Suffolk County Council

Suffolk Pension Board

(Quorum 2 – 1 member of each representative group)

Scheme Employer Representatives:

Councillor Richard Rout, representing Suffolk County Council.

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

Thomas Jarrett, representing all other employers in the Fund.

Scheme Member Representatives:

Pauline Bacon, representing the Unions.

David Rowe, representing Active Members.

Eric Prince, representing Pensioners.

Date: Friday, 10 March 2023

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

Time: 11:00 am

For further information on any of the agenda items, please contact Rebekah Butcher, Democratic Services Officer, on 01473 264371 or committee.services@suffolk.gov.uk

Business to be taken in public:

1. **Apologies for Absence**

To note and record any apologies for absence.

2. **Declarations of Interest and Dispensations**

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

3. **Minutes of the Previous Meeting** — Pages 5-9

To approve as a correct record, the minutes of the meeting held on 7 December 2022.

4. **Pensions Administration Performance** — Pages 11-14

To receive a report summarising the compliments, complaints and administration performance of the Fund.

5. **Review of the Actuarial Valuation of the Fund** — Pages 15-93

To review the outcome of the Actuarial Valuation of the Fund as at 31 March 2022.

6. **Board member reflection on the ACCESS Joint Committee Meeting 6 March 2023**

To receive a verbal update from the two Board members that observed the ACCESS Joint Committee meeting on 6 March 2023.

7. **ACCESS Pool update**

To receive a verbal update on the progress of the ACCESS pool.

8. **Administration and Management Expenses** — Pages 95-102

To note the administration and management expenses of the Fund.

9. **Risk Register** — Pages 103-137

To review the Pension Board Risk Register.

10. **Information Bulletin** Pages 139-160

To receive an information bulletin on some recent developments that will be of interest to the Board.

11. **Forward Work Programme** Pages 161-163

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

Business to be taken in private:

12. **The Committee is invited to consider whether the public (including the press) should be excluded from the meeting during consideration of agenda item 13 pursuant to Section 100(A) of the Local Government Act 1972 (as amended) on the grounds that:**

a) they involve the likely disclosure of exempt information as detailed in paragraph 3 (information relating to the financial or business affairs of any particular person, including the authority holding that information) of Parts 1 to 3 of Schedule 12A, as amended, of the Local Government Act 1972 (as amended); and

b) that in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

13. **Cyber Security** Pages 165-223

To update the Board on the cyber security measures in place within the Fund.

Date of next scheduled meeting: Tuesday, 25 July 2023 at 11:00 am

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

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2. Use the stairs, NOT the lifts.
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Nicola Beach
Chief Executive

Suffolk County Council

Agenda Item 3
Unconfirmed

Minutes of the Suffolk Pension Board Meeting held remotely on Wednesday 7 December 2022 at 11:00 am.

Present:	David Rowe (Vice Chair) representing Active Members), Ian Blofield (representing all Borough, District, Town and Parish Councils), Thomas Jarrett (representing all other employers in the Fund), and Eric Prince (representing Pensioners).
Supporting officers present:	Rebekah Butcher (Democratic Services Officer), Paul Finbow (Head of Pensions), Stuart Potter (Pensions Operations Manager) and Sharon Tan (Lead Accountant, Pensions).

21. Apologies for Absence

Apologies for absence were received from Councillor Richard Rout (Chairman, representing Suffolk County Council).

22. Declarations of Interest and Dispensations

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

Ian Blofield, Thomas Jarrett, and David Rowe declared an interest by virtue of the fact they were active members of the pension scheme.

23. Minutes of the Previous Meeting

The minutes of the meeting held on 17 October 2022 were confirmed as a correct record and would be signed by the Vice Chair.

24. Annual Report and Accounts 2021/22

At Agenda Item 4, the Board received a report which provided members with a copy of the Annual Report and Accounts published by the Suffolk Pension Fund and the opinion issued by the Fund’s auditors, Ernst & Young.

The report was introduced by the Lead Accountant, Pensions, and members had an opportunity to ask questions.

In relation to paragraphs 12 and 13 of the report, a member noted that despite the volume within the statement of accounts, only one correction needed to be made. This, he said, gave him assurance in the quality of the reporting.

A member also pointed out an amendment to the report to the table at the top of page 35 of the agenda pack; to change the second column heading to 2020-21.

Decision: The Board noted the Fund’s Annual Report and Accounts.

Reason for decision: Members were aware that the Pension Fund Annual Report and Accounts was an important channel of communication, reporting on the Pension Fund’s activities to employers, scheme members and other stakeholders.

The Board received information about the Annual Report and Accounts of the Fund to fulfil its remit to secure the effective and efficient governance and administration of the Suffolk Pension Fund.

Alternative options: There were none considered.

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

Ian Blofield, Thomas Jarrett, and David Rowe declared an interest by virtue of the fact they were active members of the pension scheme.

Dispensations: There were none granted.

25. Pensions Administration Performance

The Board received a report at Agenda Item 5, which provided members with an update on the performance of the Pensions Administration Team. This report also included details of compliments and complaints and contribution payments.

The report was introduced by the Pensions Operations Manager and the Lead Accountant, Pensions. Members had an opportunity to ask questions.

In relation to the timeliness of contribution payments, members heard that three of the larger multi-academy trusts (MATs) had recently changed payroll provider, which often came with issues submitting templates and making payments on time. The three trusts involved were Reach 2, Asset Education and East which covered 21 employers altogether. Also, West Suffolk College was late paying in August, possibly because they were not in attendance at that time, and Asset Education were late paying in September. It was hoped everything would be in a good place going forwards and the normal statistics would resume in the forthcoming quarter. A member noted that this would be a trend going forwards, specifically with MATs. He informed the Board that there had been quite a shake-up of payroll providers, and it was suggested this could be a topic for discussion at a future employers meeting.

Decision: The Board noted the report.

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

Alternative options: There were none considered.

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

Ian Blofield, Thomas Jarrett, and David Rowe declared an interest by virtue of the fact they were active members of the pension scheme.

Dispensations: There were none granted.

26. ACCESS Pool update

At Agenda Item 6, the Board received an update from the Lead Accountant, Pensions in relation to the ACCESS pool.

The Board was informed that the ACCESS Joint Committee met on Monday 5 December, and Councillor Georgia Hall, Vice Chairman of the Pension Fund

Committee, attended the meeting to represent Suffolk. The sale of Link Fund Solutions was the main topic for discussion at the meeting, which members had been informed of at the Board's October meeting. The company, which operated in Australia, had put it up for sale, and they had received roughly fifteen expressions of interest, all of which had to sign non-disclosure agreements to find out further information and to submit bids for the business. Members were told that Link were expecting four or five serious contenders and they would be working through those during December and January.

Members were also informed that the Joint Committee approved its business plan for 2023/24 at its December meeting.

Decision: The Board noted the update.

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

Alternative options: There were none considered.

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

Ian Blofield, Thomas Jarrett, and David Rowe declared an interest by virtue of the fact they were active members of the pension scheme.

Dispensations: There were none granted.

27. Nomination of Board Members to observe the ACCESS Joint Committee Meeting

At Agenda Item 7, the Board considered its nominations of two members to attend the ACCESS Joint Committee meeting on 6 March 2023 as observers.

Decision: The Board agreed that Ian Blofield (representing all Borough, District, Town, and Parish Councils), and Eric Prince (representing Pensioners) be nominated to observe the ACCESS Joint Committee meeting in March 2023.

Reason for decision: Members were aware that the governance arrangements for the pool now allowed Pension Board members to attend meetings of the ACCESS Joint Committee as observers.

Members were also aware of the expectation that at least one of those nominations be a scheme member representative.

Members attending as observers were asked to report back to the next available meeting of the Suffolk Pension Board.

Alternative options: There were none considered.

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

Ian Blofield, Thomas Jarrett, and David Rowe declared an interest by virtue of the fact they were active members of the pension scheme.

Dispensations: There were none granted.

28. Process for appointing new Board Members

At Agenda Item 8, the Board received a report which outlined the appointment process to be followed for new Board Members.

The report was introduced by the Head of Pensions and the Vice Chair invited comments from the Board.

Decision: The Board noted the process for appointing new Board Members.

In relation to the approach in appointing active and pensioner member representatives, it was suggested that officers explored the option for outgoing members to participate in the interview panel alongside the two monitoring officers.

It was requested that this be reported back to the Board at its March 2023 meeting once discussions had taken place with the Council's Monitoring Officer.

Reason for decision: The Board was interested in ensuring an appropriate and fair process was in place to appoint scheme members to the Board.

A member considered that involving a representative from the cohort for which that vacancy would be filled would help to ensure impartiality in appointments of active and pensioner representatives. Whilst it was noted that a monitoring officer's duties included impartiality, it was highlighted that appointments to those roles were ultimately still being made by the employer.

Members were also aware that Suffolk County Council's monitoring officer was retiring in early 2023, and so would not be involved in the forthcoming appointment process, having been involved since the Board's inception. Members considered that having the incumbent representatives for active and pensioner members assisting on the interview panel would provide knowledge and opportunity for any specific questions raised by interview candidates to be answered, aiding the overall process.

A member raised a concern that he might know the candidates applying for the role and questioned whether this would exclude him from the Panel. This would be explored further by officers.

Another member wished to remind everyone of comments made by former chairman, Councillor Richard Smith MVO, to ensure that opportunities would be made available to as many people from diverse backgrounds as possible.

Alternative options: There were none considered.

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

Ian Blofield, Thomas Jarrett, and David Rowe declared an interest by virtue of the fact they were active members of the pension scheme.

Dispensations: There were none granted.

29. Information Bulletin

The Board noted the Information Bulletin at Agenda Item 9.

30. Forward Work Programme

The Board received a copy of its Forward Work Programme at Agenda Item 10.

Decision: The Board approved its Forward Work Programme as published.

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

The meeting closed at 11:52 am.

Chairman

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Suffolk County Council

Agenda Item 4

Suffolk Pension Board

Report Title:	Pensions Administration Performance
Meeting Date:	10 March 2023
Lead Councillor(s):	Councillor Richard Rout
Director:	Nicola Beach, Chief Executive
Assistant Director or Head of Service:	Louise Aynsley, Head of Finance (S151 Officer)
Author:	Stuart Potter, Pensions Operations Manager Tel: 01473 260296, Email: stuart.potter@suffolk.gov.uk

Brief summary of the item to be considered

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

Action recommended

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

Reason for recommendation

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

Alternative options

4. There are no alternative options.

Who will be affected by this decision

5. All stakeholders.

Main body of report

Introduction

6. This report covers staff performance and team achievements since the previous Board meeting on 7 December 2022.

Service Level Agreements

7. The Service Level Agreements for our ‘key’ processes from November 2022 to January 2023 are shown below:

a) Provision of a transfer quote to scheme members within 10 days of the receipt of the estimated value and all necessary information – Total cases 130 percentage completed in SLA 99%

b) Estimates are issued to members or employers within 10 working days of receipt of all information – Total cases 108, percentage completed in SLA 100%

c) Retiring employees are notified of their options within 5 working days of receipt of all information – Total cases 359, percentage completed in SLA 100%

d) Retirement lump sums will be paid within 10 working days of receipt of all necessary information after retirement – Total cases 281, percentage completed in SLA 100%

e) Notification of survivor benefits will be issued within 10 working days of receipt of all information – Total cases 45, percentage completed in SLA 99%

f) Outstanding monies owed in respect of a deceased pension, and any death grant, will be paid within 10 working days of receipt of all information – Total cases 87 percentage completed in SLA 99%

I-Connect Implementation

8. West Suffolk Council has successfully onboarded onto I-connect in January 2023, and the monthly transfer of their data has commenced. Two academy payroll providers, covering 66 academy employers, are expected to onboard before the end of March.

9. Further testing and development of the Oracle Fusion report continues so that monthly data transfers can commence for Suffolk County Council, East Suffolk Council, Babergh and Mid Suffolk Council staff.

Backlog Tasks

10. The team have continued to work on the backlog cases previously reported to the Board. There are currently around 9,700 of these to process with the number of these reducing by around 300 since the previous reporting period.

Active Member Newsletter

11. The January edition of the Active Member newsletter, produced twice a year, has been written and communicated to members via employers in the Fund. All members registered on Member Self Service have been sent a personal copy. The latest edition answered some more frequently asked questions and included an article from David Rowe in his role as Active Member Representative.

McCloud legislation update

12. While there have been no further updates to the McCloud legislation changes, Regulations are scheduled for April 2023. It is expected therefore we will be able to update the Board further in a later meeting this year. The Pensions administration team have been meeting to plan ahead as much as possible for these changes.

Pensions Regulator Survey

13. The Pensions Regulator Survey on governance and administration of public service pension schemes has been completed and returned by the 17 February 2023 deadline.

Compliments and Complaints

14. During this period there have been eight compliments above and beyond the usual thank you's received for the service we provide. These compliments are all reflective of the service members have received.

15. These include two compliments sent via Suffolk County Council's customer experience team. Both of these are from customers recognising the customer service they had received with the first of these saying, *'his customer care skills are excellent and his knowledge is too'*. The second compliment stated *'I have had a few queries over the last 2 months, and she has responded promptly, and given assistance. A very helpful Officer and I really appreciate the service given'*.

16. The next two compliments were from members thanking us for the way we handled their particular cases and providing them with the information they needed. The fifth compliment was from a member who was impressed with the overall service they had received stating *'your department has been brilliant, I am so impressed with how good you all are. I have had 3-4 different people and they have all been excellent'*.

17. The final three compliments were from a member impressed with the online services and two from members impressed with the speed of service they had received. One of these members said *'Wow I'm bowled over by such a supportive and rapid response… I had only sent my e-mail to you a few hours before I got your reply too… You have added to the Christmas cheer around here!'*

18. During this period there has been one complaint which relates to a member who is unhappy they have not received their spouse pension benefits. The delay has been caused by solicitors acting for an ex-spouse needing to amend details on the Pension sharing order, before we can process this. This is ongoing but we are communicating with the member and trying to help as much as possible until we can complete this work.

19. There have been no new IDRP complaints. The outstanding Stage 1 complaint from the previous Board meeting has now been resolved in relation to an employer ill-health decision. The decision maker recommended that the panel should review its decision and as part of that a second medical opinion should be obtained.

20. At the time of writing the Stage 2 IDRP complaint mentioned previously is still being investigated. Further information is being sought from the complainant, and the Board will be updated further in the next meeting.

21. This report will be ongoing in all future Board meetings and will be developed in accordance with the requirements of the Board.

Contribution payments

22. The administration strategy requires contributions from employers to be received by the Pension Fund within 5 working days of the month end in which the contributions were deducted. The table below summarises the timeliness of receipts received during 2019/20 quarter 3 and 4:

	Quarter 2 (22/23)			**Quarter 3 (22/23)**		
	Employer	**Contributions**		**Employer**	**Contributions**	
	%	**£'m**	**%**	**%**	**£'m**	**%**
On Time	86	30.613	97.3	90	36.475	98.6
Up to 1 week late	4	0.108	0.4	4	0.149	0.4
Over 1 week late	10	0.762	2.3	6	0.386	1.0
Total		**31.473**			**37.010**	

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

Suffolk County Council

Agenda Item 5

Suffolk Pension Board

Report Title:	Review of the Actuarial Valuation of the Fund
Meeting Date:	10 March 2023
Lead Councillor(s):	Councillor Richard Rout
Director:	Nicola Beach, Chief Executive
Assistant Director or Head of Service:	Louise Aynsley, Head of Finance (S151 Officer)
Author:	Paul Finbow, Head of Pensions Tel: 01473 265288 Email: paul.finbow@suffolk.gov.uk

Brief summary of the item to be considered

1. This report updates the Board on the progress made in completing the Actuarial Valuation and the decisions that the Pension Fund Committee made on 28 February 2023.

Action recommended

2. The Board is recommended:

   a) To note the Funding Strategy Statement for the Pension Fund set out in **Appendix 1**;

   b) To note the contribution rates for the employers in the Fund (set out in Valuation Report in **Appendix 2**).

Reason for recommendation

3. To provide the Board with an update on the process for agreeing employer contribution rates for the next three years.

Alternative options

4. There are no alternative options.

Who will be affected by this decision

5. All employers in the Pension Fund.

Main body of report

Background

6. The Board, at its October meeting, received a copy of the results of the triennial valuation of the Fund completed by the Fund's Actuary, Hymans Robertson LLP. This showed that the actuarial position for the Pension Fund at 31 March 2022 was a funding level of 107%, compared with the level of 99% at the last full

actuarial valuation at March 2019. This represented a change from a £35m deficit at 2019 to a £233m surplus in 2022.

7. The Board also reviewed the draft Funding Strategy Statement. This was part of the formal consultation process on the statement and draft contribution rates for all employers in the Fund for the following three financial years.

8. The consultation ran until the end of December 2022.

Funding Strategy Statement for the Suffolk Pension Fund

9. The Funding Strategy Statement has been developed for the Suffolk Pension Fund on the basis of three broad principles:

   a) **Prudence**. The Committee's objective to ensure the right balance between risk and reward in setting the funding and investment strategy of the fund, and in setting the individual employers' contributions to the fund.

   b) **Stability**. The Committee's objective to ensure, as far as possible, that employer contributions should not vary significantly from one valuation to the next.

   c) **Affordability**. The Committee's objective to recognise the impact of changes in employers' contributions on their overall budgets and resources, and to mitigate the adverse impact that any required changes might have, for example by the phasing of additional contributions, where this is feasible and prudent.

10. **Appendix 1** sets out the Funding Strategy Statement for the Pension Fund.

11. There has been two amendments to the draft Funding Strategy Statement that the Board received in October to strengthen wording in how regulations are being met. These are:

    a) a foot note to Appendix G setting out the requirements of academies to seek approval from the Education, Skills and Funding Agency to utilise a passthrough arrangement for its outsourced contracts.

    b) and an additional paragraph to section 4.2 to set out how the McCloud ruling has been incorporated into the benefit valuation calculations.

12. During the consultation period, no representations were received requesting any alterations to the Draft Funding Strategy Statement.

13. The Board is asked to note the Funding Strategy Statement for the Pension Fund.

Employer contribution rates

14. A draft copy of the Actuary's rates and adjustment certificate is included in the Valuation Report, attached in **Appendix 2**. This sets out the contribution rates that the Pension Fund Committee reviewed and recommended for approval to Hymans Robertson for each employer for the next three financial years at their meeting on 28 February 2023.

15. The contribution rate that is determined for each of the fund employers is composed of two parts:

    a) The primary rate (formerly known as the future service rate), which is the contribution rate (expressed as a percentage of pay) which is required to meet the cost of the pension rights being built up by ongoing membership of the Fund;

b) The secondary rate (formerly known as the deficit contribution rate), which is any additional contributions which are required to either return an employer to a fully funded position or to increase the certainty that they will remain fully funded, or to build a surplus where an employer prepares for exiting the Fund. The secondary contributions can be expressed as a percentage of payroll, or as a series of lump sum payments.

16. At individual employer level, the improvement in the fund's valuation has seen many employers receive a reduction in their future contributions, which has been welcomed.

17. One employer who has only one active member requested a reduction of the proposed secondary rate due to it's funding level, this was discussed with Hymans and the reduction was granted.

18. Some clarification questions were received from a number of employers during the consultation period, but these were satisfactorily responded to by officers.

19. The Board is asked to note the contribution rates for all employers in the Fund for the next three financial years.

Conclusion

20. The Triennial valuation of the Fund has estimated the Fund to be 107% funded, the first time the Fund as a whole has been in surplus.

Sources of further information

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

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Suffolk Pension Fund
Funding Strategy Statement
February 2023

Contents

1 Welcome to our Funding Strategy Statement

This document sets out the Funding Strategy Statement (FSS) for Suffolk Pension Fund (the Fund).

The Suffolk Pension Fund is administered by Suffolk County Council, known as the administering authority. Suffolk County Council worked with the fund's actuary, Hymans Robertson, to prepare this FSS which is effective from 28 February 2023.

There's a regulatory requirement for Suffolk County Council to prepare an FSS. You can find out more about the regulatory framework in Appendix A. If you have any queries about the FSS, contact paul.finbow@suffolk.gov.uk or Sharon.tan@suffolk.gov.uk.

1.1 What is the Suffolk Pension Fund?

The Suffolk Pension Fund is part of the Local Government Pension Scheme (LGPS). You can find more information about the LGPS at www.lgpsmember.org. The administering authority runs the Fund on behalf of participating employers, their employees and current and future pensioners. You can find out more about roles and responsibilities in Appendix B.

1.2 What are the funding strategy objectives?

The funding strategy objectives are to:

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

1.3 Who is the FSS for?

The FSS is mainly for employers participating in the Fund, because it sets out how money will be collected from them to meet the Fund's obligations to pay members' benefits.

Different types of employers participate in the Fund:

Scheduled bodies
Employers who are specified in a schedule to the LGPS regulations, including councils and employers like academies and further education establishments. Scheduled bodies must give employees access to the LGPS if they can't accrue benefits in another pension scheme, such as another public service pension scheme.

Designating employers
Employers like town and parish councils can join the LGPS through a resolution. If a resolution is passed, the Fund can't refuse entry. The employer then decides which employees can join the scheme.

Admission bodies
Other employers can join through an admission agreement. The Fund can set participation criteria for them and can refuse entry if the requirements aren't met. This type of employer includes contractors providing outsourced services like cleaning or catering to a scheduled body.

Some existing employers may be referred to as **community admission bodies** (CABs). CABs are employers with a community of interest with another scheme employer. Others may be called **transferee admission bodies** (TABs), that provide services for scheme employers. These terms aren't defined under current regulations but remain in common use from previous regulations.

1.4 How does the funding strategy link to the investment strategy?

The funding strategy sets out how money will be collected from employers to meet the Fund's obligations. Contributions, assets and other income are then invested according to an investment strategy set by the administering authority. You can find the Fund's investment strategy here.

The funding and investment strategies are closely linked. The Fund must be able to pay benefits when they are due – those payments are met from a combination of contributions (through the funding strategy) and asset returns and income (through the investment strategy). If investment returns or income fall short the Fund won't be able to pay benefits, so higher contributions would be required from employers.

1.5 Does the funding strategy reflect the investment strategy?

The funding policy is consistent with the investment strategy. Future investment return expectations are set with reference to the investment strategy, including a margin for prudence which is consistent with the regulatory requirement that funds take a 'prudent longer-term view' of funding liabilities (see Appendix A)

1.6 How is the funding strategy specific to the Suffolk Pension Fund?

The funding strategy reflects the specific characteristics of the Fund employers and its own investment strategy.

2 How does the Fund calculate employer contributions?

2.1 Calculating contribution rates

Employee contribution rates are set by the LGPS regulations.

Employer contributions are made up of two elements:

- **the primary contribution rate** – contributions payable towards funding future benefits accruing
- **the secondary contribution rate** – the difference between the primary rate and the total employer contribution

The primary rate also includes an allowance for the Fund's expenses, calculated at each formal valuation.

The Fund actuary uses a model to project each employer's asset share over a range of future economic scenarios. The contribution rate takes each employer's assets into account as well as the projected benefits due to their members. The value of the projected benefits is worked out using employer membership data and the assumptions in Appendix D.

The total contribution rate for each employer is then based on:

- **the funding target** – how much money the Fund aims to hold for each employer
- **the time horizon** – the time over which the employer aims to achieve the funding target
- **the likelihood of success** – the proportion of modelled scenarios where the funding target is met.

This approach takes into account the maturing profile of the membership when setting employer contribution rates.

2.2 The contribution rate calculation

Table 1: contribution rate calculation for individual or pooled employers

Type of employer	Scheduled bodies			CABs and designating employers		TABs
Sub-type	**Councils, Police**	**Academies**	**Other Scheduled Bodies**	**Open to new entrants**	**Closed to new entrants**	**Without pass-through arrangements**
Funding target*	Ongoing	Ongoing	Ongoing	Ongoing, but may move to low-risk exit basis		Ongoing
Minimum likelihood of success	75%	75%	80%	75%	75%	75%
Maximum time horizon	20 years	20 years	20 years	15 years	15 years	15 years
Primary rate approach	The contributions must be sufficient to meet the cost of benefits earned in the future with the required likelihood of success at the end of the time horizon					

Type of employer	Scheduled bodies			CABs and designating employers		TABs
Sub-type	**Councils, Police**	**Academies**	**Other Scheduled Bodies**	**Open to new entrants**	**Closed to new entrants**	**Without pass-through arrangements**
Secondary rate	% of payroll	% of payroll	% of payroll	% of payroll	Monetary amount	% of payroll
Stabilised contribution rate?	Yes	Yes	No	No	No	No
Treatment of surplus (assessed at valuation date)	If past service funding position is less than 115%*, total contribution rate must be set at least at the primary rate			Total contribution rate must be set at least at the primary rate. However, reductions may be permitted by the administering authority subject to additional consideration of the low-risk exit basis position		If past service funding position is less than 115%*, total contribution rate must be set at least at the primary rate
Phasing of contribution changes	Covered by stabilisation arrangement	Covered by stabilisation arrangement	3 years	3 years	3 years	3 years

* The past service funding position is that assessed as at the triennial funding valuation date, using the triennial funding valuation assumptions and based on full individual membership data and actual assets.

Employers participating in the Fund under a pass-through agreement will pay a contribution rate as agreed between the contractor and letting employer, subject to Administering Authority approval. See Appendix G for further details.

2.3 Making contribution rates stable

Making employer contribution rates reasonably stable is an important funding objective. Where appropriate, contributions are set with this objective in mind. The Fund adopts a stabilised approach to setting contributions for long-term tax raising employers, which aims to keep contribution variations within a pre-determined range from year-to-year. Stabilisation criteria and limits are reviewed during each triennial valuation process.

The administering authority believes a stabilised approach is a prudent long-term strategy and the robustness of this approach was once again tested by extensive asset liability modelling (ALM) carried out by the Fund actuary at the 31 March 2022 funding valuation.

Using the ALM results and in light of sustained funding improvements achieved by the Fund across multiple triennial valuations, some stabilised employers have had their starting contribution rate levels reassessed at the 2022 funding valuation. At the 2022 funding valuation only, some stabilised employers may therefore experience a 2022/23 total contribution rate change of greater than 1% of pay when compared to their 2021/22 total contribution rate.

Table 2: stabilisation approach (from 1 April 2023)

Type of employer	Councils, Police	Academies
Maximum contribution increase per year	+1% of pay	+1% of pay
Maximum contribution decrease per year*	-1% of pay	-1% of pay

* Please note the employer's total contribution rate has a minimum level equal to the employer's assessed primary rate, subject to the assessed level of the employer's funding position at each triennial valuation – see Table 1 in Section 2.2 above).

2.4 Reviewing contributions between valuations

The Fund may amend contribution rates between formal valuations, in line with its policy on contribution reviews. The Fund's policy is available in Appendix E. The purpose of any review is to establish the most appropriate contributions. A review may lead to an increase or decrease in contributions.

2.5 What is pooling?

The administering authority operates funding pools for similar types of employers. Contribution rates can be volatile for smaller employers that are more sensitive to individual membership changes – pooling across a group of employers minimises this. In this type of pooling arrangement, employers do not target full funding at exit. While the Fund receives the contributions required, the risk that employers will be entitled to a surplus payment on exit increases.

Employers in a pool maintain their individual funding positions, tracked by the Fund actuary. That means some employers may be better funded or more poorly funded than the pool average. If pooled employers used stand-alone funding rather than pooling, their contribution rates could be higher or lower than the pool rate.

Pooled employers are identified in the rates and adjustments certificate and only have their pooled contributions certified. Individual contribution rates aren't disclosed to pooled employers, unless agreed by the administering authority.

CABs that are closed to new entrants aren't usually allowed to enter a pool.

TABs are usually also ineligible for pooling. However, depending on the contract circumstances, some TABs may be pooled with their letting authority.

If an employer leaves the Fund, the required contributions are based on their own funding position rather than the pool average. Cessation terms also apply, which means higher contributions may be required at that point.

3 What additional contributions may be payable?

3.1 Pension costs – awarding additional pension and early retirement on non ill-health grounds

If an employer awards additional pension as an annual benefit amount, they pay an additional contribution to the fund as a single lump sum. The amount is set by guidance issued by the Government Actuary's Department and updated from time to time.

If an employee retires before their normal retirement age on unreduced benefits, employers may be asked to pay additional contributions called strain payments. The Fund's policy is that any additional contributions are normally payable immediately.

3.2 Pension costs – early retirement on ill-health grounds

If a member retires early because of ill-health, their employer must pay a funding strain, which may be a large sum.

For some larger employers, the Fund will monitor an ill-health based on the assumptions from the most recent valuation. When the budget is used up, additional contributions will be requested. Details are included in each admission agreement.

To mitigate this risk, employers may choose to use external insurance made available by the Fund.

The Fund's policy is detailed in Appendix F.

4 How does the Fund calculate assets and liabilities?

4.1 How are employer asset shares calculated?

The Fund adopts a cashflow approach to track individual employer assets.

The Fund uses Hymans Robertson's Employer Asset Tracker (HEAT) system to track employer assets monthly. Each employer's assets from the previous month end are added to monthly cashflows paid in/out and investment returns to give a new month-end asset value.

If an employee moves one from one employer to another within the Fund, assets equal to the cash equivalent transfer value (CETV) will move from the original employer to the receiving employer's asset share.

Alternatively, if employees move when a new academy is formed or an outsourced contract begins, the Fund actuary will calculate assets linked to the value of the liabilities transferring (see Section 2).

4.2 How are employer liabilities calculated?

The Fund holds membership data for all active, deferred and pensioner members. Based on this data and the assumptions in Appendix D, the Fund actuary projects the expected benefits for all members into the future. This is expressed as a single value – the liabilities – by allowing for expected future investment returns.

Benefits are valued in line with the regulations in force at the time of the valuation, with an exception relating to the McCloud ruling. The benefits of members likely to be affected by the McCloud ruling have instead been valued in line with the expected regulations, reflecting an underpin as directed by DLUHC

Each employer's liabilities reflect the experience of their own employees and ex-employees.

4.3 What is a funding level?

An employer's funding level is the ratio of the market value of asset share against liabilities. If this is less than 100%, the employer has a shortfall: the employer's deficit. If it is more than 100%, the employer is in surplus. The amount of deficit or surplus is the difference between the asset value and the liability value.

Funding levels and deficit/surplus values measure a particular point in time, based on a particular set of future assumptions. While this measure is of interest, for most employers the main issue is the level of contributions payable. The funding level does not directly drive contribution rates. See Section 2 for further information on rates.

5 What happens when an employer joins the Fund?

5.1 When can an employer join the Fund

Employers can join the Fund if they are a new scheduled body or a new admission body. New designated employers may also join the Fund if they pass a designation to do so.

On joining, the Fund will determine the assets and liabilities for that employer within the Fund. The calculation will depend on the type of employer and the circumstances of joining.

A contribution rate will also be set. This will be set in accordance with the calculation set out in Section 2, unless alternative arrangements apply (for example, the employer has agreed a pass-through arrangement). More details on this are in Section 5.3 below.

5.2 New academies

New academies (including free schools) join the Fund as separate scheduled employers. Only active members of former council schools transfer to new academies. Free schools do not transfer active members from a converting school but must allow new active members to transfer in any eligible service.

Liabilities for transferring active members will be calculated (on the ongoing basis) by the Fund actuary on the day before conversion to an academy. Liabilities relating to the converting school's former employees (ie members with deferred or pensioner status) remain with the ceding council.

New academies will be allocated an asset share based on the estimated funding level of the ceding council's active members, having first allocated the council's assets to fully fund their deferred and pensioner members. This funding level will then be applied to the transferring liabilities to calculate the academy's initial asset share, capped at a maximum of 100%.

The council's estimated funding level will be based on market conditions on the day before conversion. The Fund treats new academies as separate employers in their own right, who are responsible for their allocated assets and liabilities. They won't be pooled with other employers unless the academy is part of a multi-academy trust (MAT). If they are part of a MAT, the new academy can be combined with the other MAT academies to set contribution rates.
If an academy leaves one MAT and joins another, all active, deferred and pensioner members transfer to the new MAT.

The Fund's policies on academies may change based on updates to guidance from the Department for Levelling Up, Housing and Communities or the Department for Education. Any changes will be communicated and reflected in future funding strategy statements.

5.3 New admission bodies as a result of outsourcing services

New admission bodies usually join the Fund because an existing employer (usually a scheduled body like a council or academy) outsources a service to another organisation (a contractor). This involves TUPE transfers of staff from the letting employer to the contractor. The contractor becomes a new participating Fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership. At the end of the contract, employees typically revert to the letting employer or a replacement contractor.

Liabilities for transferring active members will be calculated by the Fund actuary on the day before the outsourcing occurs.

New contractors will be allocated an asset share equal to the value of the transferring liabilities. The admission agreement may set a different initial asset allocation, depending on contract-specific circumstances.

There is flexibility for outsourcing employers when it comes to pension risk potentially taken on by the contractor. You can find more details on outsourcing options from the administering authority or in the contract admission agreement.

The Fund's policy is willing to administer any new admission bodies under a pass-through arrangement. The Fund's policy on pass through is detailed in Appendix G.

5.4 Other new employers

There may be other circumstances that lead to a new admission body entering the Fund, eg set up of a wholly owned subsidiary company by a Local Authority. Calculation of assets and liabilities on joining and a contribution rate will be carried out allowing for the circumstances of the new employer.

New designated employers may also join the Fund. These are usually town and parish councils. Contribution rates will be set using the same approach as other designated employers in the Fund.

5.5 Risk assessment for new admission bodies

Under the LGPS regulations, a new admission body must assess the risks it poses to the Fund if the admission agreement ends early, for example if the admission body becomes insolvent or goes out of business. In practice, the Fund actuary assesses this because the assessment must be carried out to the administering authority's satisfaction.

After considering the assessment, the administering authority may decide the admission body must provide security, such as a guarantee from the letting employer, an indemnity or a bond.

This must cover some or all of the:

- strain costs of any early retirements, if employees are made redundant when a contract ends prematurely
- allowance for the risk of assets performing less well than expected
- allowance for the risk of liabilities being greater than expected
- allowance for the possible non-payment of employer and member contributions
- admission body's existing deficit.

6 What happens if an employer has a bulk transfer of staff?

Bulk transfer cases will be looked at individually, but generally:

- the Fund won't pay bulk transfers greater in value than either the asset share of the transferring employer in the Fund, or the value of the liabilities of the transferring members, whichever is lower
- the Fund won't grant added benefits to members bringing in entitlements from another fund, unless the asset transfer is enough to meet the added liabilities
- the Fund may permit shortfalls on bulk transfers if the employer has a suitable covenant and commits to meeting the shortfall in an appropriate period, which may require increased contributions between valuations.

7 What happens when an employer leaves the Fund?

7.1 What is a cessation event?

Triggers for considering cessation from the Fund are:

- the last active member stops participation in the Fund. The administering authority, at its discretion, can defer acting for up to three years by issuing a suspension notice. That means cessation won't be triggered if the employer takes on one or more active members during the agreed time
- insolvency, winding up or liquidation of the admission body
- a breach of the agreement obligations that isn't remedied to the Fund's satisfaction
- failure to pay any sums due within the period required
- failure to renew or adjust the level of a bond or indemnity, or to confirm an appropriate alternative guarantor
- termination of a deferred debt arrangement (DDA).

If no DDA exists, the administering authority will instruct the Fund actuary to carry out a cessation valuation to calculate if there is a surplus or a deficit when the employer leaves the Fund.

7.2 What happens on cessation?

The administering authority must protect the interests of the remaining Fund employers when an employer leaves the scheme. The actuary aims to protect remaining employers from the risk of future loss. The funding target adopted for the cessation calculation is below. These are defined in Appendix D.

(a) Where there is no guarantor, cessation liabilities and a final surplus/deficit will usually be calculated using a low-risk basis, which is more prudent than the ongoing participation basis. The low-risk exit basis is defined in Appendix D.

(b) Where there is a guarantor, the guarantee will be considered before the cessation valuation. Where the guarantor is a guarantor of last resort, this will have no effect on the cessation valuation. If this isn't the case, cessation may be calculated using the same basis that was used to calculate liabilities (and the corresponding asset share) on joining the Fund.

(c) Depending on the guarantee, it may be possible to transfer the employer's liabilities and assets to the guarantor without crystallising deficits or surplus. This may happen if an employer can't pay the contributions due and the approach is within guarantee terms.

If the Fund can't recover the required payment in full, unpaid amounts will be paid by the related letting authority (in the case of a ceased admission body) or shared between the other Fund employers. This may require an immediate revision to the rates and adjustments certificate or be reflected in the contribution rates set at the next formal valuation.

The Fund actuary charges a fee for cessation valuations and there may be other cessation expenses. Fees and expenses are at the employer's expense and are deducted from the cessation surplus or added to the cessation deficit. This improves efficiency by reducing transactions between employer and fund.

The cessation policy is in Appendix H.

7.3 What happens if there is a surplus?

If the cessation valuation shows the exiting employer has more assets than liabilities – an exit credit – the administering authority can decide how much (if any) will be paid back to the employer based on:

- the surplus amount
- the proportion of the surplus due to the employer's contributions
- any representations (like risk sharing agreements or guarantees) made by the exiting employer and any employer providing a guarantee or some other form of employer assistance/support
- any other relevant factors.

The exit credit policy is covered in the cessation policy in Appendix H.

7.4 How do employers repay cessation debts?

If there is a deficit, full payment will usually be expected in a single lump sum or:

- spread over an agreed period, if the employer enters into a deferred spreading agreement (DSA)
- if an exiting employer enters into a deferred debt agreement, it stays in the Fund and pays contributions until the cessation debt is repaid. Payments are reassessed at each formal valuation.

The employer flexibility on exit policy is covered in the cessation policy in Appendix H\.

7.5 What if an employer has no active members?

When employers leave the Fund because their last active members have left, they may pay a cessation debt, receive an exit credit or enter a DDA/DSA. Beyond this they have no further obligation to the Fund and either:

a) their asset share runs out before all ex-employees' benefits have been paid. The other fund employers will be required to contribute to the remaining benefits. The Fund actuary will portion the liabilities on a pro-rata basis based on each employer's share of overall liabilities at each formal valuation, or

b) the last ex-employee or dependant dies before the employer's asset share is fully run down. The Fund actuary will apportion the remaining assets to the other fund employers based on each employer's share of overall liabilities at each formal valuation.

8 What are the statutory reporting requirements?

8.1 Reporting regulations

The Public Service Pensions Act 2013 requires the Government Actuary's Department to report on LGPS funds in England and Wales after every three-year valuation, in what's usually called a Section 13 report. The report should include confirmation that employer contributions are set at the right level to ensure the Fund's solvency and long-term cost efficiency.

8.2 Solvency

Employer contributions are set at an appropriate solvency level if the rate of contribution targets a funding level of 100% over an appropriate time, using appropriate assumptions compared to other funds. Either:

(a) employers collectively can increase their contributions, or the Fund can realise contingencies to target a 100% funding level

or

(b) there is an appropriate plan in place if there is, or is expected to be, a reduction in employers' ability to increase contributions as needed.

8.3 Long-term cost efficiency

Employer contributions are set at an appropriate long-term cost efficiency level if the contribution rate makes provision for the cost of current benefit accrual, with an appropriate adjustment for any surplus or deficit.

To assess this, the administering authority may consider absolute and relative factors.

Relative factors include:

1. comparing LGPS funds with each other
2. the implied deficit recovery period
3. the investment return required to achieve full funding after 20 years.

Absolute factors include:

1. comparing funds with an objective benchmark
2. the extent to which contributions will cover the cost of current benefit accrual and interest on any deficit
3. how the required investment return under relative considerations compares to the estimated future return targeted by the investment strategy
4. the extent to which contributions paid are in line with expected contributions, based on the rates and adjustment certificate
5. how any new deficit recovery plan reconciles with, and can be a continuation of, any previous deficit recovery plan, allowing for Fund experience.

These metrics may be assessed by GAD on a standardised market-related basis where the Fund's actuarial bases don't offer straightforward comparisons.

Appendices

Appendix A – The regulatory framework

A1 Why do funds need a funding strategy statement?
The Local Government Pension Scheme (LGPS) regulations require funds to maintain and publish a funding strategy statement (FSS). According to the Department for Levelling Up, Housing and Communities (DLUHC) the purpose of the FSS is to document the processes the administering authority uses to:

- *establish a **clear and transparent fund-specific strategy** identifying how employers' pension liabilities are best met going forward*
- *support the regulatory framework to maintain **as nearly constant employer contribution rates as possible***
- *ensure the fund meets its **solvency and long-term cost efficiency** objectives*
- *take a **prudent longer-term view** of funding those liabilities.*

To prepare this FSS, the administering authority has used guidance by the Chartered Institute of Public Finance and Accountancy (CIPFA).

A2 Consultation
Both the LGPS regulations and most recent CIPFA guidance state the FSS should be prepared in consultation with "*persons the authority considers appropriate*". This should include '*meaningful dialogue… with council tax raising authorities and representatives of other participating employers*'.

In practice, for the Fund, the consultation process for this FSS was as follows:

a) A draft version of the FSS was issued to all participating employers and the Local Pensions Board in October 2022 for comment;

b) Comments were requested by **30 December 2022**;

c) Following the end of the consultation period the FSS was updated where required and then published, in February 2023.

A3 How is the FSS published?
The FSS is made available through the following routes:

- Published on the Suffolk Pension Fund website, at www.suffolkpensionfund.org;
- Copies made available on request.

A4 How often is the FSS reviewed?
The FSS is reviewed in detail at least every three years as part of the valuation. Amendments may be made before then if there are regulatory or operational changes. Any amendments will be consulted on, agreed by the Pensions Committee and included in the Committee meeting minutes.

A5 How does the FSS fit into the overall Fund documentation?

The FSS is a summary of the Fund's approach to funding liabilities. It isn't exhaustive – the Fund publishes other statements like the Investment Strategy Statement, Governance Strategy and Communications Strategy. The Fund's annual report and accounts also includes up-to-date Fund information.

You can see all fund documentation at www.suffolkpensionfund.org

Appendix B – Roles and responsibilities

B1 The administering authority:

1 operates the Fund and follows all Local Government Pension Scheme (LGPS) regulations

2 manages any conflicts of interest from its dual role as administering authority and a Fund employer

3 collects employer and employee contributions, investment income and other amounts due

4 ensures cash is available to meet benefit payments when due

5 pays all benefits and entitlements

6 invests surplus money like contributions and income which isn't needed to pay immediate benefits, in line with regulation and the investment strategy

7 communicates with employers so they understand their obligations

8 safeguards the Fund against employer default

9 works with the Fund actuary to manage the valuation process

10 provides information to the Government Actuary's Department so they can carry out their statutory obligations

11 consults on, prepares and maintains the funding and investment strategy statements

12 tells the actuary about changes which could affect funding

13 monitors the Fund's performance and funding, amending the strategy statements as necessary

14 enables the local pension board to review the valuation process.

B2 Individual employers:

1 deduct the correct contributions from employees' pay

2 pay all contributions by the due date

3 have appropriate policies in place to work within the regulatory framework

4 make additional contributions as agreed, for example to augment scheme benefits or early retirement strain

5 tell the administering authority promptly about any changes to circumstances, prospects or membership which could affect future funding.

6 make any required exit payments when leaving the Fund.

B3 The Fund actuary:

1 prepares valuations, including setting employers' contribution rates, agreeing assumptions, working within FSS and LGPS regulations and appropriately targeting fund solvency and long-term cost efficiency

2 provides information to the Government Actuary's Department so they can carry out their statutory obligations

3 advises on Fund employers, including giving advice about and monitoring bonds or other security

4 prepares advice and calculations around bulk transfers and individual benefits

5 assists the administering authority to consider changes to employer contributions between formal valuations

6 advises on terminating employers' participation in the Fund

7 fully reflects actuarial professional guidance and requirements in all advice.

B4 Other parties:

1 internal and external investment advisers ensure the Investment Strategy Statement (ISS) is consistent with the Funding Strategy Statement

2 investment managers, custodians and bankers play their part in the effective investment and dis-investment of Fund assets in line with the ISS

3 auditors comply with standards, ensure Fund compliance with requirements, monitor and advise on fraud detection, and sign-off annual reports and financial statements

4 governance advisers may be asked to advise the administering authority on processes and working methods

5 internal and external legal advisers ensure the fund complies with all regulations and broader local government requirements, including the administering authority's own procedures

6 the Department for Levelling Up, Housing and Communities, assisted by the Government Actuary's Department and the Scheme Advisory Board, work with LGPS funds to meet Section 13 requirements.

Appendix C – Risks and controls

C1 Managing risks

The administering authority has a risk management programme to identify and control financial, demographic, regulatory and governance risks.

The role of the local pension board is set out in the Suffolk County Council's Constitution, board terms of reference available [Part 1 Articles of the Constitution (suffolk.gov.uk)]

Details of the key fund-specific risks and controls are below.

C2 Financial risks

Risk	Control
Fund assets don't deliver the anticipated returns that underpin the valuation of liabilities and contribution rates over the long-term.	Anticipate long-term returns on a prudent basis to reduce risk of under-performing. Use specialist advice to invest and diversify assets across asset classes, geographies, managers, etc. Analyse progress at three-year valuations for all employers. Roll forward whole Fund liabilities between valuations.
Inappropriate long-term investment strategy.	Consider overall investment strategy options as part of the funding strategy. Use asset liability modelling to measure outcomes and choose the option that provides the best balance. Operate various strategies to meet the needs of a diverse employer group.
Active investment manager under-performs relative to benchmark.	Use quarterly investment monitoring to analyse market performance and active managers, relative to index benchmark.
Pay and price inflation is significantly more than anticipated.	Focus valuation on real returns on assets, net of price and pay increases. Use inter-valuation monitoring to give early warning. Invest in bonds. Employers to be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.
Increased employer's contribution rate affects service delivery and admission/scheduled bodies.	Agree an explicit stabilisation mechanism, with other measures to limit sudden increases in contributions.

Risk	Control
Orphaned employers create added Fund costs.	Seek a cessation debt (or security/guarantor). Spread added costs among employers.

C3 Demographic risks

Risk	Control
Pensioners live longer, increasing Fund costs.	Set mortality assumptions with allowances for future increases in life expectancy. Use the Fund actuary's experience and access to over 50 LGPS funds to identify changes in life expectancy that might affect the longevity assumptions early.
As the Fund matures, the proportion of actively contributing employees declines relative to retired employees.	Monitor at each valuation, consider seeking monetary amounts rather than % of pay. Consider alternative investment strategies.
Deteriorating patterns of early retirements	Charge employers the extra cost of non ill-health retirements following each individual decision. Monitor employer ill-health retirement experience, with optional insurance.
Reductions in payroll cause insufficient deficit recovery payments.	Buy-out employers in the stabilisation mechanism to permit contribution increases. Review contributions between valuations. This may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts.

C4 Regulatory risks

Risk	Control
Changes to national pension requirements or HMRC rules.	Consider all Government consultation papers and comment where appropriate. Monitor progress on the McCloud court case and consider an interim valuation or other action once more information is known. Build preferred solutions into valuations as required.
Time, cost or reputational risks associated with any DLUHC intervention triggered by the Section 13 analysis	Take advice from the actuary and consider the proposed valuation approach, relative to anticipated Section 13 analysis.

Changes to employer participation in LGPS funds leads to impacts on funding or investment strategies.	Consider all Government consultation papers and comment where appropriate. Take advice from the Fund actuary and amend strategy.

C5 Governance risks

Risk	Control
The administering authority is not aware of employer membership changes, for example a large fall in employee members, large number of retirements, or is not advised that an employer is closed to new entrants.	The administering authority develops a close relationship with employing bodies and communicates required standards. The actuary may revise the rates and adjustments certificate to increase an employer's contributions between valuations Deficit contributions may be expressed as monetary amounts.
Actuarial or investment advice is not sought, heeded, or proves to be insufficient in some way	The administering authority maintains close contact with its advisers. Advice is delivered through formal meetings and recorded appropriately. Actuarial advice is subject to professional requirements like peer review.
The administering authority fails to commission the actuary to carry out a termination valuation for an admission body leaving the Fund.	CABs' memberships are monitored and steps are taken if active membership decreases.
An employer ceases to exist with insufficient funding or bonds.	It's normally too late to manage this risk if left to the time of departure. This risk is mitigated by: Seeking a funding guarantee from another scheme employer, or external body. Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice. Vetting prospective employers before admission. Requiring a bond to protect the Fund, where permitted. Requiring a guarantor for new CABs. Regularly reviewing bond or guarantor arrangements. Reviewing contributions well ahead of cessation.

Risk	Control
An employer ceases to exist, so an exit credit is payable.	The administering authority regularly monitors admission bodies coming up to cessation. The administering authority invests in liquid assets so that exit credits can be paid.

C6 Climate risk and TCFD reporting

The Fund has considered climate-related risks when setting the funding strategy.

This climate scenario stress testing was carried out as part of the contribution modelling exercise for the local authority employers at the 2022 valuation. The modelling results under the stress tests were slightly worse than the core results but were still within risk tolerance levels, particularly given the severity of the stresses applied. The results provide assurance that the modelling approach does not significantly underestimate the potential impact of climate change and that the funding strategy is resilient to climate risks. The results of these stress tests may be used in future to assist with disclosures prepared in line with Task Force on Climate-Related Financial Disclosures (TCFD) principles.

The same stress tests were not applied to the funding strategy modelling for smaller employers. However, given that the same underlying model is used for all employers and that the local authority employers make up the vast majority of the fund's assets and liabilities, applying the stress tests to all employers was not deemed proportionate at this stage and would not be expected to result in any changes to the agreed contribution plans.

The Fund's Responsible Investment beliefs are included in its Investment Strategy Statement.

Appendix D – Actuarial assumptions

The Fund's actuary uses a set of assumptions to determine the strategy, and so assumptions are a fundamental part of the Funding Strategy Statement.

D1 What are assumptions?

Assumptions are used to estimate the benefits due to be paid to members. Financial assumptions determine the amount of benefit to be paid to each member, and the expected investment return on the assets held to meet those benefits. Demographic assumptions are used to work out when benefit payments are made and for how long.

The funding target is the money the Fund aims to hold to meet the benefits earned to date.

Any change in the assumptions will affect the funding target and contribution rate, but different assumptions don't affect the actual benefits the fund will pay in future.

D2 What assumptions are used to set the contribution rate?

The Fund doesn't rely on a single set of assumptions when setting contribution rates, instead using Hymans Robertson's Economic Scenario Service (ESS) to project each employer's assets, benefits and cashflows to the end of the funding time horizon.

ESS projects future benefit payments, contributions and investment returns under 5,000 possible economic scenarios, using variables for future inflation and investment returns for each asset class, rather than a single fixed value.

For any projection, the Fund actuary can assess if the funding target is satisfied at the end of the time horizon.

Table: Summary of assumptions underlying the ESS, 31 March 2022

		Annualised total returns										
		Cash	**Index Linked Gilts (medium)**	**UK Equity**	**Private Equity**	**Global Equity**	**Property**	**Emerging Markets Equity**	**Unlisted infrastructure equity**	**Inflation expectation (CPI)**	**17 year real yield (CPI)**	**17 year yield**
10 Years	16th %ile	0.8%	-1.9%	-0.4%	-1.2%	-0.7%	-0.6%	-2.5%	0.7%	1.6%	-1.7%	1.1%
	50th %ile	1.8%	0.2%	5.7%	9.4%	5.6%	4.4%	5.8%	5.9%	3.3%	-0.5%	2.5%
	84th %ile	2.9%	2.4%	11.6%	20.1%	11.7%	9.5%	14.4%	11.2%	4.9%	0.7%	4.3%
20 Years	16th %ile	1.0%	-1.5%	1.7%	2.4%	1.5%	1.4%	0.1%	2.6%	1.2%	-0.7%	1.3%
	50th %ile	2.4%	0.1%	6.2%	10.0%	6.1%	5.0%	6.3%	6.5%	2.7%	1.1%	3.2%
	84th %ile	4.0%	1.9%	10.6%	17.6%	10.8%	8.9%	12.8%	10.6%	4.3%	2.7%	5.7%
40 Years	16th %ile	1.2%	-0.3%	3.2%	4.7%	3.1%	2.6%	2.1%	3.9%	0.9%	-0.6%	1.1%
	50th %ile	2.9%	1.2%	6.7%	10.3%	6.5%	5.5%	6.8%	7.0%	2.2%	1.3%	3.3%
	84th %ile	4.9%	3.1%	10.2%	16.1%	10.2%	8.8%	11.7%	10.3%	3.7%	3.2%	6.1%
	Volatility (5 yr)	2%	7%	18%	30%	19%	15%	26%	15%	3%		

D3 What financial assumptions were used?

Future investment returns and discount rate

The Fund uses a risk-based approach to generate assumptions about future investment returns over the funding time horizon, based on the investment strategy.

The discount rate is the annual rate of future investment return assumed to be earned on assets after the end of the funding time horizon. The discount rate assumption is set as a margin above the risk-free rate.

Assumptions for future investment returns depend on the funding objective.

	Employer type	Margin above risk-free rate
Ongoing basis	All employers	1.9%
Low-risk exit basis	See Appendix H – Cessation Policy for circumstances where this may apply to a Fund employer	0%

Discount rate (for funding level calculation as at 31 March 2022 only)

For the purpose of calculating a funding level at the 2022 valuation, a discount rate of 3.7% pa applies. This is based on a prudent estimate of investment returns, specifically, that there is an 80% likelihood that the Fund's assets will achieve future investment returns of 3.7% pa over the 20 years following the 2022 valuation date.

Pension increases and CARE revaluation

Deferment and payment increases to pensions and revaluation of CARE benefits are in line with the Consumer Prices Index (CPI) and determined by the regulations.

The CPI assumption is based on Hymans Robertson's ESS model. The median value of CPI inflation from the ESS was 2.7% p.a. on 31 March 2022.

Salary growth

The salary increase assumption at the latest valuation has been set to 1.0% above CPI p.a. plus a promotional salary scale.

D4 What demographic assumptions were used?

Demographic assumptions are best estimates of future experience. The fund uses advice from Club Vita to set demographic assumptions, as well as analysis and judgement based on the fund's experience.

Demographic assumptions vary by type of member, so each employer's own membership profile is reflected in their results.

Life expectancy

The longevity assumptions are a bespoke set of VitaCurves produced by detailed analysis and tailored to fit the fund's membership profile.

Allowance has been made for future improvements to mortality, in line with the 2021 version of the continuous mortality investigation (CMI) published by the actuarial profession. The starting point has been adjusted by +0.25% to reflect the difference between the population-wide data used in the CMI and LGPS membership. A long-term rate of mortality improvements of 1.5% p.a. applies.

The smoothing parameter used in the CMI model is 7.0. There is little evidence currently available on the long-term effect of Covid-19 on life expectancies. To avoid an undue impact from recently mortality experience on long-term assumptions, no weighting has been placed on data from 2020 and 2021 in the CMI.

Other demographic assumptions

Retirement in normal health	Members are assumed to retire at the earliest age possible with no pension reduction.
Promotional salary increases	Sample increases below
Death in service	Sample rates below
Withdrawals	Sample rates below
Retirement in ill health	Sample rates below
Family details	A varying proportion of members are assumed to have a dependant partner at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. Males are assumed to be 3 years older than females, and partner dependants are assumed to be opposite sex to members.
Commutation	55% of maximum tax-free cash
50:50 option	0.7% of members will choose the 50:50 option.

Males

Incidence per 1000 active members per year								
Age	Salary scale	Death before retirement	Withdrawals		Ill-health tier 1		Ill-health tier 2	
		FT &PT	FT	PT	FT	PT	FT	PT
20	105	0.17	485.17	813.01	0.00	0.00	0.00	0.00
25	117	0.17	320.47	537.03	0.00	0.00	0.00	0.00
30	131	0.20	227.38	380.97	0.00	0.00	0.00	0.00
35	144	0.24	177.66	297.63	0.10	0.07	0.02	0.01
40	150	0.41	143.04	239.55	0.16	0.12	0.03	0.02
45	157	0.68	134.35	224.96	0.35	0.27	0.07	0.05
50	162	1.09	110.75	185.23	0.90	0.68	0.23	0.17
55	162	1.70	87.21	145.94	3.54	2.65	0.51	0.38
60	162	3.06	77.73	130.02	6.23	4.67	0.44	0.33

Females

Incidence per 1000 active members per year								
Age	Salary scale	Death before retirement	Withdrawals		Ill-health tier 1		Ill-health tier 2	
		FT &PT	FT	PT	FT	PT	FT	PT
20	105	0.10	458.15	467.37	0.00	0.00	0.00	0.00
25	117	0.10	308.28	314.44	0.10	0.07	0.02	0.01
30	131	0.14	258.41	263.54	0.13	0.10	0.03	0.02
35	144	0.24	223.04	227.38	0.26	0.19	0.05	0.04
40	150	0.38	185.63	189.18	0.39	0.29	0.08	0.06
45	157	0.62	173.23	176.51	0.52	0.39	0.10	0.08
50	162	0.90	146.05	148.65	0.97	0.73	0.24	0.18
55	162	1.19	108.97	111.03	3.59	2.69	0.52	0.39
60	162	1.52	87.82	89.37	5.71	4.28	0.54	0.40

D5 What assumptions apply in a cessation valuation following an employer's exit from the Fund?

Low-risk exit basis

Where there is no guarantor, the low-risk exit basis will apply.

The financial and demographic assumptions underlying the low-risk exit basis are explained below:

1. The discount rate is set equal to the annualised yield on long dated government bonds at the cessation date, with a 0% margin. This was 1.7% pa on 31 March 2022.
2. The CPI assumption is based on Hymans Robertson's ESS model. The median value of CPI inflation from the ESS was 2.7% pa on 31 March 2022.

Appendix E – Contribution reviews

Under the LGPS Regulations the Fund may amend contribution rates between valuations where there has been "significant change" to the liabilities or covenant of an employer. The Fund would consider the following circumstances as a potential trigger for review:

- in the opinion of an administering authority there are circumstances which make it likely that an employer (including an admission body) will become an exiting employer sooner than anticipated at the last valuation;
- an employer is approaching exit from the scheme within the next two years and before completion of the next valuation;
- an employer agrees to pay increased contributions to meet the cost of an award of additional pension, under Regulation 31(3) of the Regulations;
- there are changes to the benefit structure set out in the LGPS Regulations including the outcomes of the McCloud case and cost sharing mechanisms (if permitted in Regulation at that time) which have not been allowed for at the last valuation;
- it appears likely to the administering authority that the amount of the liabilities arising or likely to arise for an employer or employers has changed significantly since the last valuation;
- it appears likely to the administering authority that there has been a significant change in the ability of an employer or employers to meet their obligations (i.e. a material change in employer covenant);
- it appears to the administering authority that the membership of the employer has changed materially due to events such as bulk transfers, significant reductions to payroll or large-scale restructuring; or
- where an employer has failed to pay contributions or has not arranged appropriate security as required by the administering authority.

The administering authority will also consider a request from any employer to review contributions where the employer has undertaken to meet the costs of that review and sets out the reasoning for the review (which would be expected to fall into one of the above categories, such as a belief that their covenant has changed materially or they are going through a significant restructuring impacting their membership). The employer would be expected to provide evidence to back up its request for a review e.g. report and accounts, financial forecasts and budgets. The administering authority will endeavour to complete any review within 3 months of request subject to receipt of satisfactory evidence, and will monitor any change in an employer's circumstances on a regular basis following any change in contribution rate and may require further information from the employer to support this monitoring process.

Except in circumstances such as an employer nearing cessation, the administering authority will not consider market volatility or changes to asset values as a basis for a change in contributions outside a formal valuation.

It should be noted that any review may require increased contributions. The administering authority may need to consult other fund employers e.g. where they act as guarantor, as part of a review.

Appendix F – Ill-health risk management

The Fund recognises ill health early retirement costs can have a significant impact on an employer's funding and contribution rate, which could ultimately jeopardise their continued operation.

Each employer may elect to use external insurance which has been made available by the Fund. The Fund communicates this external insurance option regularly to all employers including new employers.

If an employer provides satisfactory evidence to the administering authority of putting in place an external insurance policy covering ill health early retirement strains, then:

- the employer's contribution rate to the Fund each year is reduced by the amount of that year's insurance premium rate, and
- there is no need for monitoring of ill health allowances versus experience.

When an active member retires on ill health early retirement the claim amount will be paid directly from the insurer to the insured employer. This amount should then be paid to the Fund to allow the employer's asset share to be credited.

The employer must keep the administering authority notified of any changes in the insurance policy's coverage or premium terms, or if the policy is ceased.

Appendix G – Pass-through and risk sharing

Employers which “outsource” have flexibility in the way that they can deal with the pension risk potentially taken on by the contractor. If the contractor does not take on the risk (the traditional approach), then there are different approaches that may be adopted.

i) **Fixed contribution rate agreed** - under this option the contractor pays a fixed contribution rate throughout its participation in the Fund and on cessation does not pay any deficit or receive an exit credit. In other words, the pension risks “pass-through” to the letting employer.

ii) **Pooling** - under this option the contractor is pooled with the letting employer. In this case, the contractor pays the same rate as the letting employer, which may be under a stabilisation approach.

The Administering Authority’s preferred approach is that a new TAB will participate in the Fund via a fixed contribution rate arrangement with the letting employer*. The certified employer contribution rate will be set equal to the fixed contribution rate agreed between the letting authority and the contractor. The fixed rate that will be paid is at the discretion of the letting authority and contractor subject to a minimum of the letting authority’s primary rate on the contract start date. Upon cessation the contractor’s assets and liabilities will transfer back to the letting authority with no crystallisation of any deficit or surplus.

The Administering Authority is, however, willing to administer either of the above two options – it will be important that the approach is clearly documented in the Admission Agreement and/or any transfer agreement.

Any risk sharing agreement should ensure that some element of risk transfers to the contractor where it relates to their decisions and it is unfair to burden the letting employer with that risk. For example, the contractor should typically be responsible for pension costs that arise from:

- above average pay increases, including the effect in respect of service prior to contract commencement even if the letting employer takes on responsibility for the latter under (ii) above; and
- redundancy and early retirement decisions.

** Catering and cleaning contracts are often outsourced by academies. If a pass-through agreement is the intended approach, the Department of Education (DfE) has confirmed that approval to the approach should be sought from the Education, Skills and Funding Agency (ESFA) based on a requirement within the Academy Trust Handbook. This should be sought prior to the academy entering into such an agreement with the contractor. The Administering Authority requires proof of the ESFA’s approval before it admits the new contractor to the Fund.*

Appendix H – Cessation policy

On cessation, the Administering Authority will instruct the Fund Actuary to carry out a cessation valuation to determine whether there is any deficit or surplus. The administering authority reserves the right to put in place a Deferred Debt Agreement (as described in Regulation 64 (7A)).This is covered in further detail below.

Where there is a debt, payment of this amount in full would normally be sought from the admission body. The Fund's normal policy is that this cessation debt is paid in full as a single lump sum. However, subject to actuarial, covenant, legal and any other advice as necessary, in line with the Regulations and when in the best interests of all parties, the Fund may agree for this payment to be spread over an agreed period. Repayments may be subject to an interest charge and any spreading would always be discussed in advance and agreed with the employer. Such agreement would only be permitted at the Fund's discretion, where the employer can demonstrate that payment of the debt in a single immediate lump sum could be shown to be materially detrimental to its normal operations. In cases where payment is spread, the Fund reserves the right to require that the ceasing employer provides some form of security (such as a charge over assets, bond indemnity or guarantee) relating to the unpaid amount of debt at any given time. The length of any spreading period will depend on the employer's financial circumstances and on the strength of any security provided, and ordinarily would not exceed 5 years. The Fund will confirm the spreading period, annual repayments including any interest, and any other costs (e.g. actuarial or legal) payable by the employer prior to the repayments starting. The Fund will monitor the employer's circumstances regularly during the spreading period and may request updated financial information that could trigger a review of the arrangement and repayments. The Fund will endeavour to accommodate any such spreading arrangement or review within 3 months of receipt of the relevant evidence from the employer.

Where there is a surplus, the administering authority will determine the amount of exit credit to be paid in accordance with the Regulations. In making this determination, the administering authority will consider the extent of any surplus, the proportion of surplus arising as a result of the admission's body's employer contributions, any representations (such as risk sharing agreements - please see Appendix G) and any employer providing a guarantee to the admission body.

The LGPS benefit structure from 1 April 2014 is currently under review following the McCloud judgement. The Fund is considering how it will reflect the current uncertainty regarding the outcome of this judgement in its approach to the calculations involved in cessation valuations, however an adjustment has been made to each employer's liabilities at the 31 March 2022 valuation and as such, any cessation valuations carried out after this date will have an allowance built in.

For non-TABs whose participation is voluntarily ended either by themselves or the Fund, or where a cessation event has been triggered, the administering authority must look to protect the interests of other ongoing employers. The actuary will therefore adopt an approach which, to the extent reasonably practicable, protects the other employers from the likelihood of any material loss emerging in future:

a) Where a guarantor does not exist then, in order to protect other employers in the Fund, the cessation liabilities and final surplus/deficit will normally be calculated using a "low risk cessation exit basis", which is more prudent than the ongoing participation basis. This has no allowance for potential future investment outperformance above gilt yields, and has added allowance for future improvements in life expectancy. This could give rise to significant cessation debts being required.

b) Where there is a guarantor for future deficits and contributions, the details of the guarantee will be considered prior to the cessation valuation being carried out. In some cases the guarantor is simply guarantor of last resort and therefore the cessation valuation will be carried out consistently with the approach taken had there been no guarantor in place. Alternatively, where the guarantor is not simply guarantor of last resort, the cessation may be calculated using the ongoing participation basis as described in Appendix D;

c) Again, depending on the nature of the guarantee, it may be possible to simply transfer the former admission body's liabilities and assets to the guarantor, without needing to crystallise any deficit or surplus. This approach may be adopted where the employer cannot pay the contributions due, and this is within the terms of the guarantee.

Under (a) and (b), any shortfall would usually be levied on the departing admission body as a single lump sum payment. If this is not possible then the Fund may spread the payment subject to there being some security in place for the employer such as a bond indemnity or guarantee.

In the rare event that the Fund is not able to recover the required payment in full and there is no guarantor, then the unpaid amounts fall to be shared amongst all of the other employers in the Fund. If material, this will require an immediate revision to the Rates and Adjustments Certificate affecting other employers in the Fund. If not, it will be reflected in the contribution rates set at the next formal valuation following the cessation date.

Deferred Debt Agreement (DDA)
As an alternative, where the ceasing admission body is continuing in business, the Administering Authority may enter into a written agreement with the admission body to defer its obligations to make an exit payment and continue to make Secondary contributions (a 'Deferred Debt Agreement' as described in Regulation 64 (7A)).

The admission body must meet all requirements of Scheme employers and pay the Secondary rate of contributions as determined by the Fund actuary until the termination of the DDA. Any such agreement would always be discussed in advance with the admission body, whether at its request or not. The Fund will endeavour to accommodate any agreement within 3 months of receipt of all relevant evidence from the employer as outlined below.

The administering authority will consider DDA's in the following circumstances:

- The admission body requests the Fund to consider a DDA;
- The admission body is expected to have a deficit when the cessation valuation is carried out;
- The admission body is expected to be a going concern; and
- The covenant of the admission body is considered sufficient by the administering authority. Evidence may be required from the admission body to back this up e.g. report and accounts, financial forecasts and budgets.

The administering authority will normally require:

- Security to be put in place covering the admission body's deficit on its cessation basis;
- Regular monitoring of the contribution requirements and security requirements;
- All costs of the arrangement to be met by the admission body, such as the cost of actuarial or legal advice to the Fund, ongoing monitoring of the arrangement and correspondence on any ongoing contribution and security requirements. Estimates of these would be notified to the admission body.

A DDA will normally terminate on the first date on which one of the following events occurs:

- the admission body enrols new active Fund members;

- the period specified, or as varied, under the DDA elapses;
- the take-over, amalgamation, insolvency, winding up or liquidation of the admission body;
- the administering authority serves a notice on the admission body that the administering authority is reasonably satisfied that the admission body's ability to meet the contributions payable under the DDA has weakened materially or is likely to weaken materially in the next 12 months;
- the Fund actuary assesses that the admission body has paid sufficient secondary contributions to cover all (or almost all) of the exit payment due if the employer becomes an exiting employer on the calculation date (i.e. the admission body is now largely fully funded on its cessation basis); or
- the admission body requests early termination of the agreement and settles the exit payment in full as calculated by the Fund actuary on the calculation date (i.e. the admission body pays its outstanding cessation debt on its cessation basis).

On the termination of a DDA, the admission body will become an exiting employer and a cessation valuation will be completed in line with this FSS.

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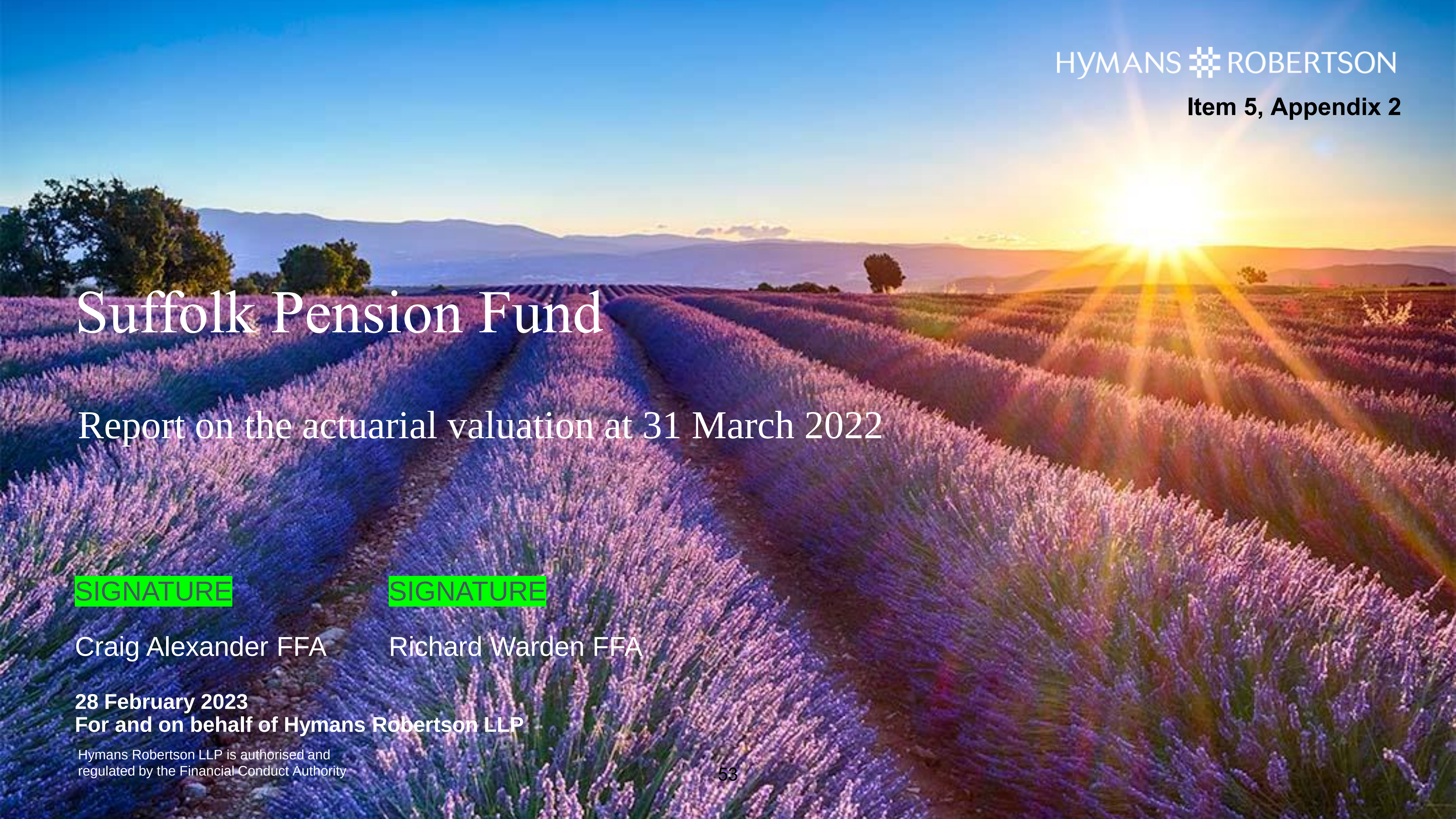

HYMANS ROBERTSON

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Suffolk Pension Fund

Report on the actuarial valuation at 31 March 2022

SIGNATURE SIGNATURE

Craig Alexander FFA
Richard Warden FFA

28 February 2023
For and on behalf of Hymans Robertson LLP

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Executive Summary

We have been commissioned by Suffolk County Council (the Administering Authority) to carry out a valuation of the Suffolk Pension Fund (the Fund) as at 31 March 2022. This fulfils Regulation 62 of the Local Government Pension Scheme Regulations 2013. This report is a summary of the valuation.

Contribution rates

The contribution rates for individual employers set at this valuation can be found in the Rates & Adjustments Certificate. Table 1 shows the combined individual employer rates set at this valuation and the last valuation (31 March 2019).

Table 1: Whole fund contribution rates compared with the previous valuation

	This valuation 31 March 2022		Last valuation 31 March 2019	
Primary Rate		20.0% of pay		20.2% of pay
Secondary Rate	2023/2024	£tbc	2020/2021	£17,894,000
	2024/2025	£tbc	2021/2022	£15,804,000
	2025/2026	£tbc	2022/2023	£13,518,000

The primary rate includes an allowance of 0.5% of pensionable pay for the Fund's expenses.

Employees pay a contribution to the Fund in addition to these rates. These rates are set by the LGPS Regulations. The average employee contribution rate at 31 March 2022 is 6.6% of pay (6.3% at 31 March 2019).

Funding position

As at 31 March 2022, the funding position has improved from the last valuation. The required investment return to be 100% funded is now 3.3% pa (3.6% pa at 2019). The likelihood of the Fund's investment strategy achieving the required return is 83% (82% at 2019). Table 2 shows the single reported funding position at the current and previous valuation.

Table 2: Single reported funding position at 31 March 2022 compared with 31 March 2019

Valuation Date	31 March 2022	31 March 2019
Past Service Liabilities	**(£m)**	**(£m)**
Employees	1,213	963
Deferred Pensioners	809	649
Pensioners	1,500	1,354
Total Liabilities	**3,522**	**2,966**
Assets	**3,756**	**2,931**
Surplus/(Deficit)	**235**	**(35)**
Funding Level	**107%**	**99%**

Approach to valuation

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Valuation Purpose

The triennial actuarial valuation is an important part of the Fund's risk management framework. Its main purpose is to ensure the Fund continues to have a contribution plan and investment strategy that will achieve the objectives set out in the Funding Strategy Statement.

We have been commissioned by Suffolk County Council (the Administering Authority) to carry out a valuation of the Suffolk Pension Fund (the Fund) as at 31 March 2022. This fulfils Regulation 62 of the Local Government Pension Scheme Regulations 2013. This report marks the culmination of the valuation process and contains its two key outcomes:

1. Employer contribution rates for the period 1 April 2023 to 31 March 2026.
2. The funding level of the Fund at 31 March 2022.

Further information on the valuation process, methodology and strategy is set out in the publicly available Funding Strategy Statement, Investment Strategy Statement and published papers and minutes of the Fund's Pensions Committee. Additional material is also contained in Hymans Robertson's LGPS 2022 valuation toolkit[1].

[1] www.hymans.co.uk/media/uploads/LGPS_2022_Valuation_Toolkit.pdf

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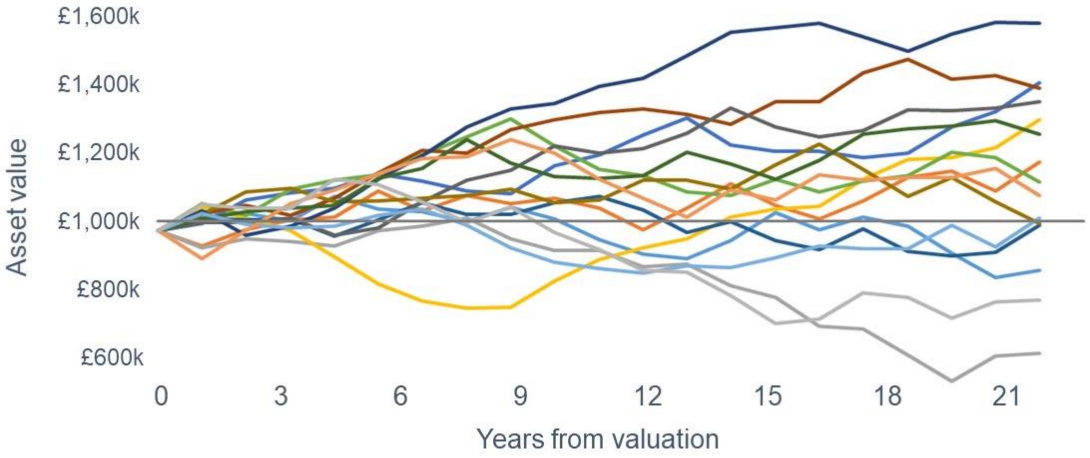
Setting employer contribution rates

Employer contributions need to be set at a level which ensures the Fund has a reasonable chance of having enough money to pay members' benefits. Identifying the amount of benefits that may be paid is complex as those earned today might only start being paid in 50 years' time. Over that time period, there is significant uncertainty over factors which affect the cost of benefits, eg inflation, investment returns. These uncertainties are allowed for by taking a risk-based approach to setting employer contribution rates. This approach is built around asset-liability modelling and three key funding decisions set by the Fund.

Asset-liability modelling

Asset-liability model is used to project each employer's assets and benefit payments into the future using 5,000 different economic scenarios. The economic scenarios are generated using Hymans Robertson's Economic Scenario Service (ESS) (further information in Appendix 2).

Picture 1: sample progression of employer asset values



Key funding decisions

For each employer, the Fund determines the most appropriate choice for the following three funding decisions. Further detail is set out in the Funding Strategy Statement.

What is the funding target for each employer?
Will the employer remain in the Fund for the long-term or exit at some point

What is the funding time horizon?
How long will the employer participate in the Fund

What is the required likelihood?
How much funding risk can the employer's covenant support

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Measuring the funding level

The past service funding level is measured at the valuation. Whilst it is limited in providing insight to a funding plan, it is a useful high-level summary statistic. To measure the funding position, a market-related approach is taken to calculating both the assets and the liabilities (so they are consistent with each other).

- The market value of the Fund's assets at the valuation date has been used.
- The liabilities have been valued using assumptions based on market indicators at the valuation date (these assumptions are detailed in Appendix 2).

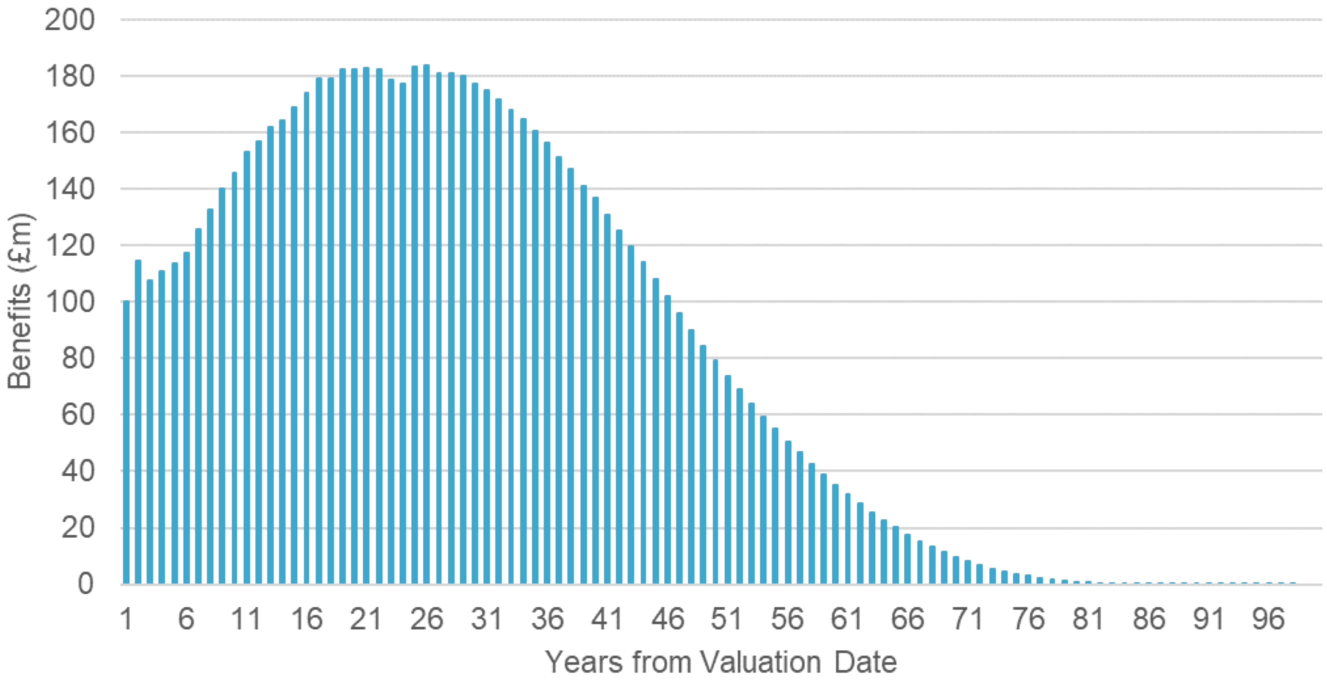
Further detail on the liabilities

The liabilities are the value of all future payments to members based on all benefits earned up to the valuation date, expressed in today's money.

Chart 1 shows the projected payments for all members in the Fund at the valuation date. The projections are based on the membership data provided for the valuation (Appendix 1), the assumptions (Appendix 2) and our understanding of the LGPS benefit structure as at 31 March 2022 (details at www.lgpsregs.org).

To express the future payments in today's money, the projections are discounted with an assumed future investment return on the Fund's assets (the discount rate).

Chart 1: projected benefit payments for all service earned up to 31 March 2022



Valuation results

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Employer contribution rates

The primary objective of the Fund is to set employer contribution rates that will adequately cover the cost of benefits which will accrue in the future and any costs related to benefits already earned. A secondary objective is to ensure the rates are as stable as possible. The risk-based approach detailed earlier is used to meet both these objectives.

The employer contribution rate is made up of two components.
1. A primary rate: the level sufficient to cover all new benefits.
2. A secondary rate: the costs associated with sufficiently funding benefits accrued up to the valuation date.

Each employer has a contribution rate which is appropriate to their circumstances and these can be found in the Rates & Adjustments Certificate. Broadly speaking:

- Primary rates have increased since the last valuation due to rising inflation.
- Secondary rates have decreased due to strong investment performance since the previous valuation.

However all employers will be different and the contribution rate will reflect the membership and experience of each employer.

Table 3 shows the total of all employer contribution rates to be paid into the Fund over the period 1 April 2023 to 31 March 2026.

Table 3: Whole-fund contribution rate, compared with the previous valuation

	This valuation 31 March 2022		Last valuation 31 March 2019	
Primary Rate		20.0% of pay		20.2% of pay
Secondary Rate	2023/2024	£tbc	2020/2021	£17,894,000
	2024/2025	£tbc	2021/2022	£15,804,000
	2025/2026	£tbc	2022/2023	£13,518,000

The primary rate includes an allowance of 0.5% of pensionable pay for the Fund's expenses.

Employees pay a contribution to the Fund in addition to these rates. These rates are set by the LGPS Regulations. The average employee contribution rate at 31 March 2022 is 6.6% of pay (6.3% at 31 March 2019).

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Funding level

The funding level is the ratio of assets to liabilities. The market value of the assets at the valuation date are known. The value of the liabilities is uncertain given that the level of future investment returns are unknown.

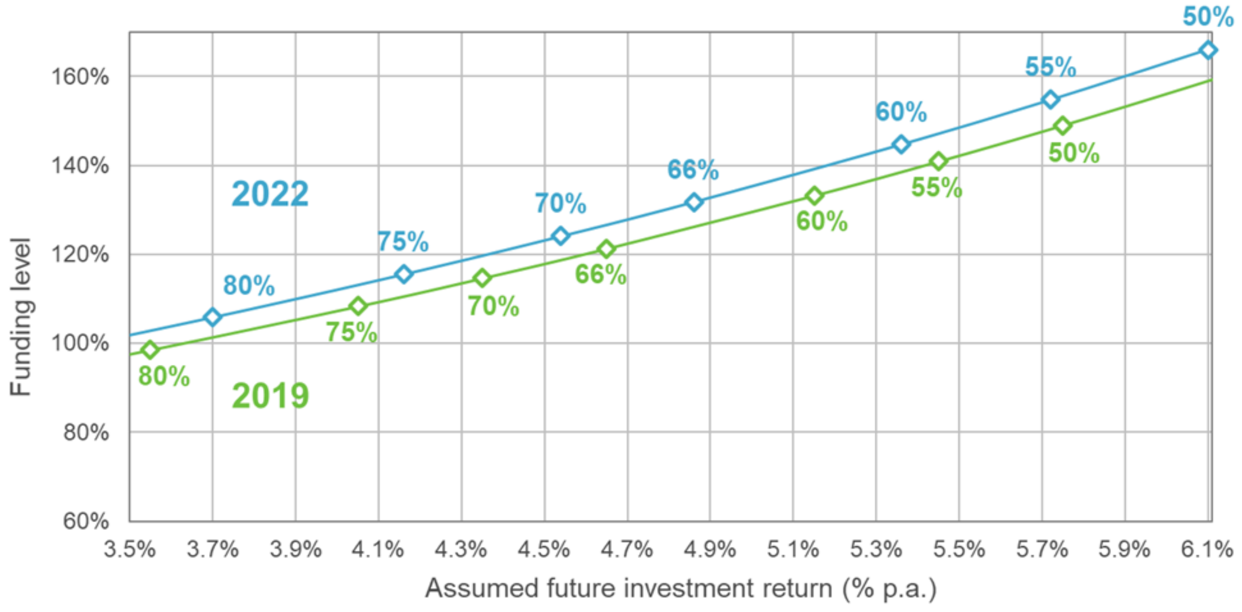
Therefore, the liabilities and funding level have been calculated across a range of different investment returns (the discount rate).

To help better understand funding risk, the likelihood of the Fund's investment strategy (detailed in Appendix 1) achieving certain levels of return has also been calculated.

Chart 2 shows how the funding level varies with future investment return assumptions at 31 March 2022 (blue line). The green line shows the same analysis at 31 March 2019.

- **The funding level is 100% if future investment returns are c.3.3% pa.**
- **The likelihood of the Fund's assets yielding at least this return is around 83%.**
- **The comparator at 2019 was a return of 3.6% pa which had a likelihood of 82%.**
- **The funding position at 2022 is stronger than 2019.**
- **There is a 50% likelihood of an investment return of 6.1% pa. So the best-estimate funding level is 166% at 31 March 2022 (145% at 2019).**

Chart 2: funding level across a range of future investment returns



Figures on each line show the likelihood of the Fund's assets exceeding that return at the valuation date

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Single funding level as at 31 March 2022

Whilst Chart 2 on the previous page provides a better understanding of the past service funding position, there is still a requirement to report a single funding level at 31 March 2022.

To report a single funding level and funding surplus/deficit for the 2022 valuation, a discount rate of 3.7% pa has been used. There is a 80% likelihood associated with a future investment return of 3.7% pa.

Table 4 details the liabilities, split by member status and the market value of assets at the valuation date. The results at the 2019 formal valuation are shown for comparison.

The funding level and surplus/deficit figures provide a high-level snapshot of the funding position of the Fund as at 31 March 2022, however there are limitations:

- The liabilities are calculated using a single set of assumptions about the future and so are very sensitive to the choice of assumptions.
- The market value of assets held by the Fund will change on a daily basis.

The future progression of the funding position is uncertain. If the financial and demographic assumptions made at this valuation actually occur, employers pay contributions in line with the R&A certificate and there are no other changes in the financial or demographic environment, we project that the funding level at the next valuation (31 March 2025) will be approximately 103%.

Table 4: single reported funding level

Valuation Date	31 March 2022	31 March 2019
Past Service Liabilities	**(£m)**	**(£m)**
Employees	1,213	963
Deferred Pensioners	809	649
Pensioners	1,500	1,354
Total Liabilities	**3,522**	**2,966**
Assets	**3,756**	**2,931**
Surplus/(Deficit)	**235**	**(35)**
Funding Level	**107%**	**99%**

Important: *the reported funding level does not directly drive the contribution rates for employers. The contribution rates consider how assets and liabilities will evolve over time in different economic scenarios and also reflect each employer's funding profile and covenant.*

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Changes since the last valuation

Events between 2019 and 2022

The most significant external event to occur since the last valuation has been the Covid-19 pandemic. The experience analysis below shows that there has sadly been a higher than expected number of deaths over the period. However, the impact on the funding position has been small. This is likely due to the age profile of the excess deaths and the level of pension.

Other significant factors occurring which affect the funding strategy of the Fund have been the better than expected investment returns. This has had a material positive impact on the funding position and employers' secondary contribution rates.

Financial

Table 5: analysis of financial experience between 2019 and 2022 valuations

	Expected	Actual	Difference	Impact on funding position
3 year period	10.9%	26.7%	15.8%	+£457m
Annual	3.5% pa	8.2% pa	4.7% pa	

Membership

Table 6: analysis of membership experience between 2019 and 2022 valuations

	Expected	Actual	Difference	Impact on funding position
Early leavers	7,889	8,529	640	+£3m
Ill-health retirements	93	93	0	+£6m
Salary increases	3.7% pa	5.1% pa	1.4% pa	-£25m
Benefit increases	2.3% pa	1.8% pa	-0.6% pa	+£44m
Pension ceasing	£6.2m	£6.1m	-£0.1m	-£3m

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Changes since the last valuation

Future outlook

Expectations about the future, which inform the assumptions used to value the liabilities, have changed since the last valuation. The most significant changes are:

- Future inflation: this is expected to be on average higher than at 2019 due to the current level of high inflation.
- Investment returns: due to change in the Fund’s investment strategy and financial markets, future investment returns are now expected to be higher than at the last valuation.

Table 7: summary of change in future outlook

Factor	What does it affect?	What's changed?	Impact on liabilities
Future investment returns	The rate at which future benefit payments are discounted back, ie the discount rate assumption	Future investment returns slightly higher at 2022 than at 2019. The required return is now 3.7% pa vs. 3.5% pa at 2019.	Decrease of £111m
Inflation	The rate at which pensions in payment and deferment and CARE pots increase	Significant increase in short-term future inflation expectations.	Increase of £259m
Salary increases	The rate at which future salaries increase. This affects benefits that are still linked to final salary, ie accrued before 1 April 2014	No material change since last valuation given competing factors e.g. tighter budgetary conditions vs. strong job market and pressure from National Living Wage increases.	Increase of £9m
Current life expectancy	How long we expect people to live for based on today’s current observed mortality rates.	Slight reduction in life expectancy based on current observed data (not allowing for Covid-related excess deaths)	Decrease of £14m
Future improvements in life expectancy	How we expect life expectancies to change (increase) in the future.	Uncertainty about effectiveness of mitigations against life expectancy increases in the LGPS i.e. State Pension Age increases and Cost Cap. Need to better reflect wider pension and insurance industry long-term expectations.	Increase of £22m

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Reconciling the overall change in funding position

The tables below provide insight into the funding position change between 31 March 2019 and 31 March 2022. Firstly, the changes we expect to happen (Table 8), which relate mostly to items on the asset side. Then the impact of actual experience (Table 9), which mainly affects the liabilities.

Expected development

Table 8: expected development of funding position between 2019 and 2022 valuations

Change in the surplus/deficit position	Assets	Liabilities	Surplus / Deficit
	£m	£m	£m
Last valuation at 31 March 2019	**2,931**	**2,966**	**(35)**
Cashflows			
Employer contributions paid in	287	0	287
Employee contributions paid in	71	0	71
Benefits paid out	(309)	(309)	0
Net transfers into / out of the Fund			
Other cashflows (e.g. Fund expenses)	(3)	0	(3)
Expected changes			
Expected investment returns	315	0	315
Interest on benefits already accrued	0	327	(327)
Accrual of new benefits	0	370	(370)
Expected position at 31 March 2022	**3,292**	**3,354**	**(62)**

* We have insufficient data to value the impact on the liabilities as a result of transfers in/out

Impact of actual events

Table 9: impact of actual events on the funding position at 31 March 2022

Change in the surplus/deficit position	Assets	Liabilities	Surplus / Deficit
	£m	£m	£m
Expected position at 31 March 2022	**3,292**	**3,354**	**(62)**
Events between 2019 and 2022			
Salary increases greater than expected	0	25	(25)
Benefit increases greater than expected	0	(44)	44
Early retirement strain (and contributions)	7	3	5
Ill health retirement strain	0	(6)	6
Early leavers less than expected	0	(3)	3
Commutation less than expected	0	0	0
McCloud remedy	0	2	(2)
Other membership experience	0	63	(63)
Higher than expected investment returns	457	0	457
Changes in future expectations			
Investment returns	0	(111)	111
Inflation	0	259	(259)
Salary increases	0	9	(9)
Longevity	0	8	(8)
Other demographic assumptions	0	(37)	37
Actual position at 31 March 2022	**3,756**	**3,522**	**235**

Numbers may not sum due to rounding

Sensitivity & risk analysis

Sensitivity and risk analysis: assumptions

There is risk and uncertainty inherent with funding benefit payments that will be paid out many years in the future. The Fund is aware of these and has in place a risk register which is regularly reviewed. Additionally, as part of the valuation, the Fund reviews sources of risk that may impact its funding position and the contribution rates payable by employers.

This section discusses some of the most significant sources of funding risk (assumptions, regulatory, administration and governance and climate change). Further information of the Fund's approach to funding risk management, including monitoring, mitigation and management, is set out in the Funding Strategy Statement.

Assumptions

The valuation results depend on the actuarial assumptions made about the future. By their nature, these assumptions are uncertain which means its important to understand their sensitivity and risk levels.

Contribution rates

The risk-based approach to setting employer contribution rates mitigates the limitation of relying on one set of assumptions. Therefore, there is no need to carry out additional analysis of the sensitivity of contribution rates to changes in financial assumptions. The contribution rates are sensitive to changes in demographic assumptions. The results in this section in relation to the funding position can be broadly applied to the contribution rates.

Funding level

Financial assumptions

On page 10, we have already set out how the results vary with the assumed future investment return. The table below considers inflation.

Table 10: sensitivity of funding position to inflation assumption

CPI Assumption	Surplus/ (Deficit)	Funding Level
% pa	**(£m)**	**%**
2.5%	350	110%
2.7%	**235**	**107%**
2.9%	115	103%

Demographic assumptions

The main area of demographic risk is if people live longer than expected. The table below shows the impact of longer term longevity rates improving at a faster rate (1.75% pa vs 1.5% pa used in the results)

Table 11: sensitivity of funding position to longevity assumption

Long term rate of improvement	Surplus/ (Deficit)	Funding Level
% pa	**(£m)**	**%**
1.5%	**235**	**107%**
1.75%	203	106%

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Sensitivity and risk analysis: other risks & climate change

Regulatory, Administration and Governance risks

Potential risks in this area include change in central government legislation which changes the future cost of the LGPS and failures in administration processes leading to incorrect data and inaccuracies in actuarial calculations. At this valuation, specific risks include:

- **McCloud:** the remedy to resolve the McCloud case is yet to be formalised in regulations. However, an allowance has been included for this expected benefit change at the 2022 valuation as directed by the Department of Levelling Up, Housing and Communities in their letter dated March 2022[1].
- **Cost Cap:** a legal challenge is still ongoing in relation to the results of the 2016 cost cap valuation and no information is known about the outcome of the 2020 cost cap valuation. At this valuation, no allowance has been made for any changes to the benefit structure that may occur as a result of a cost cap valuation.
- **GMP indexation:** it is assumed that all increases on GMPs for members reaching State Pension Age after 6 April 2016 will be paid for by LGPS employers. This is the same approach that was taken for the 2019 valuation.

Climate change

Background

Climate change is a major source of uncertainty which could affect future investment returns, inflation and life expectancies. Therefore, the Fund has explicitly explored the resilience of its funding and investment strategy to future potential climate change outcomes.

It is impossible to confidently quantify the effect of climate risk given the significant uncertainty over the impact of different possible climate outcomes. Instead, three different climate change scenarios have been considered as a stress-test (instead of trying to predict how climate change affects the funding level in the future).

All the scenarios assume that there will be a period of disruption linked either to the response to climate risk (transition risks) or the effect of it (physical risks). This disruption will lead to high volatility in financial markets, and the later the disruption, the more pronounced it will be.

Further detail on the scenarios is shown on the next page and in our guide 10 of Hymans Robertson's LGPS 2022 valuation toolkit[2]..

1 www.lgpslibrary.org/assets/bulletins/2022/222AppA.pdf

2 www.hymans.co.uk/media/uploads/LGPS_2022_Valuation_Toolkit.pdf

Sensitivity and risk analysis: climate change & post valuation events

Climate change

Outcome of analysis

The Fund has set its funding and investment strategy using asset-liability modelling and considering two main risk metrics:

- Likelihood of success – the chance of being fully funded in 20 years' time
- Downside risk – the average worst 5% of funding levels in 20 years' time

When exploring the potential impact of climate change, the Fund has compared how these risk metrics change under each climate change scenario (against the '*Core'* model used when setting the funding and investment strategy). The stress test results for the Fund are shown in Table 12 below.

Table 12: sensitivity of results to climate change scenarios

Scenario	Likelihood of success	Downside risk
Core	86%	60%
Green Revolution	87%	61%
Delayed Transition	84%	56%
Head in the Sand	84%	54%

The results are worse in the climate scenarios. This is to be expected given that they are purposefully stress-tests and all the scenarios are bad outcomes. Whilst the risk metrics are weaker, they are not materially so and not enough to suggest that the funding and investment strategy are unduly exposed to climate change risk. The Fund will continue to monitor this risk as more information emerges and climate change modelling techniques evolve.

Post valuation events

Since 31 March 2022, there has been significant volatility in the financial markets and short-term inflation expectations and rises in interest rates by central banks. These events affect the value of the Fund's assets and liabilities.

As an open scheme, with a strong covenant, the Fund takes a long-term view when considering the funding impact of such events. For employers who have a very short time horizon, recent volatility may be more immediately impactful.

No explicit allowance has been made for this volatility in the valuation results or contribution rates detailed in the Rates & Adjustments Certificate. The Fund will continue to monitor changes in the financial and demographic environment as part of its ongoing risk management approach.

Final comments

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Final comments

The Fund's valuation operates within a broader framework, and this document should be considered alongside the following:

- The Funding Strategy Statement, which in particular highlights how different types of employer in different circumstances have their contributions calculated
- The Investment Strategy Statement, which sets out the investment strategy for the Fund
- The general governance of the Fund, such as meetings of the Pensions Committee and Local Pensions Board, decisions delegated to officers, the Fund's business plan, etc
- The Fund's risk register

Intervaluation employer events

New employers joining the Fund

Any new employers or admission bodies joining the Fund should be referred to the Fund Actuary to assess the required level of contribution. Depending on the number of transferring members the ceding employer's rate may also need to be reviewed.

Cessations and bulk transfers

Any employer who ceases to participate in the Fund should be referred to the Fund Actuary in accordance with Regulation 64 of the LGPS regulations.

Any bulk movement of scheme members:

- involving 10 or more scheme members being transferred from or to another LGPS fund
- involving 2 or more scheme members being transferred from or to a non-LGPS pension arrangement

should be referred to the Fund Actuary to consider the impact on the Fund.

Valuation frequency

Under the LGPS regulations, the next formal valuation of the Fund is due to be carried out as at 31 March 2025 where contribution rates payable from 1 April 2026 will be set.

Appendices

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APPENDIX 1

Data

Membership data

A summary of the membership data provided by the Fund for the 2022 valuation is set out in Table 13. The corresponding membership data from the previous valuation is also shown for reference.

The results of the valuation are dependent on the quality of the data used. We have carried out a series of validation checks on the data supplied to us by the Administering Authority to ensure that it is fit for purpose.

Asset data

To check the membership data and derive employer asset values, we have used asset and accounting data and employer level cashflow data provided by the Fund.

Table 13: Whole fund membership data as at 31 March 2022 and 31 March 2019

Whole Fund Membership Data	This Valuation 31 March 2022	Last Valuation 31 March 2019
Employee members		
Number	22,133	19,766
Total actual pay (£000)	401,016	328,970
Total accrued pension (£000)	64,083	52,520
Average age (liability weighted)	51.9	51.2
Future working lifetime (years)	6	8
Deferred pensioners (including undecideds)		
Number	32,185	29,703
Total accrued pension	39,685	33,257
Average age (liability weighted)	51.5	51.0
Pensioners and dependants		
Number	18,489	16,080
Total pensions in payment	89,664	82,224
Average age (liability weighted)	69.3	68.6

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APPENDIX 1

Data

Investment strategy

A summary of the investment strategy allocation used for the calculation of employer contribution rates and to derive the future assumed investment return is set out in Table 14.

Further details on the Fund’s assets can be found in the Fund’s Investment Strategy Statement.

Table 14: Investment strategy used for the 2022 valuation

Asset class	Allocation
UK equities	8.0%
Global equities	33.0%
Emerging market equity	1.0%
Private equity	4.0%
UK index linked bonds	4.0%
Illiquid debt	7.0%
Infrastructure	10.0%
Fixed income debt	22.0%
Property	10.0%
Timber	0.5%
Cash	0.5%
Total	**100.0%**

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APPENDIX 2

Assumptions

To set and agree assumptions for the valuation, the Fund carried out in-depth analysis and review in May 2022 with the final set agreed by the Pensions Committee on 24 June 2022.

Financial assumptions

Setting employer contribution rates

An asset-liability model is used to set employer contributions at the 2022 valuation. This model relies on Hymans Robertson's proprietary economic model, the Economic Scenario Service (ESS). The ESS reflects the uncertainty associated with future levels of inflation and asset returns and the interactions and correlations between different asset classes and wider economic variables. In the short term (first few years), the models are fitted with current financial market expectations. Over the longer term, models are built around views of fundamental economic parameters, for example equity risk premium, credit spreads and long term inflation. The table below shows the calibration of the ESS at 31 March 2022. Further information on the assumptions used for contribution rate setting is included in the Funding Strategy Statement.

Table 15: ESS individual asset class return distributions at 31 March 2022

		Annualised total returns													
		Cash	Index Linked Gilts (medium)	UK Equity	Developed World ex UK Equity	Private Equity	Property	Commodities	Emerging Markets Equity	Unlisted Infrastructure Equity	Absolute Return Bonds (inv grade)	Direct Lending (private debt) GBP Hedged	Inflation (CPI)	17 year real yield (CPI)	17 year yield
10 years	16th %'ile	0.8%	-1.9%	-0.4%	-0.7%	-1.2%	-0.6%	-5.6%	-2.5%	0.7%	0.9%	2.7%	1.6%	-1.7%	1.1%
	50th %'ile	1.8%	0.2%	5.7%	5.6%	9.4%	4.4%	1.8%	5.8%	5.9%	2.3%	6.0%	3.3%	-0.5%	2.5%
	84th %'ile	2.9%	2.4%	11.6%	11.7%	20.1%	9.5%	9.4%	14.4%	11.2%	3.7%	9.2%	4.9%	0.7%	4.3%
20 years	16th %'ile	1.0%	-1.5%	1.7%	1.5%	2.4%	1.4%	-2.6%	0.1%	2.6%	1.4%	4.3%	1.2%	-0.7%	1.3%
	50th %'ile	2.4%	0.1%	6.2%	6.1%	10.0%	5.0%	2.5%	6.3%	6.5%	2.9%	6.8%	2.7%	1.1%	3.2%
	84th %'ile	4.0%	1.9%	10.6%	10.8%	17.6%	8.9%	8.0%	12.8%	10.6%	4.6%	9.2%	4.3%	2.7%	5.7%
40 years	16th %'ile	1.2%	-0.3%	3.2%	3.1%	4.7%	2.6%	-0.8%	2.1%	3.9%	1.6%	5.5%	0.9%	-0.6%	1.1%
	50th %'ile	2.9%	1.2%	6.7%	6.5%	10.3%	5.5%	3.0%	6.8%	7.0%	3.3%	7.7%	2.2%	1.3%	3.3%
	84th %'ile	4.9%	3.1%	10.2%	10.2%	16.1%	8.8%	7.2%	11.7%	10.3%	5.4%	10.0%	3.7%	3.2%	6.1%
	Volatility (Disp) (5 yr)	2%	7%	18%	19%	30%	15%	24%	26%	15%	3%	10%	3%		

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APPENDIX 2

Assumptions

Financial assumptions

Calculating the funding level

The table below summarises the assumptions used to calculate the funding level at 31 March 2022, along with a comparison at the last valuation.

Table 16: Summary of assumptions used for measuring the funding level, compared to last valuation on 31 March 2019

Assumption	31 March 2022	Required for	31 March 2019
Discount rate	3.7% pa	To place a present value on all the benefits promised to scheme members at the valuation date. The Fund's assets are estimated to have a 80% likelihood of returning above the discount rate.	3.5% pa
Benefit increases/CARE revaluation	2.7% pa	To determine the size of future benefit payments.	2.3% pa
Salary increases	3.7% pa	To determine the size of future final-salary linked benefit payments.	3.0% pa

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APPENDIX 2

Assumptions

Demographic assumptions

The same demographic assumptions are used in setting contribution rates and assessing the current funding level.

Longevity

Table 17: Summary of longevity assumptions

	This valuation 31 March 2022	Last valuation 31 March 2019
Baseline assumption	VitaCurves based on member-level lifestyle factors	VitaCurves based on member-level lifestyle factors
Future improvements	**CMI 2021 model** Initial addition = **0.25% (both Female and Male)** Smoothing factor = **7.0** **1.5% pa** long-term rate of improvement	**CMI 2018 model** Initial addition = **0.25% (Female), 0.5% (Male)** Smoothing factor = **7.0** **1.25% pa** long-term rate of improvement

Further information on these assumptions can be provided upon request. Sample rates are included on the next page.

Other demographic assumptions

Table 18: Summary of other demographic assumptions

Death in service	See sample rates in Appendix 2
Retirements in ill health	See sample rates in Appendix 2
Withdrawals	See sample rates in Appendix 2
Promotional salary increases	See sample rates in Appendix 2
Commutation	55% of future retirements elect to exchange pension for additional tax free cash up to HMRC limits
50:50 option	0.7% of members (uniformly distributed across the age, service and salary range) will choose the 50:50 option
Retirement age	The earliest age at which a member can retire with their benefits unreduced
Family details	A varying proportion of members are assumed to have a dependant at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. The dependant of a male member is assumed to be 3 years younger than him and the dependent of a female member is assumed to be 3 years older than her.

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APPENDIX 2

Assumptions

Sample rates for demographic assumptions

Males

Table 19: Sample rates of male demographic assumptions

Age	Salary Scale	Death Before Retirement	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.17	444.74	1016.26	0.00	0.00	0.00	0.00
25	117	0.17	293.77	671.28	0.00	0.00	0.00	0.00
30	131	0.20	208.44	476.22	0.00	0.00	0.00	0.00
35	144	0.24	162.85	372.03	0.10	0.07	0.02	0.01
40	150	0.41	131.12	299.43	0.16	0.12	0.03	0.02
45	157	0.68	123.16	281.20	0.35	0.27	0.07	0.05
50	162	1.09	101.52	231.53	0.90	0.68	0.23	0.17
55	162	1.70	79.95	182.42	3.54	2.65	0.51	0.38
60	162	3.06	71.25	162.52	6.23	4.67	0.44	0.33
65	162	5.10	0.00	0.00	11.83	8.87	0.00	0.00

Females

Table 20: Sample rates of female demographic assumptions

Age	Salary Scale	Death Before Retirement	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.10	422.91	537.48	0.00	0.00	0.00	0.00
25	117	0.10	284.56	361.61	0.10	0.07	0.02	0.01
30	131	0.14	238.54	303.07	0.13	0.10	0.03	0.02
35	144	0.24	205.88	261.49	0.26	0.19	0.05	0.04
40	150	0.38	171.35	217.55	0.39	0.29	0.08	0.06
45	157	0.62	159.90	202.99	0.52	0.39	0.10	0.08
50	162	0.90	134.81	170.95	0.97	0.73	0.24	0.18
55	162	1.19	100.59	127.69	3.59	2.69	0.52	0.39
60	162	1.52	81.07	102.78	5.71	4.28	0.54	0.40
65	162	1.95	0.00	0.00	10.26	7.69	0.00	0.00

Figures are incidence rates per 1,000 members except salary scale

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APPENDIX 3

Reliances and limitations

We have been commissioned by Suffolk County Council ("the Administering Authority") to carry out a full actuarial valuation of the Suffolk Pension Fund ("the Fund") as at 31 March 2022 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 ("the Regulations").

This report is addressed to the Administering Authority. It has been prepared by us as actuaries to the Fund and is solely for the purpose of summarising the main outcomes of the 2022 actuarial valuation. It has not been prepared for any other third party or for any other purpose. We make no representation or warranties to any third party as to the accuracy or completeness of this report, no reliance should be placed on this report by any third party and we accept no responsibility or liability to any third party in respect of it.

Hymans Robertson LLP is the owner of all intellectual property rights in this report. All such rights are reserved.

This summary report is the culmination of other communications in relation to the valuation, in particular:

- Our 2022 valuation toolkit which sets out the methodology used when reviewing funding plans
- Our paper to the Fund's Pension Committee dated 11 August 2022 which discusses the funding strategy for the Fund's councils
- Our paper to the Fund's Pension Committee dated 31 May 2022 which discusses the valuation assumptions
- Our initial results report dated 26 August 2022 which outlines the whole fund results and inter-valuation experience
- The Funding Strategy Statement which details the approach taken to adequately fund the current and future benefits due to members

The totality of our advice complies with the Regulations as they relate to actuarial valuations.

The following Technical Actuarial Standards apply to this advice, and have been complied with where material and to a proportionate degree. They are:

- TAS100 – Principles for technical actuarial work
- TAS300 - Pensions

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APPENDIX 4

Glossary

Term	Explanation
50:50 option	An option for LGPS members to pay half contributions and earn half the retirement benefit (pre-retirement protection benefits are unreduced).
Baseline longevity	The rates of death (by age and sex) in a given group of people based on current observed data.
Club Vita	A firm of longevity experts we partner with for longevity analysis. They combine data from thousands of pension schemes and use it to create detailed baseline longevity assumptions at member-level, as well as insight on general longevity trends and future improvements.
Commutation	The option for members to exchange part of their annual pension for a one-off lump sum at retirement. In the LGPS, every £1 of pension exchanged gives the member £12 of lump sum. The amounts that members commute is heavily influenced by tax rules which set an upper limit on how much lump sum can be taken tax-free.
CPI inflation	The annual rate of change of the Consumer Prices Index (CPI). The CPI is the UK government's preferred measure of inflation and is the measure used to increase LGPS (and all other public sector pension scheme) benefits each year.
Demographic assumptions	Assumptions concerned with member and employer choices rather than macroeconomic or financial factors. For example, retirement age or promotional salary scales. Demographic assumptions typically determine the timing of benefit payments.
Discount rate	A number used to place a single value on a stream of future payments, allowing for expected future investment returns.
ESS	Economic Scenario Service - Hymans Robertson's proprietary economic scenario generator used to create thousands of simulations of future inflation, asset class returns and interest rates.

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APPENDIX 4

Glossary

Term	Explanation
Funding position	The extent to which the assets held by the fund at 31 March 2022 cover the accrued benefits ie the liabilities. The two measures of the funding position are: • the funding level - the ratio of assets to liabilities; and • the funding surplus/deficit - the difference between the asset and liabilities values.
Inflation	Prices tend to increase over time, which is called inflation. Inflation is measured in different ways, using a different ‘basket’ of goods and mathematical formulas.
Liabilities	An employer’s liability value is the single value at a given point in time of all the benefit payments expected to be made in future to all members. Benefit payments are projected using demographic and financial assumptions and the liability is calculated using a discount rate.
Longevity improvements	An assumption about how rates of death will change in future. Typically we assume that death rates will fall and life expectancies will improve over time, continuing the long-running trend.
Prudence	To be prudent means to err on the side of caution in the overall set of assumptions. We build prudence into the choice of discount rate by choosing an assumption with a prudence level of more than 50%. All other assumptions aim to be best estimate.
Prudence Level	A percentage indicating the likelihood that a discount rate assumption will be achieved in practice, based on the ESS model. The higher the prudence level, the more prudent the discount rate is.
Withdrawal	Refers to members leaving the scheme before retirement. These members retain an entitlement to an LGPS pension when they retire, but are no longer earning new benefits.

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Rates & Adjustments Certificate

Rates and Adjustments Certificate

In accordance with Regulation 62 of the LGPS regulations, we have assessed the contributions that should be paid into the Suffolk Pension Fund (the Fund) by participating employers for the period 1 April 2023 to 31 March 2026 in order to maintain the solvency of the Fund.

The method and assumptions used to calculate the contributions set out in this Rates and Adjustments certificate are detailed in the Funding Strategy Statement dated xxx and in Appendix 2 of the report on the actuarial valuation dated xxx. These assumptions underpin our estimate of the number of members who will become entitled to a payment of pensions under the provisions of the LGPS and the amount of liabilities arising in respect of such members.

The table below summarises the whole fund primary and secondary contribution rates for the period 1 April 2023 to 31 March 2026. The primary rate is the payroll weighted average of the underlying individual employer primary rates and the secondary rate is the total of the underlying individual employer secondary rates, calculated in accordance with the LPGS regulations and CIPFA guidance. The secondary rate has been shown both as a monetary amount and an equivalent percentage of the projected pensionable pay.

		This valuation 31 March 2022	
Primary rate		20.0% of pay	
Secondary rate		Monetary amount	Equivalent to % of payroll
	2023/24	£tbc	x%
	2024/25	£tbc	x%
	2025/26	£tbc	x%

The required minimum contribution rates for each employer in the Fund are set out in the remained of this certificate.

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Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
	Suffolk County Council	19.4%				19.4%	19.4%	19.4%	
	East Suffolk Council	19.0%	6.0%	6.0%	6.0%	25.0%	25.0%	25.0%	
	West Suffolk Council	19.4%	6.6%	6.6%	6.6%	26.0%	26.0%	26.0%	
	Ipswich Borough Council	19.4%	3.6%	3.6%	2.6%	23.0%	23.0%	22.0%	
5	Mid Suffolk District Council	19.7%	6.3%	6.3%	6.3%	26.0%	26.0%	26.0%	
7	Babergh District Council	19.1%	6.9%	6.9%	6.9%	26.0%	26.0%	26.0%	
	Police	19.4%	0.6%			20.0%	19.4%	19.4%	
	Town and Parish Councils	19.9%	2.1%	1.1%	0.1%	22.0%	21.0%	20.0%	
137	Leading Lives	28.2%	-13.1%	-13.1%	-13.1%	15.1%	15.1%	15.1%	
138	Suffolk Libraries IPS	24.8%	-9.7%	-9.7%	-9.7%	15.1%	15.1%	15.1%	
142	Realise Futures	29.0%	-13.9%	-13.9%	-13.9%	15.1%	15.1%	15.1%	
143	Care UK	23.3%	0.1%	0.1%	0.1%	23.4%	23.4%	23.4%	
153	Concertus	25.4%	-10.3%	-10.3%	-10.3%	15.1%	15.1%	15.1%	
322	Thorpe Woodlands A.C.T	26.9%	-8.6%	-8.6%	-8.6%	18.3%	18.3%	18.3%	
	Vertas	28.7%	-5.0%	-5.0%	-5.0%	23.7%	23.7%	23.7%	

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Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
52	East Coast College	21.6%	0.9%			22.5%	21.6%	21.6%	
53	Suffolk College	21.6%		-1.0%	-1.0%	21.6%	20.6%	20.6%	
55	West Suffolk College	21.4%	1.1%			22.5%	21.4%	21.4%	
108	Lowestoft 6th Form College	21.2%	1.3%	0.4%	0.4%	22.5%	21.6%	21.6%	
76	University of Suffolk	27.0%	2.2%	2.2%	2.2%	29.2%	29.2%	29.2%	
	Academy Transformation Trust	21.2%	0.6%			21.8%	21.2%	21.2%	
	Active Learning Trust	20.0%				20.0%	20.0%	20.0%	
	All Saints MAT	21.3%	1.5%	1.5%	1.5%	22.8%	22.8%	22.8%	
	Anglian Learning	19.7%	2.3%	1.3%	0.3%	22.0%	21.0%	20.0%	
	ASSET Education	20.0%	1.0%			21.0%	20.0%	20.0%	
	Avocet Academy Trust	20.4%	2.7%	2.2%	2.2%	23.1%	22.6%	22.6%	
	Believe Engage Succeed Trust	20.9%	1.2%			22.1%	20.9%	20.9%	
	Children's Endeavour Trust	21.1%	2.0%	1.0%		23.1%	22.1%	21.1%	
	East Anglian Schools Trust	20.2%				20.2%	20.2%	20.2%	
	Eastern Multi Academy Trust	20.0%	3.2%	2.2%	1.2%	23.2%	22.2%	21.2%	
	Forest Academy	20.6%	-0.5%			20.1%	20.6%	20.6%	
	Gippeswyk Community Education Trust	20.1%	0.4%			20.5%	20.1%	20.1%	
	John Milton Academy Trust	20.0%	4.8%	3.8%	2.8%	24.8%	23.8%	22.8%	
	Orwell Multi Academy Trust	19.7%	2.0%	1.0%		21.7%	20.7%	19.7%	

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Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
	REAch2 Multi-Academy Trust	20.8%	1.6%	0.6%	0.1%	22.4%	21.4%	20.9%	
	SENDAT	20.7%	1.4%			22.1%	20.7%	20.7%	
	South Suffolk Learning Trust	21.2%				21.2%	21.2%	21.2%	
	St Edmundsbury and Ipswich Diocesan MAT	21.3%	2.0%	1.0%		23.3%	22.3%	21.3%	
	St John the Baptist MAT	20.0%	3.5%	2.5%	1.5%	23.5%	22.5%	21.5%	
	Suffolk Academies Trust	20.0%	0.8%	0.8%	0.8%	20.8%	20.8%	20.8%	
	The Consortium Multi Academy Trust	19.9%	2.2%	1.2%		22.1%	21.1%	19.9%	
	The Tilian Partnership	20.2%	2.4%	1.4%		22.6%	21.6%	20.2%	
	Thedwastre Education Trust	20.6%	1.4%	0.2%	0.2%	22.0%	20.8%	20.8%	
	Unity Schools Partnership	19.9%	0.6%			20.5%	19.9%	19.9%	
105	Hartismere School	21.1%	3.6%	2.6%	2.6%	24.7%	23.7%	23.7%	
109	Debenham High School	20.7%				20.7%	20.7%	20.7%	
110	Ipswich Academy	18.5%	0.7%			19.2%	18.5%	18.5%	
112	Thomas Mills School	21.7%				21.7%	21.7%	21.7%	
116	Holbrook High School	21.3%	0.8%			22.1%	21.3%	21.3%	
119	Sir John Lehman	19.9%				19.9%	19.9%	19.9%	
122	The Ashley School	19.8%				19.8%	19.8%	19.8%	
124	East Point Academy	19.7%	2.5%	1.5%	0.5%	22.2%	21.2%	20.2%	
128	Ormiston Endeavour Academy	20.0%	1.9%	0.9%		21.9%	20.9%	20.0%	
130	Stour Valley Community School	20.2%				20.2%	20.2%	20.2%	

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Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
133	Stradbroke School	20.8%	1.0%			21.8%	20.8%	20.8%	
139	Breckland Free School	20.3%				20.3%	20.3%	20.3%	
140	Ormiston Sudbury Academy	20.3%	1.4%			21.7%	20.3%	20.3%	
159	Stoke High School	20.0%	4.0%	3.0%	2.5%	24.0%	23.0%	22.5%	
162	Seckford Education Trust	20.2%				20.2%	20.2%	20.2%	
165	Ormiston Denes Academy	20.1%	1.0%			21.1%	20.1%	20.1%	
171	Kessingland Church of England Primary Academy	20.4%				20.4%	20.4%	20.4%	
173	Alde Valley Academy	20.7%	5.8%	5.2%	5.2%	26.5%	25.9%	25.9%	
196	Dell Primary	20.3%	2.0%	1.0%		22.3%	21.3%	20.3%	
310	Elm Tree Primary	19.7%	2.9%	1.9%	1.5%	22.6%	21.6%	21.2%	
311	Benjamin Britten Academy	21.2%	3.3%	2.3%	1.3%	24.5%	23.5%	22.5%	
345	Olive Alternative Provision Academy Suffolk (Central)	19.8%	2.0%	1.0%		21.8%	20.8%	19.8%	
362	St Christophers Church of England Primary School	20.3%	1.6%	0.6%		21.9%	20.9%	20.3%	
371	Murrayfield Primary School	20.3%	1.2%			21.5%	20.3%	20.3%	
380	Clare Community Primary	20.5%	1.7%	0.7%		22.2%	21.2%	20.5%	
397	Sunrise Academy	18.7%	3.4%	2.4%	1.4%	22.1%	21.1%	20.1%	
404	Piper's Vale Primary	19.7%	2.0%	1.0%		21.7%	20.7%	19.7%	
426	Stowmarket High School	20.1%	1.8%			21.9%	20.1%	20.1%	
427	Roman Hill Primary School	19.6%	1.5%	0.5%		21.1%	20.1%	19.6%	
431	Poplars Community Primary	19.5%	2.8%	1.8%	0.8%	22.3%	21.3%	20.3%	

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Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
484	Pakefield High School	20.3%	2.0%	1.0%		22.3%	21.3%	20.3%	
485	Coldfair Green Primary	21.3%	2.1%	1.1%		23.4%	22.4%	21.3%	
493	Seckford Education Trust - Causton Junior School	20.4%	2.5%	1.5%		22.9%	21.9%	20.4%	
494	Seckford Education Trust - Maidstone Infant School	19.7%	2.0%	1.0%		21.7%	20.7%	19.7%	
518	Rushmere Hall Primary School	20.7%	2.0%	1.0%		22.7%	21.7%	20.7%	
535	Snape Primary	19.8%	1.9%	1.9%	1.9%	21.7%	21.7%	21.7%	
48	Seckford Foundation	27.0%	-4.3% plus £12,000	-4.3% plus £12,000	-4.3% plus £12,000	22.7% plus £12,000	22.7% plus £12,000	22.7% plus £12,000	
60	The Partnership in Care Ltd	31.8%				31.8%	31.8%	31.8%	
62	Havebury Housing Partnership	28.2%	-4.0%	-4.0%	-4.0%	24.2%	24.2%	24.2%	
68	Papworth Trust	37.3%	-12.3%	-12.3%	-12.3%	25.0%	25.0%	25.0%	
69	Abbeycroft Leisure	22.8%	-2.2%	-2.2%	-2.2%	20.6%	20.6%	20.6%	
70	Sports and Leisure Management Ltd	24.3%		-2.0%	-2.0%	24.3%	22.3%	22.3%	
78	Waveney Norse Ltd	28.0%	-6.0%	-6.0%	-6.0%	22.0%	22.0%	22.0%	
79	Anglia Community Leisure	24.5%	-4.5%	-4.5%	-4.5%	20.0%	20.0%	20.0%	
102	Housing 21	31.9%	-11.1%	-11.1%	-11.1%	20.8%	20.8%	20.8%	
141	Association of Inshore Fisheries and Conservation Authorities	22.0%				22.0%	22.0%	22.0%	
144	CBRE (Norland Managed Services)	32.6%	-7.6%	-7.6%	-7.6%	25.0%	25.0%	25.0%	
324	Verse	29.8%	-12.5%	-12.5%	-12.5%	17.3%	17.3%	17.3%	
446	Orwell Housing	29.3%	-0.1%	-0.1%	-0.1%	29.2%	29.2%	29.2%	

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Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
	Care Quality Commission	30.7%	£20,000	£20,000	£20,000	30.7% plus £20,000	30.7% plus £20,000	30.7% plus £20,000	
	IPSERV	19.4%	3.6%	3.6%	2.6%	23.0%	23.0%	22.0%	
	Places for People	27.9%	-3.2%	-3.2%	-3.2%	24.7%	24.7%	24.7%	
487	Greenace - Paradigm								
491	Edwards and Blake - Waveney Valley								
501	Ecocleen - Westgate								
510	Caterlink - Felixstowe								
511	Compass - Paradigm								
512	Compass - EAT								
516	South Suffolk Learning Trust (Ridge Crest Cleaning Services)								
526	Everyone Active (Waterlane and Waveney)								
537	Aspens (SJB - St Mary's RC Primary School)								

Further comments to the Rates and Adjustments Certificate

- Contributions expressed as a percentage of payroll should be paid into the Fund at a frequency in accordance with the requirements of the Regulations
- Further sums should be paid to the Fund to meet the costs of any early retirements and/or augmentations using methods and factors issued by us from time to time or as otherwise agreed.
- Payments may be required to be made to the Fund by employers to meet the capital costs of any ill-health retirements that exceed those allowed for within our assumptions.
- The certified contribution rates represent the minimum level of contributions to be paid. Employing authorities may pay further amounts at any time and future periodic contributions may be adjusted on a basis approved by the Fund Actuary.
- The monetary contributions set out in the certificate above can be repaid in advance with appropriate adjustments for interest as and when agreed with the Administering Authority. Under these circumstances a revised Rates and Adjustments certificate may be issued reflecting any advance payments.

SIGNATURE

SIGNATURE

Craig Alexander FFA

Richard Warden FFA

28 February 2023
For and on behalf of Hymans Robertson LLP

Section 13 Dashboard

Item 5, Appendix 2

Section 13 dashboard

To be completed once GAD confirm required information

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Suffolk County Council

Agenda Item 8

Suffolk Pension Fund Committee

Report Title:	Administration and Management Expenses
Meeting Date:	10 March 2023
Lead Councillor(s):	Councillor Richard Rout
Director:	Nicola Beach, Chief Executive
Assistant Director or Head of Service:	Louise Aynsley, Chief Financial Officer (S151 Officer)
Author:	Sharon Tan, Lead Accountant (Pensions) Tel. 01473 265636 Email: Sharon.tan@suffolk.gov.uk

Brief summary of the item to be considered

1. This report sets out the proposed management expenses for the Pension Fund as presented to the Pension Fund Committee at its meeting on 28 February 2023.

Action recommended

2. To consider the information provided in the report.

Reason for recommendation

3. The costs incurred by the Pension Fund in managing the Fund are related to administration, investment management and governance costs. Some of the costs are incurred by Suffolk County Council as administering authority of the Pension Fund.

4. The Pension Board is required to ensure effective and efficient governance of the Suffolk Pension Fund

Alternative options

5. There are no alternative options.

Who will be affected by this decision

6. All employers in the Pension Fund.

Main body of report

Introduction

7. This report sets out the proposed administration expenses for 2023/24 and estimated administration, investment management and governance costs for 2022/23 for the Pension Fund as presented to the Pension Fund Committee at its meeting on 28 February 2023. This is attached as **Appendix 1.**

Conclusion

8. The Board is asked to consider the information provided in the report.

Sources of further information

a) Board meeting 23 March 2022 – Agenda Item 5 – Administration and Management Expenses.

Suffolk County Council

Appendix 1

Suffolk Pension Fund Committee

Report Title:	Administration and Management Expenses 2022/23
Meeting Date:	28 February 2023
Lead Councillor(s):	Councillor Karen Soons
Local Councillor(s):	All Councillors
Director:	Nicola Beach, Chief Executive
Assistant Director or Head of Service:	Louise Aynsley, Chief Financial Officer (S151 Officer)
Author:	Paul Finbow, Head of Pensions, Email: paul.finbow@suffolk.gov.uk Tel: 01473 265288

Brief summary of the item to be considered

1. This report sets out the proposed administration and management expenses for the Pension Fund.

Action recommended

2. The Committee is asked to approve the administration budget for 2023/24.

Reason for recommendation

3. The costs incurred by the Pension Fund in managing the Fund are related to administration, investment management, and governance costs. Some of the costs are incurred by Suffolk County Council as administering authority of the Pension Fund.

Alternative options

4. There are no alternative options.

Who will be affected by this decision?

5. The employers of the Fund will be affected if the costs incurred in managing the Fund's activities are not appropriately managed.

Main body of report

Administration Expenses

6. Administrative expenses (shown overleaf) consist of costs relating to activities the pension administration team perform to administer pensions and provide members with scheme and benefit entitlement information.

7. The Heywood administration software system supports the pensions administration team to fulfil the complex requirements around administering the scheme, such as calculating pension benefits and producing the annual benefit statements. The system holds every pension members' record and history. Ongoing charges are incurred for maintenance of the system and licenses to use it and ongoing costs for i-Connect.

	Budget	**Actual**	**Budget**	**Forecast**	**Budget**
Administration Expenses	**2021-22**	**2021-22**	**2022-23**	**2022-23**	**2023-24**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
SCC Admin Costs	1,075	1,014	1,105	1,103	1,220
Heywood System	340	329	340	347	375
Other Expenses	70	40	80	56	80
Total Admin Costs	**1,485**	**1,383**	**1,525**	**1,506**	**1,675**

8. The administrative function is a multifaceted service, having to manage increasing numbers of employers, members and manage new regulatory requirements. The Pension Fund needs to invest in the appropriate technological platforms available to assist in effectively managing the administration of the Fund to a high standard and to have appropriately skilled staff to implement new procedures and processes.
9. All permanent posts are recruited to. An additional three posts with a fixed term contract of a year will be required in 2023/24 to assist in the administration work required to complete the McCloud remedy.

Governance and oversight costs

10. Oversight and governance expenses (shown overleaf) are costs relating to the 'over seeing' of the fund such as actuarial costs, internal and external audit costs and the costs of independent advisers to the Fund. Costs associated with the operation and support of the Pension Fund Committee, the Pension Board and costs associated with reporting (such as committee reports, annual reports and accounts) are also included.
11. ACCESS asset pooling costs represents ongoing costs, these are incurred for advice and guidance on technical issues and associated costs in running the ACCESS Support Unit. These costs are shared equally by the eleven funds which are members of the ACCESS pool.
12. The difference in actuarial costs between the years is due to the additional fees incurred with the extensive work involved in carrying out the triennial valuation exercise.
13. Other costs include internal audit, external audit, performance data and benchmark data provider.

Governance and oversight costs	Actual 2021-22 £'000	Forecast 2022-23 £'000	Forecast 2023-24 £'000
Suffolk County Council costs	180	195	192
Investment Advice	126	113	120
Actuarial costs	69	201	100
Pension Fund Committee	6	6	7
Pension Board	2	3	4
Asset Pooling	82	116	142
Other costs	113	92	135
Total Governance and Oversight Costs	**578**	**726**	**700**

Investment Management Expenses

14. Investment management expenses are costs related to the management of the fund's assets including directly invoiced fees from investments managers and indirect fees payable to fund managers which are deducted from the fund assets. The fees charged by the previous custodian HSBC and current custodian Northern Trust, are also included.

15. In the Pension Fund accounts, (as per CIPFA guidance), only the fees and expenses that the Fund has a contractual liability for are included, this means that only the management fee charged by Link for overseeing the sub-funds that Suffolk are invested in are shown. The additional underlying fees and expenses paid to the investment manager that Link has a contractual agreement with, are disclosed in the Annual Report. These costs have however been disclosed in the table overleaf.

Investment Management Expenses	Actual 2021-22 £'000	Forecast 2022-23 £'000	Forecast 2023-24 £'000
Blackrock	3,946	2,478	-
Brookfield	70	19	-
Inhouse	-	2	2
JP Morgan	997	1,022	1,200
KKR	159	856	1,500
Link – Blackrock	519	772	800
Link - Newton	1,489	1,377	1,500
Link – M&G	489	1,747	1,850
Link – Janus Henderson	-	236	850
M&G	1,694	1,159	1,150
Pantheon	668	1,576	1,100
Partners	3,145	4,489	5,200
Pyrford	771	822	300
Schroders	322	350	350
UBS	480	469	500
Wilshire	160	169	100
Total Managers Expenses	**14,909**	**17,547**	**16,402**
Other Costs			
Custodian	31	40	40
Transaction Costs	114	200	200
Total Other Costs	**169**	**240**	**240**
Total Investment Management Expenses	**15,054**	**17,787**	**16,642**

Notes:

i) The decrease in the Blackrock fees can be attributed to the transfer of the Blackrock UK Equity Fund into the ACCESS pool on an ad valorem basis and the cessation of performance fees and the disinvestment from the Blackrock Fixed Income mandate which has transferred into the ACCESS Janus Henderson Fixed Income sub-fund.

ii) Partners costs have risen due to the investment in the Partners MAC VI.

iii) M&G Bonds transferred into the Link sub-fund in December 2021.

iv) KKR infrastructure commitment commenced being called during 2022/23.

Performance Fees

16. Included in the Investment management expenses overleaf for some of the investments are an element of performance fee (below), these can be based on the net asset value breaching the high watermark (highest valuation of the investment) or the returns exceeding a prescribed target.

	Actual	**Forecast**	**Forecast**
Performance Fees	**2021-22**	**2022-23**	**2023-24**
	£'000	**£'000**	**£'000**
Blackrock	2,021	749	-
JP Morgan	91	604	-
KKR	-	-	-
Pantheon	-	-	-
Partners	1,802	2,321	2,500
Total Performance Fees	**4,365**	**3,674**	**2,500**

Notes:

i) The fee for Blackrock UK Equity became an ad valorem fee once the mandate transferred into the Link sub-fund on 1 July 2021 and performance fees will no longer be payable.

ii) Performance fees may be payable on some of the alternative asset classes in 2022-23 such as the KKR, JP Morgan and Pantheon but this is difficult to quantify until the whole of the investment has been realised. The estimated Partners performance fee has been based on current fees and expenses data.

Total costs

17. The costs incurred by the Pension Fund in managing the Fund relate to administration costs, governance and oversight costs and investment costs which are set out in the table below.

	Actual	**Forecast**	**Forecast**
Management Expenses	**2021-22**	**2022-23**	**2023-24**
	£'m	**£'m**	**£'m**
Administration Costs	1.383	1.506	1.675
Governance and Oversight Costs	0.578	0.726	0.700
Investment Costs	12.286	13.989	11.802
Total Management Expenses	**14.247**	**16.221**	**14.177**
Scheme Assets (£m)	3,756	3,800	4,000
Invest Costs as % of assets	**0.34**	**0.43**	**0.35**
Scheme Membership	71,841	73,000	74,000
Admin Costs per scheme member (£)	**19.25**	**20.63**	**22.64**

18. Please note the £12.286m investment costs for Suffolk do not directly compare with the 2021-22 figures in the investment management table in this report because those tables include investment management fees of £2.768m that isn't included in the accounts but included in this report for transparency. The non-accounting costs have also been excluded from the forecast figures in this table.

19. The comparative national figures for management expenses in 2021-22 are published in the SF3 statistical return by the Department for Levelling Up, Housing and Communities (DLUHC) who calculate the unit costs for local authority pension funds based on the submissions by the English and Welsh administering authorities.

20. There are five funds which have a similar asset size to the Suffolk Pension Fund, the main figures have been set out below. In addition, the average of the LGPS as a whole and the average of the Pension Funds in the ACCESS Pool have been included for comparison purposes.

Fund	Scheme Assets	No. of Emp	Members	Admin Costs	Gov Costs	Invest Costs	Total Costs
	£'bn			£'000	£'000	£'000	£'000
Fund A	3.368	318	76,519	2,268	812	12,884	15,964
Fund B	3.543	297	66,524	1,690	974	20,361	23,025
Fund C	3.704	324	77,795	2,093	487	12,994	15,574
Fund D	3.600	138	60,763	1,353	1,126	13,948	22,427
Fund E	3.768	100	63,452	1,372	1,135	9,495	12,002
Suffolk	3.756	331	71,841	1,383	578	12,286	14,247
Average	**3.623**	**251**	**69,482**	**1,693**	**852**	**13,661**	**17,207**
LGPS Average	4.283	233	74,327	1,983	833	20,984	23,800
ACCESS Ave.	5.489	388	104,944	2,256	938	26,998	30,192

21. These funds have been benchmarked below. It should be noted there has been long standing discrepancies between funds on how costs are reported and as the figures used in the SF3 have not been verified, it is not known how comparable the figures are with those reported by Suffolk.

Fund	Admin cost per Member	Invest Costs	Total Costs
	£	%	%
Fund A	29.64	0.38	0.47
Fund B	25.40	0.57	0.65
Fund C	26.90	0.35	0.42
Fund D	22.27	0.39	0.62
Fund E	21.62	0.25	0.32
Suffolk	19.25	0.34	0.38
Average	**24.37**	**0.38**	**0.47**
LGPS Average	26.68	0.49	0.55
ACCESS Ave.	21.49	0.49	0.55

22. The Suffolk Pension Fund in general, has lower than average costs within the LGPS as a whole and within a peer group of similar asset sized funds.

Sources of further information

a) SF3 statistical return Department of Levelling Up, Housing and Communities.

Suffolk County Council

Agenda Item 9

Suffolk Pension Board

Report Title:	Risk Register
Meeting Date:	10 March 2023
Lead Councillor(s):	Councillor Richard Rout
Director:	Nicola Beach, Chief Executive
Assistant Director or Head of Service:	Louise Aynsley, Chief Financial Officer (S151)
Author:	Sharon Tan, Lead Accountant (Pensions) Tel. 01473 265636, Email: Sharon.tan@suffolk.gov.uk

Brief summary of the item to be considered

1. This report sets out the Risk Register for the Pension Board and how the risk control measures have been implemented against the risks.

Action recommended

2. The Board is asked to review the implementation of the risk control measures.
3. The Board is asked to review and approve the Pension Board Risk Register.

Reason for recommendation

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

Alternative options

6. The Pension Board can include alternative risks to those set out in the Risk Register.

Main body of report

Regulatory Background

7. The need for effective risk management is reflected throughout guidance and regulation in the Local Government Pension Scheme (LGPS), in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 paragraph 12(2c) and in the CIPFA publication “Managing Risk in the Local Government Pension Scheme” (2019). The Pensions Regulator published regulatory guidance in December 2015 entitled “Integrated Risk Management”.

Implementation of Risk Control Measures

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

Risk Register

9. The purpose of the risk register is to reflect best practice in the identification, evaluation and control of risks in order to ensure that key risks are recognised, and then either eliminated or reduced to a manageable level. If neither of these options is possible then means to mitigate the implications of the risks should be established.

10. The Pension Fund Committee has a risk management strategy, which identifies the principles for how the Fund will embed risk awareness and management into the decisions and processes of the Pension Fund to ensure that the Fund's objectives are met. It sets out the risk management framework which is used to identify and assess risks and the implementation of the management of those risks. The risks within the key categories set out in the risk management strategy have been identified and assessed in terms of its impact on the Fund as a whole and the probability of the risk occurring to establish the risk rating category.

11. The Pension Fund Committee received and approved a new risk register at its meeting on 23 September 2022.

12. A working group consisting of Councillor Simon Harley, Councillor Colin Kreidewolf and officers met on 30 January to methodically review and challenge each risk for its relevance, appropriateness of the risk consequence and the impact and probability scores.

13. Risk control measures have been identified for each risk in the risk register, indicating the most effective way of managing the risk and how the measures have been implemented.

14. A number of amendments have been made which are identifiable in red in the risk register attached as **Appendix 2**. These were presented to the Pension Fund Committee at its meeting on 28 February.

15. The risk register for the Pension Board to approve is attached as **Appendix 3**. The probability and risk impact scores have been scored based on the submissions from the members of the Board using the criteria set out in **Appendix 4**.

16. The risk register and actions taken to mitigate or control the risks are reported to the Board twice a year.

Sources of further information

a) The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (S.I. 2009 No.3093).

b) Managing Risk in Local Government Pensions Funds - CIPFA 2019

c) Integrated Risk Management - Pensions Regulator 2015

Suffolk Pension Board Risk Register

Risk ID	Risk	Risk Control Measures	Implementation
SPB01	**Employer** Employers' failure to carry out their responsibilities for paying contributions and providing information required for the administration team to fulfil their responsibilities.	An effective Administration Strategy setting out the employers responsibilities. Monitoring and reporting of the compliance of the employers. Pension Fund officers report on the statutory requirements of the Fund and any breaches that may have occurred. Vetting prospective employers in regards to financial security of funding streams. Seeking a funding guarantee or indemnity from the former scheme employer. Review to ensure Bonds are renewed when expiring and reflect current employer position. Non compliance is addressed.	The Administration strategy is reviewed every three years. It was last approved by the Pension Fund Committee at its meeting on 24 November 2021. The document is available on the Pension Fund website, and will be reviewed again once Iconnect has been implemented across the majpority of the employers. The administration report to the Board provides information on the adherence to statutory requirements for both the Fund and employers. Prospective employers (where a government guarantee doesn't apply) are required to secure either a guarantee or a bond to provide security for the pension liabilities of their members. Bonds are reviewed annually to reflect the current employer position. Eligible Employers are not able to access the Suffolk Pension Fund without providing a bond or guarantee. Engagement is the key to ensure compliance and the team will work with employers to help them comply or to help develop processes to further improve the timeliness and quality of data. When appropriate escalation processes are agreed with employers and used to obtain information where this is not received in the agreed timescales.
SPB02	**Scheme Members** Scheme members are not in receipt of the correct benefit and/or paid on time.	The Pensions Administration team are required to keep up to date with pension benefit regulation and adhere to the stringent procedures required to comply with the benefits regulations. Knowledge and understanding is kept up to date by attending the relevant training courses on offer by professional bodies. Calculations are independently checked and verified. Internal and external audit review the internal control arrangements in place.	Forthcoming Regulatory changes are kept under review through the consultation process. Once the draft regulations are formalised the Fund will effectively plan for implementation seeking technical clarification from the LGA if required. The Altair system is updated and tested by Heywood. Regulation changes are communicated to affected individual members within the statutory 3 months. Attendance at training courses and conferences are encouraged, with the knowledge gained shared amongst the team to ensure the team as a whole is kept up to date. Staff are trained on areas they are not familiar with to improve their knowledge and enable then to support pension fund members better by being able to do more. New administrators have an in-depth training plan to work through which covers each main area of administration to build up their knowledge and develop their skills before they move on to the next area. Additionally new starters are provided with a buddy, process notes and all work is checked thoroughly to ensure there are no risks to the members benefits while they are learning. There are regular team meetings where the specifics of changes to regulations are discussed and refresher training is also carried out. All calculations are peer reviewed by members of the Administration team for accuracy before communications are sent out. There have also been various factor changes which have been loaded into the Altair system. If the Altair pension system is found to be producing incorrect calculations this is raised with the software provider to investigate. The Administration Team are made aware of the issues and where similar cases might arise. Internal audit annually review the internal control arrangements in place for the administration systems and investments, the result are reported to the Board. The Board also receives the external audit report for the Annual Report and Accounts.

Risk ID	Risk	Risk Control Measures	Implementation
SPB03	**Governance** Failure to communicate or engage with employers and scheme members.	An effective Communications Strategy so that employers are engaged with the Pension Fund. Regular communications to employers on LGPS matters are provided by Pension Fund officers in the form of newsletters and bi-annual employer meetings. Regular meetings are held by the Pension Board with the papers published within statutory deadlines. A range of communication tools are available to enable effective communication such as newsletters, pension help desk, pensions website. An annual employers meeting is held.	The Communication strategy is reviewed regularly. It was last reviewed by the Pension Fund Committee at its meeting on 25 February 2021. The document is available on the Pension Fund website. The Pension Matters newsletter is emailed to employers on a regular basis to keep them updated with the Local Government Pension Scheme, Suffolk Pension Fund developments and highlights up coming deadlines for administration paperwork requirements from themselves. The Pension Board meets regularly and the papers are published on the Pension Fund website. The Board has access to the Pension Fund officers and have the opportunity to seek clarification or request further information. The Pension Fund has a public facing website and a member self service facility. These electronic means of communicating, along with email are complemented by paper based communication where appropriate. The Pensions website is reviewed and kept up to date with useful information and the Pensions Helpdesk is available for members to contact if they need some guidance. The team issue newsletters to Pensioner members of the scheme and active members on the self-service system unless a paper version has been requested and employers receive the Pensions Matter newsletter. Information is provided to all active and deferred scheme members annually with the provision of their Annual Benefit statements and Pensioner members can use the self service system to access their payslips and P60's. The Annual employers meeting was held using microsoft teams on 7 October 2022 covering investment performance, key issues for the Pension Fund and a presentation by Hymans on the valuation exercise covering the major financial assumptions, key outcomes and the whole fund results.
SPB04	**Governance** Pension Fund Board members do not have the appropriate skills or knowledge to discharge their responsibility.	The Board has adopted the CIPFA Pensions Knowledge and Skills Framework as the basis for assessing its training and development needs. The Board approves a formal two year training plan which is designed to cover the Board's responsibilities. This is reviewed annually and updated to include new topics of interest and any additional training requirements identified. New Board members are fully briefed by a Pension Fund officer to enable them to participate in meetings. External advisers are employed to advise the Pension Fund Board as required.	The Board agrees its Training plan annually, linked to the requirements of the Cipfa Pensions Knowledge and Skills framework. The next review is at the July 2023 Board meeting. A training segment is utilised before the start of each Pension Board meeting and the Board also has access to and often attend the Pension Fund Committee's training programme before the start of their meetings. Board members are also invited the the annual training day. The Board members have signed up to undertake Hymans online learning academy modules. New Board Members always receive an introduction to the scheme and a briefing from officers before attending their first meeting. Advisers attend meetings, at the request of the Board. The performance data providers presented to the Board at its virtual meeting held on 20 July 2022.
SPB05	**Regulatory** Changes to regulations or legislation not being adhered to. <u>Consequence</u> Could result in an increase in the cost of the scheme or increased administration time to correct. Reputational risk to the Suffolk Pension Fund.	The Pension Fund responds to all consultation papers regarding changes to the LGPS issued by the Ministry of Housing, Communities and Local Government (MHCLG). Pension Fund officers attend conferences and seminars to ensure the consequences of legislative changes are understood and implemented. New legislation is reported to the Pension Fund Committee and Board with regular updates on progress on implementation, the guidance produced, legal advice taken and any issues identified.	Pension Fund officers have attended webinars hosted by Hymans, the LGC and representatives on SAB on forthcoming legislative changes. The Committee and Board are kept appraised on the implementation progress for McCloud, and additional resources required to complete this work. A further consultation is expected in 2023 with new regulation expected to come into force October 2023. Guidance is expected immenently.

Risk ID	Risk	Risk Control Measures	Implementation
SPB06	**Regulatory** The ACCESS Pool does not have the governance in place to make appropriate decisions and does not meet the investing authorities needs. <u>Consequence</u> Could result in Government intervening and allocating another Pool for the Fund to invest in. Reputational risk to the Suffolk Pension Fund.	The Pension Board is updated on the progress and development of the ACCESS Pool at each Board meeting. The Pension Fund officers actively particpate in the meetings and sub-groups of the ACCESS Pool and ensure that the needs of the Suffolk Pension Fund are met. The ACCESS Pool reports on its development to DLUHC on an annual basis and attend meetings as required. The ACCESS Pool commissions professional advice to ensure that decisions are taken in accordance with statutory requirements and best practice.	The Board is provided an update on the key activities of the Pool at each Board meeting. ACCESS allows two representative of each Pension Board to attend a Joint Committee as an observer once a year. Two Suffolk Pension Board members are attending the Joint Committee meeting on 6 March 2023. The Suffolk Head of Pension chairs the Officer Working Group (OWG) which provides advice, support and guidance to the Joint Committee and directs the work of the sub-groups. A Pension Fund officer from the Suffolk Pension Fund is a member of each working sub-group. The DLUHC return was submitted on 23 September 2023. The ACCESS pool is ahead of its planned progress included in the original pool proposal submission to Government in 2016. The ACCESS Support Unit is undergoing a thrid party review to report on the effectivesness of the ACCESS Pool against its objectives, review on its governbance processes and risk management strategy.

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Risk ID	Risk Description	Risk Consequence	Impact	Prob	Risk rating	Move in Score	Owner	Strategy	Risk Control Measures
SPF01	**Asset & Investment** Failure of investment markets in generating investment returns as set out in the Funding Strategy	Could have a negative effect on the Pension Valuation leading to an increase in contribution rates for employers. Employers unable to plan and budget in the medium term.	Major (3)	Possible (2)	Medium (6)	↓	Pension Fund Committee	Treat	Regular reporting of the Funding position Regular reporting and monitoring arrangements for investment performance. Diversification of asset classes minimises the impact of a single asset class underperforming. Review of assets against the strategic benchmark with rebalancing carried out as necessary. The Funding Strategy Statement incorporates a long term time horizon when setting contribution rates and where applicable can implement a stabilisation approach.

SPF02	**Asset & Investment** Failure in investment performance by an individual investment manager leading to a shortfall in investment return	Could have a negative effect on the Pension Valuation leading to an increase in contribution rates for employers.	Moderate (2)	Probable (3)	Medium (6)		Pension Fund Committee	Treat	Regular meetings are held with investment managers to discuss investment performance. The independent adviser reports on these meetings with additional comments and his opinion on the investments. Hymans Robertson provides a quarterly investment monitoring report which provides an update of any significant changes to the investment mandates and managers and responsible investment ratings. Regular reporting and monitoring arrangements for investment performance for each manager against benchmark. Diversification of asset classes and investment manager structure minimises the impact of a single manager underperforming. Northern Trust presents on the performance data on an annual basis providing an independent view.

SPF03	**Asset & Investment** Negligence, fraud or default by individual investment manager leading to a loss of investment	Could have a negative effect on the Pension Valuation leading to an increase in contribution rates for employers.	Moderate (2)	Unlikely (1)	Low (2)	↓	Pension Fund Committee	Treat	Legal requirements on Fund Manager set out in investment management agreement. Investment Managers are FCA regulated. Review of internal control reports. Reconciliation of custodian data against investment manager reported positions. Professional advice on stability of investment organisations.
SPF04	**Asset & Investment** Failure of custodian leading to incomplete or incorrect information leading to misreporting of financial position.	Decisions made based on misreported information. Reputational loss with incorrect information published.	Moderate (2)	Unlikely (1)	Low (2)	↔	Head of Pensions	Treat	Regular contract reviews of the custodians' performance against agreed SLA's. Review of internal control reports. Reconciliation of custodian data against investment manager reported positions.
SPF05	**Asset & Investment** The Investment Strategy does not allocate sufficient liquid assets to meet liabilities	Fund cannot meet its immediate liabilities because it has insufficient liquid assets leading	Minor (1)	Unlikely (1)	Low (1)	↔	Pension Fund Committee	Treat	Valuation modelling of the Fund identifying the cashflow over the medium term. The cash flow is monitored and reconciled on a daily basis with a

		to additional costs associated with borrowing to meet the cash flow requirements.							review of cash flow trends to anticipate trends. Regular reporting of the long term basis cash flow to Pension Fund Committee.
SPF06	**Asset & Investment** Failure by the Investment Managers to manage the risk Climate Change may have on the assets of the Fund.	Could lead to the potential risk of stranded assets, leading to financial loss if an asset loses significant value and becomes worthless. Increased capital costs of underlying investment companies to transition to greener energy or lower carbon solutions. Risk of natural disasters through adverse weather conditions causing damage to underlying investments.	Major (3)	Probable (3)	High (9)	⟷	Pension Fund Committee	Treat	Regular meetings with investment managers to discuss investment performance, investment strategy, stock holdings and their path to net zero. The Pension Fund officers review the investment holdings on a quarterly basis to categorise what is being held. Diversification of asset classes and investment manager structure minimises the impact of a single stock underperforming. Responsible Investment beliefs are included in the Investment Strategy and Investment Managers are required to demonstrate how they meet the Fund's investment beliefs.

									Risk Update Investment Managers Engagement Strategy to be approved by Committee on 23 November. The Fund is submitting to the UK Stewardship in October 2023
SPF 07	**Asset & Investment** ACCESS investments do not meet the requirements of the Fund	The Fund is unable to implement its Investment Strategy through pooling. Reputational damage to the Council with adverse publicity.	Moderate (2)	Unlikely (1)	Low (2)	⇔	Pension Fund Committee	Treat	Strong engagement with the activities within the Pool on a Pension Fund officer, S151 officer and Chairman levels. Pension Fund officers are involved with the planning and set up of asset investment offerings to ensure that the needs of the Fund are met. Engagement with investment consultants to evaluate the investment sub-funds.
SPF 08	**Asset & Investment** Global events have an adverse impact on the Pension Fund's investment and cashflow.	Fund cannot meet its immediate liabilities because it is unable to access liquid assets leading to additional costs associated with borrowing to meet	Moderate (2)	Possible (2)	Medium (4)	⇔	Pension Fund Committee	Treat	Diversification of asset classes, geographical regions and investment manager structure minimises the impact of a single country stock underperforming due to for example imposed financial sanctions.

		the cash flow requirements. Could lead to financial loss if an asset loses significant value and becomes worthless.							The cash flow is monitored and reconciled on a daily basis with a review of cash flow trends to anticipate trends.
SPF 9	**Regulatory & Compliance** Changes to regulations or legislation not being adhered to	Could result in an increase in the cost of the scheme or increased administration and consultancy cost to correct Could create additional liabilities and administration difficulties for employers. The Pensions Regulator can fine the Fund for breach of regulations. Reputational damage to the Council and the	Moderate (2)	Unlikely (1)	Low (2)	⟺	Pension Fund Committee Head of Pensions	Treat	The Pension Fund responds to all consultation papers regarding changes to the LGPS issued by Department of Levelling Up, Housing and Communities. (DLUHC). Pension Fund Officers contribute to discussions with DLUHC through professional bodies the Fund connected with such as CIPFA, PLSA. Pension Fund Officers attend conferences, seminars, webinars to ensure the consequences of legislative changes are understood and implemented. Pension Fund Committee are informed of upcoming changes and how they will be implemented.

		Fund with adverse publicity.							Regular system updates by Heywood's to incorporate the change to benefit regulations.
SPF 10	**Regulatory & Compliance** Failure to comply with Government expectations on asset pooling	The Government has introduced back stop legislation to ensure compliance. The Secretary of State takes over the investment functions of the Fund and directs its investment strategy to invest in specific assets. Reputational damage to the Council with adverse publicity. Loss of trust from members of the Fund.	Major (3)	Unlikely (1)	Low (3)		Pension Fund Committee	Treat	Strong engagement with the activities within the Pool on a Pension Fund officer, S151 officer and Chairman levels. Pension Fund Committee are appraised on the ACCESS Pool developments on a regular basis and how these affect the Pension Fund. **Risk Update** The Fund has 65.5% of its assets pooled. A further 4.5% is expected to be pooled by the end of February 2023.

SPF 11	**Regulatory & Compliance** Failure of the Pension Fund to be able to undertake the work required to remedy the McCloud High Court ruling.	Could result in an increase in the cost of the scheme or increased administration and consultancy cost to correct Reputational damage to the Council with adverse publicity. Loss of trust from members of the Fund.	Moderate (2)	Unlikely (1)	Low (2)		Head of Pensions	Treat	The Pension Fund officers have attended webinars held by professional bodies to understand the potential requirements. Employers have been engaged and are aware that there will be a requirement for them to produce some of the data which will be needed to undertake the work **Risk Update** Government has published its response to the 2020 consultation. A further consultation will be launched in 2023 by DLUHC to ensure the draft regulations are appropriate and compensation and rates of interest to be paid are included. Regulations are expected to come into force in October 2023.

SPF 12	**Regulatory & Compliance** Failure of the Pension Fund to meet the reporting of climate change risks to come into force April 2023 for reporting by December 2024.	The Pension Fund cannot demonstrate how climate change risk and opportunities are integrated into the Fund's investments and decision making process. Reputational damage to the Council and the Fund with adverse publicity.	Major (3)	Unlikely (1)	Low (3)	⟷	Pension Fund Committee Head of Pensions	Treat	The Pension Fund officers will engage with appropriate professional bodies and attend sessions to fully understand the requirement of the reporting obligations. The Pension Fund will engage with the investment managers on how they can provide the appropriate reporting metrics to be included in the Climate Change Risk report. The Pension Fund officers will develop and implement processes in a timely manner to collate the information in advance of the reporting deadlines. **Risk Update** The Pension Fund will respond to the consultation by the closing date of 24 November.
SPF 13	**Funding & Liabilities** The actuarial assumptions used in the triennial valuation and set	Could increase the liability strain on the valuation leading to an increase in Employer	Major (3)	Possible (2)	Medium (6)	⟷	Pension Fund Committee	Treat	Additional work is commissioned to validate the assumptions used in the valuation.

	out in the Funding Strategy are significantly adrift from the actual experience. Fall in risk free returns on Government bonds leading to an increase in liabilities	contribution rates which reduces affordability Could lead to an increase in investment risk with a change to investment strategy to riskier assets to offset shortfall							Mortality assumptions are set with an allowance for future increases in life expectancy utilising data from club vita. The estimated Funding level is reported regularly to the Pension Fund Committee. Toleration of risk in the expectation of higher returns from riskier asset classes such as equities, property and alternatives and inflation linked assets helps to mitigate pay and price inflation.
SPF 14	**Funding & Liabilities** Failure of the investment strategy to produce the long-term returns assumed to be in the Funding Strategy	Could lead to an increase in employers' contribution rate which reduces affordability Could lead to an increase in investment risk with a change to investment strategy to riskier assets to offset shortfall.	Critical (4)	Possible (2)	High (8)	⟺	Pension Fund Committee	Treat	The investment Strategy is fully reviewed at least every 3 years by the Pension fund Committee in line with the results of the triennial valuation. This was last reviewed in July 2020. A high-level review is undertaken annually to assess whether the the investment strategy is likely to meet the returns required. The estimated Funding level and performance of the investments

									are reported regularly to the Pension Fund Committee.
SPF 15	**Employer** Employers' failure to carry out their responsibilities for providing scheme administration data.	The Pension Fund is unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements, fund is closed to new entrants). Not having correct membership data could result in scheme benefits being incorrectly calculated. Could lead to incorrect information being used to make decisions in regards to the employer and the Pension Fund as a whole.	Moderate (2)	Possible (2)	Medium (4)	⟷	Head of Pensions	Treat	The Administration Strategy sets out the employers' responsibilities and is reviewed at least every three years. It was last approved by the Pension Fund Committee at its meeting on 24 November 2021. Employers are made aware of any changes to their requirements or amendments to the strategy. The document is available on the Pension fund website. Employers are required to fill out an annual return by 21 April each year. Each year the Employers are reminded of the requirement. Non-compliance is addressed. Internal audit undertake assurance on the processes and systems on an annual basis.

		Additional time and cost with the Pension administration team to correct or follow up for information. Fined by the Pension Regulator or Information Commissioner. Members may make decisions based on incorrect or incomplete information.							
SPF 16	**Employer** Failure of the Employer to produce the data required to calculate the impact of the McCloud High Court ruling	The Pension Fund will be unable to calculate the impact of the ruling on the Employer/ Fund. Could lead to a member not getting the correct benefit that they are entitled to.	Moderate (2)	Possible (2)	Medium (4)		Head of Pensions	Treat	Employers have been made aware that data will be required from them. Update on the progress and requirements are provided in the Pension Matters newsletter as developments are published. **Risk Update** Government expected to publish its response to the 2020 consultation later in 2022.

									A further consultation will be launched in 2023 by DLUHC to ensure the draft regulations are appropriate and compensation and rates of interest to be paid are included. Regulations are expected to come into force in October 2023.
SPF 17	**Employer** Increase in early retirements due to redundancy and ill health.	Could increase the liability strain for the employer making the scheme unaffordable.	Moderate (2)	Possible (2)	Medium (4)		Head of Pensions	Treat	Employers are charged the capital cost of redundancy early retirements. Flexibility on payment terms can be offered on a discretionary basis. Ill Health retirements are monitored, any cost in excess of the allowance in the contribution rate is charged to the employer. Smaller employers who have a payroll of less than £1m, are mandated to take out an insurance policy to cover the costs of ill health early retirements.

									The insurance is available to all other employers.
SPF 18	**Employer** Pension Fund fails to identify departing Employer's losing the opportunity to manage an orderly exit and recover any deficit if it exists.	Financial burden would have to be picked up the rest of the employers in the Fund.	Minor (1)	Unlikely (1)	Low (1)	⟺	Head of Pensions	Treat	The Admissions agreement signed by each employer requires employers to inform the Pension Fund of forthcoming changes to its membership position. The Pension Fund officers engage with employers who have a falling active membership to explain the options available when the last active employer ceases contributing. Vetting of employers in regards to financial security of funding streams. Seeking a funding guarantee or indemnity from the scheme employer. Review to ensure Bonds are renewed when expiring and reflect current employer position.

SPF 19	**Administration & Communication** Failure to communicate or engage with Pension Fund stakeholders	Can lead to non-compliance with legislation and best practice. Disengagement with the Fund leading to a fall in active members. Damage to the reputation of the Fund	Moderate (2)	Possible (2)	Medium (4)	↔	Head of Pensions	Treat	Maintenance and implementation of the Communication strategy, which is subject to regular review. This was last reviewed in February 2021. The use of Member Self Service enables effective and cost efficient communications for all active, deferred and pensioner members that have signed up to it. Regular communications to employers are provided through the form of Pension Matters newsletters and the Annual Employer meetings. Pension Fund Committee and Pension Board papers are published within statutory deadlines. The Pension Fund website was updated in 2022 to enable a better user experience.

SPF 20	**Administration & Communication** Failure of Pensions administration IT systems	Pension Benefits are not paid on time. Failure to meet statutory requirements. Inability to deal with enquiries effectively. Reputational risk to Suffolk County Council and the Pension Fund.	Major (3)	Possible (2)	Medium (6)		Head of Pensions	Treat	Suffolk County Council has a disaster recovery plan in place which includes the key tasks within the Pension Fund. The Pension Fund administration and pensioner payroll system is hosted by its supplier, Heywoods. Systems are backed up nightly.
SPF 21	**Administration & Communication** Risk of a successful cyber attack.	The Fund suffers significant financial cost. Pension Benefits are not paid on time. Failure to meet statutory requirements. Inability to deal with enquiries effectively.	Major (3)	Possible (2)	Medium (6)		Chief Financial Officer	Treat	The Pension Fund administration and pensioner payroll system is hosted by its supplier, Heywoods. Systems are backed up nightly. Mandatory training on preventing cyber attack risks. Robust IT security systems in place to identify risks, evolving threats and prevention.

		Unable to manage cashflow, contributions, capital calls or distributions. Reputational risk to Suffolk County Council and the Pension Fund.							Robust arrangements with the data processors of the Fund's member data.
SPF 22	**Administration & Communication** Failure to implement and comply with LGPS benefit regulations	Could result in incorrect benefit calculations and members not getting the correct benefit that they are entitled to. Pension Benefits are not paid on time. Additional time and cost with the Pension administration team to correct. Loss of trust from members of the Fund.	Major (3)	Unlikely (1)	Low (3)		Head of Pensions	Treat	The Pensions administration team adheres to stringent procedures required to comply to the benefits regulations. Regular system updates by Heywood's to incorporate the change to benefit regulations Knowledge and understanding is kept up to date by attending the relevant training courses on offer by professional bodies. All calculations are independently checked and verified. Sample testing is undertaken by internal and external audit.

SPF 23	**Administration & Communication** Failure to collect and account for full receipt of contributions and deficit payments received from employers.	Fund cannot meet its immediate liabilities because it has insufficient liquidity, leading to additional costs associated with borrowing to meet the cash flow requirements.	Moderate (2)	Unlikely (1)	Low (2)	⬇	Head of Pensions	Treat	The Administration Strategy sets out the employers responsibilities and is reviewed at least every three years. It was last approved by the Pension Fund Committee at its meeting on 24 November 2021. Reconciliations are undertaken to reconcile the receipts from employers against the rate that they should be paying. Timeliness of receipts are monitored and reported. Non-compliance is addressed. Sample testing is undertaken by internal and external audit.
SPF 24	**Administration & Communication** Staff fraud /theft / negligence	Reputational risk to Suffolk County Council and the Pension Fund.	Moderate (2)	Unlikely (1)	Low (2)	⬇	Head of Pensions	Treat	Systems have security measures in place to reduce the risk. Administration staff cannot access their own records using their log in. Finance staff cannot authorise payments on the custodian

									system that they have entered using their log in. All financial transactions are independently checked and verified with further scrutiny undertaken when authorised. Internal and external audit undertake scrutiny and testing of the internal controls arrangements.
SPF 25	**Resource & Skills** Pension Fund Committee members do not have the appropriate skills or knowledge to discharge their responsibility.	Could lead to inappropriate decisions being made. Could increase the liability strain for the employer making the scheme unaffordable. Could lead to investment managers not permitting the Fund to retain its MiFID opt up as a professional client and the fund having to disinvest from	Major (3)	Unlikely (1)	Low (3)	⟺	Pension Fund Committee	Treat	The Committee has adopted the CIPFA Pensions Knowledge and Skills Framework as the basis for assessing its training and development needs. Committee members are required to undertake the Hymans online training modules to demonstrate their understanding. The Committee approves a formal training plan which is designed to cover the Committee's responsibilities. This training is delivered by Pension Fund officers, investment consultants and subject matter experts.

		investments that are not open to non-professional clients.							New Committee members and substitutes receive appropriate training before attending a committee meeting and are fully briefed by a Pension Fund officer to enable them to participate. External advisors are employed to advise the Pension Fund Committee.
SPF 26	**Resource & Skill** Pension Fund officers do not have the appropriate skills or knowledge to complete statutory duties or advise the Pension Fund appropriately.	Could lead to inappropriate decisions being made. Could increase the liability strain for the employer making the scheme unaffordable. Reputational risk to Suffolk County Council and the Pension Fund.	Major (3)	Unlikely (1)	Low (3)		Head of Pensions	Treat	Pension Fund officers attend seminars, conferences, training and webinars laid on by the professional bodies involved with the LGPS. Staff are recruited with the necessary skills to undertake the relevant duties assigned to them. Training and development needs are identified through the personal development review (PDR) process.

SPF 27	**Resource & Skill** Pension Fund does not have appropriate staffing resources to carry out all the pension functions and is open to key man risk.	Could lead to key work deliverables not being met. Could lead to a back log of work without an SLA but still requires completion. Key staff leaving due to inappropriate workloads leading to a lack of continuity and transfer of knowledge.	Major (3)	Possible (2)	Medium (6)		Head of Pensions	Treat	Future new regulations are evaluated and additional resource requirements are identified ahead of time. Processes are documented to assist continuity of process. Regular one- to-one discussions with manager should be used to highlight workload issues. Completion statistics on administration tasks with SLA's and other administrative tasks are regularly reported.
SPF 28	**Reputational** Conflicts of interest between the County Council and the Pension Fund	Advice and decisions may be taken in the best interest of the Council or the Fund which may differ. Employers cannot differentiate between the Council and the Pension Fund	Major (3)	Unlikely (1)	Low (3)		Chief Financial Officer Pension Fund Committee	Treat	The Council constitution sets out the roles and responsibilities of all entities. The conflict of interest policy sets out code of conduct and recognition of potential conflicts of interest for officers and Committee members and how they should be managed. This was last updated in June 2020.

SPF 31	**Reputational** The Pension Fund does not proficiently administrate the Fund.	Incorrect information is reported and used to make decisions. Members records are not up to date which could cause transfers or benefits to be paid incorrectly. Loss of credibility amongst external bodies and peers.	Major (3)	Unlikely (1)	Low (3)	⟷	Chief Financial Officer Pension Fund Committee Head of Pension	Treat	The Pension Fund annually approves a Business Plan that identifies the key developments to be achieved. Progress and completion of each key tasks is reported. Feedback is sought from Professional advisers. Costs are annually benchmarked with similarly sized funds.
SPF 07	**Reputational** Failure by the Pension Fund to manage Environmental, Social and Governance (ESG) risk within the investment strategy and implementation of investment decisions.	Investments have poor ESG compliance leading to adverse publicity and financial loss in asset value. Risk to income yield by restricting the market due to ESG concerns without considering the wider picture on the investment strategy.	Major (3)	Probable (3)	High (9)	⟷	Pension Fund Committee	Treat	Regular meetings with investment managers to discuss investment performance, investment strategy and engagement activities. Diversification of asset classes and investment manager structure minimises the impact of a single stock underperforming. Regular reporting of ESG implementation by investment

		Risk to investment managers capacity to implement the investment strategy by restricting investments. Risk to wider ESG issues by focusing on a single issue.							managers and voting at shareholder meetings on behalf of the Pension Fund. Investment Managers are required to demonstrate how they incorporate ESG into their investment strategy.

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Suffolk Pension Board Risk Register

Risk ID	Risk	Impact	Prob	Risk Score	Risk Rating	Risk Control Measures
SPB01	**Employer** Employers’ failure to carry out their responsibilities for paying contributions and providing information required for the administration team to fulfil their responsibilities. <u>Consequence</u> Could lead to incorrect information being used to make decisions in regards to the employer and the Pension Fund as a whole. The financial burden would have to be picked up by the rest of the employers in the Pension Fund.	3	1	3	Low	An effective Administration Strategy setting out the employers responsibilities. An effective Communications Strategy so that employers are engaged with the Pension Fund. Monitoring and reporting of the compliance of the employers. Vetting prospective employers in regards to financial security of funding streams. Seeking a funding guarantee or indemnity from the former scheme employer. Review to ensure Bonds are renewed when expiring and reflect current employer position. Non compliance is addressed.
SPB02	**Scheme Members** Scheme members are not in receipt of the correct benefit and/or paid on time. <u>Consequence</u> Additional administration time required to correct any errors. Reputational risk to the Suffolk Pension Fund and Suffolk County Council.	3	1	3	Low	The Pensions Administration team are required to keep up to date with pension benefit regulation and adhere to the stringent procedures required to comply with the benefits regulations. Knowledge and understanding is kept up to date by attending the relevant training courses on offer by professional bodies. Calculations are independently checked and verified. Internal and external audit review the internal control arrangements in place.

Risk ID	Risk	Impact	Prob	Risk Score	Risk Rating	Risk Control Measures
SPB03	**Governance** Failure to communicate or engage with employers and scheme members. <u>Consequence</u> Leading to non compliance with legislation and best practice. Inability to determine policy and effective decisions. Damaging to reputation.	3	2	6	Medium	Maintenance and implementation of a communication strategy. Regular communications to employers on LGPS matters are provided by Pension Fund officers in the form of newsletters and bi-annual employer meetings. Regular meetings are held by the Pension Board with the papers published within statutory deadlines. A range of communication tools are available to enable effective communication such as newsletters, pension help desk, pensions website. An annual employers meeting is held.
SPB04	**Governance** Pension Fund Board members do not have the appropriate skills or knowledge to discharge their responsibility. <u>Consequence</u> The Board does not discharge their duties to oversee the governance of the Pension Fund. Reputational risk to the Suffolk Pension Fund.	3	3	9	Medium	The Board has adopted the CIPFA Pensions Knowledge and Skills Framework as the basis for assessing its training and development needs. The Board approves a formal training plan which is designed to cover the Board's responsibilities. This is reviewed annually and updated to include new topics of interest and any additional training requirements identified. The Board members have access to the Hymans online learning academy modules. New Board members are fully briefed by a Pension Fund officer to enable them to participate in meetings. External advisers are employed to advise the Pension Fund Board as required.

Risk ID	Risk	Impact	Prob	Risk Score	Risk Rating	Risk Control Measures
SPB05	**Regulatory** Changes to regulations or legislation not being adhered to. <u>Consequence</u> Could result in an increase in the cost of the scheme or increased administration time to correct. Reputational risk to the Suffolk Pension Fund.	3	2	6	Medium	The Pension Fund responds to all consultation papers regarding changes to the LGPS issued by the Ministry of Housing, Communities and Local Government (MHCLG). Pension Fund officers attend conferences and seminars to ensure the consequences of legislative changes are understood and implemented. New legislation is reported to the Pension Fund Committee and Board with regular updates on progress on implementation, the guidance produced, legal advice taken and any issues identified.
SPB06	**Asset Pooling** The ACCESS Pool does not have the governance in place to make appropriate decisions and does not meet the investing authorities needs. <u>Consequence</u> Could result in Government intervening and allocating another Pool for the Fund to invest in. Reputational risk to the Suffolk Pension Fund.	3	2	6	Medium	The Pension Board is updated on the progress and development of the ACCESS Pool at each Board meeting. The Pension Fund officers actively participate in the meetings and sub-groups of the ACCESS Pool and ensure that the needs of the Suffolk Pension Fund are met. The ACCESS Pool reports on its development to DLUHC on an annual basis and attend meetings as required. The ACCESS Pool commissions professional advice to ensure that decisions are taken in accordance with statutory requirements and best practice. The ACCESS Support Unit (ASU) is currently going through a third party review.

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Risk rating criteria

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

2. The risk has then been assessed on the probability of the risk occurring.
   - Rare (1)
   - Unlikely (2)
   - Possible (3)
   - Likely (4)
   - Almost certain (5)

3. This has been used to allocate a risk score (multiplication of the score value in brackets above) to each risk which produces one of the risk ratings as follows:
   - Low (1-4)
   - Medium (5-9)
   - High (10-15)
   - Very High (16-25)

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Suffolk County Council

Agenda Item 10

Suffolk Pension Board, 10 March 2023

Information Bulletin

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

This Information Bulletin covers the following items:

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1. Investment Strategy Statement

1.1 The Investment Strategy Statement was put before the Pension Fund Committee at its meeting on 23 November 2022. The statement is attached as **Appendix 1**.

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2. Treasury Management Policy

2.1 The Treasury Management Policy for 2023/24 was put before the Pension Fund Committee at its meeting on 28 February 2022. The policy is attached as **Appendix 2**.

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3. New Investment

3.1 The Pension Fund Committee made a decision at its meeting on 23 September to invest in the Multi Credit Fund operated by Janus Henderson, which has just been set up in the ACCESS pool, to replace the Blackrock Fixed Income investment.

3.2 The first tranche of £200m was invested on 30 November. The final balance of £168m was invested on 31 January 2023.

3.3 The Fund has 69% of its investment assets invested through the ACCESS Pool.

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4. Consultation on changes to the SAB's cost management process (CMP)

4.1 On 30 January 2023, the Department for Levelling Up, Housing and Communities launched a consultation on changes to the Scheme Advisory Board's (SAB) CMP.

4.2 The consultation covers minor technical amendments to the scheme regulations governing the Scheme Advisory Board (SAB) 'cost management process'. The SAB cost management process operates symmetrically, so that if valuations show that the costs of providing benefits have risen or fallen outside of a target range, recommendations must be made which would bring costs back towards the target. The consultation closes on 24 March 2023.

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5. Update on McCloud data issues guidance

5.1 On 14 December 2022, HM Treasury (H M T) made the Public Service Pensions (Exercise of Powers, Compensation and Information) Directions 2022. They come into force on 19 December 2022 and apply to England, Northern Ireland, Scotland and Wales.

5.2 The Directions set out how certain powers in the Public Service Pensions and Judicial Offices Act 2022 must be exercised. The Act gives relevant government departments powers to rectify McCloud discrimination. The making of the Directions now allows relevant departments to start consulting on regulations exercising these powers.

5.3 Guidance to assist administering authorities with McCloud data issues is currently being finalised. The guidance will set out what options administering authorities in England and Wales may consider if they are unable to collect the data needed to implement the McCloud remedy. It will cover both missing data and data the authority is not confident is accurate.

5.4 The Scheme Advisory Board (England and Wales) hope to publish the guidance by the end of February 2023.

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6. New Employers

6.1 There were three new employers during the December quarter.

6.2 These was one new Academy, All Saints – Thorndon Primary which commenced on 1 November 2022.

6.3 There were two new Admission Bodies, Caterlink – U.S.P, and Edwards & Blake – Roman Hill, which both commenced on 24 October 2022.

For further information please contact: Paul Finbow, Head of Pensions; Email: paul.finbow@suffolk.gov.uk; Telephone: 01473 265288.

Suffolk Pension Fund
Investment Strategy Statement

The Suffolk Pension Fund has prepared this Investment Strategy Statement in line with the Local Government Pension Scheme (Management and Investment of Funds) Regulation 2016, with reference to the Ministry of Housing, Communities and Local Government (MHCLG) guidance on 'Preparing and Maintaining an Investment Strategy Statement' and after taking appropriate professional advice.

This statement is subject to review at least every three years and from time to time on any material change in investment policy or other matters as required by law. The Pension Fund Committee will consult with the Pension Board and employers in the Fund on any material change to the Investment Strategy Statement.

Fund Objective

Funding Strategy Statement

The Fund has published a Funding Strategy Statement (FSS). Its purpose is:

- Take a prudent long-term view to secure the regulatory requirement for long term solvency, with sufficient funds to pay benefits to members and their dependents
- Use a balanced investment strategy to minimise long term cash contributions from employers and meet the regulatory requirement for long term cost efficiency
- Where appropriate, ensure stable employer contribution rates
- Reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- Use reasonable measures to reduce the risk of an employer defaulting on its pension obligations

The funding objective that has been adopted for the Suffolk Pension Fund is to ensure that the assets of the Pension Fund, when taken in conjunction with future contributions, are sufficient to ensure that all future pension and retirement benefits will be fully covered by the Fund's assets when they fall due.

Funding Level

The funding level of the Pension Fund is the value of the Fund's assets expressed as a percentage of the Fund's liabilities at the most recent actuarial valuation of the Fund. The funding level as at March 2022 was 107%. The Funding Strategy provides a prudent probability of success for the Fund to be in a fully funded position during the next 20 years. In accordance with the Funding Strategy Statement the Committee determined the rate of contributions payable by each of the employers in the Fund for the three years starting 1 April 2023.

Investment Strategy

The Suffolk Pension Fund is currently cash flow positive, although this is likely to change in the coming years, as pensioner numbers and benefits increase whilst employer contributions reduce (due to improved funding levels). It is therefore currently in a position to target a predominantly growth-based strategy with the aim of maximising asset performance in the long term within agreed risk levels, however the need for some income in the future has become more predominant.

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

The Committee views having the appropriate investment strategy in place as a key driver to manage risk and return and has approved an allocation that invests in a range of asset classes (including but not restricted to equities, bonds, infrastructure, debt, private equity and property) to provide the Fund with diversification benefits and the opportunity to capture some illiquidity premium from being a long-term investor.

The Committee considers that equities are the liquid asset expected to generate superior long-term returns, whilst government bonds reduce funding risk while maintaining liquidity at times of market volatility.

The Committee favours active management where there are opportunities to add value, increasing the overall expected return (after fees) without significantly increasing the overall level of volatility. Passive management is utilised as a cost-efficient way of accessing equities to achieve market returns. The choice of benchmark for a passive manager is important as it defines the investment portfolio.

The Committee believes the use of alternative assets can reduce overall volatility in the delivery of asset returns without leading to a significant reduction in overall expected return, whilst improving its risk-return characteristics through diversification.

The Committee reviews the performance of its investment managers over a minimum period of three years. By taking a longer-term view, the Committee expects to receive enhanced risk adjusted returns and lower transaction costs by reducing asset turnover. The Committee does not consider short term opportunities as a way of delivering year on year performance and believes that the effective management of financial risks of its investment assets results in positive performance over the long term.

Responsible Investment Beliefs

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

The Committee's main objective is to deliver an investment return consistent with funding plans that does not compromise future generation's ability to meet their own needs.

In addition, the Committee identifies climate change, pollution and company stewardship as the priorities for responsible investments and ESG.

Key Responsible Investment Beliefs

- Responsible Investment considerations are important across all time horizons, but especially in the medium and long term. This is true not just in terms of protecting and enhancing long term investment return, but also increasingly in terms of the interests of stakeholders.
- Responsible investment considerations are important irrespective of asset class.
- Responsible management of responsible investment issues is considered a reputationally important issue.
- The consideration of ESG factors is to be incorporated into the portfolio construction process of all investments made by the Fund's investment managers.
- ESG factors are relevant in the context of benchmarking, risk analysis and investment opportunity identification.
- Climate risk and the issues which contribute to it are of significant concern to all stakeholders and as a result it is the prominent area of concern
- The Fund advocates the use of engagement over divestment as the means to promote its Responsible Investment beliefs however, selling an asset remains an option when it comes to unaddressed ESG concerns.
- The Fund recognises the value in engaging collaboratively to leverage greater influence together with other investors who share the Fund's priorities through joint initiatives and organisations.
- The exercise of ownership rights through voting.

These principal responsible investment beliefs and priorities will be achieved through the implementation of the following:

I) Investment Strategy

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

The Committee believes that having a responsible investment policy should lead to better financial outcomes for the Fund as businesses with more sustainable practices should outperform over the long term and lead to better outcomes for society.

The Fund should consider securities that deliver a positive social or environment outcome only when there is evidence of the positive impact on risk and return and avoid exposure to securities where environmental or social aspects will be financially detrimental to the Fund.

II) Investment Managers

The Fund's investment managers are required to embed the consideration of Environmental, Social and Governance (ESG) factors into their investment process and decision making and to report on how these are implemented. ESG factors will evolve and the Fund's investment managers should seek to take a long-term view which evaluates the direction of travel of the invested companies.

The Committee does not restrict the investment managers' choice of investments by reference to social, environmental or ethical criteria except where restrictions have been put in place by Government. All investments that are made for the Fund comply with the legal and regulatory requirements that apply to the LGPS.

The Fund's investment managers are required to invest in line with the Fund's investment beliefs and to demonstrate how these beliefs are met.

ESG factors should be incorporated into the investments managers standard reporting and will cover the Committee's responsible investing priorities.

The ACCESS Pool should provide leadership on the ESG principles for the investments within the pool and to develop the reporting on the key principles with the investment managers through Link Fund Solutions.

III) Monitoring and Governance

The Committee believes that engagement and voting are influential and promotes good practice in the corporate governance and management of the companies that they invest in and can be effective in changing behaviour and improving the Fund's performance as well as having a positive impact on the environment and society and is more effective than disinvesting from the company.

The Fund where possible will participate in collaborative initiatives to strengthen the Fund's engagement outcomes.

Asset Allocation

The Fund has a 74% allocation to 'growth' assets (equities and alternatives) in order to meet the long-term funding assumptions, set out in the 2022 actuarial valuation and funding strategy statement.

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.

Over the long term, equities are expected to outperform other liquid asset classes, particularly bonds. Allocation to asset classes other than equities and bonds, allows the Fund to gain exposure to other forms of returns which can also reduce the overall volatility of portfolios. These assets are expected to generate returns broadly similar to equities over the long term and so allocation to these can maintain the expected return and assist in the management of volatility.

The 26% allocation to bonds is designed to be a diversifier of equity risk whilst generating a yield and reducing overall levels of funding volatility.

Investment Allocation

The Committee has translated its objectives into an asset allocation plan (overleaf) and investment management structure for the Fund (set out in **Annex 1**). The Fund's target is consistent with the Committee's views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature of the Fund's liabilities.

The Committee monitors the investment allocation relative to the agreed asset allocation benchmark and the maximum investment limits. In addition to on-going monitoring the investment allocation is formally reviewed annually with specific consideration given to the investment strategy in the light of information arising from each triennial actuarial valuation.

The Government has placed a 5% restriction on the investments of the Suffolk Pension Fund into entities connected with Suffolk County Council. The Pension Fund currently has no investments in entities connected to Suffolk County Council.

Asset Class	Target Allocation	Maximum Limit
UK Equities	8.0	25.0

Global Equities	34.5	50.0
Total Listed Equities	**42.5**	**75.0**
Fixed Income	22.0	35.0
UK Index-linked Gilts	4.0	8.0
Total Bonds	**26.0**	**43.0**
Illiquid Debt	7.0	8.0
Infrastructure	10.0	15.0
Private Equity	4.0	8.0
Property	10.0	15.0
Total Alternatives	**31.0**	**46.5**
Cash	**0.5**	**5.0**
Total	**100.0**	

Currency hedging
There is no overarching currency hedge in place. This policy is kept under review by the Pension Fund Committee.

The Committee allows Investment Managers discretion to utilise currency hedging for risk management purposes within their mandates.

Investment managers and Pooling arrangements
Suffolk is a member of the ACCESS pool (alongside Cambridgeshire, East Sussex, Essex, Hampshire, Hertfordshire, Isle of Wight, Kent, Norfolk, Northamptonshire, and West Sussex). All eleven funds are committed to collaboratively working together to meet the government's criteria for pooling and have signed a Memorandum of Understanding to underpin their partnership.

ACCESS
Effective • Collective • Investment

The ACCESS Funds have set out how they meet the pooling criteria, the pool's structure, governance arrangements and services to be shared in the submission made to the Government in July 2016, which is available on ACCESS's website www.accesspool.org. The Suffolk Pension Fund has pooled its passive mandates and its active global equities mandate within the LGPS ACCESS Pool and is working in the expectation that over time, all investments will be pooled.

Link Fund Solutions have been appointed to establish and operate the ACCESS investment platform and are responsible for the creation of investment sub-funds and the appointment of investment managers to those sub-funds. Link Fund Solutions ensures that the investment managers are properly authorised to manage the assets of the Fund.

The Committee determines the investment allocations and restrictions for each investment manager, and monitors these for consistency with the Fund's overall investment strategy. The Chief Financial Officer may vary these restrictions, after consultation with the Pension Fund Committee.

The Committee, after seeking appropriate investment advice, has set specific benchmarks with each manager so that, in aggregate, they are consistent with the overall asset allocation for the Fund. The Fund's investment managers will hold a mix of investments which reflects their views relative to their respective benchmarks. Within each major market and asset class, the managers will maintain diversified portfolios through direct investment or pooled vehicles and a mix of asset types across a range of geographies in order to provide diversification of returns.

The managers appointed, and the mandates they manage, are detailed in **Annex 2**.

Investment advice

When considering investment decisions, the Committee takes professional advice from an investment consultant and an independent investment adviser. The Committee has set a number of strategic objectives for the investment consultant that comply with the Competition and Markets Authority stipulations. Performance against these objectives are monitored on a regular basis.

Risk Management

The Fund is exposed to a number of risks which pose a threat to the Fund meeting its objectives. These risks are set out and monitored as part of a formal risk register which is available on the Suffolk Pension Fund website (www.suffolkpensionfund.org). The principal risks affecting the Fund are:

a) **Funding risks:**

- Financial mismatch
  - The risk that Fund assets fail to grow in line with the developing cost of meeting Fund liabilities.
  - The risk that unexpected inflation increases the pension and benefit payments and the Fund assets do not grow fast enough to meet the increased cost.
- Changing demographics
  - The risk that longevity improves, and other demographic factors change increasing the cost of Fund benefits.
- Systemic risk
  - The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting Fund liabilities.

b) **Asset risks:**

- Concentration
  - The risk that significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.
- Illiquidity
  - The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets.
- Manager underperformance
  - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.

c) **Other risks:**

- ESG risk
  - The risk that investments with poor corporate, environmental, social and governance policies will impact performance and investment returns including the risk posed by climate change.
- Transition risk
  - The risk of incurring unexpected costs in relation to the transition of assets among managers.
- Custody risk
  - The risk of losing economic rights to Fund assets, when held in custody or when being traded.
- Credit default
  - The possibility of default of a counterparty in meeting its obligations.

Mitigations:
The approach the Committee adopts to managing these risks is via a combination of:

- The appointment of professional advisers to assist the Committee in managing risk;
- Regular review and monitoring of the performance of the Pension Fund's investments;
- Specific limits on individual investments;
- Ensuring the expected return from the investment strategy is consistent with the assumptions made by the Actuary in valuing the Fund;

- Monitoring the estimated funding level throughout the triennial valuation cycle.
- Assessments of the levels of risk taken by the Fund;
- Diversification of asset classes and managers;
- Professional advice is sought for significant transitions with consideration to the appointment of specialist transition managers.

Expected return on investments
Over the long term, the overall level of investment return is expected to exceed the rate of return assumed by the Actuary in valuing the Fund and setting funding requirements.

Realisation of investments
The majority of assets held within the Fund may be realised quickly if required. The Committee monitors both the level of liquid assets and the liquidity requirements of the Fund.

Stock Lending
The Pension Fund Committee has considered its approach to stock lending, after taking advice from its investment adviser.

The Suffolk Pension Fund participates in stock lending though the sub-funds held in the LGPS ACCESS Pool. All sub-funds are set up to enable securities lending to take place, this is operated by Northern Trust as depository for Link Fund Solutions. ACCESS only accepts noncash collateral, and this is at the typical market rate of 102% for sterling-based assets or 105% for overseas equities to allow for FX exposure.

In addition, the managers of pooled funds may undertake stock lending on behalf of unitholders in the fund. Where a pooled fund engages in this activity, the extent to which it does is disclosed by the manager. The Committee has no direct control over stock lending in pooled funds nevertheless, it is comfortable that the extent and nature of this activity is appropriate to the circumstances of the Fund.

Exercise of Voting Rights
The LGPS ACCESS Pool have voting guidelines for inclusion by Link Fund Solutions in their Investment Management Agreements which have been agreed by the Joint Committee. These guidelines set out those matters of importance to the participating ACCESS Pension Funds and promote good corporate governance and management in the companies that the investment managers invest in. In circumstances where investment managers do not adopt the positions set out in these guidelines, they are required to provide a robust explanation of the position adopted.

ACCESS also expects that investment managers will be signatories to and comply with the Financial Reporting Council's Stewardship Code (the Code) and United Nations Principles of Responsible Investment (UNPRI).

Engagement
The Suffolk Pension Fund is a member of the Local Authorities Pension Fund Forum (LAPFF), to enable it to act collectively with other local authorities on corporate governance issues. The Forum currently has 86 member funds and LGPS Asset Pools with assets of more than £350 billion.

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

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

The Fund seeks to achieve this objective by raising issues with companies in which it invests, to raise standards in a way that is consistent with long term shareholder value. Again, the Fund primarily uses its membership of LAPFF to achieve this.

Annex 1

Funding Strategy and Management Structure

Investment Managers

The Fund's investment management arrangements as at the end of November 2022 are shown below:

Manager	Asset Allocation (%)
Blackrock Investment Management	8.0
Janus Henderson	11.0
JP Morgan	6.0
KKR	1.5
M&G Investments	13.5
Newton Investment Management	12.0
Pantheon Ventures	3.5
Partners Group	4.0
Pyrford International	3.0
Schroders Investment Management	10.0
UBS	26.5
Wilshire Associates	0.5
Cash	0.5
Total	**100.0**

Infrastructure (Partners M&G and KKR), Private Equity (Pantheon), Illiquid Debt (M&G and Partners) will be substantially drawn down over the next 2-3 years. Sums allocated to these mandates will be met through surplus cash and disinvestment from the Pyrford mandate pending the drawdowns by the investment managers.

The Funding of the above would achieve the asset allocation set out in the body of the Investment Strategy Statement.

Investment Manager Guidelines

There are a number of restrictions on the investment managers, which are set out in their investment management agreements. These restrictions ensure that the managers adhere to the overall objectives of their mandates in terms of the investments they are permitted to hold and the risks associated with these investments. The main investment restrictions for each investment manager are as follows:

UBS

Passive Mandate – 26.5 % of the Fund

Investment Objective

The objective is to match the Benchmark return within each Asset Class gross of fees. The Benchmark is the respective FTSE indices for each of the asset classes and markets in which the mandate is invested. There is no overall benchmark for the Fund but a composite of the relevant benchmarks is applied.

RAFI	FTSE All World RAFI 3000 Index
Emerging Markets	FTSE Emerging Market Index
Climate Aware	FTSE All World Developed Index
5 Year Gilts	FTSE Actuaries Government Securities Index

Investment Allocations:

The asset allocations are as below:

Asset Class	**Target Allocation**
	%
Global equities – RAFI 3000	7.5
Global equities – Climate Aware	14.0
Emerging markets	1.0
Total equities	**22.5**
Bonds:	
UK Index-linked (Over 5 Year Index-linked Gilts Index)	4
Total bonds	**4**

Investment Restrictions

Individual holdings. UBS may not invest in unlisted securities. The manager may invest up to 100% of its mandate in pooled life funds.

Link Fund Solutions - Blackrock Investment Management

UK Equities Mandate - 8% of the Fund

Investment Objective

The objective is to seek to outperform the Benchmark by 2.0% per annum gross of fees over rolling three-year period. The Benchmark is the FTSE All-Share Index.

Investment Restrictions

The investment restrictions on the manager's discretion in the management of the mandate are set out in full in the investment management agreement. The main restrictions are set out below.

- Geographic / Market / Asset Class / Sector

Asset Class	Permitted Range (% of Market Value of Fund)
UK Equities	90-100
Overseas Equities	0-10
Cash	0-5

- Specific company restrictions: The manager may invest for the Fund in equities that are listed on the London Stock Exchange and the stock exchanges of the following countries: France, Germany, Hong Kong, Japan, Switzerland and United States. Investment in equities on other stock exchanges is subject to specific approval by the County Council.
- Amount or percentage of the Fund : The manager may not invest for the Fund in any single UK equity holding more than 4% in excess of that holding's weighting in the FTSE All-Share Index or more than 5% of the market value of the Fund, whichever is higher, without specific approval from the Pension Fund Committee. The Fund's investments in In-House Funds are not subject to this restriction.
- In-House Funds: The manager may not invest more than 10% of the Fund in the BlackRock Institutional Equity Funds UK Smaller Companies sub-fund.
- Derivatives: The manager may not enter into derivative contracts in respect of the Fund's segregated holdings without specific approval from the County Council. Subject to this, the manager may deal in Derivatives (including Options, Futures, Currency Forwards and Contracts for Differences) for hedging and other purposes. The manager may only deal in Derivatives traded on or under the rules of a Recognised or Designated Investment Exchange although the manager may deal in Derivatives not traded on or under the rules of a Recognised or Designated Investment Exchange (i.e. an over-the-counter (OTC) Derivatives transaction) in respect of index futures and currency forwards. The manager is not permitted to hold any short positions in the Fund by using Derivatives.

Link Fund Solutions – Janus Henderson

Fixed Income - 11% of the Fund

Investment Objective

The investment aims to achieve a total return (the combination of capital growth and income) that aims to outperform SONIA by 3.7% per annum, over any 5-year period, after the deduction of all costs and charges.

Investment Restrictions

The mandate will seek to achieve its objective by investing directly investing a minimum of 80% in secured loans, high yield bonds, Asset Backed Securities ("ABS"), including Collateralised Loan Obligations ("CLOs"), investment grade corporate bonds and other secured credit exposures.

The mandate can invest across different industry sectors, geographic regions and enterprise valuations (value of equity plus outstanding gross debt (short-term and long-term) less any cash on the company's balance sheet) without limitation.

Link Fund Solutions - Newton Investment Management

Global Equity Mandate – 12% of the Fund

Investment Objective

The objective is to produce capital returns, net of fees over rolling 5-year period. The Benchmark index: MSCI All Countries World Net Total Return.

Investment Restriction

The investment restrictions on the manager's discretion in the management of the mandate are between Link Fund Solutions and Newton Investment Management. The main restrictions are set out below:

- Stock positions: The Sub-fund is limited to +/- 20% relative to the benchmark weighting for industry sectors at the time of purchase.
- Country restrictions: The Sub-fund is limited to +/- 35% relative to the benchmark for countries at the time of purchase.
- Pooled funds: The Sub-fund may also invest in other collective investment schemes (including those managed by the Portfolio Manager or the ACS Manager and its associates), including exchange traded funds.
- Cash: The manager's total cash or near cash holdings in the Fund over any 12-month period should not exceed 5% of the value of the Fund.
- Derivatives and currency hedging: The use of derivatives is permitted for efficient portfolio management purposes.

The investment amounts referenced above will not apply under extraordinary market conditions, in which circumstances the Sub-fund may invest in asset classes other than those in which it normally invests in order to mitigate its exposure to market risk. Examples of extraordinary market conditions include economic, political unrest or instability, world events leading to market instability or closure of a relevant market(s). During such periods, the Sub-fund may temporarily invest up to 100% of its total assets in cash, deposits, treasury bills, government bonds or short-term money market instruments, or have substantial holdings in cash and cash equivalents.

Schroders Property Investment Management

Property Mandate - 10% of the Fund

Investment Objective

The objective is to seek to outperform the Benchmark by 0.75% per annum net of fees over rolling three-year period. The Benchmark is the weighted average of the IPD UK Pooled Property All Balanced Funds Index.

Investment Restrictions

The investment restrictions on the manager's discretion in the management of the mandate are set out in full in the Investment Management agreement. The main restrictions are set out below.

Asset allocation and control ranges

Schroders will invest in a range of property investments, subject to the following constraints (overleaf).

Fund Type	Approved Ranges
Open-ended funds *	60-100%
Close-ended funds	0-40%
Other investments and cash**	0-20%
Open-ended funds may be based in the UK or in the offshore jurisdictions of Jersey, Guernsey, Luxembourg or Dublin. Investment in funds that are managed from any other non-UK jurisdiction will be subject to specific prior approval.	
Other investments include UK property equities (subject to a range of 0-5%) and Property Index Certificates (subject to a range of 0-10%)	

Individual holdings. The manager will hold investments in a minimum of 3 separate property funds at any time. Schroders agree their investment strategy with us on a quarterly basis and will have discretion to make investments within the terms of the strategy. Partly paid securities may not exceed 5% of the portfolio when fully paid. Schroders will invest in property based in the UK via collective investment schemes or other investments whose purpose is to invest in property. The manager may not invest more than 50% of the portfolio in a single investment.

M & G

Link Fund Solutions - Fixed Income Mandate - 11% of the Fund

Investment Objective

The Fund seeks a total return of 1 month Libor +3 to 5% gross of fees p.a. over the medium term. The Benchmark is 3-month Libor +2%.

Investment Restrictions

There are no specific investment restriction's placed on the manager as this investment is in M&G's Alpha Opportunities Fund which aims to take advantage of highly diversified opportunities in public and private credit markets, including but not limited to investment grade and high yield corporate bonds, leveraged loans, asset-backed, and mortgage backed securities.

Illiquid Debt Mandate - 1% of the Fund

Investment Objective

The objective is to seek a target return of 8% per annum over 5-year investment horizon.

Investment Restrictions

There are no specific investment restriction's placed on the manager as this investment is in M&G's pooled fund, the Debt Opportunities Fund I and II, Debt Solutions and Illiquid Credit

Infrastructure Mandate – 1.5% of the Fund

Investment Objective

The objective is to seek a target return of 15% IRR.

Investment Restrictions

There are no specific investment restriction's placed on the manager as this investment is in M&G's pooled fund, Infracapital Greenfield Partners Fund, which invests in the late stage development, construction, and/or expansion of unlisted infrastructure assets which offer long term stable cash flows and capital accretion. The Fund invests in sectors such as energy, utilities, transport, telecoms and social infrastructure.

JP Morgan

Infrastructure Mandate – 6.0% of the Fund

Investment Objective

The Fund seeks a total return of 8% p.a.

Investment Restrictions

The mandate is an open-ended perpetual scheme investing in infrastructure on a global basis, which seeks to deliver a stable cash yield and diversification, with risk-adjusted returns and inflation protection through the market cycles.

KKR

Infrastructure Mandate – 1.5% of the Fund

Investment Objective

The Fund seeks a total return of 8% p.a.

Investment Restrictions

The mandate is a close ended scheme investing in economic infrastructure assets primarily located in North America and Western Europe across sectors such as telecommunications, transport, energy and utilities. Seeks to deliver a stable cash yield and diversification, with risk-adjusted returns and inflation protection through the market cycles.

Pantheon

Private Equity Mandate – 3.5% of the Fund

Investment Objective

The Fund seeks a total return of MSCI AC World NDR + 3%

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Investment Restrictions

Pantheon has a global investment mandate in primary partnerships, secondary partnerships and co-investments within private equity. No restrictions have been placed on the fund.

Partners Group

Infrastructure Mandate - 1% of the Fund

Investment Objective

The Fund seeks a total return of 8% p.a.

Investment Restrictions

There are no specific restrictions placed on the manager as this is a pooled investment in Partner's Group Global Infrastructure 2012 SICAR fund and Global Infrastructure 2015 SICAR fund both which seeks investment opportunities in direct, secondary and primary infrastructure markets.

Illiquid Debt Mandate – 3% of the Fund

Investment Objective

The Fund seeks a total return of 8% p.a.

Investment Restrictions

The mandate is a close ended scheme lending to established private equity backed companies with non-cyclical industry exposure primarily located in North America and Europe. Seeks diversification across asset classes, instruments, sectors and geographies and predominantly investing in floating rate debt.

Pyrford International

Absolute Return Mandate – 2.5% of the Fund

Investment objective:

The Fund seeks to provide a stable stream of real total returns over the long term with low absolute volatility and significant downside protection.

Target: RPI +5%, Gross, Over 5 Years

Investment policy:

The Fund will seek to achieve its investment objective and will focus on capital preservation to achieve real total returns. By investing in asset classes and securities which offer sound fundamental value and avoiding asset classes and securities which offer poor fundamental value, the Fund will seek to achieve real total returns. The Fund will invest in investment grade sovereign Debt Securities and equities of companies that, at time of purchase, have a minimum stock market capitalisation of US$500 million and that are listed, traded or dealt in on a Regulated Market. Particular emphasis will be placed on Regulated Markets in North America, Europe (including the UK) and the Asia Pacific Region (including Japan).

Investment Restrictions

There are no specific investment restrictions placed on the manager as this investment is in Pyrford's pooled fund, the Global Total Return (Sterling) Fund.

Wilshire

Private Equity Mandate – 0.5% of the Fund

Investment Objective

The Fund seeks a total return of MSCI AC World NDR + 3%

Investment Restrictions

Wilshire has a global investment mandate in primary partnerships, secondary partnerships and co-investments within private equity. No restrictions have been placed on the fund.

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Suffolk Pension Fund

Treasury Management Strategy 2023/24

Introduction

1. The Pension Fund's treasury management activities relate to two operational areas:

   - In-house Cash: The day-to-day management of the Pension Fund's cash flows and associated short term cash investments known as "In house cash". These activities are undertaken by the County Council.
   - Custodian Cash: The cash held and managed by the Fund's Custodian, Northern Trust, as part of the Fund's investment strategy. Longer term investments are administered separately by external fund managers and these activities are covered in the Pension Fund's Investment Strategy Statement.

In House Cash Management Arrangements

2. In undertaking the treasury management activities for the Suffolk Pension Fund, Suffolk County Council will comply with the Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes, 2021 edition, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). A fundamental aim of treasury management is to effectively control the risks associated with treasury management activities and to pursue value for money, in so far as this is consistent with the effective management of risk. The 2021 Code requires the following:

   - A policy statement which states treasury management policies, objectives and approach to risk management.
   - Treasury Management Practices (TMPs) which set out how the organisation will seek to achieve those policies and objectives and prescribes how these activities will be managed and controlled. The Pension Fund has adopted the County Council's Treasury Management Practices, subject to the specific requirements in relation to lending and borrowing that are set out in this document and the management of cash held with the Pension Fund's custodian.
   - An annual Treasury Management Strategy that outlines the expected treasury activity. The strategy must define the organisation's policies for managing its investments and for giving priority to the security and liquidity of those investments.

Treasury Policy Statement

3. Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code) which requires the Council to approve a treasury

management strategy before the start of each financial year. This fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

4. Suffolk County Council has adopted the following in its Treasury Management Strategy Statement which is applied to the Suffolk Pension Fund:

a) The Council defines its treasury management activities as:

- the management of the organisation's investments and cash flows, its banking, money market and capital market transactions;
- the effective control of the risks associated with those activities;
- and the pursuit of optimum performance consistent with those risks.

b) The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered, to manage these risks.

c) The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

Key objectives

5. Treasury risks present themselves in many forms, from failure to optimise performance by not taking advantage of opportunities, to managing exposure to changing economic circumstances. The Council seeks to manage its risks regarding credit and counterparty risk, liquidity risk, interest rate risk, refinancing risk, legal and regulatory risk, fraud, error and corruption, contingency management and market risk. The risk appetite of the Council is low, with security and liquidity of investments taking precedence over the rate of return.

6. The CIPFA Code requires the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving

unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

7. Where the Bank Rate is set at or below zero, this is likely to feed through to negative interest rates on all low risk, short-term investment options. Since investments cannot pay negative income, negative rates will be applied by reducing the value of investments. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

8. Under the new IFRS 9 standard investments can be held in the accounts at either the amortised cost of the investment, or at fair value, which may be higher or lower than the price paid for investments depending on market conditions. This treatment is dependent on how the Council manages its' investments. The Councils' aim is to achieve value from its investments by collecting contractual cashflows, such as dividends and interest, as opposed to trading in the underlying instruments. Therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

Liquidity

9. Liquidity is defined as having adequate, but not excessive cash resources, borrowing arrangements and overdraft or standby facilities to ensure that funds are available, for the achievement of the Pension Fund's objectives. In this respect, the Pension Fund will seek to maintain a contingency of around £10m of cash available at less than one week's notice in order to meet any short-term requirements arising from expected cash flows.

Fixed and Variable Interest Rates

10. Given the short-term nature of "In-house cash", no specific limits are proposed on the maximum proportions subject to fixed or variable rates of interest.

Borrowing

11. The administering authority does not have the power to borrow on behalf of the Pension Fund, other than temporary borrowing for the following specific purposes detailed in section 5 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 :-

- paying benefits due under the Scheme, or
- to meet investment commitments arising from the implementation of a decision by the Fund to change the balance between different types of investment.

12. In the context of this strategy, short term borrowing will only be undertaken in exceptional circumstance to manage unexpected cash flow fluctuations which occur as a result of the above circumstances. If short term borrowing is necessary, this will be secured by borrowing from the money markets or other local authorities.

Treasury Management Advisors

13. The County Council employs the services of a specialist treasury management advisor, Link Group who provide a range of services, including technical advice on treasury management, interest rate forecasts and information on credit worthiness of potential counterparties. While Link Group will provide advice to the Council, the responsibility for investment decisions in relation to Pension Fund cash remains with the Pension Fund Committee, with day-to-day decision making delegated to the Chief Financial Officer (S151).

Custodian Cash Management Arrangements

14. One of the services provided to the Pension Fund by the Fund’s custodian, Northern Trust, is a banking service. A separate bank account has been opened for each private equity, infrastructure, illiquid debt and timberland mandates to receive distributions and to pay capital calls. Surplus funds are automatically transferred into the Suffolk Pension Fund inhouse account.

15. A bank account and money market fund account has been set up for Schroders to use, in addition to their own managed Schroders money market fund account, for them to manage the cashflow within the property mandate.

16. US Dollar and sterling balances held in the Inhouse and Schroders account are swept in increments of whole thousands into money market funds each day. The Northern Trust money market fund maintains a P-1 rating from Moody’s and an equivalent rating of A-1+ from Standard & Poor.

17. In order to limit the exposure of the Pension Fund to any single financial institution the maximum exposure to the Northern Trust money market fund for day-to-day management has been set at £50m. The total cash holdings with the Custodian will be monitored. If necessary, an arrangement will be made with Schroders to make direct investments in other money market funds or investment vehicles, so that the limit of £50m for cash with Northern Trust is not exceeded.

18. When investment decisions are implemented, there are circumstances when surplus cash may be held due to the timings of trade and settlement dates. If a temporary increase to the limit is required in the course of implementing the investment strategy, then authorisation will be sought from the Chair of the Pension Fund Committee and the Chief Financial Officer (S151).

Suffolk County Council

Agenda Item 11

Suffolk Pension Board Forward Work Programme

Purpose

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

Terms of reference

The terms of reference of the Suffolk Pension Board are:

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

Meeting date (see Note)	Date added	Subject	Short description	How is it anticipated the Board will deal with this issue?
Tuesday, 25 July 2023 (am)	Added 7 December 2022	Complaints, Compliments and Administration Performance	To receive a report on the complaints and compliments received by the Fund.	Written Report
	Added 7 December 2022	Suffolk's progress on Pooling of Assets	To receive an update on the progress of pooling assets.	Written Report
	Added 7 December 2022	Annual Investment Performance Review	To review the Investment performance of the Fund in 2022/23	Written Report
	Added 7 December 2022	Internal Audit	To receive a report on the outcome of Internal Audits undertaken	Written Report
	Added 7 December 2022	Recent Developments	To receive an information bulletin covering recent developments that the Board has an interest in.	Written Report
	Added 7 December 2022	Forward Work Programme	To approve the Forward Work Programme for the Suffolk Pension Board.	Written Report
Tuesday, 3 October 2022 (am)	Added 7 December 2022	Complaints, Compliments and Administration Performance	To receive a report on the complaints and compliments received by the Fund.	Written Report
	Added 7 December 2022	Suffolk's progress on Pooling of Assets	To receive an update on the progress of pooling assets.	Written Report
	Added 7 December 2022	Pension Board Risk Register	To review the Pension Board Risk Register.	Written Report
	Added 7 December 2022	Recent Developments	To receive an information bulletin covering recent developments that the Board has an interest in.	Written Report

Meeting date (see Note)	Date added	Subject	Short description	How is it anticipated the Board will deal with this issue?
	Added 7 December 2022	Forward Work Programme	To approve the Forward Work Programme for the Suffolk Pension Board.	Written Report

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

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

Revised: March 2023

Items for consideration/scheduling:

Expected Government consultations on the LGPS
Pensions Regulators new Single Code

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