CONTENTS

Additional Statements

(published on the Pension Fund website www.suffolkpensionfund.org **)**

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 2013-14. The value of the Suffolk County Council Pension Fund was £1,885 million at March 2014, an increase of nearly £118m in the year. The Fund administers the Local Government Pension Scheme (LGPS) in Suffolk on behalf of 114 separate employers and 49,634 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 5.6% in 2013-14 reflects mainly the performance of equity markets over the year. Although this is lower than the longer term performance of 7.0% per year over the three years to March 2014. Over the past ten years, the Fund's investment return of 7.2% 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 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 particular nature of three of these changes has taken longer to invest than initially intended (two relating to infrastructure and one to timber). These three mandates have plans in place to invest more of the Fund's commitment, and they are likely to request further capital calls during 2014-15. The Committee will continue to monitor performance of the Fund and will formerly review its asset allocation at its November Committee meeting.

Despite the strong investment return of the Fund, the funding level certified by the actuary as part of the March 2013 triennial valuation fell from 82.2% to 79.1%, mainly caused by the fall in gilt yields over the last three years. The estimated actuarial position for June 2014 is a funding level of 85.3%. Unfortunately we have had to increase most employers' contribution rates for the next three years. We are very conscious of the impact of these contributions on the budgets of employers and ultimately on council taxpayers. We have kept the increases in employer contributions to the minimum necessary to ensure the long-term solvency of the Fund. The next valuation that affects contribution rates will be completed in 2016.

The coming year is going to be busy again, as new announcements are expected from the government that are likely to affect the way we invest pension fund money, and the overall governance arrangements of the Fund. These are expected during the autumn in response to the consultations that took place this summer. April 2015 will also see the start of the Pensions Regulator taking an interest in Local Government Pension Schemes (LGPS). We are still awaiting the guidance from the Regulator which we will need to ensure the Fund adheres to. This will require the Committee to review its own arrangements and plan for the future. We will also be changing our custodian for the fund (this is the institution that holds all our assets securely) on 1 October to HSBC.

Councillor Peter Bellfield

Chairman of Pension Fund Committee *September 2014*

Report from the Head of Finance

Foreword to Annual Report and Accounts

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 2014. 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 any 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 are 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 2014. The Pension Fund Accounts for 2013-14 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.

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 5.6% in 2013-14 which falls just below the local authority average Pension Fund return of 6.4%.

Overseas equity markets continued to perform strongly, however, UK investors had much of this return eroded on account of the strength of sterling which gained 9% against the US Dollar and 17% against the Yen.

The Local Authority average results for UK equities were above the overseas average of 6.4% returning 11% for the year, with active managers adding value relative to the FTSE All Share Index for the fourth consecutive year. Suffolk's UK Equity managers returned 9.9%. Property also returned 11% for the year, Schroders the Fund's property investment manager achieved 13%.

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 7.0% per year.

Over the past five years the Fund's return was 11.9% per year, this substantially improved performance figure is a result of the effect of the market crash on investment returns in 2007-08 and 2008-09 falling out of trend.

Over the longer term the Fund's investment returns are good, with a return of 7.2% per year over the ten years to March 2014. 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 (7.8% per year). The Fund's long-term underperformance is mainly the result of the poor performance by a number of its investment managers five to seven years ago. The Pension Fund Committee has made a number of changes to its investment management arrangements over the past two years, which are aimed at improving the Fund's performance.

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 underperformed its target benchmark investment return by 0.7% in 2013-14.

Although the Fund had a reasonable investment return of 5.6% in 2013-14, its return for the year was lower than that of the average local authority fund (6.0%). This reflects the fact that the Fund has a lower allocation to equity markets than other local authority funds following the changes to its investment strategy in 2012-13. The Fund's investment strategy can be expected to underperform compared with other local authority funds when equity markets are particularly strong but 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 0.8% per year as a result of poor stock selection decisions by several of the Fund's investment managers.

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 and was last reviewed in March 2014.The investment strategy has a significant level of diversification between different asset classes. At 31 March 2014, 52% of the Fund was invested in equities, with the balance in bonds (20%), property (10%), a number of mandates in alternative investments (16%) and a very small holding in cash of 2%.

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 its investment advisors, Hymans Robertson LLP. The main strategic change that was implemented 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), timberlands (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 2014 most of these commitments had been drawn down by the managers of these mandates with the main exception being the infrastructure mandate managed by Partners and the timberlands mandate held by Brookfield.

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 amounts earmarked for future investment in infrastructure, debt opportunity and timberlands are being managed as part of Legal and General's passive index-tracking mandate pending the drawdowns against these mandates by the managers concerned.

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 most recent valuation took place in March 2013 when the actuarial deficit was £468 million (£306 million – March 2010) and the assets represented 79.1% of its liabilities at that date. This contrasts with the funding level at the 2010 valuation of 82.2%. The increase in deficit reflects the adverse conditions which the Fund has had to contend with since the previous valuation, in particular the decrease in the real gilt yield.

The Funding Strategy that was approved In March 2014, following the 2013 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. There is a balance to be struck between the Fund's need for maintaining prudent funding levels and the employers need to manage their budgets appropriately. The approach taken, sought to stabilise the contributions that were required for the public sector employers in the Fund, by limiting any increases in employer contributions up to a maximum of 1% - 2% of payroll, depending on the organisation.

The next actuarial valuation will be undertaken as at March 2016 and the results of the valuation will determine the employer contributions that are required for the three years starting April 2017.

The estimated funding level at March 2014 was 84.5% and the actuarial deficit at that date was £345 million. This improvement is principally due to an increase in bond yields and subsequently a higher discount rate which places a lower value on the Fund's liabilities.

Local Government Pension Scheme (LGPS) 2014

The Government's reforms to the Local Government Pension Scheme took effect from April 2014 moving the LGPS from a final salary scheme to one based on Career Averaged Revalued Earnings (CARE) in conjunction with this change, the scale of employee contributions was also revised, with higher paid staff paying significantly increased contributions. All system changes in the pension fund's software and procedures were completed on time. Scheme employers and scheme members were fully informed of these changes and made aware of the implications for them.

In this ever changing world of pensions, further changes are on the table as a result of two consultation papers issued during 2014. One will introduce pension boards from April 2015 subject to the relevant regulations being published by government. The other was exploring the opportunities for collaboration, cost savings and efficiencies, through common investment vehicles and passive fund management, which awaits a government response

Audit

The Pension Fund accounts are included within the County Council's Statement of Accounts for 2013-14, which is subject to audit by Ernst and Young LLP. 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 Finance *September 2014*

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 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 2014 on behalf of Suffolk County Council and have been authorised for issue.

Councillor Michael Bond

Chairman of the Audit Committee *30 September 2014*

The Responsibilities of the Head of Finance (Section 151 Officer)

The Head of Finance is responsible for the preparation of the Council's Statements of Accounts including those of the Pension Fund. In order to comply with the Code of Practice on Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), these statements must present a true and fair view of our financial position and that of the Pension Funds at 31 March 2014, and the income and expenditure (spending) for the year to that date.

In preparing this Statement of Accounts, the Head of 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 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 2014 and its income and expenditure for the year to that date.

Geoff Dobson

Head of Finance (Section 151 Officer) *30 September 2014*

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 2014 under the Audit Commission Act 1998. The Pension Fund financial statements comprise the Fund Account, the Net Assets Statement, the Statement of Accounting Policies and the related notes 1 to 25. 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 2013/14.

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 Finance and auditor

As explained more fully in the Statement of the Head of Finance's Responsibilities set out on page 8, the Head of Finance is responsible for the preparation of the Authority's Statement of Accounts, which includes the Pension Fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14, 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 Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2013-14 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 and the amount and disposition of the fund’s assets and liabilities as at 31 March 2014; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013-14.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2013-14 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Baldeep Singh

for and on behalf of Ernst & Young LLP, Appointed Auditor *30 September 2014*

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 Finance

The Head of 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 2013-14 the Pension Fund Committee consisted of seven county councillors, who were appointed by the County Council, reflecting the political balance on the County Council as a result of the May 2013 County Council elections. In addition the Committee included two district council representatives, who were nominated by the Suffolk District Council leaders, and a scheme member representative, who was nominated by UNISON.

Attendance at the five committee meetings held during 2013-14 are as follows:

Councillor	Meetings attended/ (Number of possible meetings)
Cllr Peter Bellfield	4 (5)
Cllr Andrew Reid	5 (5)
Cllr Jenny Antill	5 (5)
Cllr Michael Bond	5 (5)
Cllr John Field	4 (5)
Cllr John Hale to July 2013	1 (1)
Cllr Leonard Jacklin	4 (5)
Cllr Bill Knowles	4 (5)
Cllr Derek Redhead from July 2013	3 (4)
Cllr James Crossley to September 2013	3 (4)
Cllr Bert Poole from September 2013	3 (3)
Mr Steve Warner	4 (5)

All members of the Pension Fund Committee have voting rights.

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

Key Management Personnel disclosure

The posts of Head of 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 benefits (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	717	86

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 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 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:

- Private Equity
- Alternative Indexation
- Smart Beta

Advisers to the Committee

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

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 LLP who produce an audit opinion on the Council's accounts. The auditors produce a separate opinion on the Pension Fund financial statements and an opinion that the Pension Fund Annual Report is consistent with the Pension Fund accounts.

The Pension Fund is also subject to an internal review by the Council's internal auditors 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 2013-14.

Risk Management

The Pension Fund Committee maintains a risk register for the Pension Fund, which forms part of the County Council's 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 as part of the process in managing the Fund. 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 LLP, 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 available 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 2013-14 is to be held on 3 October 2014.

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.

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 five occasions during 2013-14.

The Committee monitored the investment performance of the Fund and all its managers on a quarterly basis, receiving separate reports from Hymans Robertson LLP the Fund's Investment advisors and officers of the Pension Fund. In addition investment reports were received quarterly from the independent investment advisor Mr Mark Stevens, based on meetings with a selection of investment managers. These reports included further details on the economic outlook, commentaries on the investment strategies and performance of the managers. An annual report on investment performance is produced and presented by State Street Investment Analytics (SSIA), the Fund's performance advisors.

The Committee received the results of the March 2013 actuarial valuation showing that the funding level had reduced to 79.1% from 82.2% at March 2010, increasing the deficit from £306 million to £468 million, due to improved life expectancy and as a result of the adverse economic conditions which the Fund has had to contend with, in particular the reduction in the real gilt yield. A consultation was conducted with the employers in the Fund regarding the proposed contribution rates and a Funding Strategy Statement was approved based on the valuation results.

The Committee monitored the actuarial position of the Fund on a quarterly basis during 2013-14. The estimated funding level of the Fund improved slightly during the year from 79.1% at the March 2013 valuation to 84.5% at March 2014, reducing the estimated deficit level from £468 million to £345 million.

During the year the Committee received a report from Hymans Robertson LLP regarding further investment in private equity and met with Pantheon one of the private equity managers. At this stage the Committee decided to hold off on any further investment in private equity.

The Committee also received a report from Hymans Robertson LLP on alternative indexation otherwise known as smart beta, explaining the risks and returns and alternative approaches and also received a presentation from Legal & General, the Fund's passive index tracking investment manager who operate alternative weighted indices explaining how it works and how it would fit within the current investment portfolio that they operate for the Pension Fund.

The Committee responded to the call for evidence on the future structure of the Local Government Pension Scheme (LGPS), set out by the Government regarding issues about how the LGPS can best achieve a high level of accountability to local taxpayers through the availability of transparent and comparable data on costs and income while adapting to become more efficient and to promote stronger investment performance and also to the Pension Regulator's consultation on the draft Code of Practice on the Governance and Administration of the LGPS.

The Committee also approved a policy statement for the treatment of admission bodies, scheduled and designating bodies within the Fund and the arrangements for bulk transfers to and from the Fund.

A number of schools in Suffolk were established as academies during 2013-14 and these automatically become employers in the local government pension scheme with respect to their non-teaching employees. At March 2014 there were 39 academies and 3 free schools in the Suffolk Fund. Further academies and free schools are expected to join the scheme in 2014-15. 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 new employers. At March 2014 the Suffolk Pension Fund administered 114 active scheme employers, compared with 101 active employers at March 2013.

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	Prob-ability	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.
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. Setting 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.

Risk	Impact	Prob-ability	Risk Score	Existing risk control measures
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.

Note 18 in the Pension Fund statement of accounts 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 Pension Fund incurred costs in managing the Fund for the period ending 31 March 2014 as follows:

The overall costs of administration and investment management has increased by £984,000 (12.8%) in 2013-14, the majority of which relates to investment management fees.

Investment management fees increase as the value of the funds under management increase during the year. £888,216 has been incurred in respect of performance fees.

The majority of the administration costs relate to the benefits administration, which has been undertaken by Customer Service Direct, a joint venture company that was jointly owned by BT, the County Council and Mid-Suffolk District Council. The contract with Customer Service Direct ceased at the end of May 2014. The work carried out by Customer Service Direct for the Pension Fund has reverted back to Suffolk County Council.

The total administration and investment management costs represent about 0.5% of the value of the Fund at 31 March 2014, which is broadly in line with previous years and with the local authority average.

The analysis overleaf has been prepared in accordance with the CIPFA guidance on LGPS management costs.

Administrative expenses consist of costs incurred relating to activities the pension administration team perform to administer entitlements and provide members with scheme and benefit entitlement information such as benefit estimates and annual benefit statements.

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

The fees charged by the custodian, State Street, are also included.

Oversight and governance expenses are costs relating to the 'over seeing' of the fund such as actuarial costs, internal and external audit costs and the costs of independent advisors to the Board. Costs associated with the operation and support of the Pension Committee and costs associated with statutory or non statutory reporting such as committee reports, annual reports and accounts are also included.

Administrative and Management Expenses	2012-13	2013-14
	£'000	£'000
Administrative Expenses		
Suffolk County Council	1,026	1,057
Total Administrative Expenses	**1,026**	**1,057**
Investment Management Expenses		
Aberdeen	93	-
AllianceBernstein	329	254
BlackRock	552	285
Bluecrest	327	1,107
Brookfield	-	15
JP Morgan	178	93
KKR	260	365
Legal & General	772	862
M&G	41	80
Millennium	434	-35
Newton	912	1,008
Pantheon	549	278
Partners	0	563
Pyrford	226	472
Schroders	363	348
Wilshire	530	347
Winton	518	714
Other Costs	-151	-
Custodian (State Street Bank and Trust)	69	52
Total Investment Management Expenses	**6,002**	**6,808**
Oversight and Governance Expenses		
Suffolk County Council	201	201
Actuarial and Investment Advisory Services	117	159
Audit Fees	28	22
Legal Fees	44	1
Performance Analysis	28	28
Proxy Voting Service	30	31
Investment Advice	90	86
Total Oversight and Governance Expenses	**635**	**782**
Total Expenses	**7,663**	**8,647**

Notes:

1. The mandates held by JP Morgan and Aberdeen were terminated in 2012-13. The costs attributable to JP Morgan in 2013-14 relate to late invoiced performance fees.

2. Bluecrest, M&G, Pyrford and Winton were new investments for 2012-13.
3. KKR, Partners and M&G represent part year management fees. The fees are based on the net asset value of the fund which has not been fully funded to date.
4. Brookfield made it’s first investment at the end of December 2013 and the costs shown above represent part year management fees.

Management Structure

Pension Fund Committee
Cllr. Peter Bellfield (Chairman)
Cllr. Andrew Reid (Vice-Chairman)
Cllr. Jenny Antill
Cllr. Michael Bond
Cllr. John Field
Cllr. Leonard Jacklin
Cllr. Bill Knowles
Cllr. James Crossley (to Sept 13)
Cllr. Bert Poole (from Sept 13)
Cllr. John Hale (to July 13)
Cllr. Derek Redhead (from July 13)
Mr Steve Warner (Unison)

Suffolk County Council
Geoff Dobson, Head of Finance

Peter Edwards Corporate Finance Manager (to March 14)

Paul Finbow, Corporate Finance Specialist (April 14)

Lynn Wright, Strategic Payroll and Pensions Manager

Constantine House
5 Constantine Road
Ipswich
Suffolk
IP1 2DH

Auditors
Ernst & Young LLP

AVC Providers
Equitable Life
Clerical Medical
Standard Life

Investment Managers
AllianceBernstein
BlackRock Investment Management
Bluecrest Capital Management
Brookfield Asset Management
Kohlberg, Kravis, Roberts
Legal & General Investments
M&G Investments
Millennium Global Investments
Newton Investment Management
Pantheon Ventures
Partners Group
Pyrford International
Schroder Investment Management
Wilshire Associates
Winton Capital Management

Pension Fund Advisers

Actuaries	Hymans Robertson LLP
Investment Consultancy Services	Hymans Robertson LLP
Independent Investment Adviser	Mr Mark Stevens
Performance Measurement	State Street Investment Analytics
Investment Custodians	State Street Global Bank and Trust
Legal Advisers	Squire Patton Boggs
Voting Advisers	Pension Investment Research Consultants
Banking Services	Lloyds Banking Group Plc

Corporate Social Responsibility and Voting Report

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 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 2013-14

The Fund received recommendations for 2,539 resolutions at 172 meetings, supporting 1,967 resolutions (77.5%) and abstaining on 101 occasions (4%). The Fund voted against the proposal on 387 occasions (15.2%), a decrease on the 25% opposing votes exercised in the previous year. 84 of the resolutions (3.3%) did not result in a vote.

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).

	For		Oppose		Abstain		Total
	No.	%	No.	%	No.	%	
Annual Report	67	88	9	12	0	0	76
Remuneration Report	10	13	52	69	13	18	75
Articles of Association	4	80	0	0	1	20	5
Auditors Appointment	72	96	2	3	1	1	75
Directors	697	95	31	4	5	1	733
Dividend	62	100	0	0	0	0	62
Executive Pay Schemes	1	7	13	86	1	7	15

Report by Pension Investment Research Consultants (PIRC)

The previous twelve months saw a continuation of public attention on issues around executive remuneration, general governance and business standards. Shareholder engagement activity and AGM votes continued to attract media attention reflecting wider community sentiment over corporate accountability.

Directors pay, bonus and incentive schemes remained controversial, particularly in the financial sector of the FTSE 100. Abstentions and Oppose votes were registered with Lloyds Banking Group over remuneration and share allotments and convertible instruments.

Suffolk joined with other shareholders and funds in voting to oppose the remuneration reports at Barclays, HSBC, Standard Chartered, Standard Life and Capita registering the funds clear view that generous or opaque executive pay schemes that did not reflect share performance, good governance standards and behaviour and overall community expectations will not be supported.

GlaxoSmithKline stayed in the headlines with legal difficulties in China and controversy at home over payment of dividends without shareholder approval. Suffolk voted against receiving the Annual Report at the May 2013 AGM due to the dividend matter and against the Remuneration Report given the reward structure was excessive. Shire was another pharmaceutical company with difficulties over payment of dividends and the accuracy of the accounts. The fund opposed acceptance of the Annual Report and abstained on the remuneration policy.

Other FTSE 100 companies also faced scrutiny on executive pay with oppose votes across diverse corporations including Associated British Foods, Tesco, Anglo American, Babcock International, Imperial Tobacco and Royal Dutch Shell.

Board representation remained an area of controversy during the year. Jean-Phillipe Courtious gained a 24.17 vote against re-appointment to the Board at AstraZeneca, with Suffolk abstaining on this occasion but still registering some concern at overall board attendance.

John Bond Chair of mining giant Glencore attracted a huge 72.25% vote against re-appointment and four other directors had oppose votes ranging from 67.07 to 57.53 against, with Suffolk voting with the majority of shareholders in both circumstances. At the other end of the scale FTSE Mid-Cap travel company Mitchells and Butlers attracted a mix of oppose and abstention votes on board re-appointments primarily over the level of independence.

The Funds voting regarding directors for both these companies are representative of our ongoing commitment to board governance, independence, renewal and diversity from FTSE global conglomerates to mid-size UK based businesses.

Share issues for cash and share issues with pre-emption rights at resources based Anglo American PLC saw Suffolk join other shareholders in oppose votes of 29.99% and 28.66% respectively. This reflected a widespread concern that the Board propositions were not in the long term interests of all shareholders.

Amongst European based companies, L'Oreal SA at the April 2013 AGM had directors opposed due to lack of independence and share issues and grants opposed due to governance concerns.

Roche Holdings drew a wide range of oppose votes at their March 2014 AGM based on a number of resolutions to either retrospectively endorse previous increases to executive remuneration and bonus payments and shareholder approval for further increases in the year ahead. It seemed clear the company had watered down the potential impact of new Swiss laws on remuneration. Oppose votes were also lodged against board members and remuneration committee members based on a clear lack of independence.

Amongst S&P500 companies, part of the wider investment portfolio the fund continued to vote in accordance with sound principles of governance. Board independence is a longstanding issue of concern in the US and multiple directors at large US companies like Microsoft, Laboratory Corp, United Technologies, Mosaic and Adobe attracted oppose votes. Suffolk also voted against the appointment of directors in combined Chair & CEO roles, common amongst many US companies but not meeting best practice in governance particularly where the level of independent representation on boards is weak or lacking.

Pay structures and long-term incentive plans also garnered oppose or abstention votes, particularly where disclosure was insufficient for remuneration to be truly judged against performance or where significant discretion was given to vary the terms of remuneration and share schemes. Sprint Nextel, PNC Financial, United Technologies and Mosaic and Adobe were amongst the companies where pay structures were not supported.

Suffolk is of the view that sustainable longer-term value creation for shareholders should be the foundation for board and executive remuneration and transparency is vital to ensure criteria around remuneration can be judged against performance on all relevant factors for a corporation including good governance, reputation, environment, earnings and share price and corporate citizenship.

The funds voting policies will be adapted to take into account the UK regulatory change around shareholder remuneration votes in 2014-15 and other relevant developments around shareholder rights and ability to engage on governance matters in the long-term fiduciary interests of our beneficiaries.

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 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 2013.

Pension administration

The Pension Administration team is led by Lynn Wright, the Strategic Payroll and Pensions Manager, and 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 27 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.

Employer Performance

The Administration Strategy requires each Employer to monitor performance against specific tasks and return to the Pensions Administration team on a quarterly basis. The below tables detail this information for 2013-14.

Liaison and Communication

Function/Task	Performance Target	Achievement %
Remit and provide details of total employer/employee contributions	5th working day of month after deduction	**99**
Respond to enquiries from administering authority	10 working days from receipt of enquiry	**99**
Provide year end information required by the Suffolk pension fund, in a format agreed with the Suffolk pension fund	By 21st April following the year end	**96**
Distribute any information provided by Suffolk pension fund to scheme members/potential scheme members	Within 15 days of its receipt	**100**
Notification to Suffolk pension fund of material changes to workforce/assumption related areas	No later than 10 working days after material change/formal employer agreement on assumption related areas	**99**
Provide new/prospective members with scheme information and new joiner forms	5 working days of commencement of employment or change in contractual conditions	**100**

Fund administration

Function/Task	Performance Target	Achievement %
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

Function/Task	Performance Target	Achievement %
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)	10 working days of scheme member joining	**99**
Provide administering authority with scheme member details on appropriate form/via electronic interface	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	**99**
Ensure correct employee contribution rate is applied and arrange for reassessment of employee contribution rate in line with employer's policy	Immediately upon commencing scheme membership, reviewed as per policy	**100**
Ensure correct rate of employer contribution is applied	Immediately following confirmation from the administering authority of appropriate employer contribution rate	**100**
Ensure correct deduction of pension contributions during any period of child related leave, trade dispute or other forms of leave of absence from duty	Immediately, following receipt of election from scheme member to make the necessary pension contributions	**100**
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 the deduction of AVCs and payment over of contributions to AVC provider(s)	Commence deduction of AVCs in month following the month of election	**100**
	Pay over contributions to the AVC provider(s) by the 19th of the month following the month of election	**100**

Refund any employee contributions when employees opts out of the pension scheme before 3 months	Month following month of opt out	**100**
Function/Task	**Performance Target**	**Achievement %**
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 administering authority with details of all material changes in employee's circumstances (e.g. marital or civil partnership status), contractual changes to a scheme members hours and/or weeks via appropriate form/electronic interface	10 working days of change/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	**100**
Provide advance basic information relating to members retiring	Within 5 days of receipt of resignation/notification	**100**
Determine reason for retirement and provide notification to administering authority of retiree	Within 10 working days of notification of intention to retire	**100**
Provide final pay information for each scheme member who leaves/retire/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**

Performance on the recovery of overpayments

The main cause of overpayments within Pensions is the late notification of the death of a Pensioner. Every effort is made to recover monies not due and the below tables highlight the figures in relation to these cases.

Financial Year	Overpayments Recovered	Overpayments written off
	£	£
2012-13	23,447	3,564
2013-14	22,998	226

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).

Suffolk Pension Fund has 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, these have been amended to reflect the legislation changes from 1st April 2014, 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 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 regulations and administration changes for LGPS 2014. We continue to support our employers and are happy to meet them to help them through their current scenario and pensions administration staff visit various employers throughout the year attending workshops and meeting members. In particular the team have been to various employers providing separate sessions on the changes to LGPS 2014 both for the employer and their employees. 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 to employers were re-branded and have been issued on a monthly basis since October 2013.

Members of the Administration team 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. The Pension fund website has been promoted through Annual Benefit Statements, Employer Newsletters and in our Liaison meetings with employers and we have seen an increase in traffic using this site to obtain information.

In addition the new Pensions administration software system was implemented before the commencement of the new LGPS regulations in April. This helped ensure a smooth transition to the new regulations for the Pensions administration team.

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 determined that pension increases for the LGPS should be in line with movements in the Consumer Price Index.

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 due to permanent ill health.
- Pensions increases in line with inflation (measured by the Consumer Price Index).
- Pensions are payable from age 55, including flexible retirement.

Costs of Membership

From April 2014 there is a new contributions banding table and the rate of contributions paid will be based on actual pensionable pay rather than the full time equivalent which has previously been used.

During 2013-2014 reporting year however this was the final year of full time equivalent salary being used to calculate pension banding and the below table highlights what individuals paid. Employees paid between 5.5% and 7.5% for their contracted pensionable pay depending on what pay band they fell into.

The pay bands that applied during 2013-14 are as below:

Whole time Pay Rate is:	Contribution rate is:
Up to £13,500	5.5%
£13,701 to £16,100	5.8%
£16,101 to £20,800	5.9%
£20,801 to £34,700	6.5%
£34,701 to £46,500	6.8%
£46,501 to £87,100	7.2%
More than £87,100	7.5%

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

Internal Dispute Resolution Procedure (IDRP)

If a scheme member, pensioner or beneficiary 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.

There has been 2 IDRP complaint cases from a total 8,541 cases processed during the year.

Changes affecting Local Government Pension Scheme 2014 (LGPS 2014)

As highlighted in last year's report new regulations came into force on 1st April 2014 changing the LGPS. The key elements of the new scheme are detailed below:

- 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 changes will not affect those in receipt of a pension or have left with a deferred pension. The pension for scheme members who contributed pre-April 2014 will still be based on final salary at retirement, and current Normal Pension Age.
- The new LGPS started on 1 April 2014. Only pensionable service after this date 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 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.

Admin Management Performance

Key Performance Indicators:

Number and trend of high profile case types:

Case Type	Total Completed	Peak Period
Pension estimates - retirements and divorce	1,910	January
Pensions retirements	1,110	July
Pensions preserved benefits	2,385	June
Pensions transfers in	450	February
Pensions transfers out	330	October
Pensions deaths	430	January

Percentage completed on time against targets:

Service Level Agreement	Percentage completed within SLA
Notification of retirement benefits and payment of lump sum to be made within 10 working days of receipt of all information necessary. Payment of pension to be included in the next available monthly run.	99%
Pay death grant / balance of pension/pay within 10 working days of receipt of all necessary documentation. Pay Spouse Benefit on first available pay run.	98%
Notify beneficiary / widow / widower of documents necessary to pay death grant / balance of pension / pay within 5 working days of notification of death go ahead.	94%

Financial Performance

A review is carried out on the timings of the payment of pension 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 table below summarises the timeliness of receipts for the 2013-14 financial year:

	2013-14		
	Emp.	Contribs.	
	%	£'000	%
On Time	77	80,772	96
Up to 1 week late	13	2,642	3
Over 1 week late	10	1,205	1
Total		**84,619**	

Employers in the Fund

There are 114 active employers in the Fund and 18 employers who do not have active members but have deferred pension members and/or pensioners.

	Active	Ceased	Total
Scheduled Bodies	59	1	**60**
Resolution Bodies	25	-	**25**
Admitted Bodies	30	17	**47**
Total	**114**	**18**	**132**

A list of the active employers in the Fund as at 31 March 2014 are as follows:

Scheduled Bodies

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

Suffolk County Council
Babergh District Council
Forest Heath District Council
Ipswich Borough Council
Mid Suffolk District Council
Assoc. of Inshore Fisheries and Conservation Authorities
St. Edmundsbury Borough Council
Suffolk Coastal District Council
Suffolk Police & Crime Commissioner
Suffolk Valuation Tribunal
Waveney District Council
Kier MG Ltd

Colleges

Lowestoft 6th Form College
Lowestoft College
Suffolk New College
University Campus Suffolk
West Suffolk College

Academies

Active Learning Trust
Bungay High School
Bury St Edmunds Academy Trust
Copleston High School
Castle Manor Academy
Debenham Academy
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
Kedington Primary Academy
Kesgrave High School
Langer Primary Academy
Mildenhall College Academy
Ormiston Denes Academy
Ormiston Endeavour Academy
Ormiston Sudbury Academy
Place Farm Academy
Samuel Ward Academy
Seckford Foundation Free Schools Trust
Sir John Leman High School
St Alban's Catholic High School
St Louis Catholic Academy
St Mary's C of E Academy
Stradbroke High School
Stoke High School – Ormiston Academy
Suffolk New Academy
The Ashley School Academy Trust
The Priory School
Thomas Mills High School
Thomas Wolsey School
Westbourne Academy

Westfield Academy

Free Schools

Breckland Free School
The Churchill 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
Kessingland Parish Council
Lakenheath Parish Council
Leavenheath Parish Council
Leiston-cum-Sizewell Town Council
Martlesham Parish 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 Ltd

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
Care Quality Commission
Care UK
Caterlink – Chantry
Caterlink - Kesgrave
Churchill Contract Services
Concertus Design & Property Consultants Ltd
Flagship Housing Group Ltd
Hadleigh Market Feoffment Charity
Havebury Housing Partnership
Housing 21
Lapwing
Leading Lives
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 IPS
The Partnership in Care
The Voluntary Network
Waveney Norse

Summary of the Financial Position and Membership

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

Financial Summary	2009-10	2010-11	2011-12	2012-13	2013-14
	£'000	£'000	£'000	£'000	£'000
Contributions	93,826	94,028	90,904	88,855	90,795
	8,895	7,417	3,619	6,062	3,855
	102,721	**101,445**	**94,523**	**94,917**	**94,650**
Benefits Payable	-62,923	-68,415	-74,562	-76,415	-76,898
Other Expenditure	-6,115	-42,858	-6,276	-13,681	-5,235
	-69,038	**-111,273**	**-80,838**	**-90,096**	**-82,133**
Net additions / withdrawals(-) from dealings with members	**33,683**	**-9,828**	**13,685**	**4,821**	**12,517**
Investment Income (net of fees)	24,906	22,984	22,677	19,278	21,483
Change in Market Value of Investments	325,247	73,377	-3,539	186,986	83,753
Net Returns on Investments	**350,153**	**96,361**	**19,138**	**206,264**	**105,236**
Change in Fund during the year	**383,836**	**86,533**	**32,823**	**211,085**	**117,753**
Addition of No. 2 Pension Fund	15,505	**-**	**-**	**-**	**-**
Net Assets at 31 March	**1,436,528**	**1,523,061**	**1,555,884**	**1,766,969**	**1,884,722**

Membership Summary	2009-10	2010-11	2011-12	2012-13	2013-14
Members	19,759	18,505	17,779	18,155	18,658
Employees Pensioners	11,032	11,627	12,321	12,856	13,347
Deferred	13,861	14,593	16,040	16,651	17,629
Total	**44,652**	**44,725**	**46,140**	**47,662**	**49,634**

Investment Report

Market Review

Year to 31 March 2014

Equity markets continued to perform strongly over the 12 months to 31 March 2014. The majority of developed markets produced returns in the high teens when measured in local currency terms. However, a strong sterling which strengthened 9% against the US dollar and 17% against the Japanese Yen over the period, reduced the returns for UK investors. Overall, European equities produced the highest returns, driven by relatively good valuations and renewed optimism that a further European Sovereign debt crisis had been avoided.

Global bond markets did not fair well over the period, in contrast to the healthy returns enjoyed since the financial crisis. UK gilts and Index linked bonds delivered a negative return despite a rally late in the period. Overseas bond returns were adversely affected by the strength in sterling and fell 9% over the year in aggregate.

The early part of the year was dominated by nervousness and volatility across markets, as they adopted a "good news is bad, bad news is good" attitude. Investors feared that strong economic data would lead to the end of the central bank's asset purchase programme known as Quantitative Easing. This unconventional monetary policy, which is akin to printing money has been much enjoyed by asset markets since the financial crisis. The announcement in May by the US Federal Reserve of the gradual reduction, the so called "tapering" announcement caused a significant disturbance in asset markets and a reversal of many market trends. However, by the end of the year equity markets had recovered and a more traditional reaction to economic data had re-established itself.

Global Economy Highlights

- Policy makers in the US announced a gradual withdrawal from quantitative easing during May causing volatility across the markets. Strong US growth continued although a harsh winter detracted from growth in the last quarter of the financial year.

- Short-term interest rates were unchanged in the US and UK, in the Eurozone the European Central Bank (ECB) responded to continued low growth and inflation with further rate cuts to record lows.

- China and the Emerging markets performed relatively poorly as concerns over Chinese growth and credit quality combined with emerging market currency weakness, lead to increased risk aversion amongst investors.

- Japan implemented aggressive monetary policy aimed at ending deflation and generating economic growth. The success of this called 'Abenomics' is yet to be determined but has already lead to a sharp rise in stock prices and a significant devaluation of the Yen

- The UK's economic growth accelerated. With both the International Monetary Fund (IMF) and Office for Budgetary Responsibility (OBR) revising growth forecasts higher. The UK economy is expected to be the fastest growing economy out of the G7 countries during 2014-15. Anticipated future rate rises have increased the value of the pound further.

Equities

- The performance of smaller companies continue to outperform large companies on average. The performance of cyclical versus non cyclical sectors was mixed with no clear advantage to either category.
- The strongest sectors, relative to the 'All World' Index, were Health Care (+15.2%) and Information Technology (+13.3%); the weakest sectors were Basic Materials (-3.8%) and Consumer Staples (-2.3%).

Bonds

- Overseas bonds fell significantly over the period for UK investors as a result of the sharp appreciation of sterling.
- Corporate bonds produced small positive returns over the period contrasting with the fall seen in Gilts and Index linked bonds. However the easing of global inflationary pressure did allow bonds to rally in the last quarter of 2013-14 reversing some of the falls.

Property

- Strong capital gains across most sectors helped property deliver a healthy return, investor interest spread significantly beyond central London for the first time since start of the financial crisis.

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%

Category of investment	Col. 1	Col. 2
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%

Category of investment	Col. 1	Col. 2
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%

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

- 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 41% of the Fund at March 2014. 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 2013-14.

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.

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 September 2013.

The Fund's investments are allocated across a range of asset classes. The largest allocation is to equities which also accounts for the majority of the investment risk taken by the Fund. 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 2014 are shown below. The implementation of the strategic benchmark was expected to take place over three years as the investment managers for the new mandates call for funding when investment opportunities are available to them. The next investment strategy review will be undertaken at the Committee meeting on 27 November 2014.

Asset Allocation		
	Actual Allocation March 2014	**Long-term Strategic Benchmark**
	%	%
UK Equities	17.9	17.8
Overseas equities	34.1	27.6
Total equities	52.0	45.4
Private equity	3.6	4.6
Property	9.9	10.5
Absolute return	9.2	10.0
Distressed Debt	1.5	2.0
Infrastructure	1.7	5.0
Timber	0.3	2.0
Total Alternatives	26.2	34.1
UK Government Bonds	2.0	-
UK Corporate Bonds	11.8	11.7
UK Index-linked Gilts	4.1	4.2

Emerging market debt	2.1	2.0
Total Bonds	20.0	17.9
Cash	1.8	2.6
Total	100.0	100.0

Asset Allocation

At March 2014 the Fund had 52% of its assets in equities, 20% in bonds, 10% in property, 9% in absolute return mandates and 7% in other alternative investments with a small balance in cash.

Investment Management Arrangements

The following investment managers managed the Fund's assets at March 2014:

- AllianceBernstein Institutional Investments manage a UK equity mandate (8% of the fund);
- BlackRock Investment Management manage a UK equity mandate (10% 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 (41% of the fund at March 2013);
- M&G Investments managed a debt opportunity fund mandate (2% of the fund);
- Newton Investment Management manage a global equity mandate (14% of the fund);
- Pyrford International manage a multi-asset absolute return mandate (6% of the fund);
- Schroder Property Investment Management manage a property mandate (10% 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).

The Pension Fund Committee meeting in February 2013 agreed to terminate the Millennium mandate. The realisation of the assets in the mandate took place in May 2013.

Changes to Investment management arrangements

Following the changes to the Fund's investment strategy that the Pension Fund Committee approved during 2012-13, 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 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 2014 are shown below.

Fund Manager Allocation			
Investment Manager	**Asset class**	**Actual allocation March 2014**	**Strategic target allocation**
		%	%
Alliance Bernstein	UK equities	8.1	7.4
BlackRock	UK equities	9.5	9.1
BlueCrest	Absolute return	2.0	2.0
Brookfield	Timber	0.3	2.0(1)
Kohlberg, Kravis, Roberts (KKR)	Infrastructure	1.3	2.5(1)
Legal & General	Equities and bonds	39.4	34.0(1)
M&G Investments	Debt opportunities	1.5	2.0
Newton	Global equities	14.3	12.8
Pantheon	Private equity	1.6	2.0
Partners Group	Infrastructure	0.5	2.5(1)
Pyrford	Absolute return	5.5	6.0
Schroder	Property	10.3	10.5
Wilshire	Private equity	1.9	2.6
Winton	Absolute Return	1.8	2.0
Internal Cash	Cash	0.5	2.6
Total		100.0	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.

Investment Income

The following table shows the sources of Investment Income earned by the Fund in 2013-14:

Investment Income	**UK**	**Non-UK**	**Global**
	£'m	**£'m**	**£'m**
Equities	5.847	-	11.401
Alternatives	6.991	-	3.973
Cash & Cash Equivalent	0.168	-	-
Other	-	-	0.055
Total Income	**13.007**	**0.000**	**15.429**

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

Alternatives are taken to mean holdings in private equity, absolute returns, pooled property and infrastructure.

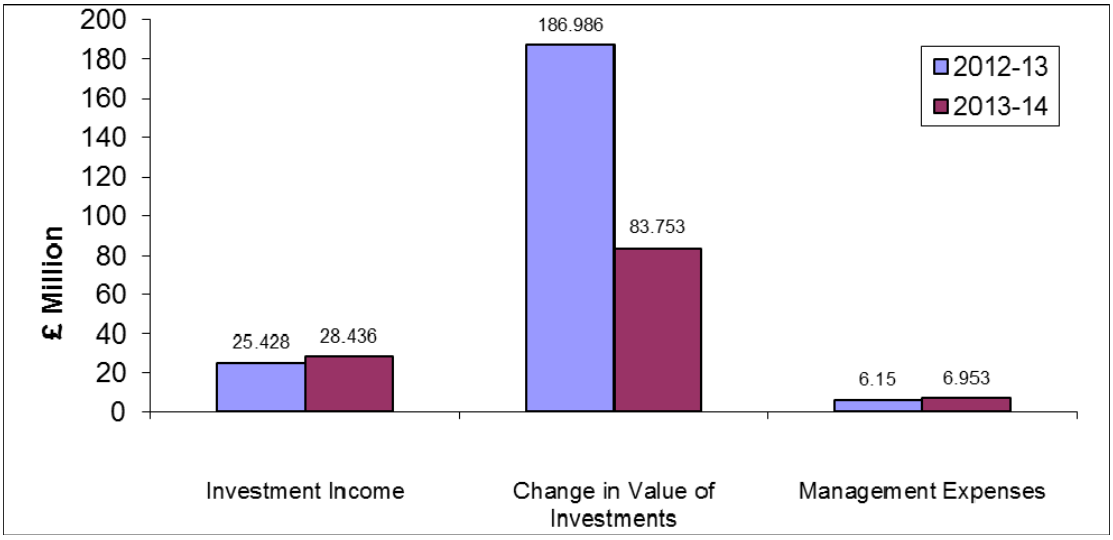
Other, denotes assets not falling into any other category such as investment vehicles where the underlying investments may comprise of assets of more than one type.

The assets used to generate this income can be analysed as follows:

Asset Classification	**UK**	**Non-UK**	**Global**
	£'m	**£'m**	**£'m**
Equities	175.723	390.182	410.763
Bonds	114.216	261.436	-
Alternatives	186.982	73.343	233.002
Cash & Cash Equivalent	24.720	-	-
Total Income	**501.641**	**724.961**	**643.765**

Investment Performance

The chart below shows the comparative investment returns between 2012-13 and 2013-14. The change in the value of the Fund's investments includes realised and unrealised gains and losses during the year.

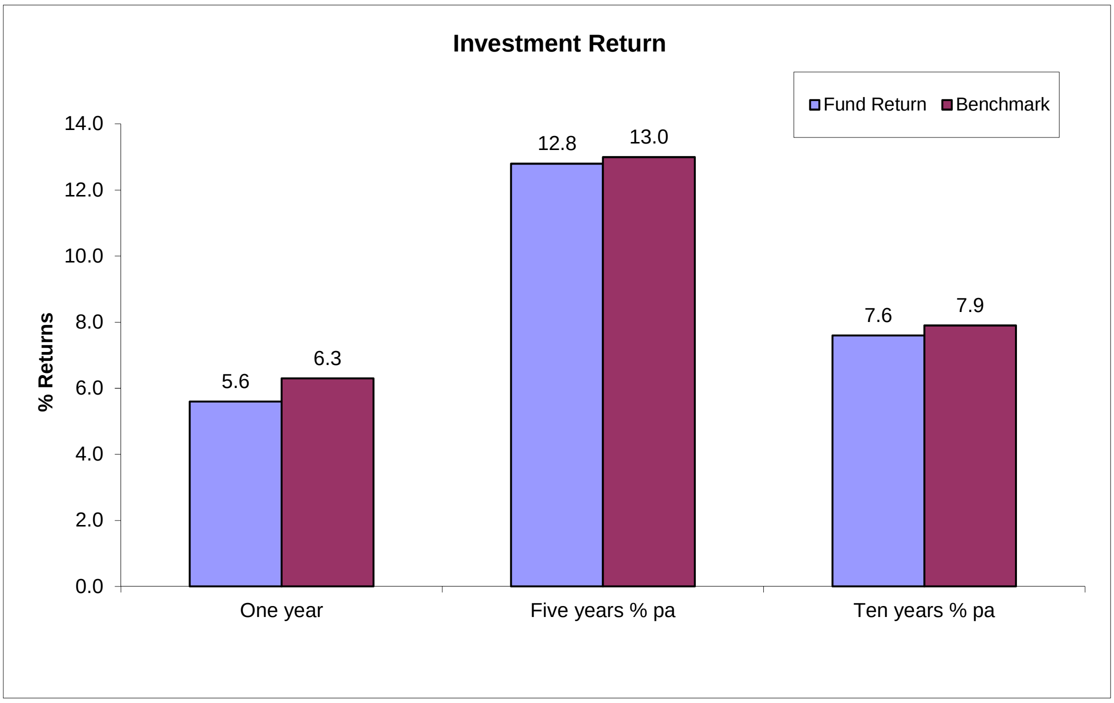


The Fund's assets increased from £1,767 million to £1,885 million during 2013-14, representing an investment return of 1.2%. The Fund's benchmark is based on the weighted average of the market index returns for the markets in which it invests. The Fund underperformed the benchmark by 1.0%.

The Fund has also, underperformed compared with its benchmark over the longer term, by 1.1% 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's investment return compared with its benchmark index over one, five and ten years is shown below:

Fund Investment returns



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 performance (year ended 31 March)										
	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
	%	%	%	%	%	%	%	%	%	%
Fund return	**11.0**	**26.2**	**8.3**	**-2.6**	**-22.2**	**32.9**	**7.2**	**1.7**	**13.1**	**5.6**
Fund benchmark	11.9	26.4	7.7	-3.6	-21.3	37.6	8.5	3.8	12.1	6.3
Relative return	-0.8	-0.2	0.5	1.0	-1.2	-3.4	-1.2	-2.0	+0.9	-0.7
WM average	**11.7**	**24.9**	**7.0**	**-2.8**	**-19.9**	**35.2**	**8.2**	**2.6**	**13.8**	**6.4**
WM ranking (percentile)	60th	26th	13th	37th	72nd	70th	74th	80th	71st	69th
Retail prices	**3.2**	**2.4**	**4.8**	**3.8**	**-0.4**	**4.4**	**5.3**	**3.6**	**3.3**	**2.5**

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

Long-term performance (annualised)				
	1 Year	3 Year	5 Year	10 Year
	%	p.a. %	p.a. %	p.a. %
Fund return	**5.6**	**7.0**	**11.9**	**7.2**
Fund benchmark	6.4	7.5	12.7	7.8
Relative return	-0.7	-0.5	-0.8	-0.6
WM local authority average	**6.4**	**7.5**	**12.7**	**7.8**
WM local authority ranking (percentile)	69th	74th	77th	71st
Retail prices	**2.5**	**3.1**	**3.8**	**3.3**

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 (69th 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.

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.

Investment Manager Performance				
Share of Fund 31 Mar 14	**Manager**	**2013-14 Relative Return**	**3 Year Relative Return**	**5 Year Relative Return**
%		**%**	**% p.a.**	**% p.a.**
8	Alliance Bernstein	+3.9	+0.3	-1.6
9	BlackRock	+0.9	-0.2	+0.6
43	Legal & General	-0.4	-0.4	-0.2
14	Newton	-0.2	+0.8	-1.1
9	Schroders	+0.9	+0.4	-0.4

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 M&G, Brookfield and Winton) do not yet have a sufficient track record to report meaningful performance numbers.

The majority of the Fund's investment managers outperformed in 2013-14, with AllianceBernstein 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, AllianceBernstein, Schroders and Newton achieved a modest level of outperformance, whilst 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 and Newton over the five year period. The Pension Fund Committee 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 2014

Holdings	Pooled Investment Vehicles Market Value	Segregated Holdings Market Value	Total Market Value	% of Market
	£'000	£'000	£'000	%
Bonds				
Fixed Interest UK Securities - Gilts	37,920		37,920	2.0
Index Linked Gilts	76,296		76,296	4.1
Overseas Fixed Interest Securities	39,158		39,158	2.1
Corporate Bonds	222,278		222,278	11.9
Total Bonds	**375,652**		**375,652**	**20.1**
UK Equities				
Basic Materials		22,908	22,908	1.2
Consumer Goods		48,765	48,765	2.6
Consumer Services		42,854	42,854	2.3
Financials		72,663	72,663	3.9
Health Care		27,446	27,446	1.5
Industrials		32,076	32,076	1.7
Oil and Gas		41,849	41,849	2.2
Technology		4,276	4,276	0.2
Telecommunications		21,934	21,934	1.2
Utilities		9,493	9,493	0.5
Pooled	12,418		12,418	0.7
Total UK Equities	**12,418**	**324,264**	**336,682**	**18.0**
Overseas Equities				
Europe	127,614	68,793	196,407	10.5
North America	125,589	136,260	261,849	14.0
Japan	35,080	22,308	57,388	3.1
Other Asia	47,765	17,662	65,427	3.5
Other International	54,134	4,781	58,915	3.1
Total Overseas Equities	**390,182**	**249,804**	**639,886**	**34.2**
Absolute Return	172,217		172,217	**9.2**
Private Equity	67,358		67,358	**3.6**
Infrastructure	32,042		32,042	**1.7**
Money Market Investments	20,698		20,698	**1.1**
Debt Opportunity	28,637		28,637	**1.5**
Timberlands	6,091		6.091	**0.3**
Cash held by Investment Manager		4,022	4,022	**0.1**
Property Unit Trusts	186,982		186,982	**10.0**
Total	**1,292,277**	**578,090**	**1,870,367**	**100.0**

ACTUARIAL STATEMENT FOR 2013-14

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 2013/14.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated February 2014. In summary, the key funding principles are as follows:

1. to ensure the long-term solvency of the Fund using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
2. to ensure that employer contribution rates are reasonably stable where appropriate;
3. to minimise the long-term cash contributions which employers need to pay to the Fund by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return;
4. to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
5. 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.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised 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 around a 75% 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 2013. This valuation revealed that the Fund's assets, which at 31 March 2013 were valued at £1,767 million, were sufficient to meet 79% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2013 valuation was £468 million.

Individual employers' contributions for the period 1 April 2014 to 31 March 2017 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the valuation report dated 26 March 2014.

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 2013 valuation were as follows:

Financial assumptions	31 March 2013	
	% p.a. Nominal	% p.a. Real
Discount rate	4.60%	2.10%
Pay increases	4.30%	1.80%
Price inflation/Pension increases	2.50%	-

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI_2010 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	22.4 years	24.4 years
Future Pensioners*	24.3 years	26.9 years

*Currently aged 45

Copies of the 2013 valuation report and Funding Strategy Statement are available on request from Suffolk County Council, the Administering Authority to the Fund.

Experience over the period since April 2013

Experience has been slightly better than expected since the last valuation (excluding the effect of any membership movements). Real bond yields have risen and asset returns have been slightly higher than expected meaning that funding levels are likely to have improved since the 2013 valuation.

The next actuarial valuation will be carried out as at 31 March 2016. The Funding Strategy Statement will also be reviewed at that time.

Stuart Reilly

Stuart Reilly FFA
Fellow of the Institute and Faculty of Actuaries
For and on behalf of Hymans Robertson LLP
25 November 2014

Pension Fund Accounts

Fund Account

2012 - 2013 £ million	Fund Account	Notes	2013 - 2014 £ million
	Dealings with members, employers and others directly involved in the scheme		
	Contributions and benefits		
	Contributions receivable:		
	From employers		
61.068	Normal	7	62.593
6.456	Deficit funding	7	7.068
2.924	Other	7	2.334
	From members		
18.407	Normal	7	18.800
	Transfers In		
6.045	Individual transfers in from other schemes		3.845
0.017	Other Income		0.010
	Benefits payable:		
-60.245	Pensions	7	-63.099
-15.350	Commutations of pensions and lump sum retirement benefits	7	-12.334
-0.820	Lump sum death benefits	7	-1.465
	Payments to and on account of leavers:		
-0.006	Refunds of Contributions		-0.018
-3.986	Individual transfers out to other schemes		-3.523
-8.176	Group Transfers out to other Schemes		0.000
-1.513	Administration expenses borne by the scheme	8	-1.694
4.821	**Net additions (withdrawals) from dealings with members**		**12.517**
	Returns on investments		
	Investment income		
0.384	Interest from fixed interest securities		0.000
19.394	Dividends from equities		17.381
5.489	Income from pooled investment vehicles - Property		7.096
0.043	Income from Other Managed Funds		4.036
0.000	Income from Unit Trusts		0.043
0.051	Interest on Cash Deposits		0.105
0.481	Other		0.055
-0.413	Taxes on Income		-0.280
186.986	Change in market value of investments:		79.255
0.000	Impairment of Investments		4.498
-6.150	Investment management expenses borne by the scheme	9	-6.953
206.264	**Net returns on investments**		**105.236**
211.085	Net increase, or (decrease), in the fund during the year		117.753
1,555.884	Opening net assets of the scheme		1,766.969
1,766.969	**Closing net assets of the scheme**		**1,884.722**

Net Asset Statement

31 March 2013 £ million			Notes	31 March 2014 £ million
		Net asset statement		
		Investment assets		
		Equities:		
297.881		UK companies	11,12	324.264
239.164		Overseas companies	11,12	249.804
		Pooled Investment Vehicles		
9.232		Unit trusts	11,12	12.418
745.060		Unit linked insurance policies	11,12	765.834
155.589		Property unit trust	11,12	186.982
305.304		Other Managed Funds	11,12	327.043
		Other Investment Balance		
1.114		Cash [held by the investment managers]	11	4.022
0.751		Forward Foreign Exchange Contracts	11, 14	0.000
1,754.095		**Total investments**		**1,870.367**
		Current assets		
6.964		Debtors	19	8.265
10.377		Cash Deposits	16	9.437
0.164		Cash at Bank	16	0.041
17.505				**17.743**
		Current liabilities		
-4.631		Creditors	20	-3.388
-4.631				**-3.388**
12.874		**Net current assets**		**14.355**
1,766.969		**Net assets**		**1,884.722**

Pension Fund Accounts

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 114 employer organisations with active members within the Scheme, an increase of 13 from 2012 - 2013. 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 2013		31 March 2014
	Number of Employees in the Scheme	
9,640	County Council	9,537
8,515	Other Employers	9,121
18,155	**Total**	**18,658**
	Number of Pensioners	
7,305	County Council	7,589
5,551	Other Employers	5,758
12,856	**Total**	**13,347**
	Number of Deferred Pensioners	
11,065	County Council	11,668
5,586	Other Employers	5,961
16,651	**Total**	**17,629**

LGPS 2014

The LGPS has recently undergone a major change and the new scheme, LGPS 2014 applies to all service that builds up on and after 1st April 2014. The major changes are as follows:

- Career Average Revalued Earnings (CARE) to be used in the calculation of pension benefits, replacing final salary calculations.
- The revaluation rate will be based on the Consumer Price Index (CPI) as opposed to being based on final salary.
- Pensionable pay will include overtime and additional hours worked.
- There is flexibility in contributions paid, enabling members to pay half their employee contribution rate in return for half of the pension benefit.
- The vesting period, the window of service when members can get a refund on their contributions if they leave the scheme instead of having a small deferred pension in the scheme until retirement has increased from 3 months to 2 years.

LGPS for Councillors

In December 2012 the Government announced its intention to abolish tax payer funded pensions for councillors. From 1 April 2014, Councillors are no longer eligible to join the pension scheme. Any councillor who is in the scheme as a result of joining before 1st April 2014 will cease to be a member at the end of the current term of office that they are serving.

Pension Fund Custodian

The custodian for the Pension Fund is currently State Street Bank. In March 2014 , using the National LGPS Framework for Global Custody Services, HSBC Bank has been appointed as custodian to the Pension Fund from 1 October 2014.

2. Events after the Balance Sheet Date

There has been no event between 31 March 2014 and the date when these accounts were authorised that requires any adjustments to these accounts.

3. Basis of Preparation of Pension Fund Accounts

The Statement of Accounts summarises the Fund's transactions for the 2013 - 2014 financial year and its position as at 31 March 2014.

These accounts have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2013 - 2014', 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 18 of these accounts.

4. 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.

4.1 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' deficit reduction 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.

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

Investment Income
Investment income may include withholding tax which is disclosed as a separate item (taxes on income) on the face of the Fund Account.

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 a realised or unrealised, gain or loss, during the year.

4.2 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 costs 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 and performance fees are agreed in the respective mandates governing their appointment.

Custodian fees and the cost of obtaining investment advice from external advisers are included in investment management expenses.

4.3 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 has been determined as follows:

Market Quoted Investments
Managed Funds are valued by the bid market price on 31 March 2014.

Unquoted Investments
Unquoted Securities include Pooled Investments in Property, Infrastructure, Debt Opportunities, Private Equity and Timberland. The fair value of investments for which market quotations are not readily available are 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 2014.

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 2014.

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

Derivative contract assets are valued at bid price and liabilities are valued at offer price. Changes in the fair value are included in change in market value.

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

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 24.

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. See Note 25.

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 21).

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 18).

Accounting Standards Issued, Not Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2013 – 2014 has introduced some changes in accounting policy which will be required from 1 April 2014. The changes to IAS 1 Presentation of Financial Statements and IAS 32 Financial Instruments, as amended in 2011, will not have a material impact on the financial statements of the Pension Fund.

5. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 4, 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 as at 31 March 2014 was £67.358 million (£72.797 million at 31 March 2013).

Infrastructure, Debt Opportunity and Timberlands

In addition to Private Equity, the Pension Fund also has holdings in Unquoted Infrastructure of £32.042 million (£16.504 million at 31 March 2013) and Debt Opportunity of £28.637 million (£6.191 at 31 March 2013). The Timberlands holding is £6.091 million, there was no holding in this investment in 2012 - 2013. These holdings are valued by the investment manager using a probable realisation value and are based on judgement incorporating a high degree of estimation.

Pension Fund Actuarial Liability

The Pension Fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 17. This estimate is subject to significant variances based on changes to the underlying assumptions.

6. 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 £67.358 million at 31 March 2014. 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 2014 are £32.042 million and £28.637 million respectively. There is a risk that these investments may be under or overstated in the accounts.

Timberlands

Timberlands is a limited liability partnership investment in large scale high quality timber assets. The fair value is determined on at least an annual basis with a valuation review performed on a quarterly basis to assess whether there is evidence of a significant change in the investment fundamentals that warrant a change in the fair value. The manager may utilise independent valuations to confirm the reasonableness of internally prepared valuations.

Fair values for Timberlands will be based on comparable purchase and sale transactions, or other accepted valuation techniques that include the discounted cash flow and multiple of earnings approach. Separate appraisals for timber are obtained from independent qualified appraisers at least once every three years or more frequently as required.

The Timberlands investment at 31 March 2014 is £6.091 million. There is a risk that this investment may be under or overstated in the accounts.

7. Contributions Received and Benefits Paid during the Year

2012 - 2013				2013 - 2014		
Employers' Contributions £ million	**Employees' Contributions £ million**	**Benefits Paid £ million**		**Employers' Contributions £ million**	**Employees' Contributions £ million**	**Benefits Paid £ million**
34.672	9.508	-38.694	Suffolk County Council	32.465	9.046	-36.712
31.403	7.752	-35.418	Other Scheduled and Resolution Bodies	32.948	8.030	-36.913
4.373	1.147	-2.303	Admitted Bodies	6.582	1.724	-3.273
70.448	**18.407**	**-76.415**	**Total**	**71.995**	**18.800**	**-76.898**

Included within employer contributions of £71.995 million shown in the Fund Account, is an amount for deficit funding of £11.897 million paid within the employers percentage (£12.035 million in 2012 - 2013). The deficit funding identified separately on the Fund Account of £7.068 million (2012 - 2013 £6.456 million) refers to those employers funding 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 contribution reduction or if there is a deficit there may be a contribution addition, with the surplus or deficit spread over an appropriate period.

The Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the next three year period. 2013 - 2014 was the last year in the three year period following the March 2010 valuation for the contribution rates set by the actuary to reflect (a) and (b) above.

A full list of employers at 31 March 2014 and their contribution rates is in the Funding Strategy Statement available on the Suffolk County Council Pension Fund website at www.suffolkpensionfund.org.

8. Administration Expenses

2012 - 2013 £ million		2013 - 2014 £ million
1.227	Suffolk County Council Administration Costs	1.258
0.117	Actuarial Fees	0.159
0.025	External Audit Fees	0.019
0.003	Internal Audit Fees	0.003
0.041	External Legal Fees	0.000
0.003	Internal Legal Fees	0.001
0.097	Other	0.254
1.513		**1.694**

The other costs include £0.176 million (£0.056 million, 2012 - 2013) incurred for ongoing costs for the old pensions administration system and development costs and implementation fees incurred for the new pensions administration system.

9. Investment Management Expenses

2012 - 2013		2013 - 2014
£ million		£ million
5.934	Investment Management Expenses	6.755
0.069	Custodian Fees	0.052
0.090	Investment Advice	0.086
0.057	Performance Management Fees	0.059
6.150		**6.953**

Investment management expenses include the management fees and performance fees charged directly to the Pension Fund and indirect management fees and performance fees charged against the Net Asset Value in Pooled Fund investments. The amount of indirect management fees included in 2013 - 2014 investment management expenses is £4.106 million, (£3.025 million in 2012 – 2013).

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

31 March 2013			31 March 2014	
Market Value	Percentage of Assets		Market Value	Percentage of Assets
£ million	%		£ million	%
135.451	7.73%	AllianceBernstein Institutional Investments	152.991	**8.20%**
165.542	9.44%	BlackRock Investment Management	178.890	**9.59%**
32.927	1.88%	Bluecrest	33.514	**1.80%**
0.000	0.00%	Brookfield	6.091	**0.33%**
0.064	0.00%	Cambridge Research & Innovation Limited	0.106	**0.01%**
12.254	0.70%	Kohlberg Kravis Roberts	25.889	**1.39%**
745.060	42.51%	Legal and General Investment Management	765.834	**41.03%**
6.191	0.35%	M&G Investments	28.637	**1.53%**
36.033	2.06%	Millennium Global Investments	0.000	**0.00%**
253.106	14.44%	Newton Investment Management	269.069	**14.41%**
31.784	1.81%	Pantheon Ventures	30.859	**1.65%**
4.251	0.24%	Partners Group	6.153	**0.33%**
99.986	5.70%	Pyrford	104.166	**5.58%**
156.042	8.90%	Schroder Property Investment Management	193.215	**10.35%**
40.948	2.34%	Wilshire Associates	36.394	**1.95%**
33.342	1.90%	Winton	34.537	**1.85%**
1,752.981	**100.00%**		**1,866.345**	**100.00%**

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.

The Timberlands mandate held with Brookfield called its first investment in this financial year. The Millennium Global Investment mandate was terminated in February 2013 with the funds liquidised in May 2013.

11. Reconciliation of Movements in Investments and Derivatives

	Opening Market Value 01-Apr-13 £ million	Purchases £ million	Sales £ million	Change in Market Value £ million	Closing Market Value 31-Mar-14 £ million
Quoted					
UK Companies	297.882	200.645	-187.593	13.330	324.264
Overseas Companies	239.164	75.489	-80.973	16.124	249.804
Derivatives - Forward Foreign Exchange contracts	0.752	190.416	-190.416	-0.752	0.000
Pooled Investment Vehicles:					
Other Managed Funds	209.811	239.212	-254.845	-1.263	192.915
Unit trusts	9.232	0.863	-0.059	2.382	12.418
Unit linked insurance policies	745.059	30.622	-35.622	25.775	765.834
Unquoted					
Pooled Investment Vehicles:					
Other Managed Funds	95.493	49.479	-15.830	4.986	134.128
Property	155.589	24.447	-7.571	14.517	186.982
Total of Investments	**1,752.982**	**811.173**	**-772.909**	**75.099**	**1,866.345**

	Opening Market Value 01-Apr-13 £ million	Movement in Cash Balance £ million	Impairment of Investments £ million	Change in Market Value £ million	Closing Market Value 31-Mar-14 £ million
Other Investment Balances:					
Cash held by investment managers	1.114	-1.640	4.499	0.049	4.022
Net Investments	**1.114**	**-1.640**	**4.499**	**0.049**	**4.022**

The change in market value of £183.876 million (£183.586 million plus £0.290 million) 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 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.

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

The Purchase and Sales figures have been restated to include the transaction costs which the figures were previously adjusted by to show the transaction costs in the table, this has no impact on the figures in the accounts because it was an adjusting item only. The transaction costs amounted to £0.588 million in 2012 – 2013.

	Opening Market Value 01 April 2012 £ million	Restated Purchases £ million	Restated Sales £ million	Change in Market Value £ million	Closing Market Value 31 March 2013 £ million
Quoted					
UK Government Fixed Interest Securities	23.053	107.902	-133.475	2.520	0.000
Overseas Fixed Interest	0.000	1.307	-1.332	0.025	0.000
UK Companies	330.882	357.596	-421.303	30.706	297.881
Overseas Companies	376.191	336.205	-511.409	38.177	239.164
Overseas Treasury Exchange Traded Futures	-4.457	262.952	-259.250	0.753	0.000
Derivatives - Forward Foreign Exchange contracts	-0.086	636.976	-636.977	0.838	0.751
Pooled Investment Vehicles:					
Other Managed Funds	136.297	321.241	-261.652	13.925	209.811
Unit trusts	11.144	0.000	-3.476	1.564	9.232
Unit linked insurance policies	443.687	376.931	-160.607	85.049	745.060
Unquoted					
Pooled Investment Vehicles:					
Other Managed Funds	72.308	19.396	-9.157	12.946	95.493
Property	147.500	31.374	-20.368	-2.917	155.589
Total of Investments	**1,536.519**	**2,451.880**	**-2,419.006**	**183.586**	**1,752.981**

	Opening Market Value 01 April 2012 £ million	Movement in Cash Balance £ million	Impairment of Investments £ million	Change in Market Value £ million	Closing Market Value 31 March 2013 £ million
Other Investment Balances:					
Margin Variation	0.049	0.000	0.000	-0.049	0.000
Cash Backing Open Futures	4.457	-4.591	0.000	0.134	0.000
Cash Held by the Broker for Future Contracts	0.026	0.014	0.000	-0.040	0.000
Cash Held by the investment managers	6.307	-5.438	0.000	0.245	1.114
Net Investments	**10.839**	**-10.015**	**0.000**	**0.290**	**1.114**

The change in market value of £75.149 million (£75.100 million plus £0.049 million) is £4.106 million lower than the change in market value on the Fund Account of £79.255 million. The difference is caused by indirect management fees of £4.106 million.

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

Transaction costs, such as commissions, stamp duty and other transaction fees are included in the cost of purchases and sale proceeds. Transaction costs incurred during the year total £0.466 million (£0.588 million in 2012 - 2013).

12. Analysis of Investments (excluding Derivatives)

Market Value 31 March 2013			Market Value 31 March 2014	
£ million	£ million		£ million	£ million
		Equities		
	297.881	UK Companies		324.264
	239.164	Overseas Companies		249.804
		Pooled Investment Vehicles - Quoted		
	9.232	Unit Trusts		12.418
	745.060	Unit Linked Insurance Policies		765.834
		Other Managed Funds		
36.009		Active Currency	0.000	
166.255		Absolute Returns	172.217	
7.547		Money Market Funds	20.698	
209.811		Total Quoted Other managed Funds	192.915	
		Pooled Investment Vehicles - Unquoted		
		Other Managed Funds		
6.191		Debt Opportunity	28.637	
16.504		Infrastructure	32.042	
72.797		Private Equity	67.358	
0.000		Timberlands	6.091	
95.492		Total Unquoted Other Managed Funds	134.128	
	305.303	Total Other Managed Funds		327.043
	155.589	Property		186.982
	1,752.229	**Total**		**1,866.345**

The table above breaks down the Pooled Investment Vehicles and further analyses the Other Managed Funds. These investments are either quoted (they are traded on an exchange and have a visible market valuation) or unquoted (stocks that are not traded on an exchange and are difficult to value).

13. 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 2013	Percentage of the Fund at 31 March 2013	Asset Type	Manager	Market Value 31 March 2014	Percentage of the Fund at 31 March 2014
£ million				£ million	
212.188	12.02%	Corporate Bond Index	Legal and General	222.728	11.82%
118.208	6.70%	European Equity Index Hedged	Legal and General	127.614	6.79%
125.877	7.13%	North American Index	Legal and General	125.589	6.68%
99.986	5.67%	Pyrford Global Total Return Mutual Fund	Pyrford	104.166	5.54%

The table below summarises the 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 2013 - 2014.

Market Value of Asset Class 31 March 2013	Market Value of Securities 31 March 2013	Percentage of the Asset Class 31 March 2013	Holdings by Asset Type	Market Value of Asset Class 31 March 2014	Market Value of Securities 31 March 2014	Percentage of the Asset Class 31 March 2014
£ million	£ million	%		£ million	£ million	%
			UK Equities			
	19.496	6.54%	Royal Dutch Shell PLC		22.673	6.99%
	20.018	6.72%	British American Tobacco		22.276	6.87%
	16.273	5.46%	Vodafone Group PLC		18.380	5.67%
	N/A	N/A	GlaxoSmithKline		18.185	5.61%
	22.570	7.58%	HSBC Holdings PLC		17.139	5.29%
	16.204	5.44%	BP PLC		N/A	N/A
297.881	**94.561**	**31.74%**		**324.264**	**98.653**	**30.43%**
			Pooled Investment - Unit Trusts			
	9.232	100.00%	BlackRock Fd Mgrs Bief UK Smaller Co Fund		12.418	100.00%
9.232	**9.232**	**100.00%**		**12.418**	**12.418**	**100.00%**
			Pooled Investment - Unit Linked Insurance			
	212.188	28.48%	L&G Investment Grade Corporate Bond		222.278	29.02%
	118.208	15.87%	L&G European Equity Index Hedged		127.614	16.66%
	125.877	16.89%	North America Equity Index GBP Hedged		125.589	16.40%
	74.845	10.05%	L&G Over 5 Year Linked Gilts Index		76.296	9.96%
	56.742	7.62%	L&G Global Emerging Markets Index		54.134	7.07%
	47.021	6.31%	L&G Asia Pacific Basin Equity Index Hedged		47.765	6.24%
	N/A	N/A	L&G Emerging Markets Passive Govt Bond		39.158	5.11%
745.060	**634.881**	**85.22%**		**765.834**	**692.834**	**90.46%**
			Property Unit Trust			
	13.293	8.54%	BlackRock Asset Management Ltd		21.904	11.71%
	15.363	9.87%	Schroder UK Property Fund		19.847	10.61%
	14.366	9.23%	Standard Life Assurance		18.709	10.01%
	12.829	8.25%	Legal and General Managed Property		14.332	7.66%
	12.380	7.96%	Lothbury Prop Property Fund		13.366	7.15%
	8.859	5.69%	Real Income Fund A Units		12.931	6.92%
	11.618	7.47%	Hermes Property Unit Trust		12.556	6.72%
	9.330	6.00%	Mayfair Capital Property Units		11.860	6.34%
	N/A	N/A	West End of London Property		9.614	5.14%
155.589	**98.038**	**63.01%**		**186.982**	**135.119**	**72.26%**
			Other Managed Funds			
	99.986	32.75%	Pyrford Global Total Return Mutual Fund		104.166	31.85%
	40.948	13.42%	Wilshire		36.394	11.13%
	33.342	10.92%	Winton Futures Fund Class D Mutual Fund		34.537	10.56%
	32.927	10.78%	AllBlue Limited		33.514	10.25%
	31.784	10.41%	Pantheon		30.859	9.44%
	N/A	N/A	M&G Debt Opportunities		28.637	8.76%
	N/A	N/A	KKR		25.889	7.92%
	N/A	N/A	SSGA Liquidity money market		17.531	5.36%
	31.779	10.41%	Alpha Fund Limited Class A GBP Shares Series 1		N/A	N/A
305.304	**270.766**	**88.69%**		**327.043**	**311.527**	**95.27%**
			Securities/Asset types with no holdings over 5%			
239.164	0.000	0.00%	Overseas Companies	249.804	0.000	0.00%
1.114	0.000	0.00%	Cash [held by the Investment Managers]	4.022	0.000	0.00%
0.751	0.000	0.00%	Forward Foreign Exchange	N/A	N/A	N/A
241.029	**0.000**	**0.00%**		**253.826**	**0.000**	**0.00%**
1,754.095	**1,107.478**	**63.14%**	**Total**	**1,870.367**	**1,250.551**	**66.86%**

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

14. Analysis of Derivatives

31 March 2013 Economic Exposure Value £ million	Type of Derivative	Expiration	31 March 2014 Economic Exposure Value £ million
37.875	Forward foreign exchange contracts (over the counter)	Less than 1 Year	0.000

Most of the holding in derivatives is to hedge liabilities or hedge exposure to reduce risk in the Pension 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 Pension 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 Pension 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, £765.834 million, (2012 - 2013 £745.060 million) are invested in its own index pooled funds, of this £154.688 million is invested in currency hedged funds (£146.729 million as at 31 March 2013). The pooled funds are one step removed from direct ownership of the assets.
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		
Up to six months	EUR	3.253	USD	4.276		-0.198
	JPY	881.634	USD	9.425		-0.096
	USD	10.534	JPY	881.634	0.381	-0.016
	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**

There are no Open Forward Currency contracts as at 31 March 2014.

15a. 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).

31 March 2013				31 March 2014		
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			
537.045			Equities	574.068		
9.232			Pooled Investments - Unit Trusts	12.418		
745.060			Pooled Investments - Unit Linked Insurance	765.834		
155.589			Pooled Investments - Property	186.982		
305.304			Pooled Investments - Other Managed Funds	327.043		
1.865			Other Investment Balances	4.022		
	3.571		Debtors		4.227	
	10.541		Cash		9.478	
1,754.095	14.112	0.000		1,870.367	13.705	0.000
			Financial Liabilities			
		-2.842	Creditors			-1.051
0.000	0.000	-2.842		0.000	0.000	-1.051
1,754.095	**14.112**	**-2.842**		**1,870.367**	**13.705**	**-1.051**

The debtor figure of £4.227 million above (£3.571 million at 31 March 2013) excludes statutory debtors of £4.038 million (£3.393 million at 31 March 2013).

The creditor figure of £1.051 million above (£2.842 million at 31 March 2013) excludes statutory creditors of £2.337 million (£1.789 million at 31 March 2013).

No financial assets were reclassified during the accounting period.

15b. Net Gains and Losses on Financial Instruments

31 March 2013		31 March 2014
£ million	**Financial Assets**	**£ million**
181.994	Fair Value through Profit and Loss	75.099
0.290	Loans and Receivables	0.049
	Financial Liabilities	
1.592	Fair Value through Profit and Loss	0.000
183.876	**Total**	**75.148**

15c. Fair Value of Financial Instruments and Liabilities

The carrying values of financial assets and liabilities are all carried at fair value.

15d. Valuation of Financial Instruments Carried at Fair Value

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

Level 1

Financial instruments at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical asset or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Listed investments are shown at bid price. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

These instruments would include unquoted investments such as private equity, infrastructure, debt opportunity and timberlands, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

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

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**

Values at 31 March 2014	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	1,624.813	0.000	241.532	1,866.345
Loans and Receivables	17.727	0.000	0.000	17.727
Total Financial Assets	**1,642.540**	**0.000**	**241.532**	**1,884.072**
Financial Liabilities				
Financial Liabilites at Amortised Cost	-1.051	0.000	0.000	-1.051
Total Financial Assets	**-1.051**	**0.000**	**0.000**	**-1.051**
Net Financial Assets	**1,641.489**	**0.000**	**241.532**	**1,883.021**

16. Nature and Extent of Risks Arising from Financial Instruments

The fund's primary long term risk is that the fund's assets will fall short of its liabilities of benefits payable to members. The aim therefore, of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole fund portfolio.

This risk is minimised through asset diversification to reduce exposure to market risk of and credit risk to an acceptable level. The liquidity risk is managed by ensuring there is sufficient liquidity to meet the fund's forecast cash flows, which forms part of the Pension Fund's overall risk management policy.

Responsibility for the fund's risk management strategy rests with the Pension Fund Committee. Risk management policies are established to identify and analyse the risks and are reviewed regularly to reflect changes in activity and market conditions.

The key risks that have been identified are:

A. Credit risk
B. Liquidity risk
C. Market risk
D. Interest Rate Risk

E. Currency Risk
F. Price Risk
G. Custody
H. Investment Management
I. Sensitivity of Funding position to market conditions and investment performance

A. Credit risk

Credit risk, is the risk that one party to a financial instrument will cause a financial loss to another party by failing to meet its obligations.

The Fund is exposed to credit risk in its operational activities through securities lending, forward currency contracts and treasury management activities. Commercial credit risk also arises with those organisations that pay monies over to the Fund (debtors) as part of the administration function, principally contributions from employers and transfers in from other registered pension schemes.

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 2014 is provided in Note 19.

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 23.

Forward currency contracts are undertaken 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 Services Authority (FSA) regulated and meet the requirements of the LGPS investment regulations. Further details of forward foreign exchange contracts are provided in Note 14.

The Fund's bank account is held with Lloyds Bank, 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 of 'F1' with Fitch as at March 2014.

Pension Fund cash that is held pending its allocation to the Fund's investment managers is held with Lloyds Bank and also placed with institutions on the Pension Fund Committee's approved counter-party list. The management of cash was 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 MR1+' rating. The Fund has had no occasion of 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 2014, £9.478 million was with Lloyds Bank (£10.541 million at March 2013). Cash held within the custody system amounted to £17.531 million at 31 March 2014 (£5.106 million at March 2013) and Blackrock held £3.167 million in their money market fund, (£2.441 million at March 2013).

B. Liquidity risk

Liquidity risk is the risk that the Fund will have insufficient liquid assets (cash) to meet its investment or benefit obligations as they fall due. The Pension Fund takes steps to ensure it has adequate cash resources to meet its commitments.

The Pension Fund holds sufficient working capital to ensure that it has cash available to meet benefit and transfer payments and cash drawdown requirements in respect of certain investment transactions. Within mandates it is the responsibility of the individual managers to ensure that they have sufficient funds available to meet the transactions they enter into on behalf of the Fund. These responsibilities are detailed within the investment management agreements. At an investment level a large proportion of the Fund's investments are held in instruments that can be realised at short notice if a cash flow need arose. Certain investments, particularly property, private equity and infrastructure funds are considerably less liquid but these make up a far smaller proportion of the overall portfolio, £327.343 million, 18% (£251.535 million, 14% at March 2013).

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 investment advisers Hymans Robertson LLP and independent investment advisor 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 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 2013		31 March 2014
£ million		£ million
10.541	Cash held for Depo	9.478
8.661	Cash and Cash Ec	24.720
19.202	**Total**	**34.198**

The Pension Fund recognises that interest rates can vary and can affect both income to the fund and the value of the net assets. A 100 basis point (BPS) movement in interest rates (equivalent to 1%), is consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

The analysis below, assumes that all other variables remain constant and shows the effect in the year of a +/- 100 BPS change in interest rates on the cash available to pay benefits.

	Value as at 31 March 2013	Change + 100 BP's	Change - 100 BP's
Asset Type	**£ million**	**£ million**	**£ 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**

	Value as at 31 March 2014	Change + 100 BP's	Change - 100 BP's
Asset Type	**£ million**	**£ million**	**£ million**
Cash held for Deposit	9.478	0.095	-0.095
Cash and Cash Equivalent	24.720	0.247	-0.247
Total Assets	**34.198**	**0.342**	**-0.342**

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 partly by investment in the currency-hedged Funds managed by its index-tracking manager, Legal & General Investment Management.

The foreign exchange rate movement exposure is as follows:

Asset Type	Value as at 31 March 2013 £ million	Change %	Value on Increase £ million	Value on Decrease £ million
Overseas Equities	239.164	3.40%	247.296	231.032
Overseas Index Linked	384.488	2.60%	394.485	374.491
Total overseas assets	**623.652**		**641.781**	**605.523**

Asset Type	Value as at 31 March 2014 £ million	Change %	Value on Increase £ million	Value on Decrease £ million
Overseas Equities	249.804	3.03%	257.373	242.235
Overseas Index Linked	429.338	2.97%	442.089	416.587
Total overseas assets	**679.142**		**699.462**	**658.822**

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 2013 £ million	Change %	Value on Increase £ million	Value on Deccrease £ million
UK Equities	297.881	14.40	340.777	254.987
Overseas Equities	239.164	12.60	269.299	209.030
Index Linked	745.060	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**		**1,914.115**	**1,594.076**

Asset Type	Value as at 31 March 2014 £ million	Change %	Value on Increase £ million	Value on Deccrease £ million
UK Equities	324.264	13.28	367.326	281.202
Overseas Equities	249.804	11.90	279.531	220.077
Index Linked	765.834	8.87	833.763	697.905
Cash	4.022	0.02	4.023	4.021
Property	186.982	2.06	190.834	183.130
Alternatives	339.461	5.01	356.468	322.454
Total Assets	**1,870.367**		**2,031.945**	**1,708.789**

G. Custody

State Street Bank and Trust is the 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. 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 relationship. All appointments meet the requirements set out in the LGPS investment regulations. Managers' report performance on a quarterly basis and this is monitored and reported to 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 members of the Pension Fund Committee, officers and the independent financial adviser Mark Stevens.

I. Sensitivity of Funding position to market conditions and investment performance

When preparing the formal valuation the actuary takes the assets of the Fund at the market value on the valuation date. Volatility in investment performance as a result of market risk factors can have an immediate effect on the funding level and deficit. This is particularly relevant because the Fund has invested predominantly in riskier (and historically higher return) assets such as equities and equity-like investments. 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 out performance of the Fund's investments over gilts could be assumed.

The sensitivity matrix table below has been prepared by the actuary and shows how the funding level (top) and deficit (bottom) would vary if the investment conditions at 31 March 2014 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 2014.

Bond Interest Gilts yield (% p.a.)						
	3.66%	73% (£570m)	80% (£424m)	87% (£277m)	94% (£131m)	101% £15m
	3.46%	71% (£637m)	78% (£491m)	**85% (£345m)**	91% (£198m)	98% (£52m)
	3.26%	69% (£709m)	76% (£562m)	82% (£416m)	88% (£270m)	95% (£123m)
FTSE 100 Index		5,279	5,939	6,598	7,258	7,918

The examples shown are not exhaustive and should not be taken as the limits of how extreme future investment conditions may be. There are other factors not related to market risk that will also impact on the funding position at a given date including but not limited to 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

17. 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 contributions 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 three years but in some cases the 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 100% funding target, then a deficit recovery plan will be put 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 2013. The valuation report sets out the rates of the employer’s contributions for the three years starting 1 April 2014. 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 2013.
- The ‘projected unit method’ of actuarial valuation.

Financial Assumptions

Financial assumptions typically try to forecast when benefits will come into payment, what form these will take and how much the benefits will cost the Fund in the future. The financial assumptions included in the valuation are as follows:

- Projected investment returns of 4.6% per year. (Asset Outperformance Assumption (AOA) of 1.6%)
- Projected increase in future salaries of 4.3% a year. (CPI plus 1.8%)
- Projected pension increases of 2.5% a year. (CPI)

Funding Position

The actuary uses the market value of the Fund's assets as stated in the audited accounts of March 2013. The actuarial assessment of the value of the Fund’s assets was £1,767 million as at 31 March 2013 and the liabilities at £2,235 million.

The valuation showed that the Fund's assets covered 79.1% of its liabilities at the valuation date, and the deficit based on the actuarial valuation was £468 million.

Common Contribution Rate

The common contribution rate is a theoretical figure and does not represent the rate which any one employer is actually required to pay and nor is it the average of the actual employers rates. In practice each employer that participates in the Fund has its own underlying funding position and circumstances giving rise to its own contribution rate requirement.

The common contribution rate payable is the average future service rate for Fund employers plus the past service adjustment; an additional amount to recover the deficit and bring the funding level back to 100% over 20 years.

The actuary states that the employer's common contribution rate should be 28.4% of pensionable pay for the three years starting 1 April 2014.

The next formal valuation is as at 31 March 2016.

18. Actuarial Present Value of Promised Retirement Benefits

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Pension Fund liabilities every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year.

Interim Valuation

An interim valuation was carried out as at 31 March 2014. The valuation was included on the actuary's Navigator report which is based on long term financial assumptions for the Suffolk Fund and contains the following assumptions:

Increases in future salaries of 4.50% a year
Projected investment returns of 5.1% per year

The actuarial value of the Fund's assets was £1,875 million and the liabilities £2,219 million at 31 March 2014.

The valuation showed that the Fund's assets covered 84.5% of its liabilities at the valuation date and the deficit was £345 million.

International Accounting Standard 26 (IAS 26)

CIPFA's Code of Practice on Local Authority Accounting 2013 - 2014 requires administering authorities of the LGPS funds that prepare Pension Fund Accounts to disclose what IAS 26 refers to as the actuarial present value of promised retirement benefits. This is similar to the interim valuation but the assumptions used are in line with IAS 19 rather than assumptions tailored to the Suffolk Pension Fund.

The following assumptions have been used for the IAS 26 calculation:

- Pension increases of 2.8% a year.
- Increases in future salaries of 4.6% a year.
- Projected investment returns of 4.3% per year.

The IAS 26 calculation shows that the present value of promised retirement benefits amount to £2,624 million as at 31 March 2014 (£2,506 million as at 31 March 2013).

19. Current Debtors

The current debtors can be analysed as below:

31 March 2013 £ million		31 March 2014 £ million
	Debtors	
2.562	Employer Contributions	3.102
0.426	Employee Contributions	0.397
3.415	Investment Assets	3.354
0.165	Transfers In	0.117
0.000	Investment Receipts	0.774
0.396	Sundry Debtors	0.521
6.964	**Total**	**8.265**

These can be further analysed into sectors as below:

31 March 2013 £ million		31 March 2014 £ million
	Analysis of Debtors	
1.037	Central Government Bodies	0.965
2.081	Other Local Authorities	2.618
3.846	Other Entities and Individuals	4.682
6.964	**Total**	**8.265**

20. Current Creditors

The current creditors can be analysed as below:

31 March 2013 £ million		31 March 2014 £ million
	Creditors	
-0.101	Prepayments and Amounts Owed to Employers	0.000
-0.738	Investment Expenses	-0.828
-0.052	Administration Expenses	-0.047
-0.165	Transfer Values In Adjustment	-0.117
-0.769	Lump Sum Benefits on Retirement and Death	-1.353
-2.806	Sundry Creditors	-1.043
-4.631	**Total**	**-3.388**

Creditors can be further analysed into sectors as overleaf:

31 March 2013 £ million		31 March 2014 £ million
	Analysis of Creditors	
-0.673	Central Government Bodies	-0.677
-1.349	Other Local Authorities	-0.197
-0.012	NHS Bodies	-0.010
-2.597	Other Entities and Individuals	-2.504
-4.631	**Total**	**-3.388**

21. 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 £0.105 million was paid over to the providers Clerical Medical, Standard Life and Equitable Life in 2013 – 2014, (£0.117 million 2012 – 2013).

22. 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 £32.465 million to the Fund in 2013 - 2014 (£34.672 million in 2012 - 2013). In addition the Council incurred costs of £1.263 million (£1.233 million in 2012 - 2013) in relation to the administration of the Fund, audit and legal services. These costs have all 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. This entitlement has been rescinded for new councillors from April 2014, please refer to Note 1. 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 2014 the Fund had an average investment balance of £18.210 million (£14.869 million in 2012 - 2013) earning interest of £0.122 million (£0.103 million in 2012 - 2013) 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 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.

23. 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 £0.008 million in 2013 - 2014 (£0.088 million in 2012 - 2013). This is included within 'other' investment income in the Fund Account.

At 31 March 2014, £10.800 million (£4.933 million at 31 March 2013) worth of stock was on loan, for which the Fund was in receipt of £11.446 million worth of collateral (£5.181 million at 31 March 2013). This is a minimal share of the Fund holdings representing less than 1% of investment holdings in both 2013 - 2014 and 2012 - 2013. The figure out on loan as at 31 March does not reflect the amount that has been out on loan during the year.

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

24. Contingent Liabilities and Contractual Commitments

Contractual Commitments

In 2003 the Fund has made contractual commitments to private equity funds 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 2014 the unfunded commitment (monies to be drawn in future periods) was £15.028 million. 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 2014 is included in the Net Asset Statement.

Schroder's have received the commitment of £8 million made in the 2012 - 2013 financial year, no additional commitment has been made in 2013 - 2014.

In 2011 - 2012 the Pension Fund made contractual commitments to infrastructure investments managed by Partners Group and Kohlberg, Kravis, Roberts. Drawdowns on the commitments have been made and the outstanding amounts to 31 March 2014 are £37.827 million and £10.184 million respectively.

Brookfield Timberlands have made one capital call to date and have an outstanding commitment of £22.090 million. M&G Investments have made drawdowns on their £30.000 million commitment of £26.679 million leaving a remaining commitment of £3.321 million.

25. 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 in its US parent, MF Global Inc. The accountancy firm KPMG has been appointed as the administrator of MF Global UK Ltd.

The Pension Fund 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 interim distributions of £6.686 million (£4.498 million received this year) in respect of this claim, which represents 78.5% of the Fund's claim. The distribution could be subject to claw back by KPMG in the event of a future shortfall in the funds recovered by the administrator.

In 2011 – 2012, £6.219 million was written out of the Pension Fund as it was not expected to be returned, £4.498 million received reverses this adjustment.

There is no indication of the size of settlement in relation to the outstanding £1.720 million owing to the Suffolk County Council Pension Fund.