Board is to encourage best practice, increase transparency and coordinate technical and standards issues.

7. The Board has powers under the regulations to constitute committees and working groups to support its work.
 - I) Governance and Standards
 - II) Investment and Engagement
 - III) Administration and Communications
 - IV) Cost Management and Contributions
 - V) Deficit Management
8. The Board has been asked by the local government minister to develop options for scheme developments. In 2013 it was asked to assist with the process of reform which led to proposals on investment pooling.
9. The Board has also developed options and recommendations of its own in order to improve the efficiency and effectiveness of the Scheme. This has included recommendations to clarify regulations and initiatives outside of the regulations such as investment cost transparency.
10. The Board also has a role in providing a route for ideas for development from the various stakeholders in the LGPS and a conduit for feedback from government to those ideas. In doing so it seeks to work closely with existing LGPS forums such as CIPFA Pensions Panel, the LGPS Technical Group and the Local Authority Pension Fund Forum.

Sources of further information

The Local Government Pension Scheme Advisory Board <http://lgpsboard.org/>

Suffolk Pension Board, 12 December 2016

Information Bulletin

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

This Information Bulletin covers the following items:

1. **MIFID II**
2. **Triennial Valuation Results Employer Consultation**
3. **College Insolvency Consultation**
4. **Investment Strategy Statement**
5. **Insurance**

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1. **MIFID II**

The FCA are currently consulting on the implementation proposals for MIFID II. A briefing note prepared by Hymans Robertson is attached as **Appendix 1**.

The directive will initially categorise LGPS Pension Funds as 'retail investor'. However the FCA believes that all LGPS Funds will be eligible to opt up to 'Professional status' should they so wish. The criteria for opting up is set out in **Appendix 1**.

The Pension Fund is in discussion with all its investment managers to ensure that the Fund can continue to invest in the full range of assets as it currently has access to.

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2. **Triennial Valuation Results Employer Consultation**

The Pension Fund officers worked with Hymans to get an initial set of contribution rates for each employer.

These rates have been sent out to each employer with an explanation as attached in **Appendix 2** and the funding strategy statement approved by the Committee on 22 September. The consultation will run to the end of December.

There are a few employers which have been identified for further engagement and this will happen during the consultation period.

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3. College Insolvency Consultation

The Government has announced the completion of its consultation on college insolvency. Having considered the responses the Government intends to proceed with the introduction of a statutory insolvency framework for Further Education and sixth form colleges.

The Government concluded that they would not extend the guarantee that they currently provide to academies to the colleges or sixth forms. This increases the risk to the LGPS funds should one of these establishments become insolvent.

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4. Investment Strategy Statement

The Pension Fund Committee considered its current policy on Environmental, Social and Governance factors when managing the Fund.

The Pension Fund Committee also debated in detail whether they should continue investing in tobacco stocks. Having taken advice from the investment consultants, investment managers and further legal advice from Nigel Giffin QC the committee made a decision that they will not disinvest from tobacco stocks.

This maintains the current arrangement of the Pension Fund Committee that they only take into account financial factors when investing the Pension Fund's money. This will be incorporated into the new Investment Strategy Statement that will be approved by the Pension Fund Committee at its meeting on 28 February 2017

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5. Insurance

At the Board's meeting on 6 October the issue of insurance was discussed and was left unresolved as a response from both the Council's insurer, Zurich, and broker, Marsh, had not been received.

Both have now confirmed that as the board has been written into the constitution of the County Council, the activities of the board (including members, employees, volunteers and non-SCC employees) are covered by the Council's current Public and Employers Liability policies. Both Zurich and Marsh believe there is no additional need for any further insurance for Board activities.

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

Sixty second summary

FCA Consultation: MiFID II implementation proposals



David Walker
Head of LGPS Investment

The FCA is currently **consulting** on implementation proposals for MiFID II which are due to take effect from 3 January 2018.

What is MiFID, and why does it matter?

The Markets in Financial Instruments Directive ('MiFID'), part of the European Commission's Financial Services Action Plan, is legislation for the regulation of investment services within the European Economic Area which came into force in November 2007. The Directive replaced the Investment Services Directive. It was designed to:

- Achieve harmonisation throughout the economic area
- Aid transparency
- Protect investors
- Improve efficiency
- Increase competition

The European Commission instigated a review of the directive due to increasing complexity of financial products and issues related to the 2008 financial crisis. The outcome of the review was a revised Directive, MiFID II. The Financial Conduct Authority ('FCA') is now consulting on its third set of implementation proposals for MiFID II, which are due to take effect from 3 January 2018. The proposed changes to the FCA Handbook will have a significant impact on LGPS administering authorities.

Potential impact on LGPS administering authorities

The main issue that administering authorities could face is a re-classification from 'per se professional' to 'retail' client status. If no action were taken, administering authorities could see restrictions as retail clients e.g. in terms of the universe of investment funds they may invest in.

The good news is that administering authorities will have the opportunity to "opt-up" to 'elective professional client', i.e. professional client status. The FCA believes that the ability to access financial markets will not be fundamentally affected by broader changes if classified as a professional client. The specific procedure for opting-up will include both qualitative and quantitative assessments, as outlined in the next section.

Qualitative assessment

The qualitative assessment will require:

“adequate assessment of the expertise, experience and knowledge of the client that gives reasonable assurance, in light of the nature of the transactions or services envisaged, that the client is capable of making his own investment decisions and understanding the risks involved”

We do not believe the above will present a major hurdle for the majority of LGPS administering authorities. Indeed, we expect that those in positions of authority will be suitably qualified and possess the necessary experience to fulfil their roles. Administering authorities will, however, need to have sufficient evidence to demonstrate that the qualitative assessment is satisfied.

Quantitative tests

Quantitative test a), below and one of b) or c) must be satisfied:

- a) the size of the client’s financial instrument portfolio, defined as including cash deposits and financial instruments, exceeds **£15m**
- b) the client has carried out transactions, in significant size, on the relevant market at an average frequency of 10 per quarter over the previous four quarters
- c) the client works or has worked in the financial sector for at least one year in a professional position, which requires knowledge of the transactions or services envisaged

Given the sizes of funds under management across the local government sector, criteria a) is not likely to present an issue. Criteria b) will present a major issue for the majority of administering authorities, with quarterly transaction activity typically not close to this level. Reliance will need to be placed on the remaining test to ensure an administering authority can consider opting-up to professional client status.

It is not entirely clear how changes in team should be reflected in criteria c). For example, it may be possible that the qualitative assessment will need to be re-run each time there is a material personnel change.

Potential actions to take away

The FCA is currently consulting on proposed changes to the FCA handbook. The full consultation document, including details on how to respond to the consultation (by 4 January 2017) are available via the link below:

<https://www.fca.org.uk/sites/default/files/cp16-29.pdf>

Relationships between administering authorities, pools, asset managers and other providers should be identified so that the impact of the proposed changes can be considered in more detail.

Administering authorities should also start to engage with asset managers, and, if applicable, the pool they participate in. For example, will asset managers continue to work with an administering authority if classified as a retail client and, if so, what products will be available? Will there be set timescales for moving out of non-retail funds?

Administering authorities should also start the process of considering what evidence may be provided in order to demonstrate that the tests discussed above are satisfied, and who will be judged against the qualitative tests. We will seek to keep you updated on developments as this matter progresses.

31 March 2016 Formal Valuation - Draft Results

ATTENTION

The results in this Schedule should be read in conjunction with the draft Funding Strategy Statement, the Employer Results Report, the Formal Valuation Report (to be issued in March 2017), and any related correspondence. The method, assumptions, reliances and limitations are described in those documents. The restrictions set out in those reports on the disclosure to any third party apply equally to this Results Schedule. It should be noted that this Schedule is intended for the use of the Administering Authority only but may be shared with the Employer named within this Schedule for the purposes of agreeing a contribution plan.

Fund	Suffolk Pension Fund
Administering Authority	Suffolk County Council
Employer	ABC School
Pool	Individual
Employer code/Pool Name -	
Open/Closed	Open
Employer Type	Academy
Target	Fully Funded on Ongoing Basis
Employer Type	20 years
Probability of success	75%

Peter Summers

For and on behalf of Hymans Robertson LLP

24 October 2016

Section 1 - Employer Data

Employer membership statistics

	Number		Average Age	
	31 Mar 2013	31 Mar 2016	31 Mar 2013	31 Mar 2016
Active Members	39	30	52	54
Deferred Pensioners	5	16	49	48
Pensioners	2	5	58	63

Average age is weighted by liability

The average duration of liabilities based on the valuation assumption is 18.5 years.

	Actual Pay / Pension p.a. (£000)	
	31 Mar 2013	31 Mar 2016
Active Members	469	429
Deferred Pensioners	4	18
Pensioners	2	8

Employer membership movements since last valuation

Lives	Actual	Expected
Early Leavers	10	12
Ill Health Retirements	0	0
Early Retirements	0	0
(£000)	Actual	Expected
Amounts of Pension Ceasing	1	0

Cashflow data

(£000)	Employer contributions	Employee contributions
1 April 2013 - 31 March 2014	110	27
1 April 2014 - 31 March 2015	111	27
1 April 2015 - 31 March 2016	108	27

Investment returns

	Actual	Expected
From 1 April 2013 to 31 March 2016	22.4%	14.4%

Section 2 - Assumptions

Financial assumptions

	31 Mar 2013 % p.a.	31 Mar 2016 % p.a.
Pre-retirement Discount rate	4.6%	4.0%
Post-retirement Discount rate	4.6%	4.0%
Salary increases	4.3%	2.4%
Pension increases / CARE revaluation	2.5%	2.1%

Demographic assumptions

As the fund is a member of Club Vita, the baseline mortality assumptions are a bespoke set of Vita Curves that are tailored to fit the membership profile of the fund.

We have also allowed for future improvements in mortality based on the CMI 2013 model assuming improvements have peaked, long term improvements of 1.25% p.a., with declining mortality for over 90s.

Future retirements are assumed to commute pension into tax-free cash up to 25% of HMRC limits for service to 31 March 2008 and 63% for service thereafter.

We have assumed that there is a 5% probability that members will opt to join the 50:50 scheme.

Full details of the assumptions used are detailed in the Employer Results Report

Section 3 - Employer Valuation Results

Employer valuation results

	31 Mar 2013 £(000)	31 Mar 2016 £(000)
Past service liabilities		
Active members (Final salary)	964	777
Active members (CARE)	-	239
Deferred pensioners	62	264
Pensioners	40	182
Total	1,067	1,462
Asset share	804	1,407
Surplus / (deficit)	(262)	(55)
Funding level	75%	96%

Reconciliation of surplus / (deficit)

		£(000)	£(000)
Surplus / (deficit) at last valuation			(262)
Interest on deficit		(38)	
Expected investment returns	14.4%		
Actual investment returns	22.4%		
Investment returns greater than expected		75	
Contributions greater than cost of accrual		48	
Expected Salary increases p.a.	4.5%		
Actual Salary increases p.a.	3.0%		
Salary increases less than expected		49	
Expected Pension increases (p.a.)	2.5%		
Actual Pension increases (p.a.)	1.3%		
Membership experience over the period		72	
Change in demographic assumptions		12	
Change in mortality assumptions		11	
Change in financial assumptions		13	
Impact of Bulk transfers		-	
Other experience items		(34)	
Surplus / (deficit) at this valuation			(55)

Section 4 - Employer Contribution Rates

Valuation contribution rate results

	Primary Rate Cost of New Benefits Accruing % of payroll		Secondary Rate Deficit(Surplus) Repayment % of payroll
Total Valuation Rate as at 31 March 2016	18.0%		3.0%

The cost of providing LGPS pension benefits is dependent on many uncertain factors including the investment performance of the Fund's assets. To reflect the uncertainty, employer contribution rates have been set by modelling the contributions required to fund the benefits under 5000 different economic scenarios. The likelihood that the 2016 Valuation Contribution Rate above will pay for both benefits accruing and return the employer to a fully funded position over a period of 20 years is 75%.

Further details of how contribution rates have been calculated are included in the Employer Results Report and the Funding Strategy Statement.

The Primary Rate includes an allowance of 0.5% for administration expenses.

Contribution rates exclude employee contributions. The average employee contribution rate is 5.8%.

Contributions in payment

	% of payroll		£(000) p.a.
Contributions in payment 2016/2017	24.2%		-

Proposed contribution rates for the next three years

	Section to be discussed before finalised	Primary Rate % of payroll		Secondary Rate % of payroll
Proposed certified rates for the year ending				
31 March 2018		18.0%	plus	3.0%
31 March 2019		18.0%	plus	3.0%
31 March 2020		18.0%	plus	3.0%

Suffolk Pension Board

Report Title:	Risk Register
Meeting Date:	12 December 2016
Chairman:	Councillor Richard Smith MVO
Director:	Geoff Dobson, Director of Resource Management Tel. 01473 264347
Author:	Paul Finbow, Senior Pensions Specialist Tel. 01473 265288

Brief summary of report

1. This report sets out a draft Risk Register for the Pension Board.

Action recommended

2. The Board is asked to consider and approve a Risk Register.

Reason for recommendation

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

Alternative options

6. There are no alternative options.

Main body of report
Regulatory Background

7. The need for effective risk management is reflected throughout guidance and regulation in the Local Government Pension Scheme (LGPS), in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 paragraph 12(2c) and in the CIPFA publication "Delivering Good Governance in Local Government Pension Funds" (2009). The Pensions Regulator published regulatory guidance in December 2015 entitled "Integrated Risk Management".

Risk Register

8. The purpose of the risk register is to reflect best practice in the identification, evaluation and control of risks in order to ensure that key risks are recognised, and then either eliminated or reduced to a manageable level. If neither of these

options is possible, then means to mitigate the implications of the risks should be established. A high level draft risk register for the Boards consideration is attached as **Appendix 1**.

9. Three key areas of risk have been identified:
 - a) Employer
 - b) Scheme Member
 - c) Governance

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

11. The impact of each risk has been assessed as:
 - a) Insignificant (1)
 - b) Minor (2)
 - c) Moderate (3)
 - d) Major (4)
 - e) Extreme (5)

12. The risk needs to be assessed on the probability of it occurring.
 - a) Rare (1)
 - b) Unlikely (2)
 - c) Possible (3)
 - d) Likely (4)
 - e) Almost certain (5)

13. This is then used to calculate a risk score (multiplication of the score value in brackets above) to each risk which produces one of the risk ratings as follows:
 - a) Low (1-4)
 - b) Medium (5-9)
 - c) High (10-15)
 - d) Very High (16-25)

14. The probability and risk impact scores have been left for blank for the Board to advise on.

15. The risk register and actions taken to mitigate or control the risks will be reported to the Board annually.

Sources of further information

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

APPENDIX 1

Suffolk Pension Fund Risk Register

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

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

Suffolk Pension Board Forward Work Programme

Purpose

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

Terms of reference

The terms of reference of the Pension Board are:

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

Meeting date (see Note)	Added to Work Programme	Subject	Short description	How is it anticipated the Board will deal with this issue?
Thursday, 9 March 2017	Added 4 May 2016	Complaints and Compliments	To receive a report on the complaints and compliments received by the Fund	Written Report
	Added 12 December 2016	Administration Performance	To receive a report on the administration performance of the Fund	Written Report
	Added 6 October 2016	Member Self Service	To receive a report on the implementation of the Member Self Service module	Written Report
	Added 6 October 2016	Pooling: Update on Costs	To receive a report on the likely costs associated with pooling that will be paid by the Suffolk Pension Fund	Written Report
	Added 6 October 2016	Review of Scheme Policies	To discuss the Fund's policy documents to ensure they are fit for purpose	Board Discussion
	Added 11 July 2016	Actuarial Valuation process	To receive a report on the completion of the 2016 Actuarial valuation.	Written Report
	Added 4 May 2016	Forward Work Programme	To approve the Forward Work Programme for the Suffolk Pension Board.	Written Report

Meeting date (see Note)	Added to Work Programme	Subject	Short description	How is it anticipated the Board will deal with this issue?
Wednesday, 19 July 2017	Added 12 December 2016	Complaints and Compliments	To receive a report on the complaints and compliments received by the Fund	Written Report
	Added 12 December 2016	Administration Performance	To receive a report on the administration performance of the Fund	Written Report
	Added 12 December 2016	Investment Performance	To receive a report on the investment performance of the Fund in 2016/17	Written Report
	Added 12 December 2016	Forward Work Programme	To approve the Forward Work Programme for the Suffolk Pension Board.	Written Report

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

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

Revised – December 2016

