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.

Richard Blackwell, representing Pensioners.

Kay Davidson, representing Active Members.

Date: Tuesday, 17 October 2023

Venue: This meeting will be a remote meeting and therefore will not take place in a physical location.

If you wish to watch the public meeting while the Board is sitting in public session, please contact committee.services@suffolk.gov.uk

Time: 10:30 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 5-11

   To approve as a correct record, the minutes of the meeting held on 25 July 2023.

4. **Pensions Administration Performance** — Pages 13-16

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

5. **LGPS Government Consultations** — Pages 17-43

   To receive an update on the Government's consultations on the LGPS.

6. **ACCESS Pool update** — *No papers*

   To receive an update on the progress of the ACCESS pool.

7. **Information Bulletin** — Pages 45-91

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

8. **Risk Register** — Pages 93-129

   To review the Pension Board Risk Register.

9. **Forward Work Programme** — Pages 131-133

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

Date of next scheduled meeting: Wednesday, 6 December 2023 at 11:00 am.

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Suffolk County Council

Agenda Item 3
Unconfirmed

Minutes of the Suffolk Pension Board Meeting held on Tuesday 25 July 2023 at 11:00 am in the Rose Mead Room, Endeavour House, Ipswich.

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

The meeting was opened by the Democratic Services Officer.

1. Election of Chairman and Vice Chair

Councillor Richard Rout offered to chair the Board which was seconded by Richard Blackwell. Therefore, it was unanimously agreed that Councillor Richard Rout be elected as Chairman of the Board for the 2023/24 municipal year.

Councillor Richard Rout assumed the Chair.

Pauline Bacon offered to be Vice Chair of the Board which was seconded by Councillor Richard Rout. Therefore, it was unanimously agreed that Pauline Bacon be elected as Vice Chair of the Board for the 2023/24 municipal year.

2. Apologies for Absence

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

3. Declarations of Interest and Dispensations

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

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

4. Minutes of the Previous Meeting

The minutes of the meeting held on 10 March 2023 were confirmed as a correct record and signed by the Chairman.

5. Internal Audit Work on the Pension Fund 2022-23

At Agenda Item 5, the Board received a report which detailed the internal audit work performed in the 2022/23 financial year relating to Suffolk Pension Fund, and the audit opinions on the control environment resulting from that work.

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

In response to a question from a member, the Senior Auditor explained that the reason why Pension Administration was rated as 'reasonable assurance' was due to the work of the pensions team being so vast with many transactions and so there was more scope for error and therefore more scope for improvement. She added that there was nothing to be concerned about, but it was the volume of work that was the key reason for the 'reasonable assurance' rating.

A member also raised concerns with the ongoing issues with the data quality reports extracted from Oracle Fusion. The Head of Pensions confirmed that this had not yet been resolved. He shared with members that the data covered Suffolk County Council, East Suffolk Council and Babergh Mid Suffolk District Council employees and a solution needed to be implemented in the next two weeks to ensure Annual Benefit Statements for members could be produced by the end of August 2023 deadline. Whilst the project had been a challenge, he assured members that the situation was now looking much more positive.

A member enquired into the process of identifying pension team employees who might have familial links to pension fund members who would therefore have the ability to amend those pension records. The Board was informed that the Pensions team presently had two sisters working for the team, and whilst the relationship was known, he said it was right this had been highlighted by the audit. Members were assured that the pensions system Altair logged all changes made to pension records and it could identify who made the changes. However, to remove the risk of perceived or actual conflicts of interest, and to reduce the opportunity of fraud, a new process had been implemented for pension employees to declare any relationships which would be kept as an ongoing record. This would be maintained throughout the year and employees would be expected to update their declaration as soon as their circumstances changed. Those records would be shared with internal audit on an annual basis.

In response to a question from a member, the Board was assured that data checks were run on a regular basis, and the data held by the Fund was compliant. Members heard that the Pensions Team was able to hold records for a long time after someone had passed away. The team was always looking to improve its processes, and it was hoped that it would soon have set times to review the data, however it was confirmed that this work was ongoing.

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

The Board also wished to congratulate the Pensions Team on its high standards.

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

Alternative options: There were none considered.

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

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

Dispensations: There were none granted.

6. Investment Performance

At Agenda Item 6, the Board received a report which provided a summary of the performance of the Suffolk Pension Fund for 2022-23 and performance benchmarking against other local authority Pension Funds.

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

Members heard that the Fund's three-year performance was very strong and the diversification in the portfolio meant it was well set to manage risk. The Head of Pensions informed the Board that the Committee had set relatively challenging performance targets for the Fund's investment managers and when market did not go up a great deal, the 8% target might not be met for that year, however it was achieved over the long term.

In relation to the PIRC data, it was highlighted to members that because of the diversification of the Fund and its low-risk strategy, Suffolk had been in the top quarter of local authority funds in terms of performance this past year. When looked at over the 10-year period, it showed the Suffolk Pension Fund to be average at roughly the 40th percentile out of 100. The Board noted that this was a good place to be. A member added that considering the recent events affecting the markets such as the war in Ukraine and Brexit, being only 0.85% below the benchmark was negligible, and it was recognised that most of the Fund's investments were doing well.

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

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

Alternative options: There were none considered.

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

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

Dispensations: There were none granted.

7. Pensions Administration Performance

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

The report was introduced by the Pensions Operations Manager who joined the meeting remotely (via Teams), and the Lead Accountant (Pensions). Members had the opportunity to ask questions.

In response to a question from a member, the Lead Accountant (Pensions) advised that iConnect probably would not help improve the timeliness of the contribution payments, however, once the pensions finance team were onboarded to the system, it could bring some benefits to reconciling the data using a more formalised process, rather than by copying and pasting information as was presently done.

Also, in relation to the complaint from a multi academy trust (MAT) noted at paragraph 19 of the report, the Head of Pensions explained that the MAT did not take out insurance, which they had the option to take out, because it thought additional monies would need to be paid. This raised a query as to whether a paper to the Board or a training session be delivered on how ill health strain costs actually worked, how the actuary took the calculation into account, whether the changes in working practices could change the number of ill health retirements and the effect on employers.

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: Richard Blackwell declared an interest by virtue of the fact he was in receipt of a local government pension.

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

Dispensations: There were none granted.

8. ACCESS Pool update

At Agenda Item 6, the Board received a report which covered the recent developments within the ACCESS pool.

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

The Head of Pensions informed members that the Link Fund Solutions sale was progressing, and a company called Waystone was acquiring it. It was confirmed that each of the 11 funds had received a contract novation form to be signed and it was believed this was now completed. The rebrand from Link to Waystone would happen in October 2023.

The Board also heard that ACCESS had commissioned a third-party review of itself, being undertaken by Barnett Waddington, an actuarial investment firm. It would be asking whether ACCESS was doing what it had set out to do and did the Support Unit have enough resources to deliver the work of ACCESS. This report would be considered by the Joint Committee at its September meeting.

A member pointed out that the combined total of pooled assets had increased in value by £1.675bn from December 2022 quarter end, however there was roughly

£300m missing from the reasons for this in the summary update paper noted at page 65 of the report. The Lead Accountant (Pensions) advised that the paper had only accounted for the high-level numbers, as passive investment also had movement which had not been included. However, because the Lead Accountant (Pensions) reconciled the figures for the ACCESS pool, she would check that the figures were correct.

Decision: The Board noted the report.

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: Richard Blackwell declared an interest by virtue of the fact he was in receipt of a local government pension.

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

Dispensations: There were none granted.

9. Information Bulletin

The Board noted the Information Bulletin at Agenda Item 9.

10. Board Training Programme

At Agenda Item 10, the Board considered its training programme for the next 12 months.

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

Members were informed that the Committee's annual training day in London was set for 27 October 2023 and Board members were welcome to attend. This would include a discussion on new opportunities around impact investing. An invite would be sent out in due course.

Decision: The Board agreed the content of the training programme for the coming year raising the following as potential future topics:

a) Ill health strain costs.

b) Procurement.

c) Good Governance.

d) Pressures around ethical investing.

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

a) A member wished to explore how the likely increase in ill health amongst the working population might impact the fund, the effect on employers and how this was accounted for by the actuary.

b) Linked to the Technical Knowledge and Skills Framework, a member suggested a session related to Procurement and the post Brexit regulations.

c) A member suggested a session on any changes related to the pension fund as and when they were known. The Head of Pensions advised that a Good Governance session for the Committee would be planned following a project undertaken several years ago which would be implemented in the next year. Officers confirmed this could be duplicated for the Board.

d) A member noted that whilst the Board was not a decision-maker, it was felt useful if members could have oversight of the Committee's ethical investing, either net zero or where the investments sat. It was noted that members could have an idealistic viewpoint about ethical investing but in counterbalance the returns could be damaged very quickly if there were too many restrictions. Members were aware that one of the key reasons the Fund underperformed in the equity markets was because there were less oil and gas stocks than the average market. Whilst from an ethical climate change point of view, it could be argued the Fund was on the right side of it, in terms of investment performance the Fund was on the wrong side of it as that was the area in the market that increased in value.

Other comments: During the discussion, a member raised concerns about the Fund's exposure to Water Boards/Companies, noting the recent fines they were being ordered to pay and how this could affect share prices. Officers believed there was some funding within infrastructure, however because a lot of the funding was now pooled, the Fund did not own those shares. Officers would investigate this and include it as an Information Bulletin item at the next meeting. The member added that they wished to make representation to the ACCESS Pool about the spillages water companies were doing in the context of meeting the Fund's Environment, Social and Governance objectives.

Alternative options: There were none considered.

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

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

Dispensations: There were none granted.

11. Dates of Future Meetings

At Agenda Item 11, the Board considered its dates of future meetings.

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

<u>2023/2024 Municipal Year:</u>

- Tuesday, 17 October 2023 (10:30am) – to take place remotely.
- Tuesday, 6 December 2023
- Friday, 10 March 2023

<u>2024/2025 Municipal Year</u>

- Tuesday, 23 July 2024
- Wednesday, 16 October 2024

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

All meetings would take place in person at Endeavour House starting at 11am, unless otherwise stated.

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

Alternative options: There were none considered.

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

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

Dispensations: There were none granted.

12. Forward Work Programme

The Board received a copy of its Forward Work Programme at Agenda Item 12.

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 12:29 pm.

Chairman

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Suffolk County Council

Agenda Item 4

Suffolk Pension Board

Report Title:	Pensions Administration Performance
Meeting Date:	17 October 2023
Lead Councillor(s):	Councillor Richard Rout
Director:	Stephen Meah-Sims, Deputy Chief Executive and Executive Director of Corporate Services
Assistant Director or Head of Service:	Louise Aynsley, Head of Finance (S151 Officer)
Author:	Stuart Potter, Pensions Operations Manager Telephone:01473 260295 Email: Stuart.potter@suffolk.gov.uk

Brief summary of report

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

Action recommended

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

Reason for recommendation

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

Alternative options

4. There are no alternative options.

Main body of report

Introduction

5. This report covers staff performance and team achievements since the previous Board meeting on 25 July 2023.

Service Level Agreements

6. The Service Level Agreements for our ‘key’ processes from June 2023 to August 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 **143** percentage completed in SLA **98%**

b) Estimates are issued to members or employers within 10 working days of receipt of all information – Total cases **110,** percentage completed in SLA **100%**

c) Retiring employees are notified of their options within 5 working days of receipt of all information – Total cases **437**, 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 **492**, percentage completed in SLA **99%**

e) Notification of survivor benefits will be issued within 10 working days of receipt of all information – Total cases **55,** percentage completed in SLA **100%**

f) Outstanding monies owed in respect of a deceased pension, and any death grant, will be paid within 10 working days of receipt of all information – Total cases **105** percentage completed in SLA **100%**

I-Connect Implementation

7. Further progress on onboarding employers onto I-connect has been made and we currently have 134 employers now submitting monthly membership data. We are also working actively with a further 8 payroll providers that covers another 49 employers.

8. For those employers using the County Council's Oracle Fusion payroll, changes have been made to the payroll system from April 2023 to hold cumulative pensionable pay within the system (previously this was not held), and a number of corrections to the I-Connect report have been identified from reviewing data for 2022/23. Further testing is ongoing to enable these employers to be onboarded soon.

End of year processing

9. The end of year administration work, where data is received from employers and all member records updated, has now been completed. Annual benefit statements have been issued for all staff, although some rework is still required for a few members.

10. For one employer (Suffolk County Council), we did fail to issue annual benefit statements by the 31 August. This was due to the ongoing reporting issues from Oracle Fusion. Data was received during August and priority was given to processing data for East Suffolk, Babergh and Mid Suffolk Councils. Messages were communicated to SCC active members via the County Council's weekly communication to make them aware statements were delayed and would be available by the end of September 2023.

11. The Suffolk County Council Annual Benefit Statements were issued on 29 September.

12. The failure to complete all annual benefit statements by 31 August was reported to the Pensions Regulator as a breach, which we reported would be rectified by 30 September. This has now been completed.

13. These issues are not expected to occur in the future as the I-connect reports will be providing the data needed on a monthly basis.

Backlog Tasks

14. The team have continued to work on the backlog cases previously reported to the Board. However these numbers have increased to around 10,400 as a result of the annual end of year administration process which creates a number of undecided leavers as we are made aware of leavers we've not previously been notified of. Once I-connect is fully operational, and all data is received monthly, this will stop this significant bulk increase that we see each year.

Employer Newsletter

15. A new employer newsletter is currently being drafted which will be issued to employers in the fund during October 2023. It seemed a good time to create a new newsletter for employers, to go alongside normal communications provided, to provide as much support and information as possible to employers particularly as we move into the period of change that McCloud brings. These newsletters will be issued in the Autumn and Spring.

McCloud legislation update

16. The long-awaited changes to the LGPS from the McCloud legislation have now come into force from 1 October 2023.
17. The regulations were only recently laid ahead of this date so now the final regulations are known we have been meeting as a management team to review these and put in place steps to ensure we are best placed to administer this work.
18. So far two extra fixed term staff have been recruited to help the team during this time.
19. In the next Board meeting further updates will be provided on the plans put in place and the updates in this area.

Compliments and Complaints

20. During this period there were no significant compliments above and beyond the usual thanks received for the service we provide.
21. However, there were a number of e-mails received thanking us for our speed of service and helpful information provided.
22. During this period there has been one complaint which related to a member who was unhappy they couldn't have their pension compounded after they had elected to and had their pension put into payment. The customer was very unhappy due to their change in family circumstances and health this couldn't be achieved for her but unfortunately HMRC rules do not allow for this to happen. This was explained and while the customer was still unhappy the matter is now resolved.
23. There are no IDRP cases to report.
24. This report will be ongoing in all future Board meetings and will be developed in accordance with the requirements of the Board.

Contribution payments

25. The administration strategy requires contributions from employers to be received by the Pension Fund within 5 working days of the month end in which the contributions were deducted. The table below summarises the timeliness of receipts received Quarter 4 2022/23 and Quarter 1 2023/24:

	Quarter 4 (22/23)			Quarter 1 (23/24)		
	Employer	**Contributions**		**Employer**	**Contributions**	
	%	**£'m**		**%**	**£'m**	
On Time	90	31.988	98.0	88	31.784	93.7
Up to 1 week late	4	0.136	0.3	5	0.940	3.0
Over 1 week late	6	0.543	1.7	7	1.145	3.3
Total		**37.010**			**32.667**	

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:	LGPS Government Consultations
Meeting Date:	17 October 2023
Lead Councillor(s):	Councillor Richard Rout
Director:	Stephen Meah-Sims, Deputy Chief Executive and Executive Director of Corporate Services
Assistant Director or Head of Service:	Louise Aynsley, Chief Financial Officer (S151)
Author:	Paul Finbow, Head of Pensions Tel. 01473 265636 Email: paul.finbow@suffolk.gov.uk

Brief summary of report

1. The Department of Levelling Up, Housing and Communities (DLUHC) is consulting on proposals for new requirements on LGPS Administering Authorities. This report sets out the consultation submitted by the Suffolk Pension Fund.

Action recommended

2. The Board is asked to note the Pooling consultation response.

Reason for recommendation

3. At the national level the LGPS is governed by the DLUHC and the LGPS Advisory Board. The investment and management of LGPS assets, the collection of employer and employee contributions, and payment of pension benefits is the responsibility of LGPS administering authorities.

Alternative options

4. There are no alternative options.

Main body of report

Background

5. This consultation was launched following the Chancellor’s Mansion House speech and seeks views on proposals relating to the investments of the LGPS. It covers asset pooling, levelling up, opportunities in private equity, investment consultancy services and the definition of investments.

6. The consultation was launched on 11 July 2023, to run for 12 weeks, with a closing date of 2 October 2023.

Consultation

7. The consultation, set out in **Appendix 1,** is seeking views on five proposals:

a) To accelerate and expand pooling, with a proposed deadline of March 2025 for asset transition.

b) To require Pension Funds to have a plan to invest up to 5% of assets to support levelling up in the UK.

c) To increase investment into Private Equity

d) Amendments to the regulations to implement the Competition and Markets Authority (CMA) order.

e) Technical change to the definition of investments within LGPS regulations.

8. These proposals are responded through 15 questions contained within the consultation. For ease of reference these have set out in **Appendix 2** with a response to each question.

Sources of further information

a) Local Government Pension Scheme (England and Wales): Next steps on investments - GOV.UK (www.gov.uk)

Chapter 1: Introduction

1. The Local Government Pension Scheme England and Wales (LGPS) is one of the world's largest funded pension schemes and a key player in global markets, investing around £364 billion (excluding Environment Agency funds) worldwide. Its scale enables it to have a significant impact through its investments and gives it the potential to lead the market in innovation and transparency. While long term stable returns in order to pay pensions for its members are the primary purpose of the investments, the government believes that there is scope to deliver substantial benefits to the UK as a whole at the same time. Good management of the LGPS is important for the financial stability of local councils, and ultimately is in the interests of local taxpayers.

2. The government also recognises that pension funds are under substantial pressure on a number of fronts. There is growing scrutiny of institutional investors on environmental issues and in the light of geo-political risks such as Russia's aggressive and illegal invasion of Ukraine. In addition, recent volatility in gilt and bond markets has underlined the need for the highest standards in managing financial risk. The LGPS as a public sector scheme is rightly subject to particularly high expectations and must keep pace with the best in managing these demands.

3. This consultation seeks views on proposals in 5 areas:

- First, the government sets out proposals to accelerate and expand pooling, with administering authorities confirming how they are investing their funds and why. While pooling has delivered substantial benefits so far, we believe that the pace of transition should accelerate to deliver further benefits which include improved net returns, more effective governance, increased savings and access to more asset classes. We propose a deadline for asset transition by March 2025, noting we will consider action if progress is not seen, including making use of existing powers to direct funds. Going forward, we want to see a transition towards fewer pools to maximise benefits of scale.
- Second, the government proposes to require funds to have a plan to invest up to 5% of assets to support levelling up in the UK, as announced in the Levelling Up White Paper (LUWP). This consultation sets out in more detail how the Government proposes to implement this requirement and seeks views on its plans.
- Third, the government is proposing an ambition to increase investment into high growth companies via unlisted equity, including venture capital and growth equity. The government believes there are real opportunities in this area for institutional investors with a long-term outlook, such as the LGPS.
- Fourth, the government is seeking views about proposed amendments to the LGPS's regulations to implement requirements on pension funds that use investment consultants. These amendments are needed to implement the requirements of an order made by the Competition and Markets Authority (CMA) in respect of the LGPS.
- Finally, the government is proposing to make a technical change to the definition of investments within LGPS regulations.

4. The following chapters set out the government's proposals in more detail and provide the rationale for its proposals. Chapter 2 addresses the proposals regarding LGPS pooling, Chapter 3 outlines the plans for implementing the LUWP commitment, and Chapter 4 sets out a proposal to encourage the LGPS to contribute growth equity to the development of the UK. Chapter 5 explains the government's proposals in relation to the use of external investment consultants by LGPS funds and Chapter 6 sets out its proposal to update the definition of investments. Finally, Chapter 7 sets out our initial assessment of potential equalities impacts and invites views.

5. To assist those wishing to respond to the consultation, Annex A lists the proposals and Annex B lists the consultation questions.

Chapter 2: Asset pooling in the LGPS

6. The reform of investment management in the Local Government Pension Scheme (LGPS) for England and Wales began in 2015 with the publication of criteria and guidance on pooling of LGPS assets, following extensive consultation with the sector. The aims were to deliver the benefits of scale, improved governance and decision making, reduced costs and excellent value for money, and capacity and capability to invest in infrastructure to help drive growth. LGPS administering authorities responded by coming together in groups of their own choosing to form 8 asset pools.

7. Those 8 pools are now operational, in most cases for over 4 years. Their scale makes them significant players at European and global level. Set up and running costs of around £400 million to 2022 have been fully covered by savings. Net savings of over £380 million have already been delivered, with annual savings of £180 million, and total net savings are forecast to be over £1 billion by 2025 (based on data provided by pools and administering authorities). Significant expertise and capacity have been developed in private markets and infrastructure investment, giving funds access to the higher returns in these markets. In particular, UK and global infrastructure investment has grown from below £1 billion to around £27 billion (based on data collected by the pools).

8. While pooling has delivered substantial benefits so far, progress has varied across the scheme. Accelerating consolidation of assets in the LGPS is crucial for ensuring the scheme is delivering value for money in the interests of scheme members, employers and local taxpayers. Stronger pools can also ensure the LGPS punches its weight on responsible investment, management of climate risks, investment in levelling up, and investment in unlisted equities in support of UK growth. To meet these challenging ambitions, the LGPS pools and their partner funds will need to strengthen their existing partnerships and work together to deliver outstanding net performance, risk management and transparency. This will enable the LGPS to provide long term finance for pensions for millions of low paid workers, and deliver for the UK through investment in the UK, while retaining local control and accountability. Government proposals, set out below, cover increased scale, governance and decision making, as well as transparency and accountability.

Delivering increased scale

Background

9. Across the scheme as at March 2022 £145 billion or 39% of assets have been transferred to the pools with the percentage varying by pool from under 30% (LGPS Central) to over 80% (LPP). A further £114 billion, or 31%, is under pool management and £34bn or 9% is covered by plans to transition into the pools. We make a distinction throughout this document between pooled assets and assets which are under pool management. Pooled assets are owned by the pool in their capacity as asset manager while assets under pool management are assets where the pool has some management or oversight arrangement without ownership.

10. The current scale of the individual pools (based on AUM pooled and assets under pool management) is in the range £16 billion to £60 billion. This covers a variety of arrangements including passively managed assets held by external managers under insurance contracts, and the pool’s oversight and monitoring of these may be limited. However, excluding assets under

pool management, the pools range in size from £2 billion to £30 billion. The pools therefore remain significantly below the scale which they could achieve with all assets transferred from their partner funds, rather than remaining under pool management.

11. A further substantial increase in effective scale is a key priority to enable delivery of the benefits of pooling. Increased scale would allow the pools to deliver further savings and efficiencies, including through negotiating lower fees from external investment managers and service providers, and developing internal capacity for investment management. Increased scale would also enable the pools to invest in larger projects which would help the LGPS to take advantage of attractive opportunities in alternative assets.

12. The government therefore wishes to see the existing pools build scale as quickly as possible by accelerating the pace of transition of liquid assets from the funds into the pools, building on and expanding on successes so far. The approach to date has been to encourage funds through guidance to transition their assets into the pools, and substantial progress has been made over the last 4 to 7 years. However, progress is not consistent across the scheme and some pools have secured a much higher proportion of assets of their partner funds than others. We consider that the time is right for action to accelerate the delivery of savings and other benefits of pooling, and our proposals are set out in paragraphs 17 to 21.

Driving greater scale through fewer pools

13. In due course all assets including less liquid assets should be fully transferred to the pools. We recognise that this may need to take place over a longer period to minimise the costs including the costs of breaking existing arrangements. This would include passively managed insurance contracts which may be under some form of pool management. There may be some exceptions such as some types of local property investments. Once this was complete, 5 of the 8 pools would be around £50 billion or higher at current values and the remaining 3 pools would occupy the £25 billion - £40 billion range.

14. Completing the transition of assets would be a major step forward. However, we do not believe that this alone will deliver the full benefits of pooling in the long term. Our view is that the benefits of scale are present in the £50-75 billion range and may improve as far as £100 billion. As such, we should in future look towards a smaller number of pools in the region of or in excess of £50 billion in directly invested assets through merger. The benefits of scale were a key finding of 2021 research (PDF, 5.7 MB) based on interviews with large international comparators. Respondents confirmed that scale had improved bargaining power with asset managers, enabled access to a wider set of opportunities such as private markets, and had allowed them to build internal capacity.

15. As well as making better use of expertise in managing external managers, there is potential to grow in-house investment management within the pools to reduce or replace the use of external private sector investment managers. This should offer substantial reductions in cost. A small number of larger funds have existing in house capacity and expertise in some areas of investment, and we would like to see this expertise fully shared within their pools. In due course there should be scope for all pools to access in house capacity and expertise in specific areas of investment within other pools.

16. In the short to medium term, we believe there are benefits which could be secured through joint working without incurring the costs of merger. Some joint vehicles such as the London Fund (London CIV and LPP) and GLIL (LPP and Northern) already exist. We would like to see the pools move towards greater collaboration where this makes sense, and to consider

specialisation, building on existing strengths in particular areas of investment, in order to deliver further benefits of scale and limit unnecessary duplication. Areas where specialisation or collaboration may be particularly attractive include infrastructure and other alternative investments including private equity, private debt and venture capital, as well as investments in levelling up projects and social investments.

Question 1: Do you consider that there are alternative approaches, opportunities or barriers within LGPS administering authorities' or investment pools' structures that should be considered to support the delivery of excellent value for money and outstanding net performance?

A timetable for transition

17. Current statutory guidance relating to regulations on the management and investment of LGPS assets currently requires each fund to set out the proportion of its assets which it intends to pool in its Investment Strategy Statement (ISS). Funds are also required to provide in their ISS a summary of the assets which they do not intend to pool, with a rationale including value for money, and to review this at least every 3 years, including consideration of continuing value for money. This should be greatly assisted by the development of the LGPS Code of Transparency by the Scheme Advisory Board. This has enabled funds to access transparent cost data from 150 asset managers as of November 2022. However, current guidance sets no timetable for change and provides funds with limited assistance in considering rationale and value for money.

18. The government now seeks views on the setting a deadline for funds to transition all listed assets, as a minimum, to their pool within a reasonable timeframe. We consider a reasonable timeframe for liquid assets to be by 31 March 2025, which is the end of the current local fund valuation period. Transition of all assets should be considered in this timeframe, especially as pooling of illiquid investments may offer the greatest opportunities for reducing savings combined with higher returns.

19. If this is taken forward, funds would need to work with their pool to ensure that they have fully considered all the opportunities available through the pool for their assets. A detailed rationale for each asset remaining outside the pool including value for money considerations would need to be provided in the ISS in line with existing guidance if the asset is not intended to be pooled by 2025.

20. The government seeks views on setting out the transition timetable in statutory guidance on ISS, and requiring funds to review and revise their ISS in line with this expectation. Where funds have concluded that the asset should not be transitioned, the government will expect a rationale to explain why this is the case. We also propose to provide fuller guidance on the existing requirements for ISS in relation to pooling, including guidance on rationale, value for money and review for assets which it is not intended to pool.

21. For further proposals on annual reporting of progress against the plan set out in the ISS see paragraph 41.

Question 2: Do you agree with the proposal to set a deadline in guidance requiring administering authorities to transition listed assets to their LGPS pool by March 2025?

Governance and decision making

Background

22. Administering authorities are responsible for setting the investment strategy of their funds, having taken proper advice. This includes setting the asset allocation to achieve a diversified portfolio of investments which overall is suitable to meet liabilities, as well as describing the approach to pooling and responsible investment, in line with statutory guidance.

23. Once the investment strategy has been chosen, the expectation set when the funds were invited to form pools in 2016 was that as a minimum, the selection of external fund managers and the implementation of the investment strategy would take place at the pool level, in order to streamline decision making, reduce the number of external managers and deliver reduced fees.

24. In practice, funds have adopted a range of approaches. A small number of funds have transferred most of their assets to the pool and delegated strategy decisions below a very broad asset allocation as well as all implementation decisions to their pool, including for assets remaining outside the pool. Some funds have delegated manager selection and other implementation decisions to the pool for their pooled assets only, as well as agreeing broad mandates for some pool vehicles. The pool partnerships which have a higher degree of delegation, closer alignment of strategy and larger proportion of assets pooled have the conditions in place to deliver significantly higher savings compared to pools less advanced in their pooling journey.

25. Some funds have transferred some assets to the pool but only where the pool provides their preferred external manager or mix of assets within a pool vehicle. In these circumstances pools may respond by creating different products for each partner fund or for small groups of funds, leading to a high number of pool sub-funds or vehicles, which limits the savings which can be achieved.

26. A very small number of funds have joined a pool but pooled no or very few assets. They may have benefited from a wider reduction in fees in the market, in part driven by pooling, but have chosen not to take up the other potential opportunities to date.

27. More effective and consistent governance and decision making is therefore the second key priority for the future of LGPS pooling. Research (PDF, 5.7 MB) suggests that asset pools internationally are more effective with modern governance structures which enable delegation with accountability and allow decisions to be taken quickly on behalf of partner funds. This will include in particular effective delegation of strategy implementation to the pools by administering authorities.

28. It is the government 's view that the experience of the last 4 years has demonstrated that funds participating in a strong partnership with their pool and with other partner funds, in which they delegate effectively to their pool and align their strategies where possible, are likely to see the most gains, as these approaches allow the pool to deliver the benefits of scale. Others have moved more slowly but in order to maximise the benefits the full participation of all is essential. We want to see all funds moving in this direction in order to deliver the benefits of pooling for all.

Improving governance

29. Setting the investment strategy and asset allocation is a central responsibility for administering authorities, which gives them the most significant degree of influence on returns. It is generally accepted that the strategy accounts for most of the difference in net returns

between portfolios, with implementation decisions such as manager selection having a relatively small impact. We do not propose any change to the responsibility of funds for setting investment strategies.

30. We therefore propose revised guidance on pooling to confirm and strengthen the existing guidance on delegation of manager selection and strategy implementation. It would also provide revised guidance on governance, including member representation, transition of assets and new investments outside the pool. We also propose to include guidance on investments in levelling up. This is discussed in Chapter 3.

31. Government recognises that each model has its own benefits. In order to move forward more quickly with the benefits of pooling, we regard the following aspects as being key to progress.

- Pools should operate as a single entity which acts on behalf of and in the sole interests of the partner funds. For this reason, we do not see inter-pool competition as a desirable progression. This does not preclude the potential for inter-pool collaboration, which is encouraged by government.
- Pools should be actively advising funds regarding investment decisions, including investment strategies.
- Pools should be equipped to implement an investment strategy as instructed by their partner fund. An investment strategy should be interpreted to mean a broad instruction regarding asset classes and level of risk. It should not include an excessive number of classes, or choice of specific assets.
- Pools should expect funds to invest via their existing sub-funds where possible. This avoids an unfavourable scenario whereby an excessive number of similar sub-funds undermine the purposes and benefits of pooling.
- Pool governance structures should be equipped to take quick decisions as opportunities present themselves, within the delegated remit of the fund.

Question 3: Should government revise guidance so as to set out fully how funds and pools should interact, and promote a model of pooling which includes the characteristics described above?

32. Pensions expertise is an important criterion for decision making, and there are some factors which may make it harder to acquire that expertise under current structures. Firstly, pensions committees generally have high levels of turnover. Second, members of such committees are not required to complete training and may have no specific expertise in pensions. The outcome of these factors is that expertise may be lower than an equivalent panel of trustees for a private sector scheme, with higher reliance on advisors. Some targeted requirements, specifically on training, would help administering authorities to manage these issues.

33. We propose that each administering authority sets a training policy for committee members. We propose that the administering authority should report regularly on the training undertaken by committee members and whether this is in line with their training policy.

Question 4: Should guidance include a requirement for administering authorities to have a training policy for pensions committee members and to report against the policy?

Transparency and accountability

Background

34. Current reporting relevant to the assets of the LGPS comprises the following:

- **Official statistics** - The annual LGPS statistics collected on the SF3 form by the Department and published in September contain only the overall asset value for the scheme and each fund, with no data on asset classes or other information.
- **Annual reports.** Annual reports are required by CIPFA guidance to include the value and percentage of pooled and non-pooled assets, the costs and performance of pooled and non-pooled assets, the progress of transition during the reporting year and the plans for transition of non-pooled assets. Annual reports are required to be published by 1 December for the preceding financial year. Funds are also required by guidance on ISS to report annually to the SAB on the progress of asset transition to the pool against implementation plans (PDF, 150 KB). Pool annual reports provide some additional information but vary considerably in level of detail.
- **Scheme Advisory Board (SAB) annual report.** The SAB produces a report which summarises data from published fund annual reports on governance, funding, membership, financial position, investments and stewardship. It does not currently include data on the progress of asset transition or other data or commentary on pooling. With respect to investments, the Scheme Annual Report reports the proportion of the scheme which is invested in pooled investment vehicles, public markets, bonds, direct property, derivatives, cash and other asset classes. This is based on data in the Net Asset Statement in the annual accounts of administering authorities. Authorities do not report their asset breakdown in a consistent way, and a degree of judgement is exercised by the SAB in interpreting their reports. The commentary on investment performance is based on data provided by PIRC which covers around two thirds of funds. The Annual Report is published in the spring following the end of the financial year to which it relates.

35. In addition, the government recently consulted on new requirements for funds to report on climate-related risks to their assets. We will publish the government's response in due course.

36. The current reporting regime provides a substantial quantity of data but does not provide transparency on progress of pooling by fund, by pool or across the scheme. It also does not provide an overall view of asset allocation across the scheme.

37. It is the long-standing view of government, whatever the subject, that transparency should be welcomed. The government seeks views on increasing transparency of asset allocation, pooling, return and savings.

Annual Reports and LGPS statistics

38. We therefore propose to require a single standard set of data on investments across annual reports and LGPS statistics. This would consist of:

- data on the broad asset classes into which LGPS investments fall in a consistent way, for example equities, bonds, private equity, private debt, property. We would work with the SAB to define the asset classes to be chosen and seek the agreement of the Central-Local Information Partnership (Finance) in the normal way for the necessary changes to the data collected from funds for LGPS official statistics. In designing this table, we will take account of requirements for defined contribution schemes and the reporting requirements which apply to private defined benefit schemes via the scheme return (an annual return required by The Pensions Regulator).

- for each asset class, data on the assets which are pooled, under pool management and not pooled and that the definitions are clarified. This will include the allocation to infrastructure and levelling up.
- net savings achieved as a result of investing via the pool.

39. We also propose to define the categories as set out in paragraph 9. Pooled assets would mean that the assets are directly owned and managed by the pool. Assets under pool management would cover assets which are managed or overseen but not owned by the pool. Neither category would include any assets which are held by collective investment vehicles other than those managed by the 8 LGPS pools.

40. We propose that the requirements to report on asset allocation and pooling data would be set out in revised guidance on pooling and in revised guidance on annual reports which is under consideration by the SAB.

41. We also propose to introduce a requirement to include commentary in the annual report on the progress of asset transfer against implementation plans and the approach to pooling set out in the ISS, in order to ensure funds are transparent and accountable on the progress of asset transition.

42. We also view it as desirable that each fund report the returns achieved by assets invested in each asset class against an appropriate benchmark, in a way that is consistent across funds, and easily comparable between pooled and non-pooled assets. We welcome views on how such a regime may work in practice.

43. We believe that these measures would ensure that data and commentary on the progress of pooling and on asset allocation is available earlier, is consistent across the scheme and between LGPS statistics and annual reports. We recognise there may be increased costs arising from a change to the asset classes reported, but these can be met from the fund, and costs should be reduced by having a single standard set of data. We consider some additional costs can be justified to ensure better public accountability.

Question 5: Do you agree with the proposals regarding reporting? Should there be an additional requirement for funds to report net returns for each asset class against a consistent benchmark, and if so how should this requirement operate?

Scheme Annual Report

44. The SAB produces a Scheme Annual Report which aggregates information from fund annual reports. The purpose of the Annual Report is to provide a single source of information for members, employers and other stakeholders. Continual improvement of this report is a key priority of the SAB and is supported by the government. We intend the proposals in this consultation to assist the SAB in this goal.

45. We believe that the single standard set of data discussed above will make it easier to provide a clear overview of the scheme's asset allocation and of the progress of pooling. We have agreed with the SAB that they will incorporate this change into the Scheme Annual Report in future years by including a table which divides assets by category (equity, bonds, property etc) as well as by pooled status (pooled, not-pooled or under pool management).

Question 6: Do you agree with the proposals for the Scheme Annual Report?

Directions by the Secretary of State

46. Under Regulation 8 the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the “2016 regulations”) the Secretary of State has power, after consultation, to make directions to a fund where that fund is in breach of statutory guidance. Directions can cover the fund’s investment strategy statement, its assets, the running of the fund’s investment function, or any other instruction in relation to its investment function.

47. No such directions have been issued by the Secretary of State under Regulation 8.

48. Government will expect administering authorities to act in accordance with statutory guidance once issued. Where funds do not comply with guidance, government will consider whether a direction is appropriate. Examples of activities which could result in this include: withdrawing pool membership, failing to transition assets in line with the timetable or failing to provide adequate justification for non-pooled assets.

49. The Secretary of State also has power under section 3(2)(a) and Schedule 3 of the Public Service Pensions Act 2013 to make regulations on the administration, management and winding-up of LGPS pension funds, subject to consultation and the consent of HM Treasury.

Summary of proposals

50. The proposals are:

- To revise ISS guidance to include requirements to transfer listed assets to the pool by 31 March 2025, and to set out in the ISS:
- assets which are pooled, under pool management and not pooled, and
- to provide a rationale, value for money and date for review for assets which are under pool management or not pooled
- To revise pooling guidance so as to set out fully how funds and pools should interact, and promote a model of pooling which includes the characteristics described above including on delegation of manager selection, strategy implementation, advice, governance, transition of assets, new investments outside the pool and reporting.
- To implement a requirement in guidance for administering authorities to have a training policy for pensions committee members and to report against the policy
- To revise guidance on annual reports to require greater clarity on progress of pooling including a summary asset allocation (including investment in infrastructure and levelling up), a comparison between actual and strategic asset allocation and a report of the net savings from pooling. We also seek views on whether there should be an additional requirement for funds to report net returns for each asset class against a consistent benchmark, and if so how this requirement should operate.
- For the Scheme Advisory Board to expand their Scheme Annual Report to provide a report on the progress on pooling and on asset allocation across the LGPS.
- To make changes to LGPS official statistics to provide greater transparency on asset allocation and the proportion of assets which have been pooled.

51. Should this be taken forward, we intend to monitor progress over the current valuation period (to 31 March 2025), based on fund annual reports, LGPS statistics, the Scheme Annual Report and other evidence. This monitoring will include progress on transition, governance and reporting and how effective these are in delivering improvements in efficiency, cost and performance.

52. Whilst reserving our ultimate position, the government's strong preference is to see progress continue on a voluntary basis within a strengthened framework. This will maintain local management and accountability in the LGPS, while delivering significant savings and better risk management, and avoiding waste and duplication. But we will consider action to ensure progress if necessary, including making use of existing powers to direct funds.

Chapter 3: LGPS investments and levelling up

Background

53. In the Levelling Up White Paper (LUWP) the government set out its mission to tackle the uneven distribution of opportunity in the United Kingdom (UK). The aim is to level up the UK by spreading opportunity more equally across the country and bring left behind communities up to the level of more prosperous areas. To do so will mean that the whole country succeeds by growing the economy and realising the potential of places and people across the UK.

54. One of the key ambitions in the levelling up programme is to boost productivity, grow the economy, and raise living standards across the UK. One way in which this mission can be achieved is by ensuring that some of the funds managed by institutional investors flow into projects that help deliver levelling up while also offering attractive returns.

55. The Local Government Pension Scheme (LGPS) with assets of £364 billion, projected to increase to £500 billion by 2030, is a major institutional investor. The government wishes to encourage the LGPS to continue to meet its core fiduciary duty of funding pensions for members while also supporting levelling up by investing in infrastructure, housing, regeneration, and small and medium enterprise (SME) finance across the whole UK, not only in the local area of an authority. Overall, £27 billion of LGPS funds had already been invested in infrastructure in the UK and overseas by March 2022.

56. The government has set an ambition in the LUWP for LGPS funds to invest up to 5% of their assets under management (AUM) in projects which support local areas. To implement this ambition, the Government is asking LGPS funds to work with LGPS asset pools to publish plans for increasing their local investment.

Defining investment in levelling up

57. In developing their plans, LGPS funds will need to consider what types of investments will contribute to levelling up. This section therefore sets out a proposed approach to assessing whether an investment supports levelling up, drawing on the LUWP and its discussion of different forms of capital and levelling up missions. The definition is intended to help LGPS funds and pools in considering how they could invest a share of their AUM in a way that promotes growth, supports levelling up, and meets their fiduciary duty to ensure members' pensions.

58. The ambition of the levelling up agenda is to reduce geographical disparities. While some areas of the UK already benefit from all the conditions for growth, the government is keen to improve productivity, boost economic growth, encourage innovation, create good jobs, and enhance educational attainment in those parts of the UK that have so far had an unequal share of the country's economic success. In pursuing this ambition, the government believes that a boost to productivity, pay, jobs, and living standards can be achieved through targeted interventions that extend opportunities more equally across the UK.

59. Current causes of the UK's spatial disparities include changes in the global economy and their uneven impact on the country's regions, but the key drivers lie in the 6 forms of capital identified in the LUWP (human, intangible, financial, physical, social and institutional). While each capital is important in its own right, it is their interaction that creates a virtuous cycle that encourages economic growth and the associated societal benefits.

60. To address the imbalances in how the 6 capitals are distributed across the UK, the government has identified 12 medium-term levelling up missions (living standards, research and development, transport, digital connectivity, education, skills, health, well-being, pride in place, housing, crime and local leadership). Institutional investors such as pension funds can contribute to the levelling up missions while also benefitting from such investments. Global investors, including pension funds from Canada and Australia, are already active investors in such projects, but UK institutional investors are under-represented.

61. The government believes that the LGPS should secure the benefits of such investment and can play a key role in building a pipeline of investable UK opportunities without costly deal by deal auctions. With assets of around £364 billion the LGPS has large investable assets, investment expertise in the pools, and local networks. It is well placed to identify investment opportunities and ensure these meet the risk/return profiles demanded by LGPS funds.

62. To help LGPS funds make their plans, the government proposes that an investment would meet the levelling up requirement if

- it makes a measurable contribution to one of the levelling up missions set out in the LUWP; and
- it supports any local area within the United Kingdom.

63. We consider the following existing LGPS investments as examples of investments which would fall within the proposed definition:

- Nottinghamshire Pension Fund invested £1.5 million in Nottinghamshire Community Energy in 2016 to help construct and manage a solar farm to produce clean energy. The profits help support projects in Nottinghamshire to address climate change mitigation, wildlife conservation, and reducing fuel poverty while delivering a good return on investment.
- Durham County Council Pension fund has committed £18 million to enable the launch of a new private equity investment fund that supports SMEs across the North East. The fund's purpose is to support economic growth and create high-quality local jobs in the region, while targeting an appropriate rate of return for its investors.
- Greater Manchester Pension Fund has a £50 million Invest 4 Growth portfolio which makes investments that provide a commercial return and have beneficial economic, social, or environmental impacts.The fund also uses its £401 million Impact Portfolio to invest regionally in supported living accommodation, renewable energy, and loans to SMEs.
- South Yorkshire Pension invests around £80 million in local development projects and aims to generate commercial return whilst delivering a positive local impact.

64. Funds should ensure that any levelling up investment plan they produce is consistent with their existing overall investment strategy statement and funding strategy statement. We intend to develop guidance working with the Scheme Advisory Board on levelling up investments which meet the requirement announced in the Levelling Up White Paper.

Question 7: Do you agree with the proposed definition of levelling up investments?

Fiduciary duty and investing in levelling up

65. This new requirement would not alter the established fiduciary duty of LGPS funds to make investment decisions in order to pay pensions. Investments that support levelling up may form part of a well-diversified portfolio with a range of risk/return characteristics. As current investment activity across the LGPS underscores, such investments may create attractive risk adjusted returns for pension funds and help deliver economic growth and societal benefits.

66. Under existing environment, social, and governance (ESG) criteria, set out in [Guidance on Preparing and Maintaining an Investment Strategy Statement](), funds may also take non-financial considerations into account when making investments, provided that they have good reasons to think the scheme members share the concern for social impact, and there is no risk of significant financial detriment to the fund.

Enabling investment to support levelling up

67. Under these proposals, administering authorities would be expected to evaluate possible levelling up investments and assess their suitability for their fund's investment strategy. There is scope for projects of different scales, risk/return profiles, and geographical concentrations to be considered.

68. Private markets are a principal way through which investments that support levelling up can be made. These markets are particularly important in infrastructure, clean energy and regeneration investing and they are therefore likely to play a role in delivering funds' levelling up investments. This route to investment, however, presents challenges, especially for smaller LGPS funds. The minimum investment may be quite high, and at higher cost than public market investments. Specialist expertise is needed to assess risk and return profiles and source and negotiate opportunities.

69. The LGPS asset pools can offer a route to investing in levelling up through private markets. They can put together an investment of sufficient size with the participation of their partner funds. Those which are wholly owned companies can also provide investment at lower cost as they are established on a not for profit basis and have developed the expertise and capacity to invest in private markets through intermediaries and in some cases are able to invest directly or to co-invest, which reduces costs.

70. There may also be concerns about local investments. Perceived or potential conflicts of interests may arise between the fund and the administering authority in its wider role as the local authority, if funds invest in inappropriately high-risk projects in the area in which they are located. The LGPS asset pools can assist by ensuring that decisions to invest in a local area can be taken at pool level to avoid any perceived or potential conflict of interest and take advantage of the pool's expertise.

71. Some LGPS asset pools have already created investment vehicles to enable funds to invest in levelling up projects more easily:

- GLIL was established in 2015 by the Greater Manchester Pension Fund and the London Pensions Fund Authority with £500 million in capital commitments. It was expanded in 2016 with the admission of 3 further LGPS funds. GLIL invests in core infrastructure assets predominantly in the UK and focuses on investment opportunities that are backed by physical assets, offer a reliable cash flow, and are isolated from business cycles. It currently has £3.6

billion of committed capital and has deployed £2.1 billion across 13 assets that include offshore windfarms, electric train fleets, and solar farms.

- The London Fund is a collaboration between the Local Pensions Partnership Investments (LPPI) and the London Collective Investment Vehicle (LCIV). The Fund's aim is to invest in the capital, with a focus on developing housing and infrastructure. In making investment decisions, the London Fund is seeking positive contributions to social and environmental issues too. For the fund's partners the London Fund also represents an opportunity to access a greater range of investment opportunities than if they acted alone.
- Brunel Pension Partnership has designed and implemented a portfolio for one of its partner funds, Cornwall Pension Fund, to facilitate local investment in affordable housing and renewable energy in Cornwall. Cornwall Pension Fund made an initial investment of £115 million despite being one of the smaller LGPS funds.

72. The government wishes to see specialist expertise in local investments within pools and their private sector partners continue to evolve, to ensure that funds and the UK as a whole can benefit from investment in levelling up. The scale of the LGPS and a new requirement for the LGPS to set a plan to invest in levelling up should provide an important spur to this development.

73. The government looks to the pools to develop further such solutions in collaboration with their partner funds. This approach will maximise the opportunities to capitalise on administering authorities' local knowledge and asset pools' scale and private market access. Pools may choose to leverage their local networks to work with local partners to develop opportunities and avoid the deal by deal auctions which can add cost to infrastructure investment. In due course they may also develop the capacity and knowledge to invest in smaller scale local projects which may be too small for private sector intermediaries, and help tackle the capital gap for smaller projects.

74. However, some pools do not currently have internal asset management capacity, or the range of investment vehicles required to meet the needs of their partner funds. To increase the range of options available to funds to deliver investment in levelling up, it may be helpful for funds to invest through their own pool in investment vehicles provided by other pools. The government therefore proposes to set out in guidance that LGPS funds may invest through their pool in another pool's investment vehicle.

Question 8: Do you agree that funds should be able to invest through their own pool in another pool's investment vehicle?

Implementing the requirement to publish plans for increasing local investment

75. The government proposes to amend regulations to require funds to publish a plan on how they will invest up to 5% of their assets under management (AUM) in projects that support levelling up across the UK. The plan may form part of the investment strategy statement. It should take account of the fund's investment and funding strategy statements and be reviewed at least every 3 years in line with the local valuation cycle.

76. It is proposed that the plan should include:

- The fund's current level of investment in levelling up investments
- A plan to increase levelling up investments to deliver an allocation of up to 5% of AUM including the timeline to delivery

- The fund's approach to working with their pool to reach their chosen allocation.

77. Many funds will already have some investments which contribute to levelling up, and in some cases this may exceed 5%. Some funds may wish to increase their investment above 5%. It will be for funds to decide the appropriate level of investment and types of investment.

Question 9: Do you agree with the proposed requirements for the levelling up plan to be published by funds?

78. The government also proposes to require funds to report annually on their progress against their plan in their annual report. This requirement is proposed to provide transparency and accountability on the progress and investments made by funds. The section of the annual report on levelling up would be expected to include:

- The percentage of AUM invested in levelling up projects compared to the fund's plan for that year, the percentage in the previous year, and the ambition set by the fund
- The amount and type of levelling up investments that have been made through the fund's LGPS pool, and outside the pool.
- A narrative account explaining the changes in AUM allocated and the progress against the fund's plan, and the rationale for investing through the pool or outside the pool.

79. The government intends to include guidance on the new requirement and on reporting progress in revised guidance on investment strategy statements and on pooling.

Question 10: Do you agree with the proposed reporting requirements on levelling up investments?

Divestment

80. Many administering authorities are under pressure to divest assets from certain countries or geographical regions, even though the UK government has no sanctions in place against those countries or regions. The government strongly believes that local authority pension funds do not, and should not, have their own foreign policies. The government intends to implement the manifesto commitment to prevent public bodies pursuing boycotts, divestments and sanctions campaigns (BDS) against foreign countries or territories, unless in line with the UK's official foreign policy, through the Foreign Affairs (Economic Activity of Public Bodies) Bill, introduced in June.

Chapter 4: Investment opportunities in private equity

Background

81. The government is launching a package of measures to reform the pensions landscape as part of the government's capital markets strategy, making more capital available to support UK companies and seeking to boost the retirement incomes of UK pension savers. These measures sit alongside legislative and regulatory changes that strengthen the UK's position as a destination for listings, and cement the UK's standing as a global trading hub, attracting world leading companies including tech firms to incorporate, list and grow here. This initiative seeks to support the high-growth, innovative technology companies that often struggle to obtain the scale-up capital they need to reach their potential. British Business Bank (BBB) research

suggests that the UK's venture capital financing gap relative to the US is over £5 billion per annum, despite UK funds making similar returns to their US counterparts.

82. The LGPS is largely well funded and has a very long-term time horizon, unlike most private sector defined benefit funds, which are typically closed and much more mature. Investing a higher percentage of LGPS capital into high-growth companies via private equity (particularly venture capital and growth equity), could generate improved returns to pay pensions. This includes but is not limited to innovative UK companies operating in fintech, life sciences, biotech, and green technology sectors.

83. The Scheme Annual Report for 2021-22 indicates the LGPS has a strong investment allocation into private equity of 4.3%, recognising the exact figure will vary across funds and will cover late-stage private equity in addition to venture capital and growth equity. Private reports indicate this is the highest performing asset class across the LGPS.

Ambition of 10% investment allocation in private equity

84. The government wishes to see LGPS funds and pools doubling their current allocation into private equity, with a total ambition of 10% investment allocation, as part of a diversified but ambitious portfolio. This ambition will help drive business investment throughout the country, in a way that allows everyone in the UK to benefit from the growth of our economy, by boosting LGPS investment returns, incentivising companies to grow and list in the UK, and grasping productive opportunities of the future.

85. Each fund will be different and will need to make its own investment decisions based on potential risk and reward appetite. As with any other asset class, it is important for administering authorities to exercise judgement on their exposure to private equity, as with any other asset class, and any investment in these asset classes should be part of a diverse and balanced portfolio.

86. We propose that LGPS funds should complete this consideration of private equity opportunities, including growth equity and venture capital, as part of the regular review of their investment strategy statement, and that the new requirement would be set out in revised guidance on investment strategy statements.

87. As with investments in levelling up, we expect that funds will work with their pool in considering such investments to ensure that they make use of the scale, capacity and expertise of the pool and take advantage of the full range of opportunities in size and type. We welcome views on further opportunities for government to remove any barriers to investment in UK growth equity and venture capital by the LGPS.

Question 11: Do you agree that funds should have an ambition to invest 10% of their funds into private equity as part of a diversified but ambitious investment portfolio? Are there barriers to investment in growth equity and venture capital for the LGPS which could be removed?

British Business Bank

88. The British Business Bank (BBB) is a government-owned economic development bank that makes finance markets for smaller businesses work more effectively, allowing those businesses to prosper, grow and build UK economic activity.

89. One of the BBB's strategic objectives is to back UK innovation by improving the way that equity finance markets work to support the UK's most promising businesses. The BBB has a range of programmes to deliver this objective, including British Patient Capital (the BBB's commercial subsidiary with resources of £2.5 billion, which has delivered an internal rate of return of 32.9% since inception and Enterprise Capital Funds programme, which supports earlier stage businesses.

90. In delivering these programmes, the BBB has become the largest domestic investor in UK venture capital with deep expertise to support due diligence and the ability to invest at scale. This could be of benefit to the LGPS in finding attractive opportunities in this space. We support the LGPS, in particular the pools, to explore opportunities to collaborate and capitalise on the Bank's expertise and capabilities in venture capital and growth equity, and will bring forward any changes to secondary legislation which currently inhibit this.

Question 12: Do you agree that LGPS should be supported to collaborate with the British Business Bank and to capitalise on the Bank's expertise?

Chapter 5: Improving the provision of investment consultancy services to the LGPS

Background

91. In 2017 the Financial Conduct Authority (FCA) published its final Asset Management Market Study Report (PDF, 317 KB). At the same time, the FCA made a reference to the Competition and Markets Authority (CMA) for a market investigation into the supply and acquisition of investment consultancy services and fiduciary management services to and by institutional investors and employers in the UK.

92. The CMA focussed its investigation on pension funds as the core clients for investment consultancy and fiduciary management services, and published its final report (PDF, 3.1 MB) in December 2018.This found that for both investment consultancy and fiduciary management services there was a low level of engagement by trustees, a lack of clear and comparable information to assess value for money, and an incumbency advantage for investment consultants in steering clients to their own fiduciary management services.

93. Based on its findings, the CMA made The Investment Consultancy and Fiduciary Management Market Investigation Order 2019 (the Order) (PDF, 230 KB) in June 2019 to tackle the adverse effects on competition identified. The Order applies to all registrable pension schemes including the LGPS and came into force on 10 December 2019.

94. The Order was intended as an interim measure to make changes quickly while statutory authorities take steps to implement the remedies in the relevant legislation. DWP has implemented the Order's requirements for private pension scheme trustees through The Occupational Pension Schemes (Governance and Registration) (Amendment) Regulations 2022.

95. However, LGPS administering authorities fall within the exemption in the Order at Article 3.6 that exempts any pension scheme trustees that are contracting authorities for the purposes of the Public Contracts Regulations 2015. These regulations cover local authorities including

administering authorities, which means that administering authorities are exempt from the requirement of the Order to put fiduciary management services out to competitive tender.

96. Further, LGPS pool companies owned by LGPS funds are exempt from the Order under Article 1.7(b) which excludes in house or wholly owned investment consultancy providers and fiduciary management service providers. The exclusion under Article 1.7 of the Order applies to the Order as a whole (see para 15 of the Explanatory Note to the Order). This also puts LGPS pool companies outside the scope of the Order regarding any investment consultancy services they provide.

97. As a result, the only requirement in the Order which requires implementation in the LGPS is the requirement to set strategic objectives for investment consultancy they receive outside the LGPS pool companies. The Order prohibits funds from receiving any investment consultancy services unless they have set strategic objectives for their investment consultancy provider (Art 12). These strategic objectives should also closely relate to the fund's investment strategy and be reviewed at least every 3 years or whenever the investment strategy changes significantly. Further, there is an expectation of regular performance reporting by the investment consultancy provider that measures performance against these strategic objectives (see paragraph 91 of the Explanatory Note to the Order).

Implementing the CMA Order for the LGPS

98. As the responsible authority for the Local Government Pension Scheme, the Department for Levelling Up Housing and Communities (DLUHC) proposes to amend LGPS regulations and statutory guidance to implement the Order's requirements for the provision of investment consultancy services for the LGPS.

99. Setting strategic objectives for investment consultants is in line with wider ambitions to improve governance and transparency in the LGPS and should encourage administering authorities to better monitor performance and improve the quality and value for money of such services over time.

100. We therefore propose that:

- Where the administering authority uses investment consultancy services in relation to its Investment Strategy Statement or for other matters, it must set strategic objectives for the investment consultancy provider, unless the provider is exempt (such as the LGPS pools);
- Administering authorities must not enter investment consultancy services contracts or continue to receive such services from any provider unless the authority has set strategic objectives for that provider
- Administering authorities must review strategic objectives at least every 3 years or every time the ISS changes substantially
- Strategic objectives must have regard to guidance on setting objectives for providers of investment consultancy services issued by the Pension Regulator in November 2019.

101. Investment consultancy services would include services where the provider advises the administering authority in relation to one or more of the following:

- investments that may be made or retained by or on behalf of the administering authority
- any matters in respect of which the administering authority is required by law to seek advice in relation to the preparation or revision of the investment strategy statement

- strategic asset allocation
- manager selection

102. In line with the definition of investment consultancy services in Article 2.1 of the Order, advice would mean advice on the merits of the administering authority taking or not taking a specific course of action and includes any recommendation or guidance to that effect. It is not intended that the term would cover the high-level commentary provided by actuaries in or in respect of triennial valuation reports and with regard to the link between investment approach and the administering authority's funding objectives.

103. The government proposes to implement these requirements by amending The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the 2016 Regulations) and associated guidance.

Question 13: Do you agree with the proposed implementation of the Order through amendments to the 2016 Regulations and guidance?

Chapter 6: Updating the LGPS definition of investments

104. In making the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (S.I. 2016/946) (the 2016 Regulations), the Government intended to ensure that the definition of investments which were or could be made by LGPS administering authorities included passive insurance contracts, private equity and derivatives.

105. After laying the 2016 Regulations, the Joint Committee on Statutory Instruments (JCSI) identified an issue relating to the drafting of regulation 3(1)(b) and regulation (4) of the 2016 Regulations. Regulation 3(1)(b) was intended to include contributions in an unquoted securities investment partnership within the definition of investment but reads as follows:

Reg 3(1)(b) a contribution to a limited partnership in an unquoted securities investment

106. Regulation 3(4) defines unquoted securities investment partnerships as a partnership for investing in securities which are normally not quoted on a recognised stock exchange when the partnership buys them.

107. The Department undertook to amend regulation 3(1)(b) of the 2016 Regulations to align it with regulation 3(4) at the earliest available opportunity. We therefore propose to add the word 'partnership' to regulation 3(1)b as follows:

Reg 3(1)(b) a contribution to a limited partnership in an unquoted securities investment partnership

108. The proposed amendment to regulation 3(1)b would ensure consistency with the language used in regulation 4, where unquoted securities investment partnerships are defined. The proposed amendment should also eliminate any ambiguity in regard to regulation 3(1)b.

Question 14: Do you agree with the proposed amendment to the definition of investments?

Chapter 7: Public sector equality duty

109. The Department's policies, guidance and procedures aim to ensure that the equalities impact of any decisions, new policies or policy changes upon groups with protected characteristics is properly considered, and that in formulating them the Department has had due regard to its obligations under the Public Sector Equality Duty at s.149(1) of the Equality Act 2010.

110. We have made an initial assessment and we believe our proposals on reforms to pooling, investment in levelling up, investment in venture capital, requirements on the use of investment consultants and changes to the definition of investment in chapters 2 to 6 do not affect any particular groups with protected characteristics adversely, as there will be no change to member contributions or benefits as a result. There may be an indirect benefit to protected groups who live in deprived areas which benefit from levelling up investments.

Question 15: Do you consider that there are any particular groups with protected characteristics who would either benefit or be disadvantaged by any of the proposals? If so please provide relevant data or evidence.

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Annex B List of consultation questions

Chapter 2: Asset pooling in the LGPS

Question 1: Do you consider that there are alternative approaches, opportunities or barriers within LGPS administering authorities' or investment pools' structures that should be considered to support the delivery of excellent value for money and outstanding net performance?

The Suffolk Pension Fund is part of the ACCESS Pool with pooled assets in the ACS of £25 billion and a further £11 billion in a jointly procured passive Life Funds, that is overseen by the ACCESS Pool. This exceeds the Government's £25bn original threshold for pool scale and has been implemented in line with the business case submitted and approved in 2016.

Our savings to date have been £7.3m and the annual saving now amounts to £3m per annum. Suffolk was also in the top quartile of investment performance for investment returns in 2022/23.

We have already pooled 100% of our liquid assets in line with initial pooling requirements. The ACCESS Pool has been set up to enable us to transfer our assets into the Pool and to benefit from scale, leading to manager fee reductions.

We believe that increasing the threshold size to over £50bn and achieving this through the merger of Pools would be wasteful of costs already incurred, would incur further additional costs and would further delay the progress of Pooling, particularly of illiquid assets.

Question 2: Do you agree with the proposal to set a deadline in guidance requiring administering authorities to transition listed assets to their LGPS pool by March 2025?

The Suffolk Pension Fund has pooled all its listed assets into the ACCESS Pool and believe there is already enough guidance to encourage Funds to pool their assets.

Question 3: Should government revise guidance so as to set out fully how funds and pools should interact, and promote a model of pooling which includes the characteristics described above?

Pools should operate as a single entity which acts on behalf of and in the sole interests of the partner funds. For this reason, we do not see inter-pool competition as a desirable progression. This does not preclude the potential for inter-pool collaboration, which is encouraged by government.

The Fund agrees that Pools should operate as a single entity which acts on behalf of and in the sole interests of the Partners Funds.

Pools should be actively advising funds regarding investment decisions, including investment strategies.

The Fund's investment strategy is formulated in line with the Funding Strategy, funding level, risk appetite and cashflow management with advice from its investment advisers. It is difficult to envisage a Pool company being able to provide this advice on an independent basis and this situation could lead to a conflict of interest.

Pools should be equipped to implement an investment strategy as instructed by their partner fund. An investment strategy should be interpreted to mean a broad instruction regarding asset classes and level of risk. It should not include an excessive number of classes, or choice of specific assets.

Fiduciary responsibilities sit with the Pension Fund Committee, having had responsibilities delegated to it by the Administering Authority. The investment and management of LGPS assets, the collection of employer and employee contributions, and payment of pension benefits is the responsibility of LGPS administering authorities.

The Pension Fund Committee is accountable directly to its members that pay into the scheme. It is the Committee's responsibility to set an investment strategy that takes into account the need to pay pensions, to manage all investment risks (including Climate change and setting carbon reduction plans to meet Net Zero ambitions). The Pool is too removed to preserve this accountability.

Pools should expect funds to invest via their existing sub-funds where possible. This avoids an unfavourable scenario whereby an excessive number of similar sub-funds undermine the purposes and benefits of pooling.

We broadly agree but there needs to be flexibilities to deal with future changes. Pool's will need to be able to adapt to the changing investment needs of its Partner Funds as new opportunities emerge, especially in the sustainability and responsible investment space.

Pool governance structures should be equipped to take quick decisions as opportunities present themselves, within the delegated remit of the fund.

All Pool structures should be designed to enable quick decision making should the need arise.

Question 4: Should guidance include a requirement for administering authorities to have a training policy for pensions committee members and to report against the policy?

We already have a training policy and a training plan that is reviewed annually. Committee members are expected to undertake training to attend a meeting, even if they are a substitute. We expect our Committee members to undergo training in the same way it is expected of the Board members.

Question 5: Do you agree with the proposals regarding reporting? Should there be an additional requirement for funds to report net returns for each asset class against a consistent benchmark, and if so how should this requirement operate?

The Fund welcomes consistency in reporting provided it is clear, simple and not overly bureaucratic.

This guidance on reporting of pooled and non-pooled assets already exists in the current CIPFA Annual Report guidance which sets out a clear framework for reporting on pooled and non-pooled assets within each Pension Fund.

The Fund recommends a practioner user group tests the data requirements to identify inconsistencies in interpretation and perceived difficulties in presentation before it is launched.

Question 6: Do you agree with the proposals for the Scheme Annual Report?

The SAB reporting sounds reasonable in principle but has little or no value to scheme members or employers. The purpose of this is to report on the national scheme as a whole.

Chapter 3: LGPS investments and levelling up

Question 7: Do you agree with the proposed definition of levelling up investments?

We welcome a definition as to what constitutes as a Levelling up investment. We have concerns that Government is requiring the LGPS to invest in a defined asset that may not sit within each Funds individual investment strategy taking into account each Funds risk appetite, funding levelling, Funding Strategy and cashflow requirements.

Question 8: Do you agree that funds should be able to invest through their own pool in another pool's investment vehicle?

Voluntary collaboration in suitable investment vehicles which suits the individual funds investment requirements is to be welcomed, although issues around governance and accountability would need to be established / understood.

Question 9: Do you agree with the proposed requirements for the levelling up plan to be published by funds?

We have concerns that Government is requiring the LGPS to invest in a defined asset that may not sit within each Funds individual investment strategy taking into account each Funds risk appetite, funding levelling, Funding Strategy and cashflow requirements.

The consultation states 'funds may also take non-financial considerations into account when making investments, provided that they have good reasons to think the scheme members share the concern for social impact'

Government should not override the 6 million LGPS members and decide what their concerns for investments are. The LGPS is for the members that have paid into the scheme and it is for them to raise with their Pension Fund as to the level of investment into social impact schemes.

Question 10: Do you agree with the proposed reporting requirements on levelling up investments?

The investment and management of LGPS assets lies with the Administering Authority who has the fiduciary duty to ensure benefits are paid when they are due and manages this through its funding and investment strategies. Government prescribing what Funds should invest in and a percentage of the Fund in any asset class, goes against this duty, which is set out in regulations.

The reporting laid out presents an overly bureaucratic and time consuming requirement for assets up to 5% of the Fund.

Chapter 4: Investment opportunities in private equity

Question 11: Do you agree that funds should have an ambition to invest 10% of their funds into private equity as part of a diversified but ambitious investment portfolio? Are there barriers to investment in growth equity and venture capital for the LGPS which could be removed?

The investment and management of LGPS assets lies with the Administering Authority who has the fiduciary duty to ensure benefits are paid when they are due and manages this through its funding and investment strategies. Government prescribing what Funds should invest in and a percentage of the Fund in any asset class, goes against this duty, which is set out in regulations.

Investing more in private equity investments for many Funds may not be appropriate given their risk appetite and the need for cashflow to pay members pensions.

Question 12: Do you agree that LGPS should be supported to collaborate with the British Business Bank and to capitalise on the Bank's expertise?

The LGPS should be able to make decisions as to who they collaborate and invest with. The LGPS should not be directed to collaborate with the British Business Bank but to make informed decisions about what is available to suit their investment and Funding strategies.

Chapter 5: Improving the provision of investment consultancy services to the LGPS

Question 13: Do you agree with the proposed implementation of the Order through amendments to the 2016 Regulations and guidance?

We have already implemented the order and broadly agree with the proposal for individual Pension Funds investment advisers.

It is however surprising that the consultation suggests that Asset Pools would be exempt from this requirement if the Governments intention for them to provide investment advice to individual Funds was introduced.

Chapter 6: Updating the LGPS definition of investments

Question 14: Do you have any comments on the proposed amendment to the definition of investments?

Agree with the proposal

Chapter 7: Public sector equality duty

Question 15: Do you consider that there are any particular groups with protected characteristics who would either benefit or be disadvantaged by any of the proposals? If so please provide relevant data or evidence.

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Suffolk County Council

Agenda Item 7

Suffolk Pension Board, 17 October 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 Committee as well as information that a service considers should be made known to the Committee.

This Information Bulletin covers the following items:

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1. Governance Compliance Statement and Governance Policy

1.1 The Governance Compliance Statement (**Appendix 1**) and the Governance Policy (**Appendix 2**) were approved by the Pension Fund Committee at its meeting on 19 July 2023.

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2. Funding Strategy Statement

2.1 The draft Funding Strategy Statement and the employer's contribution rates were sent out to each employer for consultation in October 2022.

2.2 With some final amendments to strengthen wording on how regulations are being met the previous version was approved at the 28 February 2023 meeting and published on the Pension Fund website.

2.3 The Department of Education has since introduced a new policy which states that pension liabilities associated with academies outsourcing (maintenance, catering etc) are now covered by the guarantee. This is only applicable to staff who are eligible for LGPS and if the admission is operating under a 'pass-through' arrangement.

2.4 This policy has been incorporated into the Funding Strategy Statement, highlighted in **Appendix 3**.

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3. New Employers

3.1 There were five new employers during the June quarter.

3.2 Four of these employers are admitted bodies:

a) Aspens - The Ashley School

b) Aspens - Glade Academy

c) Aspens - All Saints School Trust.

d) VHS Cleaning – Anglian Learning Howard

3.3 The final new employer is Stradbroke Parish Council who are a resolution body in the fund.

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For further information on any of these information items, please contact:

Paul Finbow, Head of Pensions; Email: paul.finbow@suffolk.gov.uk, Telephone: 01473 265288.

Appendix 1

Suffolk Pension Fund
Governance Policy Statement 2022/23

Purpose

1. Pension Fund administering authorities are required to prepare and publish a governance policy statement. The policy statement must set out:

   "whether the administering authority delegates its functions in relation to the pension fund to a committee, a sub-committee or an officer of the Council; and where this is the case, details of:

   (i) the frequency of any committee's meetings;

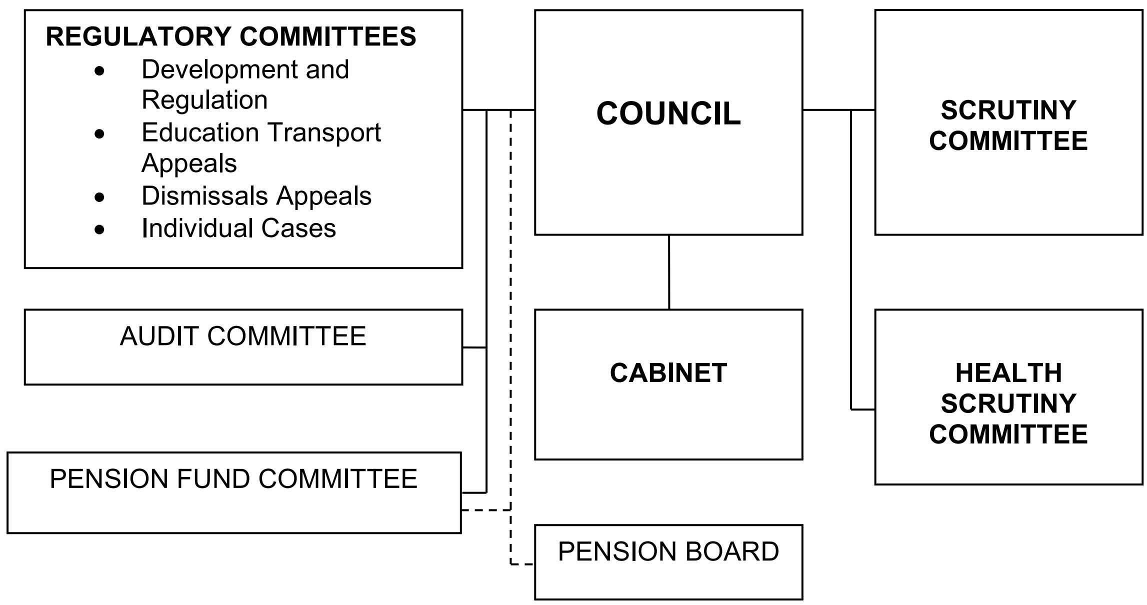
   (ii) the terms of reference, structure and operational procedures in relation to the use of delegated powers;

   (iii) whether the committee includes representatives of employers or scheme members; and if so, whether they have voting rights."

2. This policy statement sets out Suffolk County Council's arrangements for discharging its responsibilities for Pension Fund matters.

Governance of the Suffolk Pension Fund

3. Under the Cabinet structure in local government, management of the Pension Fund is a non-executive function and this is reflected in the Suffolk governance structure that is set out below:



Pension Fund Committee Terms of Reference

4. The terms of reference for the Pension Fund committee are set out below:
   - (a) To be responsible for the effective and prudent management of the Suffolk Pension Fund, having proper regard to the professional advice that it receives.
   - (b) To approve and maintain the fund's investment strategy statement.
   - (c) To consider and approve the fund's funding strategy statement.
   - (d) To review and set the Pension Fund's asset allocation and investment objectives.
   - (e) To appoint providers of professional services for the Fund and to review from time to time their terms of appointment.
   - (f) To regularly review with the investment advisers, the performance of the Fund and its investment managers and to consider future changes in asset allocation and investment strategy.
   - (g) To consider the results and impact of the triennial actuarial valuation and any interim valuation reports.
   - (h) To publicise their stewardship role to all scheduled and admitted bodies of the Pension Fund and to all contributors and beneficiaries by means of an annual report and annual meeting for employers and other stakeholders.
   - (i) To consider and approve if appropriate, the applications of organisations to be admitted bodies of the fund.
   - (j) To consider any other relevant matters on the administration of the Pension Fund investments.
   - (k) To receive regular training to enable committee members to make effective decisions and be fully aware of their statutory and fiduciary responsibilities and their stewardship role.
   - (l) To be responsible for any other matters which fall within the Council's responsibilities as the administering authority for the Pension Fund.

Membership of Pension Fund Committee

5. The Pension Fund committee will consist of seven county councillors. Its membership will reflect the political balance of the County Council.

6. There will be in addition two co-opted district or borough councillors, with voting rights, who will be nominated annually by the Suffolk Public Sector Leaders Group.

7. There will also be one co-opted scheme member representative, who will have voting rights, and who will be nominated by UNISON. The scheme member representative will represent the interests of employee members, pensioners and deferred pensioners.

Operational Procedures

8. The committee shall have at least four regular meetings scheduled each year. At these meetings the committee will receive a report on the investment performance of the fund in the quarter.

9. The committee will receive an annual report from the fund's independent performance measurement adviser to review the long-term performance of the fund and the fund's investment managers. In addition, the committee will hold meetings as required, to discuss specific issues, such as the actuarial results, to review the overall investment strategy of the fund and to examine manager performance in greater depth.

10. If a vacancy occurs on the committee, it will not be filled until the nominated member has received appropriate training. Substitutes will only be allowed if they have received appropriate training in the business and responsibilities of the committee.

Communication and Reporting

11. An annual meeting will be held for all employers and stakeholders of the Fund to receive information relating to the activities of the Suffolk Pension Fund and discuss developments relating to the LGPS.

12. The Pension Fund website will publish all relevant documents relating to the Pension Fund, including the Annual Report and Accounts, administrative forms and guides, and all policies.

Pension Board Terms of Reference

13. The role of the Pension Board as defined by sections 5 (1) and (2) of the Public Service Pensions Act 2013, is to –
    a) Assist the Council as Scheme Manager:
        i. to secure compliance with the Local Government Pension Scheme (LGPS) Regulations and any other legislation relating to the governance and administration of the LGPS;
        ii. to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator;
        iii. in such other matters as the LGPS Regulations may specify.
    b) Secure the effective and efficient governance and administration of the LGPS of the Suffolk Pension Fund

Membership of Pension Board

14. The Board will consist of six members - three Pension Fund employer representatives, and three Pension Fund member representatives. No Board member may also be a member of the Pension Fund committee.

15. The Council will arrange for the selection of the employer and member representatives, ensuring that any vacancies are advertised appropriately in order to provide an opportunity for all to apply, including those from minority groups.

Operational Procedures

16. The Pension Board is to effectively and efficiently comply with the code of practice on the governance and administration of public service pension schemes.

17. The Pension Board will also help ensure that the Suffolk Pension Fund is managed and administered effectively and efficiently and complies with guidance issued by the Pension Regulator.

18. The Pension Board will receive regular training to enable Board members to make effective decisions and be fully aware of their statutory and fiduciary responsibilities and their stewardship role.

19. The Pension Board shall have access to the Council, Pension Fund committee, or any other body or officer that it considers appropriate, in order to fulfil its obligations.

Responsibilities of the Section 151 Officer (Chief Financial Officer)

20. The Council's Chief Financial Officer, the responsible financial officer under section 151 of the Local Government Act 1972, is responsible for all arrangements concerning the Pension Fund within the scope of the policies that are approved by the Pension Fund committee.

21. The Chief Financial Officer will ensure that the Pension Fund complies with the regulations governing the administration and the investment of the Local Government Pension Fund Scheme as amended from time to time by the Secretary of State for the Ministry of Housing, Communities and Local Government.

22. The Chief Financial Officer will ensure that the Pension Fund complies with Council's Financial Regulations.

23. The Chief Financial Officer has delegated responsibility for the implementation of the CIPFA Code of Practice

ACCESS Investment Pool

24. The Pension Fund is committed to pooling its assets as per the Governments requirements laid out in the Local Government Pension Scheme: investment reform criteria and guidance.

25. The Pension Fund is a member of ACCESS (A Collaboration of Central, Eastern and Southern Shires) which is made up of 11 LGPS Administering Authorities who are committed to working together to optimise benefits and efficiencies on behalf of their individual and collective stakeholders, operating within a clear set of objectives and principles that drives the decision making process.

26. The ACCESS Pool is not a legal entity in itself but is governed by an Inter Authority Agreement signed by each Administering Authority. The Inter Authority Agreement sets out the terms of reference and constitution of ACCESS.

27. The formal decision-making body within the ACCESS Pool is the Joint Committee. The Joint Committee has been appointed by the 11 Administering Authorities under s102 of the Local Government Act 1972, with delegated authority from the Full Council of each Administering Authority to exercise specific functions in relation to the Pooling of Pension Fund assets.

28. The Joint Committee is responsible for ongoing contract management and budget management for the Pool and is supported by the Officer Working Group and the ACCESS Support Unit (ASU).

29. The Officer Working Group are officers representing the Administering Authorities whose role is to provide a central resource for advice, assistance, guidance and support for the Joint Committee.

30. The ACCESS Support Unit (ASU) provides the day-to-day support for running the ACCESS Pool and has responsibility for programme management, contract management, administration and technical support services. The permanent staff roles within the ASU are employed by the Host Authority (Essex) with additional technical support from Officers of the ACCESS Pension Funds.

31. The Section 151 Officers of each authority provide advice to the Joint Committee and in response to decisions made by the Joint Committee ensure appropriate resourcing and support is available to implement the decisions and to run the ACCESS Pool.

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

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Appendix 2

GOVERNANCE POLICY STATEMENT

COMPLIANCE WITH BEST PRACTICE GUIDELINES

	BEST PRACTICE GUIDELINES	SUFFOLK COUNTY COUNCIL POLICY	COMPLIANT?
	STRUCTURE		
1	The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	*Suffolk County Council has delegated the management of the Suffolk Pension Fund to the Pension Fund committee.*	**Yes**
2	That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	*The Pension Fund committee includes two representatives of participating district council employers and a representative of scheme members nominated by UNISON. The Pension Fund committee does not include representatives of other scheduled bodies (e.g. further education colleges), admitted bodies, or specific representatives of either pensioners or deferred members.* *No changes to the current arrangements for representation of participating employers are proposed, as the committee has alternative channels of communication for reporting to employers on its stewardship of the Pension Fund.*	**Partially compliant**

	BEST PRACTICE GUIDELINES	SUFFOLK COUNTY COUNCIL POLICY	COMPLIANT?
3	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	*Not applicable * (see note)*	**Not applicable**
4	That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	*Not applicable * (see note)*	**Not applicable**
	REPRESENTATION		
5	That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include :- i) employing authorities (including non-scheme employers, e.g., admitted bodies); ii) scheme members (including deferred and pensioner scheme members); iii) independent professional advisers, and iv) expert advisers (on an ad-hoc basis).	*The Pension Fund committee does not include representatives of all scheme employers or of deferred members and pensioners.* *No changes to the current arrangements for representation of participating employers are proposed, as the committee has alternative channels of communication for reporting to employers on its stewardship of the Pension Fund.* *The committee agreed at its meeting on 15 November 2007 to adopt a standing role for its investment advisers, Hymans Robertson, in attending future committee meetings. The activities which the CLG envisage might be undertaken by an independent observer are covered by the terms of reference for Hymans Robertson. In addition, the Pension Fund committee has engaged the services of an independent investment adviser who also attends the committee meetings.*	**Partially compliant**

Appendix 2

	BEST PRACTICE GUIDELINES	SUFFOLK COUNTY COUNCIL POLICY	COMPLIANT?
6	That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers, meetings and training and are given full opportunity to contribute to the decision making process, with or without voting rights.	*All Pension Fund committee members have equal access to all papers and meetings, are able to participate in training, and are able to contribute to the committee's decision-making process.*	**Yes**
	SELECTION AND ROLE OF LAY MEMBERS		
7	That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	*All Pension Fund committee members are given training on their responsibilities and are aware of the terms of reference and remit of the Pension Fund committee.*	**Yes**
	VOTING		
8	The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	*The co-opted elected district councillor representatives and the co-opted employee representative on the Pension Fund committee have voting rights. The Council set out its policy on voting rights for co-opted members in the report on the Governance Policy Statement to Suffolk County Council on 27 March 2008.*	**Yes**

	BEST PRACTICE GUIDELINES	SUFFOLK COUNTY COUNCIL POLICY	COMPLIANT?
	TRAINING/ FACILITY TIME/ EXPENSES		
9	That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	*The Pension Fund committee has adopted a training programme for committee members. All Pension Fund committee members are covered by the Council's scheme for reimbursement of expenses for committee members.*	**Yes**
10	That where such a policy exists, it applies equally to all members of committee, sub-committees, advisory panels or any other form of secondary forum.	*Not applicable * (See note)*	**Not applicable**
	MEETINGS (FREQUENCY/QUORUM)		
11	That an administering authority's main committee or committees meet at least quarterly.	*The Pension Fund committee meets on at least four occasions each year.*	**Yes**
12	That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	*Not applicable * (see note)*	**Not applicable**
13	That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented	*All scheme employers and other stakeholders are invited to an Annual Pension Fund meeting, where the financial position of the Pension Fund is presented and there is an opportunity to ask questions in regards to the governance arrangements.*	**Yes**

Appendix 2

	BEST PRACTICE GUIDELINES	SUFFOLK COUNTY COUNCIL POLICY	COMPLIANT?
	ACCESS TO INFORMATION, DOCUMENTS AND ADVICE		
14	That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	*All Pension Fund committee members have equal access to all papers and meetings.*	**Yes**
	SCOPE		
15	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	*The Pension Fund committee's terms of reference include all matters that fall within the Council's responsibility as the administering authority for the Pension Funds.* *The Pension Board's terms of reference include all matters regarding compliance with the code of practice in the governance of public service schemes issued by the Pension Regulator*	**Yes**
	PUBLICITY		
16	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	*The Pension Fund Governance Policy Statement is published on the Suffolk Pension Fund website.*	**Yes**

Appendix 2

Note: A number of administering authorities manage the discharge of their responsibilities for the Pension Fund through an investment panel, or some other form of secondary committee. The Suffolk Pension Fund Committee is a main committee of the Council, formally constituted under section 101 of the Local Government Act 1972. Therefore references to arrangements where secondary committees or panels are in place are not relevant to the Council.

Appendix 3

Suffolk Pension Fund
Funding Strategy Statement
July 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.

Where an academy is the letting employer, the Fund's preferred approach is for the admission body to be set up as a pass-through arrangement which is closed to new members. This is to ensure that the 'Department for Education (DfE) Academy Trust LGPS Guarantee policy' can apply to the outsourcing.

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.

Where an academy is the letting employer, the Fund will expect academies to ensure and confirm that the outsourcing complies with the requirements set out in the DfE Academy Trust LGPS Guarantee policy before permitting an admission body in the Fund. Where this requirement is met, no additional risk assessment or security will typically be required for the admitted body as the pension liabilities will be covered by the DfE Academy Guarantee.

Where the admission body does not meet the requirements of the DfE Academy Trust LGPS Guarantee policy, the Fund will review each case individually to decide if the admission body must provide security before being admitted to the Fund. In these cases, the Fund will typically require the academy to evidence that they have sought and received permission from the Education and Skills Funding Agency to act as a guarantor.

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. The Fund expects academies to set up such contracts as pass-through arrangements which are closed to new members, and to confirm that the outsourcing complies with the requirements set out in the 'DfE Academy Trust LGPS Guarantee policy'. This confirmation should be sent to the Fund ahead of the academy entering into an agreement with the contractor. If confirmation is not provided, the Fund may ask for security to be provided as a condition of admission. Tion

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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Suffolk County Council

Agenda Item 8

Suffolk Pension Board

Report Title:	Risk Register
Meeting Date:	17 October 2023
Lead Councillor(s):	Councillor Richard Rout
Director:	Stephen Meah-Sims, Deputy Chief Executive and Executive Director of Corporate Services
Assistant Director or Head of Service:	Louise Aynsley, Chief Financial Officer (S151)
Author:	Sharon Tan, Lead Accountant (Pensions) Tel. 01473 265636. Email: Sharon.tan@suffolk.gov.uk

Brief summary of report

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

Action recommended

2. The Board is asked to review the implementation of the risk control measures.
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. The Pension Fund Committee has a risk management strategy, which identifies the principles for how the Fund will embed risk awareness and management into the decisions and processes of the Pension Fund to ensure that the Fund's objectives are met. It sets out the risk management framework which is used to identify and assess risks and the implementation of the management of those risks. This is set out in **Appendix 1**.

Risk Register

9. The purpose of the risk register is to reflect best practice in the identification, evaluation and control of risks in order to ensure that key risks are recognised, and then either eliminated or reduced to a manageable level. If neither of these options is possible then means to mitigate the implications of the risks should be established.
10. The risks within the key categories set out in the risk management strategy have been identified and assessed in terms of its impact on the Fund as a whole and the probability of the risk occurring to establish the risk rating category.
11. Risk control measures have been identified for each risk in the risk register, indicating the most effective way of managing the risk and how the measures have been implemented.
12. Two amendments were made to the Pension Fund risk register:
    a) Risk SPF10 – Failure to Comply with Government expectations on asset pooling - increase risk whilst awaiting for the outcome of the Government's Pooling Consultation
    b) Risk SPF 14 – Failure of the investment strategy to produce long term returns in line with the funding strategy – decrease in risk whilst the discount rate is at a higher level (which decreases the liabilities).
13. The Pension Fund Committee received and approved a new risk register at its meeting on 19 September 2023 attached as **Appendix 2**.
14. 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**.
15. The risk register and actions taken to mitigate or control the risks are reported to the Board twice a year.

Sources of further information

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

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

c) Integrated Risk Management - Pensions Regulator 2015

Suffolk Pension Fund
Risk Management Strategy

The Suffolk Pension Fund has fiduciary duties and responsibilities towards pension scheme members and participating employers to pay future benefits when they fall due.

The Pension Fund cannot eliminate risk but can manage risk through the Funding, Investment, Communication, Governance and Administration policies and strategies.

This strategy sets out how the Suffolk Pension Fund embeds and manages risk across the scheme incorporating it into the polices and strategies and decision-making processes.

Strategy

Vision
To embed risk awareness and management into the decisions and processes of the Suffolk Pension Fund to ensure that the Fund's objectives are met.

Objectives
- To establish and maintain a robust framework for the identification, assessment and management of risk.
- To minimise the cost of risk
- To enable the Pension Fund Committee to make informed decisions.
- To reassure stakeholders.

Achieved through:
- Elimination risk as far as possible, within scheme administration and governance.
- Balance of risk and return within investment activity.

Risk Management Framework

Format
The risk management process is a continuous cycle of:
- risk identification and recording,
- analysis and assessment,
- response to risk,
- implementation of risk management and
- monitoring and reporting.

The risk management strategy sets out how each of these elements of the process are identified and addressed.

Indentification of Risk and Recording

This is the process of recognising risks that may have an impact upon the Suffolk Pension Fund. This involves anticipating new and emerging risks and reviewing how past and current risks have manifested.

An integral part of the development of any new strategy or investment proposal is the consideration and identification of any risks that may impact delivery.

Principle source for identifying risks:

- risk register,
- internal audit reports,
- external audit reports,
- performance monitoring and review
- professional advice from actuarial, investment and legal consultants
- reports and risk register of the ACCESS Pool
- publications from the Pensions Regulator, Local Government Pensions Committee, CIPFA and Scheme Advisory Board.
- Participation in industry networks such as Pensions & Lifetime Savings Association.

Once identified, risks are recorded on the risk register which is the primary document, providing a mechanism to analyse, monitor and report.

The risk register records:

- risk description
- risk consequences
- risk scores and rating
- movement in score assessment
- owner
- strategy
- risk control measures

Analyse and Assess Risk

This is the process of analysing and profiling each risk using the following matrix:

		Impact			
		Minor (1)	Moderate (2)	Major (3)	Critical (4)
Probability	Unlikely (1)	Low (1)	Low (2)	Low (3)	Medium (4)
	Possible (2)	Low (2)	Medium (4)	Medium (6)	High (8)
	Probable (3)	Low (3)	Medium (6)	High (9)	Elevated (12)
	Almost Certain (4)	Medium (4)	High (8)	Elevated (12)	Elevated (16)

The product of these provides the risk ranking

Risk Response

Risks will be treated, tolerated, transferred, or terminated. Control mechanisms will vary depending on the type of risk and activity involved.

- **Treat** – continue with activity and introduce controls and mitigating actions to reduce the likelihood and impact.
- **Tolerate** – accept that the risk exists but it is either unlikely to happen or the opportunities are greater than the risk.
- **Terminate** – cease the activity as even with control measures the risk is either still unacceptable or the cost to implement control measures is unacceptable.
- **Transfer** – transfer part or all of the risk to a third party to deliver the service.

Controls for each risk are described in the risk register and reviewed regularly.

Implement Risk Management
Implementation of risk management is an integral part of the strategic and operational planning and management of the Pension Fund. Consideration of risk and how to mitigate and manage it forms part of the established routines for monitoring and development of the Fund.

Risk Monitoring and Reporting
Regular reviewing of the risk register is central to risk monitoring to ensure that the risk control remains effective. The Pension Fund Committee reviews the full risk register at least annually and a summary version more regularly.

As part of the review consideration is given whether:
- the nature of the risk has changed
- the control environment has changed
- the probability of the risk occurring has changed
- the impact of the risk has changed
- new risks which need to be considered

Risk Categories
The principal risk categories and specific types of risk are as follows:
- Asset & Investment
- Funding & Liabilities
- Employer
- Resource & Skill
- Administration and Communication
- Reputational
- Regulatory & Compliance

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

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

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

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

									Risk Update On 15 February the Financial Reporting Council (FRC) announced that they would only be accepting renewal applications for the October 2023 deadline which means that the Suffolk Pension Fund will have to defer submission to April 2024. A draft submission will be brought to the November 2023 Committee meeting.
SPF 07	**Asset & Investment** ACCESS investments do not meet the requirements of the Fund	The Fund is unable to implement its Investment Strategy through pooling. Reputational damage to the Council with adverse publicity.	Moderate (2)	Unlikely (1)	Low (2)	↔	Pension Fund Committee	Treat	Strong engagement with the activities within the Pool on a Pension Fund officer, S151 officer and Chairman levels. Pension Fund officers are involved with the planning and set up of asset investment offerings to ensure that the needs of the Fund are met. Engagement with investment consultants to evaluate the investment sub-funds.

									Risk Update All liquid assets have been pooled within ACCESS. CBRE have been appointed as the property investment manager for the ACCESS Pool for both UK and Global. Work is currently being undertaken to identify the most cost efficient transition process for the Suffolk Pension Fund.
SPF 08	**Asset & Investment** Global events have an adverse impact on the Pension Fund's investment and cashflow.	Fund cannot meet its immediate liabilities because it is unable to access liquid assets leading to additional costs associated with borrowing to meet the cash flow requirements. Could lead to financial loss if an asset loses significant value and becomes worthless.	Moderate (2)	Possible (2)	Medium (4)	↔	Pension Fund Committee	Treat	Diversification of asset classes, geographical regions and investment manager structure minimises the impact of a single country stock underperforming due to for example imposed financial sanctions. The cash flow is monitored and reconciled on a daily basis with a review of cash flow trends to anticipate trends.

SPF 9	**Regulatory & Compliance** Changes to regulations or legislation not being adhered to	Could result in an increase in the cost of the scheme or increased administration and consultancy cost to correct Could create additional liabilities and administration difficulties for employers. The Pensions Regulator can fine the Fund for breach of regulations. Reputational damage to the Council and the Fund with adverse publicity.	Moderate (2)	Unlikely (1)	Low (2)	⇔	Pension Fund Committee Head of Pensions	Treat	The Pension Fund responds to all consultation papers regarding changes to the LGPS issued by 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. Regular system updates by Heywood's to incorporate the change to benefit regulations.

SPF 10	**Regulatory & Compliance** Failure to comply with Government expectations on asset pooling	The Government has introduced back stop legislation to ensure compliance. The Secretary of State takes over the investment functions of the Fund and directs its investment strategy to invest in specific assets. Reputational damage to the Council with adverse publicity. Loss of trust from members of the Fund.	Major (3)	Possible (2)	Medium (6)	↑	Pension Fund Committee	Treat	Strong engagement with the activities within the Pool on a Pension Fund officer, S151 officer and Chairman levels. Pension Fund Committee are appraised on the ACCESS Pool developments on a regular basis and how these affect the Pension Fund. **Risk Update** Government has released the Pooling Consultation that may have implications for how the Pension Fund pools its assets in the future. Government may also mandate the Fund to make a commitment to investments which do not fit into the current investment strategy due to the Fund's risk appetite and liquidity requirements. The Pooling consultation is asking: Do you agree with the proposal to set a deadline in guidance requiring administering authorities to transition listed

									assets to their LGPS pool by March 2025? The Fund has 72.3% of its assets pooled and has pooled all its listed assets. Property with an asset allocation of 10% is to be pooled once the transition process has been agreed.
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** A further consultation was 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. 3 new members of staff have been employed on a one year contract to cover the work of more experienced staff who will undertake this work.
SPF 12	**Regulatory & Compliance** Failure of the Pension Fund to meet the reporting of climate change risks to come into force April 2024 for reporting by December 2025.	The Pension Fund cannot demonstrate how climate change risk and opportunities are integrated into the Fund's investments and decision making process. Reputational damage to the Council and the Fund with adverse publicity.	Major (3)	Unlikely (1)	Low (3)	↔	Pension Fund Committee Head of Pensions	Treat	The Pension Fund officers will engage with appropriate professional bodies and attend sessions to fully understand the requirement of the reporting obligations. The Pension Fund will engage with the investment managers on how they can provide the appropriate reporting metrics to be included in the Climate Change Risk report. The Pension Fund officers will develop and implement processes in a timely manner to collate the information in advance of the reporting deadlines.

									Risk Update The original implementation date was April 2023 but the new regulations did not come into force. We have been advised that this should now happen in April 2024. The risk has been updated to reflect these dates.
SPF 13	**Funding & Liabilities** The actuarial assumptions used in the triennial valuation and set out in the Funding Strategy are significantly adrift from the actual experience. Fall in risk free returns on Government bonds leading to an increase in liabilities	Could increase the liability strain on the valuation leading to an increase in Employer contribution rates which reduces affordability Could lead to an increase in investment risk with a change to investment strategy to riskier assets to offset shortfall	Major (3)	Possible (2)	Medium (6)		Pension Fund Committee	Treat	Additional work is commissioned to validate the assumptions used in the valuation. Mortality assumptions are set with an allowance for future increases in life expectancy utilising data from club vita. The estimated Funding level is reported regularly to the Pension Fund Committee. 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.	Moderate (2)	Low (1)	Low (2)	↓	Pension Fund Committee	Treat	The investment Strategy is fully reviewed at least every 3 years by the Pension fund Committee 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 investment strategy is likely to meet the returns required. The estimated Funding level and performance of the investments are reported regularly to the Pension Fund Committee. **Risk Update** The forecast funding position as at 30 June 2023 is 148%. Liabilities are forecast to be £2.6 bn, a reduction of £0.9 bn since the March 2022 valuation due to the increase in discount rate, meaning that less money is required now as it is expected that investment returns will be higher in the future.

									The required return assumption for the funding level to be 100% is 3.1% p.a. with a 95% likelihood of the assets achieving this return.
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	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.

		the Pension Fund as a whole. 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.							**Risk Update** For 1 major employer the annual benefit statements were not ready to be sent by the statutory date of 31 August due to late submission of data. This has been registered with the Pensions Regulator. Full details have been provided in the Administration report.
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 was 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 early retirements through redundancy. Flexibility on payment terms can be offered on a discretionary basis. Ill Health retirements are monitored, any cost in excess of the allowance in the contribution rate is charged to the employer. Smaller employers who have a payroll of less than £1m, are mandated to take out an insurance policy to cover the

									costs of ill health early retirements. The insurance is available to all other employers.
SPF 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 employer's 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 or

									records of relatives using their log in. Finance staff cannot authorise payments on the custodian system that they have entered using their log in. All financial transactions are independently checked and verified with further scrutiny undertaken when authorised. Internal and external audit undertake scrutiny and testing of the internal control's 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	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

		to retain its MiFID opt up as a professional client and the fund having to disinvest from investments that are not open to non-professional clients.							Committee's responsibilities. This training is delivered by Pension Fund officers, investment consultants and subject matter experts. New Committee members and substitutes receive appropriate training before attending a committee meeting and are fully briefed by a Pension Fund officer to enable them to participate. External advisors are employed to advise the Pension Fund Committee.
SPF 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 the 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 29	**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 30	**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 managers and voting at

		Risk to investment managers capacity to implement the investment strategy by restricting investments. Risk to wider ESG issues by focusing on a single issue.							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

Appendix 3

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.

Suffolk Pension Board Risk Register

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.

Suffolk Pension Board Risk Register

Appendix 3

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.

Appendix 4

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 9

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?**
Wednesday, 6 December 2023	Added 25 July 2023	Complaints, Compliments and Administration Performance	To receive a report on the complaints and compliments received by the Fund.	Written Report
	Added 25 July 2023	Suffolk's progress on Pooling of Assets	To receive an update on the progress of pooling assets.	Verbal Report
	Added 17 October 2023	**Review of AVC Provider to the Fund**	**To receive a report on the review of the AVC market and provider to the Fund**	**Written Report**
	Added 17 October 2023	**Annual Report and Accounts 2022/23**	**To receive the Annual Report and Accounts of the Pension Fund for 2022/23**	**Written Report**
	Added 25 July 2023	Recent Developments	To receive an information bulletin covering recent developments that the Board has an interest in.	Written Report
	Added 25 July 2023	Forward Work Programme	To approve the Forward Work Programme for the Suffolk Pension Board.	Written Report
Wednesday, 20 March 2024	**Added 17 October 2023**	**Complaints, Compliments and Administration Performance**	**To receive a report on the complaints and compliments received by the Fund.**	**Written Report**
	Added 17 October 2023	**Suffolk's progress on Pooling of Assets**	**To receive an update on the progress of pooling assets.**	**Written Report**
	Added 17 October 2023	**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**	**Written Report**

Meeting date (see Note)	Date added	Subject	Short description	How is it anticipated the Board will deal with this issue?
			developments that the Board has an interest in.	
	Added 17 October 2023	**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: October 2023

Items for consideration/scheduling:

Pensions Regulators new Single Code