Suffolk County Council

Suffolk Pension Board

(Quorum 2 – 1 member of each representative group)

Scheme Employer Representatives

Councillor Richard Smith MVO, representing Suffolk County Council.

John Chance, representing all Borough, District, Town and Parish Councils.

Thomas Jarrett, representing all other employers in the Fund.

Scheme Member Representatives

Suzanne Williams, representing the Unions.

David Rowe, representing Active Members.

Eric Prince, representing Pensioners.

Date: Friday, 11 October 2019

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

Time: 3:00 pm

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

Business to be taken in public

10. **Forward Work Programme** Pages 103-106

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

Business to be taken in private

11. **The Board is invited to consider whether the public (including the press) should be excluded from the meeting** during consideration of agenda item 12 (as per paragraph 31 in the Rules of Procedure) pursuant to Section 100(A) of the Local Government Act 1972 (as amended) on the grounds that:

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

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

12. **Pensions Regulator Update** Pages 107-170

To receive a report on the outcome of the Pensions Regulator's visit to Suffolk.

Date of next scheduled meeting – Thursday, 12 December 2019 at 11:00 am.

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The proceedings of this meeting are open to the public, apart from any confidential or exempt items which may have to be considered in the absence of the press and public.

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Telephone: 01473 264371;

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

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

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2. Follow the signs directing you to Fire Exits at each end of the floor.

3. Do not enter the Atrium (Ground Floor area and walkways). If you are in the Atrium at the time of the Alarm, follow the signs to the nearest Fire Exit.

4. Use the stairs, not the lifts.

5. Do not re-enter the building until told it is safe to do so.

Nicola Beach
Chief Executive

Suffolk County Council

Agenda Item 3
Unconfirmed

Minutes of the Suffolk Pension Board Meeting held on 23 July 2019 at 2:00 pm in the Rose Mead Room, Endeavour House, Ipswich.

Present:	Councillor Richard Smith MVO (Chairman, representing Suffolk County Council), Thomas Jarrett (representing all other employers in the Fund), Eric Prince (representing Pensioners), David Rowe (representing Active Members).
Supporting officers present:	Rebekah Butcher (Democratic Services Officer), Paul Finbow (Senior Pensions Specialist), Stuart Potter (Pensions Operations Manager) and Sharon Tan (Pensions Technical Specialist).

The meeting was opened by the Democratic Services Officer.

1. Appointment of Chairman and Vice Chairman

On the proposition of David Rowe, seconded by Eric Prince, it was unanimously agreed that Councillor Richard Smith MVO be elected as Chairman for the 2019/20 Municipal Year.

Councillor Richard Smith MVO assumed the Chair.

On the proposition of Councillor Richard Smith MVO, seconded by Eric Prince, it was unanimously agreed that David Rowe be elected as Vice Chairman for the 2019/20 Municipal Year.

Thomas Jarrett entered the meeting at 2:02 pm.

2. Apologies for Absence

Apologies for absence were received from John Chance (representing all Borough, District, Town and Parish Councils) and Suzanne Williams (representing the Unions).

3. Declarations of Interest and Dispensations

Eric Prince and Councillor Richard Smith MVO declared a non-pecuniary interest by virtue of the fact they were each in receipt of a local government pension.

Thomas Jarrett and David Rowe declared a non-pecuniary 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 13 March 2019 were confirmed as a correct record and signed by the Chairman.

5. Investment Performance

The Board considered a report at agenda item 4 which provided a summary of the performance of the Suffolk Pension Fund for the 2018-19 financial year and performance against other local authority pension funds.

The Chairman welcomed to the meeting Simon Bainbridge (Relationship Manager, HSBC) and Lindsay Smart (Performance Consultant, HSBC) to present the report.

Decision: The Board noted the report.

Reason for decision: The Board was interested in the overall investment performance of the Fund.

Alternative options: There were none considered.

Declarations of interest: Eric Prince and Councillor Richard Smith MVO declared a non-pecuniary interest by virtue of the fact they were each in receipt of a local government pension.

Thomas Jarrett and David Rowe declared a non-pecuniary interest by virtue of the fact they were active members of the pension scheme.

Dispensations: There were none granted.

6. Annual Report and Accounts 2018/19

At agenda item 5, the Board considered a report which provided the Pension Board with a copy of the Annual Report and Accounts published by the Suffolk Pension Fund and the opinion issued by the Fund's auditors, Ernst and Young (EY).

The Board was grateful for the hard work provided by Finance officers in compiling the data by the earlier required deadline of 31 May.

The Board also applauded the £0.876m of savings achieved by the Fund on fees as a result of the pooling of assets.

Decision: The Board unanimously agreed to:

a) note the Fund's Annual Report and Accounts; and

b) request further information in relation to the prospect of colleges being able to opt-out of the Suffolk Pension Fund.

Reason for decision:

a) The Pension Fund Annual Report and Accounts was an important channel of communication, reporting on the Pension Fund's activities to employers, scheme members and other stakeholders.

b) A Member made reference to the fact that if colleges were allowed to opt out of the Fund there could be no new members joining the Fund which would cause funding consequences for them in the future. The Board was concerned at the prospect of a scenario such as this arising in the future and wished to receive more information on the ramifications of this and how it would possibly work. An Officer advised that some information on this topic was covered in the Information Bulletin at agenda item 12, item 1.

Alternative options: There were none considered.

Declarations of interest: Eric Prince and Councillor Richard Smith MVO declared a non-pecuniary interest by virtue of the fact they were each in receipt of a local government pension.

Thomas Jarrett and David Rowe declared a non-pecuniary interest by virtue of the fact they were active members of the pension scheme.

Dispensations: There were none granted.

7. Overseas Existence Service

The Board considered a report at agenda item 6, which provided Members with an overview of the Western Union Existence project, to verify the pensioners who lived overseas, and included the processes and results around this.

The Board heard that this piece of work would be carried out every three years.

Decision: The Board unanimously agreed to note the information provided.

Members were very pleased to have learnt of the progress of the project and congratulated the staff on their hard work and the good outcomes achieved.

Reason for decision: The Board was interested in receiving an overview of the Western Union existence project to verify the Pensioners who lived overseas.

Alternative options: There were none considered.

Declarations of interest: Eric Prince and Councillor Richard Smith MVO declared a non-pecuniary interest by virtue of the fact they were each in receipt of a local government pension.

Thomas Jarrett and David Rowe declared a non-pecuniary interest by virtue of the fact they were active members of the pension scheme.

Dispensations: There were none granted.

8. Pensions Administration Performance

At agenda item 7, the Board received a report which provided an update on the performance of the Pensions Administration Team and details of compliments and complaints.

The Board heard that the Pensions Regulator had completed their visits to Suffolk, and information about this would be included as an item at the Board's October meeting.

Decision: The Board unanimously agreed to note the information provided.

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

Alternative options: There were none considered.

Declarations of interest: Eric Prince and Councillor Richard Smith MVO declared a non-pecuniary interest by virtue of the fact they were each in receipt of a local government pension.

Thomas Jarrett and David Rowe declared a non-pecuniary interest by virtue of the fact they were active members of the pension scheme.

Dispensations: There were none granted.

9. Pooling Update

At Agenda Item 8, the Board received an update on the progress of the ACCESS pool.

Paul Finbow, Senior Pensions Specialist, informed the Board that since its last meeting, a local unison member had addressed the Committee in the public participation session to speak in relation to scheme member representation or union representation on the ACCESS Joint Committee. He confirmed other pension funds had received a letter from their local unison branch, and as such this topic would be included on the Joint Committee's agenda for the meeting due to take place in September 2019. He added that there had been no steer from Government to mandate this in the regulations to date.

The Board heard that representatives of ACCESS had attended a meeting with Teresa Clay from the Ministry of Housing, Communities and Local Government (MCHLG) on 4 July 2019 where they touched on the informal consultation and subsequent legality issues in relation to the asset pooling guidance. Although a response to our submission had not been received, Teresa Clay confirmed there would be a full consultation in due course. He also said feedback received from Teresa Clay was that the progress of the pool was very good, and she was happy, particularly with the savings and the relatively small costs incurred when the pool was first set up. It was also noted that ACCESS had informed the Government that the pool was already cash flow positive.

Members heard that 10 sub-funds had now opened which, alongside passive investment, equated to about 50% of ACCESS' money that had transferred into the pool. This now included Suffolk's Newton managed sub-fund which transferred at the beginning of May. With passive investments, Suffolk was now up to 40% of its funds in the pool. The creation of the M&G Alpha Opportunities fund had been delayed due to some issues that still needed to be resolved between Link and M&G.

Members also heard that a suitable candidate had been found for the post of Programme Director of ACCESS. The Board was informed that a previous appointment had failed. He said the Joint Committee then met and considered if an internal appointment could be made, having looked externally twice before. Another interview process took place in July 2019 and they hoped that Kevin McDonald, presently the Director for Essex Pension Fund, would start in post soon, leaving his role at Essex County Council.

Reference was also made to the inter-authority agreement which was agreed by the Suffolk Pension Fund Committee and all 11 respective funds two years ago. Members heard that it was necessary to review the agreement, particularly as the statutory role of the Section 151 officers had not been reflected in the original agreement. The ACCESS Joint Committee had been working on this and it had now been sent to all Monitoring Officers of the 11 funds' administering authorities. This information would soon be submitted for approval by the Suffolk Pension Fund Committee, then to the Constitution Working Party to recommend ratification at County Council.

10. Pension Board Risk Register

At agenda item 9, the Board received a report which set out the risk associated with the pooling of assets.

Decision: The Board:

a) noted the additional risk associated with the pooling of assets; and

b) confirmed it would continue to review the risk register as planned in order to given the register the proper attention it required, however requested to see a copy of the Suffolk Pension Fund Committee Risk register at its next meeting, as well as information on the risks the ACCESS Joint Committee had identified.

Reason for decision:

a) At the Board's meeting on 13 March 2019 the Board requested further information regarding the risks associated with pooling with the aim of including it as a risk in the Pension Board risk register.

Risk management was 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.

The effective management of risk was also an area which was covered within the CIPFA Knowledge and Skills framework which recognised the importance of having an understanding of the risks that could have an impact on the Pension Fund and what steps could be taken to mitigate such risks.

b) The Pensions Regulator had suggested an assessment of the frequency in which the Board reviewed its risk register.

Alternative options: There were none considered.

Declarations of interest: Eric Prince and Councillor Richard Smith MVO declared a non-pecuniary interest by virtue of the fact they were each in receipt of a local government pension.

Thomas Jarrett and David Rowe declared a non-pecuniary interest by virtue of the fact they were active members of the pension scheme.

Dispensations: There were none granted.

11. Management Expenses

The Board received a report at agenda item 10 which set out the management expenses of the Suffolk Pension Fund.

Decision: The Board unanimously agreed to note the report.

Reason for decision: The costs incurred by the Pension Fund in managing the Fund was related to administration, investment management, and governance costs. The administration costs were costs incurred by Suffolk County Council as administering authority of the Pension Fund.

Alternative options: There were none considered.

Declarations of interest: Eric Prince and Councillor Richard Smith MVO declared a non-pecuniary interest by virtue of the fact they were each in receipt of a local government pension.

Thomas Jarrett and David Rowe declared a non-pecuniary interest by virtue of the fact they were active members of the pension scheme.

Dispensations: There were none granted.

12. Annual Employers Meeting

At agenda item 11, the Board received a report which reminded Members of the arrangements for last year's annual employers meeting and sought input on the arrangements for this year's meeting.

It was noted that the Chairman was unable to make the meeting of 9 October 2019 and a suitable alternative date would be found outside of this meeting.

Decision: The Board agreed to:

a) have two main items on the agenda for the Annual Employers meeting 2019 to include: The Actuary; and Pensions Administration. An update from the Suffolk Pension Fund Committee would also be provided which would include information on ACCESS;

b) offer some support to schools about how the pension schemes work.

Reason for decision:

a) The Pension Board had been involved in the running of the annual employers meeting for the last three years, as part of their communications strategy with employers in the fund.

b) It was also noted that predominantly lower paid staff and support colleagues within schools were in the scheme, however access to information and education about the scheme was lacking as most senior members of staff would not be members of this pension fund. An officer confirmed that further support could be provided to staff employed by schools.

Alternative options: There were none considered.

Declarations of interest: Eric Prince and Councillor Richard Smith MVO declared a non-pecuniary interest by virtue of the fact they were each in receipt of a local government pension.

Thomas Jarrett and David Rowe declared a non-pecuniary interest by virtue of the fact they were active members of the pension scheme.

Dispensations: There were none granted.

13. Information Bulletin

The Board noted the Information Bulletin at agenda item 12.

A member wished it to be recorded in relation to section 2, 'Employee £95,000 exit payment cap', that changes should apply to the whole of the public sector, or none. Local Authorities, who employed more women than other sectors such as the Police and Judiciary, whose pension funds had an exemption, should not be the only organisations targeted. He felt a challenge could be made under sex discrimination and equalities legislation. An Officer confirmed the rationale was originally for higher-paid individuals who were being paid large sums of money as a compromise agreement.

14. Forward Work Programme

At agenda item 13, the Board received a copy of its Forward Work Programme.

Decision: The Board agreed the Forward Work Programme with the inclusion of the following items:

a) to provide further information in relation to the prospect of colleges being able to opt-out of the Suffolk Pension Fund at the October meeting – noted at minute 6 above.

b) to provide further information on the visits with the Pensions Regulator would be included as an item at the Board's October meeting – noted at minute 8 above;

c) to invite the Chairman from either Norfolk or Essex or another appropriate organisation to the pre-Board training in either December 2019 or March 2020 meeting in order to compare the Suffolk Pension Board against other local boards to gather insight on how they operated – as noted at minute 38 on page 8 of the report.

d) requested to see a copy of the Suffolk Pension Fund Committee Risk register at its October 2019 meeting, as well as information on the risks the ACCESS Joint Committee had identified – as noted at minute 10 above.

Reason for decision: The Forward Work Programme was the responsibility of the Board under its Terms of Reference.

The meeting closed at 4:57 pm.

Chairman

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Suffolk County Council

Agenda Item 5

Suffolk Pension Board

Report Title:	Actuarial Valuation
Meeting Date:	11 October 2019
Chairman:	Councillor Richard Smith MVO
Director:	Chris Bally, Deputy Chief Executive
Assistant Director or Head of Service:	Louise Aynsley, Head of Finance (S151 Officer)
Author:	Paul Finbow, Senior Pensions Specialist Telephone: 01473 265288

Brief summary of report

1. This report sets out the actuarial position of the Suffolk Pension Fund at 31 March 2019 and proposals for its Funding Strategy.
2. The Board is requested to consider the draft funding strategy statement as part of the consultation with the scheme employers and other interested parties. The outcome of the consultation will be reported to the Pension Fund Committee at its meeting on 26 November 2019, and the Committee will make a final decision on the Funding Strategy at its meeting on 28 February 2020.

Action recommended

3. The Board is recommended:
   a) To note the outcome of the Actuarial Valuation as at 31 March 2019.
   b) To consider the draft Funding Strategy Statement for the Pension Fund set out at **Appendix 1**.

Reason for recommendation

4. To provide the board with an update on the actuarial valuation of the Fund and the process for agreeing employer contribution rates for the next three years.

Alternative options

5. There are no alternative options.

Main body of report

Actuarial Valuation at March 2019

6. The Fund's Actuary, Hymans Robertson LLP, has reported the actuarial position for the Pension Fund at 31 March 2019 is a funding level of 98.8%, compared with the level of 91.1% at the last full actuarial valuation at March

2016. This represents a reduction of the deficit of the fund from £216 million at the last valuation to £35 million at March 2019.

7. **Appendix 1** includes a set of presentation slides prepared by the Actuary which details the progress made with the actuarial valuation and the factors that have influenced the 98.8% funding level.

8. The Board is asked to note the progress of the actuarial valuation.

Draft Funding Strategy Statement for the Suffolk Pension Fund

9. **Appendix 2** sets out the draft Funding Strategy Statement for the Pension Fund. This was approved by the Pension Fund Committee on 27 September 2019 and agreed that it should be sent out for consultation to all employers and other interested parties.

10. The Funding Strategy Statement clearly articulates the factors that will be taken into account in setting individual employer contribution rates.

11. Individual employer contribution rates are currently being calculated by the Actuary and should be available in early October 2019. These will be shared with individual employers along with the draft funding strategy statement, for consultation.

12. The November Pension Fund Committee meeting will receive an update on the responses to the consultation and the Funding Strategy Statement will be formally approved by the Committee on 28 February 2020.

13. The Board is requested to consider the draft Funding Strategy and agree any response it would like to make to the consultation.

Sources of further information

a) Funding Strategy Statement 2017 – Suffolk Pension Fund website

Suffolk Pension Fund

2019 valuation – whole fund results and funding strategy update

Peter Summers
Craig Alexander

What are we going to cover?

1. Progress to date
2. Initial results – whole fund
3. Funding Strategy / Setting Contributions

Progress to date

Progress

- Data submission – all as per plan
- Assumption setting - agreed at July committee
- Initial results for whole fund – September committee
- Secure employers funding strategy – discussed at July committee

Reminder

- Suffolk context – healthy fund in good place
- Expectation of “good” results and implications
- Wider considerations and uncertainties – “post McCloud” benefit structure

Initial results – whole fund

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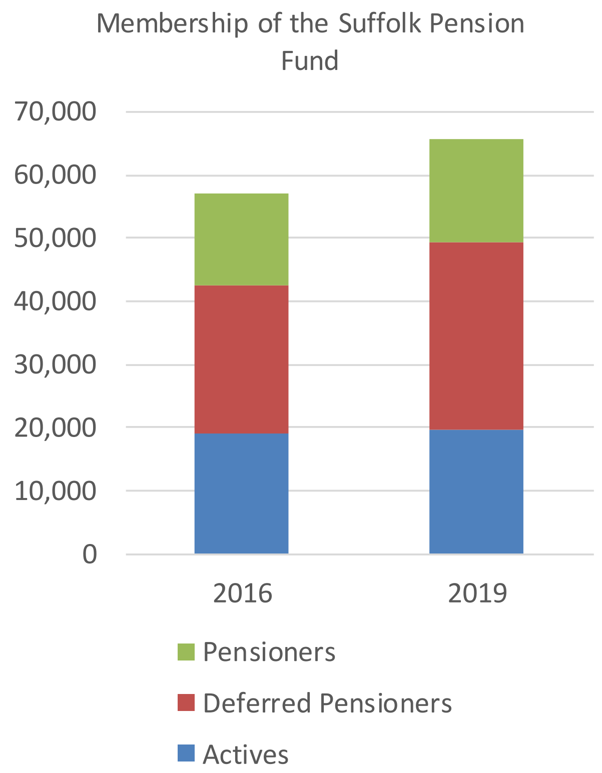
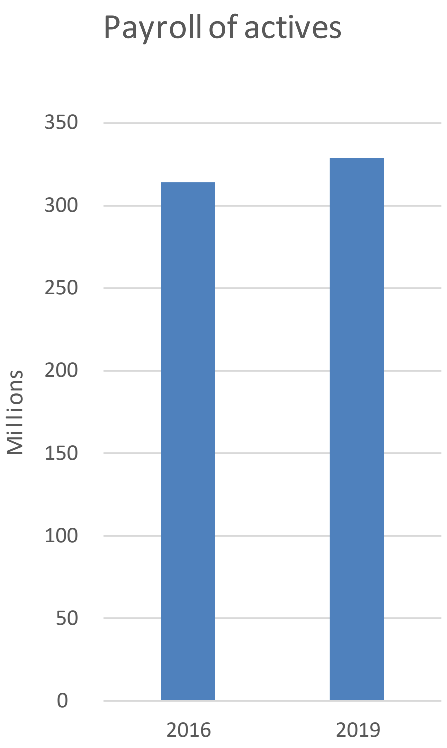
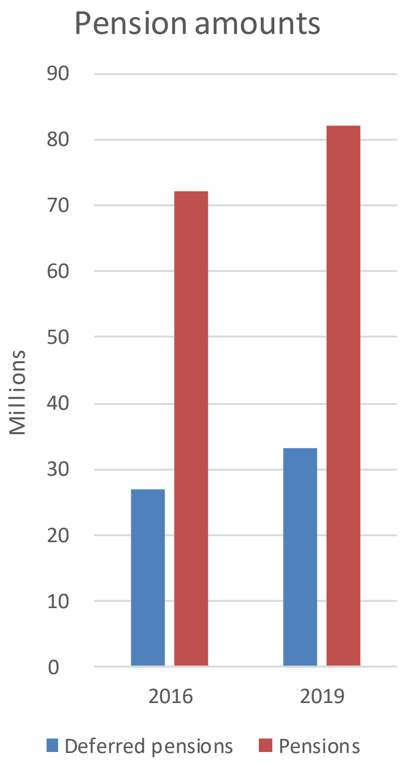
Membership data received and validated







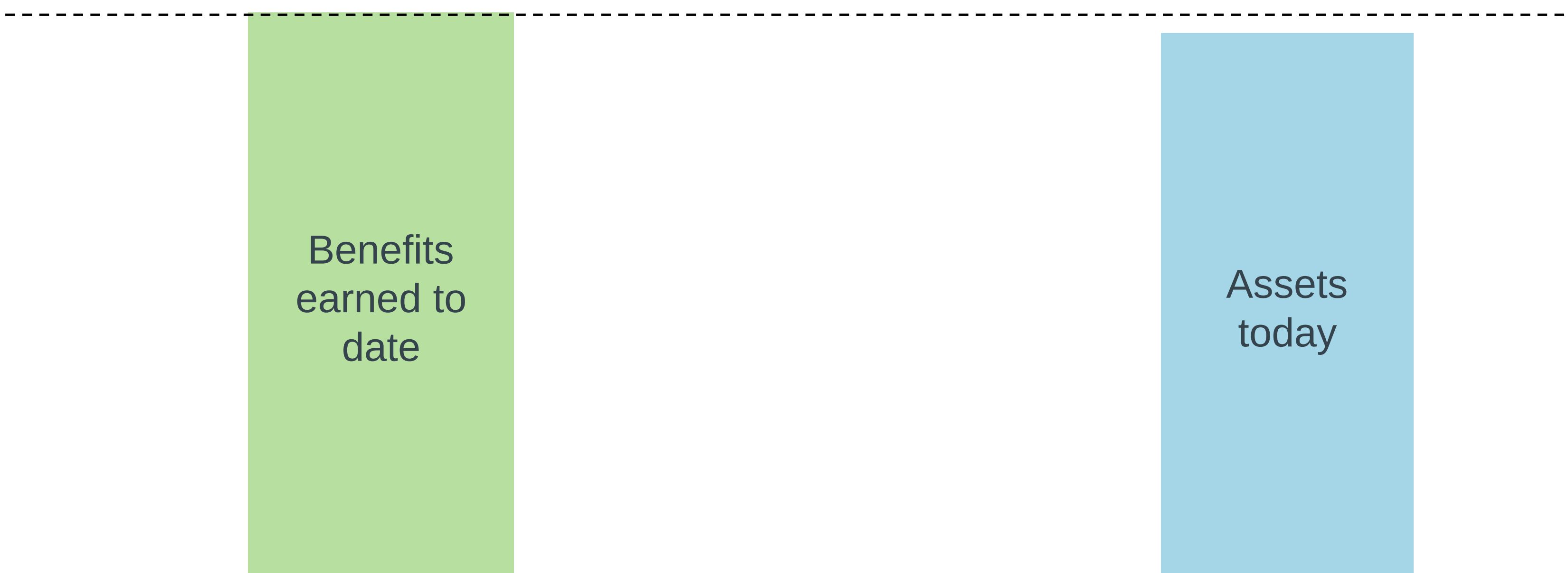
The fund has continued to grow in size, increased requirements on the admin team

Experience between 2016 and 2019

	Expected	Actual	Difference	Impact on funding position
Investment return (3 years)	12.6%	30.8%	18.2%	Positive
Pre-retirement experience				
Early leavers	5,266	8,662	3,396	Positive
Ill-health retirements	159	104	(55)	Positive
Salary increases (p.a.)	3.1%	3.7%	0.6%	Negative
Post-retirement experience				
Benefit increases (p.a.)	2.1%	2.1%	-	Neutral
Pensions ceasing (£m)	5.75	5.58	(0.17)	Negative

Valuation ‘health check’

Liabilities **Assets**



Comparison is commonly referred to as “funding level” or “solvency level”

Assets / Liabilities = Funding Level

Key assumptions for health check

Assumption	2016 valuation	2019 valuation	Derivation of assumption
Investment return (% p.a.)	4.0%	3.5%	2016: gilt yield plus 1.8% 2019: return with 80% likelihood*
Salary increases (% p.a.)	2.4%	3.0%	2016: RPI less 0.7% 2019: RPI less 0.3%
Benefit increases (CPI) (% p.a.)	2.1%	2.3%	No change
Longevity	VitaCurves, CMI 2013 improvements	VitaCurves, CMI 2018 improvements	Adopt more recent tables

** Long term asset out performance assumption of 1.8% used when setting a target to determine contributions for employers*

Whole fund funding position

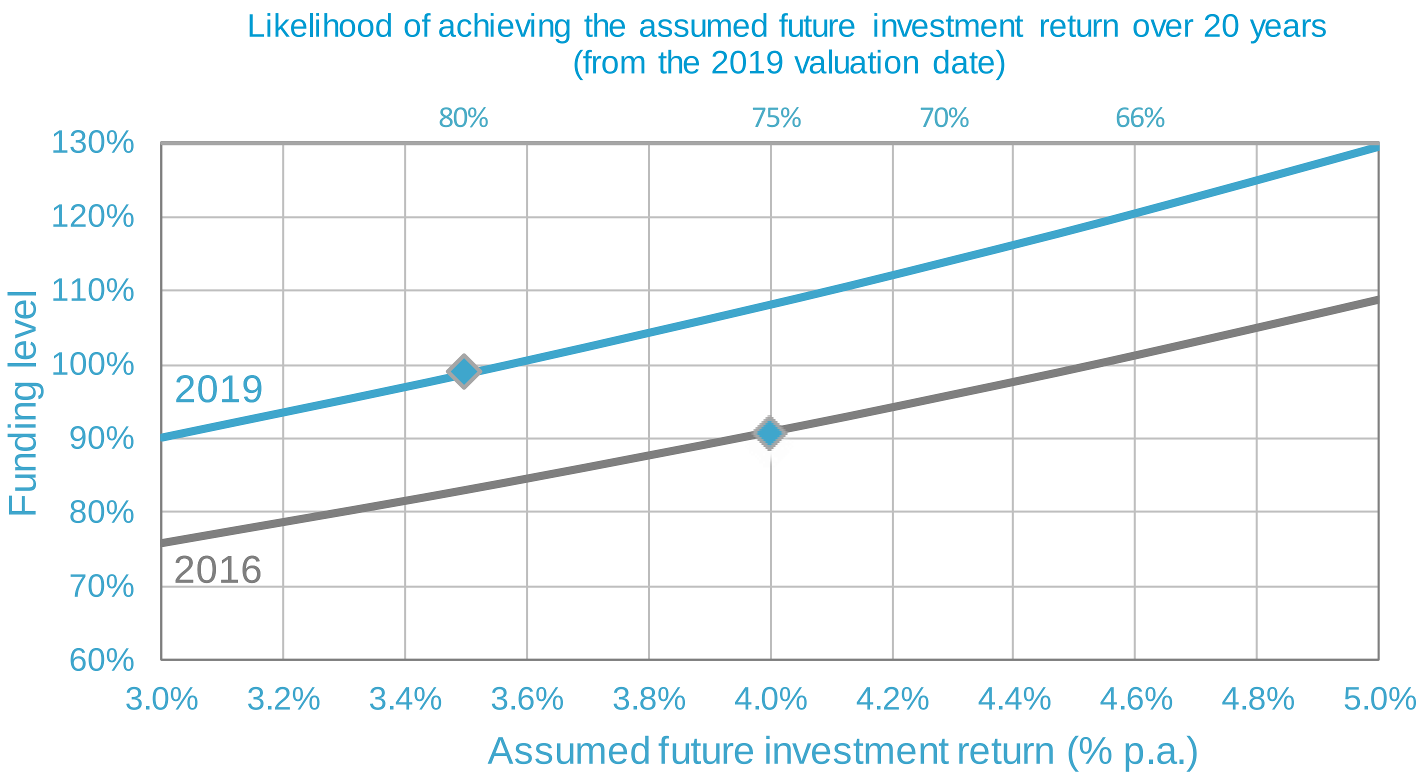
	2016 valuation (£m)	2019 valuation (£m)
Active liabilities	818	963
Deferred pensioner liabilities	478	649
Pensioner liabilities	1,134	1,354
Total liabilities	**2,249**	**2,966**
Assets	**2,213**	**2,931**
Surplus/(Deficit)	**(216)**	**(35)**
Funding level	**91%**	**99%**

Funding level shows a snapshot in time, but funding pension benefits is a long term game

What's changed since 2016?

Change in the surplus/deficit position	Assets (£m)	Liabilities (£m)	Surplus / (Deficit) (£m)
Last valuation at 31 March 2016	**2,213**	**2,429**	**(216)**
Cashflows			
Employer contributions paid in	260		260
Employee contributions paid in	62		62
Benefits paid out	(275)	(275)	0
Net transfers into / out of the Fund*	(7)		(7)
Other cashflows (e.g. Fund expenses)	(5)		(5)
Expected changes in membership			
Interest on benefits already accrued		306	(306)
Accrual of new benefits		287	(287)
Membership experience vs expectations			
Salary increases greater than expected		11	(11)
Benefit increases less than expected		(1)	1
Early retirement strain (and contributions)	7	6	0
Ill health retirement strain		(7)	7
Early leavers less than expected		(7)	7
Pensions ceasing greater than expected		7	(7)
Commutation greater than expected		0	0
Impact of GMP equalisation		4	(4)
Other membership experience		(72)	72
Changes in market conditions			
Investment returns on the Fund's assets	676		676
Changes in future inflation expectations		76	(76)
Changes in actuarial assumptions			
Change in demographic assumptions (excl. longevity)		1	(1)
Change in longevity assumptions		(60)	60
Change in salary increase assumption		11	(11)
Change in discount rate		250	(250)
This valuation at 31 March 2019	**2,931**	**2,966**	**(35)**

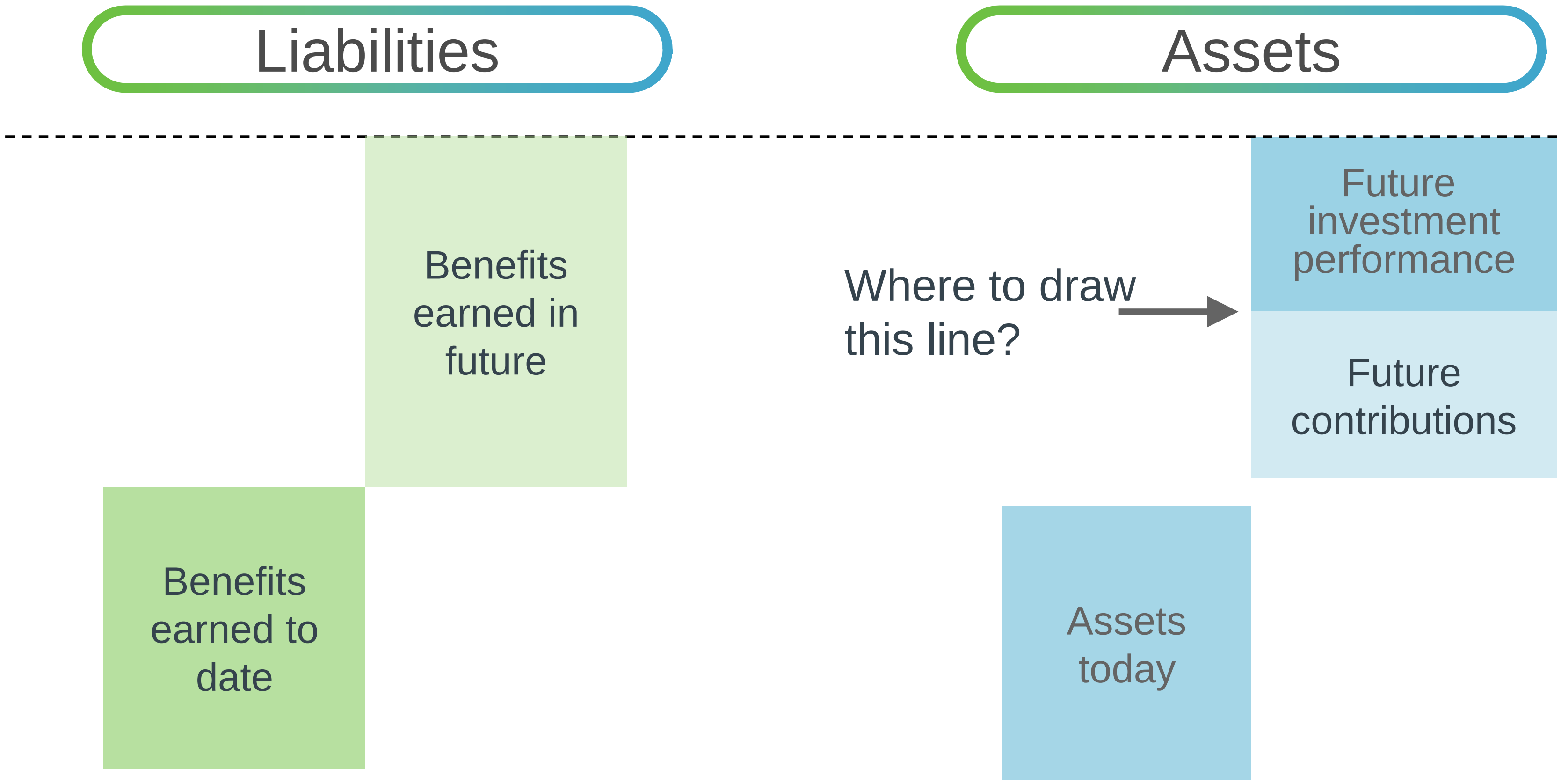
Whole fund funding positions



Genuine improvement in Fund's funding position since 2016

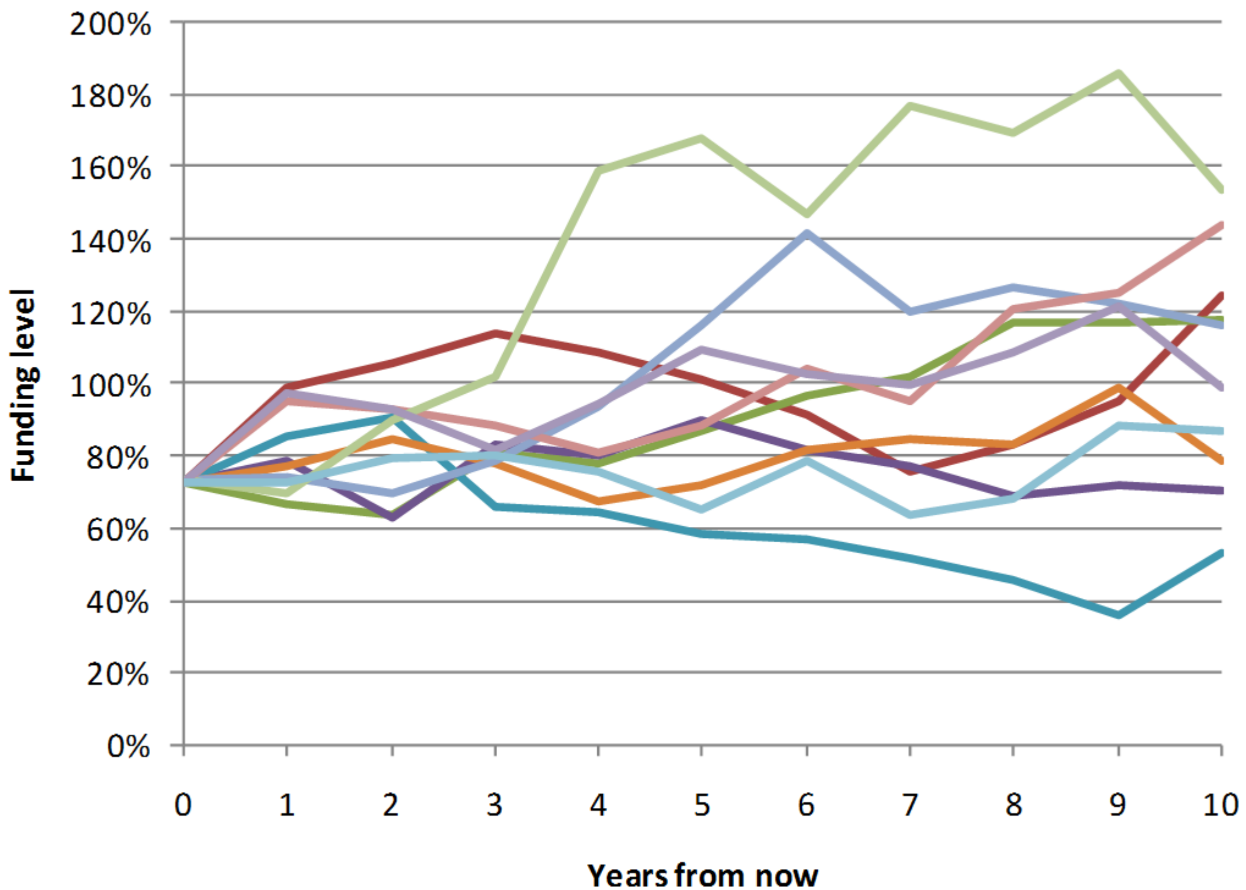
Setting employer contribution rates

Approach to setting contributions



The key valuation decision is the balance of contributions and investment performance

Modelling of outcomes for employers



Not a straight line world!

Funding strategy – 3 step approach

What is the funding target?

How long do we want to give the employer to get to the target?

How sure do we want to be that the employer hits the target?

Revised 2019 Funding Strategy Statement (FSS)

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Funding strategy – proposed policy




	Council	Academies	Colleges	“TABs”	“CABs”
	Ongoing	Ongoing	Ongoing	Ongoing	Cessation?
	20 years	20 years	15 years	Depends on contract	Expected future participation period
	Min 80%	Min 80%	Min 80%	Min 80%	Min 80%
Mechanism	Stabilised	Stabilised	Risk based	Risk based	Risk based

Suffolk Pension Fund - 2019 FSS

- 60 or so necessary changes incorporated into update document
- No change in approach to 3 step process to setting employer contributions
- There will be consultation with employers on this draft document (issued alongside their own valuation results)
- Employer Forum will be held for employers where employers can also comment

Draft FSS in your papers

Craig.Alexander@hymans.co.uk

Peter.Summers@hymans.co.uk

Thank you

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HYMANS ROBERTSON

Suffolk Pension Fund

Funding Strategy Statement

September 2019

PUBLIC SECTOR

Contents

1 Introduction

1.1 What is this document?

This is the Funding Strategy Statement (FSS) of the Suffolk Pension Fund ("the Fund"), which is administered by Suffolk County Council, ("the Administering Authority"). The County Council's statutory responsibilities for the Local Government Pension Scheme (LGPS) are delegated to the Suffolk Pension Fund Committee. Further references to Administering Authority should be taken to refer to the Pension Fund Committee.

It has been prepared by the Administering Authority in collaboration with the Fund's actuary, Hymans Robertson LLP, and after consultation with the Fund's employers and investment adviser. It is effective from [DATE POST CONSULTATION].

1.2 What is the Suffolk Pension Fund?

The Fund is part of the national Local Government Pension Scheme (LGPS). The LGPS was set up by the UK Government to provide retirement and death benefits for local government employees, and those employed in similar or related bodies, across the whole of the UK. The Administering Authority runs the Suffolk Pension Fund, in effect the LGPS for the Suffolk area, to make sure it:

- receives the proper amount of contributions from employees and employers, and any transfer payments;
- invests the contributions appropriately, with the aim that the Fund's assets grow over time with investment income and capital growth; and
- uses the assets to pay Fund benefits to the members (as and when they retire, for the rest of their lives), and to their dependants (as and when members die), as defined in the LGPS Regulations. Assets are also used to pay transfer values and administration costs.

The roles and responsibilities of the key parties involved in the management of the Fund are summarised in Appendix B.

1.3 Why does the Fund need a Funding Strategy Statement?

Employees' benefits are guaranteed by the LGPS Regulations, and do not change with market values or employer contributions. Investment returns will help pay for some of the benefits, but probably not all, and certainly with no guarantee. Employees' contributions are fixed in those Regulations also, at a level which covers only part of the cost of the benefits.

Therefore, employers need to pay the balance of the cost of delivering the benefits to members and their dependants.

The FSS focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers or pools of employers pay for their own liabilities. This statement sets out how the Administering Authority has balanced the conflicting aims of:

- affordability of employer contributions,
- transparency of processes,
- stability of employers' contributions, and
- prudence in the funding basis.

There are also regulatory requirements for an FSS, as given in Appendix A.

The FSS is a summary of the Fund's approach to funding its liabilities, and this includes reference to the Fund's other policies; it is not an exhaustive statement of policy on all issues. The FSS forms part of a framework which includes:

- the LGPS Regulations;
- the Rates and Adjustments Certificate (confirming employer contribution rates for the next three years) which can be found in an appendix to the formal valuation report;
- the Fund's policies on admissions, cessations and bulk transfers;
- actuarial factors for valuing individual transfers, early retirement costs and the costs of buying added service; and
- the Fund's Investment Strategy Statement (see Funding strategy and links to investment strategy in Section 4).

1.4 How does the Fund and this FSS affect me?

This depends who you are:

- a member of the Fund, i.e. a current or former employee, or a dependant: the Fund needs to be sure it is collecting and holding enough money so that your benefits are always paid in full;
- an employer in the Fund (or which is considering joining the Fund): you will want to know how your contributions are calculated from time to time, that these are fair by comparison to other employers in the Fund, in what circumstances you might need to pay more and what happens if you cease to be an employer in the Fund. Note that the FSS applies to all employers participating in the Fund;
- an Elected Member whose council participates in the Fund: you will want to be sure that the council balances the need to hold prudent reserves for members' retirement and death benefits, with the other competing demands for council money;
- a Council Tax payer: your council seeks to strike the balance above, and also to minimise cross-subsidies between different generations of taxpayers.

1.5 What does the FSS aim to do?

The FSS sets out the objectives of the Fund's funding strategy, such as:

- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (**NB** this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

1.6 How do I find my way around this document?

In Section 2 there is a brief introduction to some of the main principles behind funding, i.e. deciding how much an employer should contribute to the Fund from time to time.

In Section 3 we outline how the Fund calculates the contributions payable by different employers in different situations.

In Section 4 we show how the funding strategy is linked with the Fund's investment strategy.

In the Appendices we cover various issues in more detail if you are interested:

A. the regulatory background, including how and when the FSS is reviewed,

B. who is responsible for what,

C. what issues the Fund needs to monitor, and how it manages its risks,

D. some more details about the actuarial calculations required,

E. the assumptions which the Fund actuary currently makes about the future,

F. a glossary explaining the technical terms occasionally used here.

If you have any other queries please contact Paul Finbow, Senior Pensions Specialist, in the first instance at e-mail address paul.finbow@suffolk.gov.uk or on telephone number 01473 265288.

2 Basic Funding issues

(More detailed and extensive descriptions are given in Appendix D).

2.1 How does the actuary calculate the required contribution rate?

In essence this is a three-step process:

1. Calculate the funding target for that employer, i.e. the estimated amount of assets it should hold in order to be able to pay all its members' benefits. See Appendix E for more details of what assumptions we make to determine that funding target;

2. Determine the time horizon over which the employer should aim to achieve that funding target. See the table in 3.3 and Note (c) for more details;

3. Calculate the employer contribution rate such that it has at least a given likelihood of achieving that funding target over that time horizon, allowing for various possible economic outcomes over that time horizon. See 2.3 below, and the table in 3.3 Note (e) for more details.

2.2 What is the methodology for setting each employer's contribution rate?

This is described in more detail in Appendix D. Employer contributions are normally made up of two elements:

a) the estimated cost of benefits being built up each year, after deducting the members' own contributions and including an allowance for administration expenses. This is referred to as the "*Primary rate*", and is expressed as a percentage of members' pensionable pay; plus

b) an adjustment for the difference between the Primary rate above and the actual contribution the employer needs to pay, referred to as the "*Secondary rate*". In broad terms, payment of the Secondary rate is in respect of benefits already accrued at the valuation date. The Secondary rate may be expressed as a percentage of pay and/or a monetary amount in each year.

The rates for all employers are shown in the Fund's Rates and Adjustments Certificate, which forms part of the formal Actuarial Valuation Report. Employers have to pay at least their amounts certified, but can elect to pay contributions at a higher rate. If employers choose to pay at a higher rate, then this will be reflected in their position at the next valuation.

2.3 What different types of employer participate in the Fund?

Historically the LGPS was intended for local authority employees only. However over the years, the ways that local services are delivered has evolved and consequently many more types and numbers of employers now participate. There are currently more employers in the Fund than ever before, a significant part of this being due to new academies.

In essence, participation in the LGPS is open to public sector employers providing some form of service to the local community. Whilst the majority of members will be local authority employees (and ex-employees), the majority of participating employers are those providing services in place of (or alongside) local authority services: academy schools, contractors, housing associations, charities, etc.

The LGPS Regulations define various types of employer as follows:

Scheduled bodies - councils, and other specified employers such as academies and further education establishments. These must provide access to the LGPS in respect of their employees who are not eligible to join another public sector scheme (such as the Teachers Scheme). These employers are so-called because they are specified in a schedule to the LGPS Regulations.

It is now possible for Local Education Authority schools to convert to academy status, and for other forms of school (such as Free Schools) to be established under the academies legislation. All such **academies (or Multi Academy Trusts)**, as employers of non-teaching staff, become separate new employers in the Fund. As academies are defined in the LGPS Regulations as "Scheduled Bodies", the Administering Authority has no discretion over whether to admit them to the Fund, and the academy has no discretion whether to continue to allow its non-teaching staff to join the Fund. There has also been guidance issued by the MHCLG regarding the terms of academies' membership in LGPS Funds.

Designating employers - employers such as town and parish councils are able to participate in the LGPS via resolution (and the Fund cannot refuse them entry where the resolution is passed). These employers can designate which of their employees are eligible to join the scheme.

Other employers are able to participate in the Fund via an admission agreement, and are referred to as 'admission bodies'. These employers are generally those with a "community of interest" with another scheme employer – **community admission bodies** ("CAB") or those providing a service on behalf of a scheme employer – **transferee admission bodies** ("TAB"). CABs will include housing associations and charities, TABs will generally be contractors. The Fund is able to set its criteria for participation by these employers and can refuse entry if the requirements as set out in the Fund's admissions policy are not met. (NB The terminology CAB and TAB has been dropped from recent LGPS Regulations, which instead combine both under the single term 'admission bodies'; however, we have retained the old terminology here as we consider it to be helpful in setting funding strategies for these different employers.

2.4 How does the calculated contribution rate vary for different employers?

All three steps above are considered when setting contributions (more details are given in Section 3 and Appendix D).

1. The **funding target** is based on a set of assumptions about the future, (e.g. investment returns, inflation, future pensioners' life expectancies). If an employer is approaching the end of its participation in the Fund then its funding target may be set on a more prudent basis, so that its liabilities are less likely to be spread among other employers after its cessation;

2. The **time horizon** required is, the period over which the funding target is to be achieved. Employers may be given a lower time horizon if they have a less permanent anticipated membership, or do not have tax-raising powers to increase contributions if investment returns under-perform; and

3. The **likelihood of achieving** the funding target over that time horizon will be dependent on the Fund's view of the strength of employer covenant and its funding profile. Where an employer is considered to be weaker then the required likelihood will be set higher, which in turn will increase the required contributions (and vice versa).

For some employers it may be agreed to pool contributions, see 3.4.

Any costs of non ill-health early retirements must be paid by the employer, see 3.6.

Costs of ill-health early retirements are covered in 3.7 and 3.8.

2.5 How is a funding level calculated?

An employer's "funding level" is defined as the ratio of:

- the market value of the employer's share of assets (see Appendix D, section D5, for further details of how this is calculated), to
- the value placed by the actuary on the benefits built up to date for the employer's employees and ex-employees (the "liabilities"). The Fund actuary agrees with the Administering Authority the assumptions to be used in calculating this value.

If this is less than 100% then it means the employer has a shortfall, which is the employer's deficit; if it is more than 100% then the employer is said to be in surplus. The amount of deficit or shortfall is the difference between the asset value and the liabilities value.

It is important to note that the funding level and deficit/surplus are only measurements at a particular point in time, on a particular set of assumptions about the future. Whilst we recognise that various parties will take an interest in these measures, for most employers the key issue is how likely it is that their contributions will be sufficient to pay for their members' benefits (when added to their existing asset share and anticipated investment returns).

2.6 How does the Fund recognise that contribution levels can affect council and employer service provision, and council tax?

The Administering Authority and the Fund actuary are acutely aware that, all other things being equal, a higher contribution required to be paid to the Fund will mean less cash available for an employer to use elsewhere. For instance:

- Higher Pension contributions may affect the resources available for council services, and/or greater pressure on council tax levels; and
- Other employers will provide various services to the local community, perhaps through housing associations, charitable work, or contracting council services. If they are required to pay more in pension contributions to the LGPS then this may put their ability to continue to provede these services at risk.

Whilst all this is true, it should also be borne in mind that:

- The Fund provides invaluable financial security to local families, whether to those who formerly worked in the service of the local community who have now retired, or to their families after their death;
- The Fund must have the assets available to meet these retirement and death benefits, which in turn means that the various employers must each pay their own way. Lower contributions today will mean higher contributions tomorrow: deferring payments does not alter the employer's ultimate obligation to the Fund in respect of its current and former employees;
- Each employer will normally only pay for its own employees and ex-employees (and their dependants), not for those of other employers in the Fund;
- The Fund strives to maintain reasonably stable employer contribution rates where appropriate and possible. However, a recent shift in regulatory focus means that solvency within each generation is considered by the Government to be a higher priority than stability of contribution rates.

Overall, therefore, there is clearly a balance to be struck between the Fund's need for maintaining prudent funding levels, and the employers' need to allocate their resources appropriately. The Fund achieves this through various techniques which affect contribution increases to various degrees (see 3.1). In deciding which of these techniques to apply to any given employer, the Fund will consider a risk assessment of that employer using a knowledge base which is regularly monitored and kept up-to-date. This database will include such information as the type of employer, its membership profile and funding position, any guarantors or security provision, material changes anticipated, etc. This helps the Fund establish a picture of the financial standing of the employer, i.e. its ability to meet its long term Fund commitments.

For instance, where an employer is considered relatively low risk then the Fund will permit options such as stabilisation (see 3.3 Note (b)), a longer time horizon relative to other employers, and/or a lower likelihood of achieving their funding target. Such options will temporarily produce lower contribution levels than would otherwise have applied. This is permitted in the expectation that the employer will still be able to meet its obligations for many years to come.

On the other hand, an employer whose risk assessment indicates a less strong covenant will generally be required to pay higher contributions (for instance, with a higher funding target, and/or a shorter time horizon relative to other employers, and/or a higher likelihood of achieving the target). This is because of the higher probability that at some point it will fail or be unable to meet its pension contributions, with its deficit in the Fund then falling to other Fund employers.

The Fund actively seeks employer input, including to its funding arrangements, through various means: see Appendix A.

2.7 What approach has the Fund taken to dealing with uncertainty arising from the McCloud court case and its potential impact on the LGPS benefit structure?

The LGPS benefit structure from 1 April 2014 is currently under review following McCloud judgement and other similar court cases. The courts have ruled that the ‘transitional protections’ awarded to some members of public service pension schemes when the schemes were reformed (on 1 April 2014 in the case of the LGPS) were unlawful on the grounds of age discrimination. At the time of writing, the Ministry of Housing, Communities and Local Government (MHCLG) has not provided any details of changes as a result of the case. However, it is expected that benefits changes will be required and they will likely increase the value of liabilities. At present, the scale and nature of any increase in liabilities are unknown, which limits the ability of the Fund to make an accurate allowance.

The LGPS Scheme Advisory Board (SAB) issued advice to LGPS funds in May 2019. As per that SAB guidance the Fund Actuary has valued all member benefits in line with the current LGPS Regulations – this was the approach specified in the event of there being no “finalised outcome” of the McCloud case by 31 August 2019 (there was not).

The Fund, in line with the advice in the SAB’s note, has considered how to allow for this risk in the setting of employer contribution rates. As the benefit structure changes that will arise from the McCloud judgement are uncertain, the Fund has elected to make no explicit allowance for the potential impact in the assessment of employer contribution rates at the 2019 valuation.

Once the outcome of the McCloud case is known, the Fund may revisit the contribution rates set to ensure they remain appropriate.

The Fund is also considering the McCloud judgement in its approach to cessation valuations.

2.8 When will the next actuarial valuation be?

On 8 May 2019 MHCLG issued a consultation seeking views on (among other things) proposals to amend the LGPS valuation cycle in England and Wales from a three year (triennial) valuation cycle to a four year (quadrennial) valuation cycle.

The Fund intends to carry out its next actuarial valuation in 2022 (3 years after the 2019 valuation date) in line with MHCLG's desired approach in the consultation. The Fund has therefore instructed the Fund Actuary to certify contribution rates for employers for the period 1 April 2020 to 31 March 2023 as part of the 2019 valuation of the Fund.

3 Calculating contributions for individual Employers

3.1 General comments

A key challenge for the Administering Authority is to balance the need for stable, affordable employer contributions with the requirement to take a prudent, longer-term view of funding and ensure the solvency of the Fund. With this in mind, the Fund's three-step process identifies the key issues:

1. What is a suitably (but not overly) prudent funding target?
2. How long should the employer be permitted to reach that target? This should be realistic but not so long that the funding target is in danger of never actually being achieved.
3. What likelihood is required to reach that funding target? This will always be less than 100% as we cannot be certain of the future. Higher likelihood "bars" can simply reflect a desire to be prudent and/or to reflect specific employer circumstances.

These and associated issues are covered in this Section.

The Administering Authority recognises that there may occasionally be particular circumstances affecting individual employers that are not easily managed within the rules and policies set out in the Funding Strategy Statement. Therefore the Administering Authority reserves the right to direct the actuary to adopt alternative funding approaches on a case by case basis for specific employers.

3.2 The effect of paying lower contributions

In limited circumstances the Administering Authority may permit employers to pay contributions at a lower level than is assessed for the employer using the three step process above. At their absolute discretion the Administering Authority may:

- extend the time horizon for targeting full funding;
- adjust the required likelihood of meeting the funding target;
- permit an employer to participate in the Fund's stabilisation mechanisms;
- permit extended phasing in of contribution rises or reductions;
- pool contributions amongst employers with similar characteristics; and/or
- accept some form of security or guarantee in lieu of a higher contribution rate than would otherwise be the case.

Employers which are permitted to use one or more of the above methods will often be paying, for a time, contributions less than required to meet their funding target, over the appropriate time horizon with the required likelihood of success. Such employers should appreciate that:

- their true long term liability (i.e. the actual eventual cost of benefits payable to their employees and ex-employees) is not affected by the pace of paying contributions;
- lower contributions in the short term will result in a lower level of future investment returns on the employer's asset share. Thus, deferring a certain amount of contribution may lead to higher contributions in the long-term; and
- it may take longer to reach their funding target, all other things being equal.

Overleaf (3.3) is a summary of how the main funding policies differ for different types of employer, followed by more detailed notes where necessary.

Section 3.4 onwards deals with various other funding issues which apply to all employers.

3.3 The different approaches used for different employers

Type of employer	**Scheduled Bodies**			**Community Admission Bodies and Designating Employers**		**Transferee Admission Bodies**
Sub-type	**Tax Raising**	**Other Scheduled Bodies**	**Academies**	**Open to new entrants**	**Closed to new entrants**	**(all)**
Funding Target Basis used	Ongoing participation basis, assumes long-term Fund participation (see Appendix E)			Ongoing participation basis, but may move to "gilts exit basis" - see Note (a)		Contractor exit basis, assumes fixed contract term in the Fund (see Appendix E)
Primary rate approach	(see Appendix D – D.2)					
Stabilised contribution rate?	Yes - see Note (b)	No	Yes - see Note (b)	No	No	No
Maximum time horizon – Note (c)	20 years	15 years	20 years	15 years	15 years	Outstanding contract term
Secondary rate – Note (d)	% of payroll	% of payroll	% of payroll	% of payroll	Monetary amount	% of payroll
Treatment of surplus	Covered by stabilisation arrangement	Contributions at least at primary rate.	Covered by stabilisation arrangement	Preferred approach: contributions kept at primary rate. However, reductions may be permitted by the Admin. Authority		Reduce contributions by spreading the surplus over the remaining contract term
Likelihood of achieving target – Note (e)	min 80%	min 80%	min 80%	min 80%	min 80%	min 80%
Phasing of contribution changes	Covered by stabilisation arrangement	3 years	Covered by stabilisation arrangement	3 years	3 years	None
Review of rates – Note (f)	Administering Authority reserves the right to review contribution rates and amounts, and the level of security provided, at regular intervals between valuations					Particularly reviewed in last 3 years of contract
New employer	n/a	n/a	Note (g)	Note (h)		Notes (h) & (i)
Cessation of participation: exit debt/credit payable	Cessation is assumed not to be generally possible, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (machinery of Government changes for example), the cessation calculation principles applied would be as per Note (j).			Can be ceased subject to terms of admission agreement. Exit debt/credit will be calculated on a basis appropriate to the circumstances of cessation – see Note (j).		Participation is assumed to expire at the end of the contract. Cessation debt/credit (if any) calculated on the contractor exit basis. After the contract has ended, the letting employer will be

			liable for future deficits and contributions arising. See note (i) for further details.

* Where the Administering Authority recognises a fixed contribution rate agreement between a letting authority and a contractor, the certified employer contribution rate may be derived differently - this could be in line with methodology specified in the risk sharing agreement. Additionally, in these cases, upon cessation the contractor's assets and liabilities will transfer back to the letting employer (normally with no crystallisation of any deficit or surplus). Further detail on fixed contribution rate agreements is set out in note (i).

Note (a) (Gilts exit basis for CABs and Designating Employers closed to new entrants)

In the circumstances where:

- the employer is a Designating Employer, or an Admission Body but not a Transferee Admission Body, and
- the employer has no guarantor, and
- the admission agreement is likely to terminate, or the employer is likely to lose its last active member, within a timeframe considered appropriate by the Administering Authority to prompt a change in funding,

the Administering Authority may set a higher funding target for the employer. The target would be higher as no allowance would be made for the anticipated extra returns from "growth" assets in the investment return assumption – instead that assumption would simply reflect the (lower) return from long-term gilt yields. The aim of this policy it to increase regular contributions now in order to reduce, but not entirely eliminate, the possibility of a final deficit payment being required from the employer at the point they leave the Fund.

The Administering Authority also reserves the right to adopt the above approach to other "weaker" employers even if there is no immediate expectation that they will leave the Fund.

Note (b) (Stabilisation)

Stabilisation is a mechanism where employer contribution rate variations from year to year are kept within a pre-determined range, thus allowing those employers' rates to be relatively stable. In the interests of stability and affordability of employer contributions, the Administering Authority, on the advice of the Fund Actuary, believes that stabilising contributions is a prudent longer-term approach.

This stabilisation mechanism allows short term investment market volatility to be managed so as not to cause volatility in employer contribution rates, on the basis that a long term view can be taken on net cash inflow, investment returns and strength of employer covenant.

The use of a stabilisation mechanism applies to employers if:

- the employer satisfies the eligibility criteria as set by the Administering Authority from time to time and;
- there are no material events which cause the employer to become ineligible, e.g. significant reductions in active membership (due to outsourcing or redundancies), or changes in the nature of the employer (perhaps due to Government restructuring).

The eligibility of employers and detail of the stabilisation mechanism for those who are eligible (starting point, criteria and limits) are reviewed at each and every formal valuation.

Such a review took place as part of the 2019 valuation exercise. The modelling undertaken to inform this review captured the development of employers since the stabilisation mechanism was introduced. As a result of this review, the following default maximum and minimum increases to contribution rates were agreed, the starting points for the mechanism were revisited for eligible employers and short term patterns of contributions until the next valuation were also agreed.

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Type of employer	All Councils and Suffolk Police	Academies

Max contribution increase	+1% of pay	+1% of pay
Max contribution decrease	-1% of pay	-1% of pay

Note (c) (Maximum time horizon)

The maximum time horizon starts at the commencement of the revised contribution rate (1 April 2020 for the 2019 valuation). The Administering Authority would normally expect the same period to be used at successive triennial valuations, but would reserve the right to propose alternative time horizons..

Note (d) (Secondary rate)

The Secondary contribution rate for each employer covering the period until the next formal valuation may be set as a percentage of salaries or in monetary terms. The Administering Authority is, however, likely to require these payments to be set in monetary terms where:

- the employer is relatively mature, i.e. has a large Secondary contribution rate (e.g. above 15% of payroll), or
- there has been a significant reduction in payroll due to outsourcing or redundancy exercises, or
- the employer has closed the Fund to new entrants.

Note (e) (Likelihood of achieving funding target)

Each employer has its funding target calculated, and a relevant time horizon over which to reach that target. Contributions are set such that, combined with the employer's current asset share and anticipated market movements over the time horizon, the likelihood of the employer achieving their funding target is above this stated threshold. A higher required likelihood bar will give rise to higher required contributions, and vice versa.

The way in which contributions are set using these three steps, and relevant economic projections, is described in further detail in Appendix D.

Different likelihoods are set for different employers depending on their nature and circumstances: in broad terms, a higher likelihood will apply due to one or more of the following:

- the Fund believes the employer poses a greater funding risk than other employers,
- the employer does not have tax-raising powers;
- the employer does not have a guarantor or other sufficient security backing its funding position; and/or
- the employer is likely to cease participation in the Fund in the short or medium term.

At the 2019 valuation, the likelihoods of achieving target were increased from "minimum 75%" to "minimum 80%". This increase was an explicit response to the uncertainty around the benefit structure created by the McCloud judgement.

Note (f) (Regular Reviews)

Such reviews may be triggered by significant events including but not limited to: significant reductions in payroll, altered employer circumstances, Government restructuring affecting the employer's business, or failure to pay contributions or arrange appropriate security as required by the Administering Authority.

The result of a review may be to require increased contributions (by strengthening the actuarial assumptions adopted and/or moving to monetary levels of deficit recovery contributions), and/or an increased level of security or guarantee.

Note (g) (New Academy conversions)

At the time of writing, the Fund's policies on academies' funding issues are as follows:

i. The new academy will be regarded as a separate employer in its own right and will not be pooled with other employers in the Fund. The only exception is where the academy is part of a Multi Academy Trust (MAT) in which case the academy's figures will be calculated as below but can be combined, for the purpose of setting contribution rates, with those of the other academies in the MAT;

ii. The new academy's past service liabilities on conversion will be calculated based on its active Fund members on the day before conversion. For the avoidance of doubt, these liabilities will include all past service of those members, but will exclude the liabilities relating to any ex-employees of the school who have deferred or pensioner status;

iii. The new academy will be allocated an initial asset share from Suffolk County Council's assets in the Fund. This asset share will be calculated using the estimated funding position of Suffolk County Council at the date of academy conversion. The share will be based on the active members' funding level, having first allocated assets in the council's share to fully fund deferred and pensioner members. The assets allocated to the academy will be limited if necessary so that its initial funding level is subject to a maximum of 100%. The asset allocation will be based on market conditions and the academy's active Fund membership on the day prior to conversion;

iv. The new academy's initial contribution rate will be based on the time horizon and likelihood of achieving the funding target outlined for Academies in the table in Section 3.3 above;

v. As an alternative to (iv), the academy will have the option to elect to pay contributions initially in line with Suffolk County Council instead. These contributions will then be subject to the academy stabilisation policy as set out in note b). However, this election will not alter its asset or liability allocation as per (ii) and (iii) above. Ultimately, all academies remain responsible for their own allocated deficit.

vi. It is possible for an academy to leave one MAT and join another. If this occurs, all active, deferred and pensioner members of the academy transfer to the new MAT.

The Fund's policies on academies are subject to change in the light of any amendments to MHCLG and/or DfE guidance (or removal of the formal guarantee currently provided to academies by the DfE). Any changes will be notified to academies and will be reflected in a subsequent version of this FSS.

Note (h) (New Admission Bodies)

With effect from 1 October 2012, the LGPS 2012 Miscellaneous Regulations introduced mandatory requirements for all Admission Bodies brought into the Fund from that date. Under these Regulations, all new Admission Bodies will be required to provide some form of security, such as a guarantee from the letting employer, an indemnity or a bond. The security is required to cover some or all of the following:

- the strain cost of any redundancy early retirements resulting from the premature termination of the contract;
- allowance for the risk of asset underperformance;
- allowance for the risk of a greater than expected rise in liabilities;

- allowance for the possible non-payment of employer and member contributions to the Fund; and/or
- the current deficit.

Transferee Admission Bodies: For all TABs, the security must be to the satisfaction of the Administering Authority as well as the letting employer, and will be reassessed on a regular basis. See also Note (i) below.

Community Admission Bodies: The Administering Authority will only consider requests from CABs (or other similar bodies, such as section 75 NHS partnerships) to join the Fund if they are sponsored by a Scheduled Body with tax raising powers, who also guarantee their liabilities.

Note (i) (New Transferee Admission Bodies)

A new TAB usually joins the Fund as a result of the letting/outsourcing of some services from an existing employer (normally a Scheduled Body such as a council or academy) to another organisation (a "contractor"). This involves the TUPE transfer of some staff from the letting employer to the contractor. Consequently, for the duration of the contract, the contractor is a new participating employer in the Fund so that the transferring employees maintain their eligibility for LGPS membership. At the end of the contract the employees revert to the letting employer or to a replacement contractor.

Historically, the TAB would be set up in the Fund as a new employer with responsibility for all the accrued benefits of the transferring employees; in this case, the contractor would usually be assigned an initial asset allocation equal to the past service liability value of the employees' Fund benefits. In return, the contractor is then expected to ensure that its share of the Fund is also fully funded at the end of the contract: see Note (j).

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) 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.

ii) 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.

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.

Note (j) (Admission Bodies Ceasing)

Notwithstanding the provisions of the Admission Agreement, the Administering Authority may consider any of the following as triggers for the cessation of an admission agreement with any type of body:

- an employer's last active member stops contributing to the Fund. It should be noted, however, that LGPS Regulation changes mean that the Administering Authority has the discretion, in any given case, to defer taking action for up to three years;
- The insolvency, winding up or liquidation of the Admission Body;
- Any breach by the Admission Body of any of its obligations under the Agreement that they have failed to remedy to the satisfaction of the Fund;
- A failure by the Admission Body to pay any sums due to the Fund within the period required by the Fund; or
- The failure by the Admission Body to renew or adjust the level of the bond or indemnity, or to confirm an appropriate alternative guarantor, as required by the Fund.

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. Where there is a deficit, payment of this amount in full would normally be sought from the Admission Body; where there is a surplus following the LGPS (Amendment) Regulations 2018 which came into effect on 14th May 2018, this will normally result in an exit credit payment to the Admission Body. If a risk-sharing agreement has been put in place (please see note (i) above) no cessation debt or exit credit may be payable, depending on the terms of the agreement.

As discussed in Section 2.7, 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.

The Fund Actuary charges a fee for carrying out an employer's cessation valuation, and there will be other Fund administration expenses associated with the cessation, both of which the Fund will recharge to the employer. For the purposes of the cessation valuation, this fee will be treated as an expense incurred by the employer and will be deducted from the employer's cessation surplus or added to the employer's cessation deficit, as appropriate. This process improves administrative efficiency as it reduces the number of transactions required to be made between the employer and the Fund following an employer's cessation.

For non-Transferee Admission Bodies 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 "gilts 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 or contractor exit basis as described in Appendix E;

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.

As an alternative, where the ceasing Admission Body is continuing in business, the Fund at its absolute discretion reserves the right to enter into an agreement with the ceasing Admission Body. Under this agreement the Fund would accept an appropriate alternative security to be held against any deficit on the gilts exit basis and would carry out the cessation valuation on the ongoing participation basis. Secondary contributions would be derived from this cessation debt. This approach would be monitored as part of each formal valuation and secondary contributions would be reassessed as required. The Admission Body may terminate the agreement only via payment of the outstanding debt assessed on the gilts exit basis. Furthermore, the Fund reserves the right to revert to the "gilts exit basis" and seek immediate payment of any funding shortfall identified. The Administering Authority may need to seek legal advice in such cases, as the Admission Body would have no contributing members.

3.4 Pooled contributions

From time to time the Administering Authority, with the advice of the Actuary, may set up pools for smaller employers with similar or complementary characteristics to pool their contributions as a way of smoothing out changes to contribution rates. This will always be in line with its broader funding strategy.

Community Admission Bodies that are deemed by the Administering Authority to have closed to new entrants are not usually permitted to participate in a pool.

Transferee Admission Bodies are usually also ineligible for pooling. Depending on the contract circumstances, some Transferee Admission Bodies may be pooled with their letting authority.

The intention of a pool is to minimise contribution rate volatility which would otherwise occur when members join, leave, take early retirement, receive pay rises markedly different from expectations, etc. Such events can cause large changes in contribution rates for very small employers in particular, unless these are smoothed out for instance by pooling across a number of employers.

Importantly, it should be noted that the employers in the pool will still have their own individual funding positions tracked by the Actuary, so that some employers will be much better funded, and others much more poorly funded, than the pool average. This therefore means that if any given employer was funding on a stand-alone basis, as opposed to being in the pool, then its contribution rate could be much higher or lower than the pool contribution rate.

It should also be noted that, if an employer is considering ceasing from the Fund, its required contributions would be based on its own funding position (rather than the pool average), and the cessation terms would also apply: this would mean potentially very different (and in particular possibly much higher) contributions would be required from the employer in that situation.

Those employers which have been pooled are identified in the Rates and Adjustments Certificate.

3.5 Additional flexibility in return for added security

The Administering Authority may permit greater flexibility to the employer's contributions if the employer provides added security to the satisfaction of the Administering Authority.

Such flexibility includes a reduced rate of contribution, an extended time horizon, or permission to join a pool with another body (e.g. the Local Authority).

Such security may include, but is not limited to, a suitable bond, a legally-binding guarantee from an appropriate third party, or security over an employer asset of sufficient value. The degree of flexibility given may take into account factors such as:

- the extent of the employer's deficit;
- the amount and quality of the security offered;
- the employer's financial security and business plan; and
- whether the admission agreement is likely to be open or closed to new entrants.

3.6 Non ill health early retirement costs

It is assumed that members' benefits are payable from the earliest age that the employee could retire without incurring a reduction to their benefit (and without requiring their employer's consent to retire). (**NB** the relevant age may be different for different periods of service, following the benefit changes from April 2008 and April 2014).

Whenever an employee retires early the Fund will check whether the circumstances of this retirement are such that the employer is required to pay additional contributions ('strain'). The Fund's policy is that any such additional contributions are normally payable immediately.

3.7 Ill health early retirement costs

If a member retires early due to ill-health, an additional funding strain will usually arise, which can be very large. Such strain costs are the responsibility of the member's employer to pay.

For some larger employers, the Fund will monitor an ill health budget based on the actuarial assumptions from the valuation. When the budget is used up, additional contributions will be requested.

To mitigate this risk, individual employers (including larger ones) may elect to use external insurance, which has been made available by the Fund (see 3.8 below).

3.8 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.

3.9 Employers with no remaining active members

In general an employer ceasing in the Fund, due to the departure of the last active member, will pay a cessation debt or receive an exit credit on an appropriate basis (see 3.3, Note (j)) and consequently have no further obligation to the Fund. Thereafter, one of two situations will eventually arise:

a) The employer's asset share runs out before all its ex-employees' benefits have been paid. In this situation the other Fund employers will be required to contribute to pay all remaining benefits: this will be done by the Fund actuary apportioning the remaining liabilities on a pro-rata basis at successive formal valuations;

b) The last ex-employee or dependant dies before the employer's asset share has been fully utilised. In this situation the remaining assets would be apportioned pro-rata by the Fund's actuary to the other Fund employers.

In exceptional circumstances the Fund may permit an employer with no remaining active members and a cessation debt to continue contributing to the Fund. This would require the provision of a suitable security or guarantee, as well as a written ongoing commitment to fund the remainder of the employer's obligations over an appropriate period. The Fund would reserve the right to invoke the cessation requirements in the future and may well seek legal advice in such cases.

3.10 Policies on bulk transfers

Each case will be treated on its own merits, but in general:

- The Fund will not pay bulk transfers greater than the lesser of (a) the asset share of the transferring employer in the Fund, and (b) the value of the past service liabilities of the transferring members;
- The Fund will not grant added benefits to members bringing in entitlements from another Fund unless the asset transfer is sufficient to meet the added liabilities; and

- The Fund may permit shortfalls to arise on bulk transfers if the Fund employer has suitable strength of covenant and commits to meeting that shortfall in an appropriate period. This may require the employer's Fund contributions to increase between valuations.

4 Funding strategy and links to investment strategy

4.1 What is the Fund's investment strategy?

The Fund has built up assets over the years and continues to receive contribution and other income. All of this must be invested in a suitable manner. How these assets are invested is set out in the Investment Strategy Statement, which can be found here <link>.

The investment strategy is set by the Administering Authority, after consultation with the employers and after taking investment advice. The precise mix, manager make up and target returns are set out in the Investment Strategy Statement, which is available to members and employers and via the link above.

The investment strategy is set for the long-term, but is reviewed from time to time. Normally a full review is carried out as part of each actuarial valuation, and is kept under review annually between actuarial valuations to ensure that it remains appropriate to the Fund's liability profile.

The same investment strategy is currently followed for all employers.

4.2 What is the link between funding strategy and investment strategy?

The Fund must be able to meet all benefit payments as and when they fall due. These payments will be met by contributions (resulting from the funding strategy) or asset returns and income (resulting from the investment strategy). To the extent that investment returns or income fall short, then higher cash contributions are required from employers, and vice versa

Therefore, the funding and investment strategies are inextricably linked.

4.3 How does the funding strategy reflect the Fund's investment strategy?

In the opinion of the Fund actuary, the current funding policy is consistent with the current investment strategy of the Fund. The actuary's assumptions for future investment returns (described further in Appendix E) are based on the current benchmark investment strategy of the Fund. The future investment return assumptions underlying each of the fund's three funding bases include a margin for prudence, and are therefore also considered to be consistent with the requirement to take a "prudent longer-term view" of the funding of liabilities as required by the UK Government (see Appendix A1).

In the short term – such as the three yearly assessments at formal valuations – there is the scope for considerable volatility in asset values. However, the actuary takes a long term view when assessing employer contribution rates and the contribution rate setting methodology takes into account this potential variability.

The Fund does not hold a contingency reserve to protect it against the volatility of equity investments.

4.4 How does the Fund monitor its overall funding position?

The Administering Authority monitors the relative funding position, i.e. changes in the relationship between asset values and the liabilities value, quarterly. It reports this to the regular Pensions Committee meetings and these reports are available via the Committee meeting papers.

5 Statutory reporting and comparison to other LGPS Funds

5.1 Purpose

Under Section 13(4)(c) of the Public Service Pensions Act 2013 ("Section 13"), the Government Actuary's Department must, following each triennial actuarial valuation, report to MHCLG on each of the LGPS Funds in England & Wales. This report will cover whether, for each Fund, the rate of employer contributions are set at an appropriate level to ensure both the solvency and the long term cost efficiency of the Fund.

This additional MHCLG oversight may have an impact on the strategy for setting contribution rates at future valuations.

5.2 Solvency

For the purposes of Section 13, the rate of employer contributions shall be deemed to have been set at an appropriate level to ensure solvency if:

(a) the rate of employer contributions is set to target a funding level for the Fund of 100%, over an appropriate time period and using appropriate actuarial assumptions (where appropriateness is considered in both absolute and relative terms in comparison with other funds); and either

(b) employers collectively have the financial capacity to increase employer contributions, and/or the Fund is able to realise contingent assets should future circumstances require, in order to continue to target a funding level of 100%; or

(c) there is an appropriate plan in place should there be, or if there is expected in future to be, a material reduction in the capacity of fund employers to increase contributions as might be needed.

5.3 Long Term Cost Efficiency

The rate of employer contributions shall be deemed to have been set at an appropriate level to ensure long term cost efficiency if:

i. the rate of employer contributions is sufficient to make provision for the cost of current benefit accrual,

ii. with an appropriate adjustment to that rate for any surplus or deficit in the Fund.

In assessing whether the above condition is met, MHCLG may have regard to various absolute and relative considerations. A relative consideration is primarily concerned with comparing LGPS pension funds with other LGPS pension funds. An absolute consideration is primarily concerned with comparing Funds with a given objective benchmark.

Relative considerations include:

1. the implied deficit recovery period; and
2. the investment return required to achieve full funding after 20 years.

Absolute considerations include:

1. the extent to which the contributions payable are sufficient to cover the cost of current benefit accrual and the interest cost on any deficit;
2. how the required investment return under "relative considerations" above compares to the estimated future return being targeted by the Fund's current investment strategy;
3. the extent to which contributions actually paid have been in line with the expected contributions based on the current rates and adjustment certificate; and
4. the extent to which any new deficit recovery plan can be directly reconciled with, and can be demonstrated to be a continuation of, any previous deficit recovery plan, after allowing for actual Fund experience.

MHCLG may assess and compare these metrics on a suitable standardised market-related basis, for example where the local funds' actuarial bases do not make comparisons straightforward.

Appendix A – Regulatory framework

A1 Why does the Fund need an FSS?

The Ministry of Housing, Communities and Local Government (MHCLG) has stated that the purpose of the FSS is:

*"to establish a **clear and transparent fund-specific strategy** which will identify how employers' pension liabilities are best met going forward;*

*to support the regulatory framework to maintain **as nearly constant employer contribution rates as possible**; and*

*to take a **prudent longer-term view** of funding those liabilities."*

These objectives are desirable individually, but may be mutually conflicting.

The requirement to maintain and publish a FSS is contained in LGPS Regulations which are updated from time to time. In publishing the FSS the Administering Authority has to have regard to any guidance published by Chartered Institute of Public Finance and Accountancy (CIPFA) (most recently in 2019) and to its Investment Strategy Statement.

This is the framework within which the Fund's actuary carries out triennial valuations to set employers' contributions and provides recommendations to the Administering Authority when other funding decisions are required, such as when employers join or leave the Fund. The FSS applies to all employers participating in the Fund.

A2 How does the Administering Authority consult on the FSS?

This consultation is required by LGPS Regulations. It is covered in more detail by the most recent CIPFA guidance, which states that the FSS must first be subject to "consultation with such persons as the authority considers appropriate", and should include "a meaningful dialogue at officer and elected member level with council tax raising authorities and with corresponding 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 [DATE] for comment;

b) Comments were requested within x days;

c) Following the end of the consultation period the FSS was updated where required and then published, in [DATE].

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;
- A link in the annual report and accounts of the Fund;
- 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 triennial valuation (which may move to every four years in future - see Section 2.8). This version is expected to remain unaltered until it is consulted upon as part of the formal process for the next valuation.

It is possible that (usually slight) amendments may be needed within the three year period. These would be needed to reflect any regulatory changes, or alterations to the way the Fund operates (e.g. to accommodate a new class of employer). Any such amendments would be consulted upon as appropriate:

- trivial amendments would be simply notified at the next round of employer communications,
- amendments affecting only one class of employer would be consulted with those employers,
- other more significant amendments would be subject to full consultation.

Changes to the FSS would need agreement by the Pension Fund Committee and would be included in the relevant Committee Meeting minutes.

A5 How does the FSS fit in with the other documents that the Fund produces?

The FSS is simply a summary of the Fund's approach to funding liabilities. It is not an exhaustive statement of policy on all issues. There are several other documents published by the Fund that it needs to speak to and complement – these include the Investment Strategy Statement, Risk Register, Governance Strategy and Communications Strategy. In addition, the Fund publishes an Annual Report and Accounts with up to date information on the Fund.

These documents can be found on the web at www.suffolkpensionfund.org.

Appendix B – Responsibilities of key parties

The efficient and effective operation of the Fund needs various parties to each play their part.

B1 The Administering Authority should:-

1. operate the Fund as per the LGPS Regulations;
2. effectively manage any potential conflicts of interest arising from its dual role as Administering Authority and a Fund employer;
3. collect employer and employee contributions, investment income and other amounts due to the Fund;
4. ensure that cash is available to meet benefit payments as and when they fall due;
5. pay from the Fund the relevant benefits and entitlements that are due;
6. invest surplus monies (i.e. contributions and other income which are not immediately needed to pay benefits) in accordance with the Fund's Investment Strategy Statement (ISS) and LGPS Regulations;
7. communicate appropriately with employers so that they fully understand their obligations to the Fund;
8. take appropriate measures to safeguard the Fund against the consequences of employer default;
9. manage the valuation process in consultation with the Fund's actuary;
10. provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);
11. prepare and maintain a FSS and a ISS, after consultation;
12. notify the Fund's actuary of material changes which could affect funding (this is covered in a separate agreement with the actuary); and
13. monitor all aspects of the fund's performance and funding and amend the FSS and ISS as necessary and appropriate.

B2 The Individual Employer should:-

1. deduct contributions from employees' pay correctly;
2. pay all contributions, including their own as determined by the actuary, promptly by the due date;
3. have a policy and exercise discretions within the regulatory framework;
4. make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain; and
5. notify the Administering Authority promptly of all changes to its circumstances, prospects or membership, which could affect future funding.

B3 The Fund Actuary should:-

1. prepare valuations, including the setting of employers' contribution rates. This will involve agreeing assumptions with the Administering Authority, having regard to the FSS and LGPS Regulations, and targeting each employer's solvency appropriately;
2. provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);
3. provide advice relating to new employers in the Fund, including the level and type of bonds or other forms of security (and the monitoring of these);

4. prepare advice and calculations in connection with bulk transfers and individual benefit-related matters;
5. assist the Administering Authority in considering possible changes to employer contributions between formal valuations, where circumstances suggest this may be necessary;
6. advise on the termination of employers' participation in the Fund; and
7. fully reflect actuarial professional guidance and requirements in the advice given to the Administering Authority.

B4 Other parties (not exhaustive):-

1. investment advisers (either internal or external) should help the Administering Authority ensure that the Fund's ISS remains appropriate, and consistent with this FSS;
2. investment managers, custodians and bankers should all play their part in the effective investment (and dis-investment) of Fund assets, in line with the ISS;
3. auditors should comply with their auditing standards, ensure Fund compliance with all requirements, monitor and advise on fraud detection, and sign off annual reports and financial statements as required;
4. governance advisers may be appointed to advise the Administering Authority on efficient processes and working methods in managing the Fund;
5. legal advisers (either internal or external) should ensure the Fund's operation and management remains fully compliant with all regulations and broader local government requirements, including the Administering Authority's own procedures;
6. MHCLG (assisted by the Government Actuary's Department) and the Scheme Advisory Board, should work with LGPS Funds to meet Section 13 requirements.

Appendix C – Key risks and controls

C1 Types of risk

The Administering Authority has an active risk management programme in place. The key risks that it faces and the measures that it has put in place to control them are set out in the Fund's risk register, which can be found here <insert link>.

These key risks generally fall into one of the four following categories.:

- financial;
- demographic;
- regulatory; and
- governance.

These categories, and the individual risks within, impact on the Fund's funding strategy to differing levels.

Appendix D – The calculation of Employer contributions

In Section 2 there was a broad description of the way in which contribution rates are calculated. This Appendix considers these calculations in much more detail.

As discussed in Section 2, the actuary calculates the required contribution rate for each employer using a three-step process:

- Calculate the funding target for that employer, i.e. the estimated amount of assets it should hold in order to be able to pay all its members' benefits. See Appendix E for more details of what assumptions we make to determine that funding target;
- Determine the time horizon over which the employer should aim to achieve that funding target. See the table in 3.3 and Note (c) for more details;
- Calculate the employer contribution rate such that it has at least a given likelihood of achieving that funding target over that time horizon, allowing for various possible economic outcomes over that time horizon. See the table in 3.3 Note (e) for more details.

The calculations involve actuarial assumptions about future experience, and these are described in detail in Appendix E.

D1 What is the difference between calculations across the whole Fund and calculations for an individual employer?

Employer contributions are normally made up of two elements:

a) the estimated cost of ongoing benefits being accrued, referred to as the "Primary contribution rate" (see D2 below); plus

b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "Secondary contribution rate" (see D3 below).

The contribution rate for each employer is measured as above, appropriate for each employer's assets and the benefits for its membership. The whole Fund position, including that used in reporting to MHCLG (see section 5), is calculated in effect as the sum of all the individual employer rates. MHCLG currently only regulates at whole Fund level, without monitoring individual employer positions.

D2 How is the Primary contribution rate calculated?

The Primary element of the employer contribution rate is calculated with the aim that these contributions will meet benefit payments in respect of members' **future** service in the Fund. This is based upon the cost (in excess of members' contributions) of the benefits which employee members earn from their service each year.

The Primary rate is calculated separately for all the employers, although employers within a pool will pay the contribution rate applicable to the pool as a whole. The Primary rate is normally calculated such that it is projected to:

1. meet the required funding target for all future years' accrual of benefits*, excluding any accrued assets,
2. within the determined time horizon (see note 3.3 Note (c) for further details),
3. with a sufficiently high likelihood, as set by the Fund's strategy for the category of employer (see 3.3 Note (e) for further details).

* The projection is for the current active membership where the employer no longer admits new entrants, or additionally allows for new entrants where this is appropriate.

The projections are carried out using an economic modeller (the “Economic Scenario Service”) developed by the Fund’s actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund’s investment strategy), inflation, and bond yields. Further information about this model is included in Appendix E. The measured contributions are calculated such that the proportion of outcomes meeting the employer’s funding target (at the end of the time horizon) is equal to the requiredlikelihood.

The approach includes expenses of administration to the extent that they are borne by the Fund, and includes allowances for benefits payable on death in service and on ill health retirement.

D3 How is the Secondary contribution rate calculated?

The Fund aims for the employer to have assets sufficient to meet 100% of its accrued liabilities at the end of its funding time horizon based on the employer’s funding target assumptions (see Appendix E). The Secondary rate is calculated as the balance over and above the Primary rate, such that the total contribution rate is projected to:

1. meet the required funding target relating to combined past and future service benefit accrual, including accrued asset share (see D5 below)
2. at the end of the determined time horizon (see 3.3 Note (c) for further details)
3. with a sufficiently high likelihood, as set by the Fund’s strategy for the category of employer (see 3.3 Note (e) for further details).

The projections are carried out using an economic modeller (the “Economic Scenario Service”) developed by the Fund Actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund’s investment strategy), inflation, and bond yields. Further information about this model is included in Appendix E. The measured contributions are calculated such that the proportion of outcomes meeting the employer’s funding target (at the end of the time horizon) is equal to the required likelihood.

D4 Why do employers get different valuation results and contribution rates?

The results of these calculations for a given individual employer will be affected by:

1. past contributions relative to the cost of accruals of benefits;
2. different liability profiles of employers (e.g. mix of members by age, gender, service vs. salary);
3. the effect of any differences in the funding target, i.e. the valuation basis used to value the employer’s liabilities at the end of the time horizon;
4. any different time horizons;
5. the difference between actual and assumed rises in pensionable pay;
6. the difference between actual and assumed increases to pensions in payment and deferred pensions;
7. the difference between actual and assumed retirements on grounds of ill-health from active status;
8. the difference between actual and assumed amounts of pension ceasing on death;
9. the additional costs of any non ill-health retirements relative to any extra payments made; and/or

10. differences in the required likelihood of achieving the funding target.

D5 How is each employer's asset share calculated?

Despite the common perception that they do, the Administering Authority does not operate separate bank accounts or investment mandates for each employer. Therefore, it cannot account for each employer's assets separately. Instead, the Fund Actuary must apportion the assets of the whole Fund between the individual employers. There are broadly two ways to do this:

1) A technique known as "analysis of surplus" in which the Fund actuary estimates the surplus/deficit of an employer at the current valuation date by analysing movements in the surplus/deficit from the previous actuarial valuation date. The estimated surplus/deficit is compared to the employer's liability value to calculate the employer's asset value. The actuary will quantify the impact of investment, membership and other experience to analyse the movement in the surplus/deficit. This technique makes a number of simplifying assumptions due to the unavailability of certain items of information. This leads to a balancing, or miscellaneous, item in the analysis of surplus, which is split between employers in proportion to their asset shares.

2) A 'cashflow approach' in which an employer's assets are tracked over time allowing for cashflows paid in (contributions, transfers in etc.), cashflows paid out (benefit payments, transfers out etc.) and investment returns on the employer's assets.

Until 31 March 2016 the Administering Authority used the 'analysis of surplus' approach to apportion the Fund's assets between individual employers.

Since then, the Fund has adopted a cashflow approach for tracking individual employer assets.

The Fund Actuary uses the Hymans Robertson's proprietary "HEAT" system to track employer assets. Starting with each employer's previous assets, cashflows paid in/out and investment returns achieved on the Fund's assets over a period are added to calculate an asset value at the end.

The Fund is satisfied that this new approach provides the most accurate asset allocations between employers that is reasonably possible at present.

D6 How does the Fund adjust employer asset shares when an individual member moves from one employer in the Fund to another?

Under the cashflow approach for tracking employer asset shares, the Fund has allowed for any individual members transferring from one employer in the Fund to another, via the transfer of a sum from the ceding employer's asset share to the receiving employer's asset share. This sum is equal to the member's Cash Equivalent Transfer Value (CETV) as advised by the Fund's administrators.

Appendix E – Actuarial assumptions

E1 What are the actuarial assumptions used to calculate employer contribution rates?

These are expectations of future experience used to place a value on future benefit payments ("the liabilities") and future asset values. Assumptions are made about the amount of benefit payable to members (the financial assumptions) and the likelihood or timing of payments (the demographic assumptions). For example, financial assumptions include investment returns, salary growth and pension increases; demographic assumptions include life expectancy, probabilities of ill-health early retirement, and proportions of member deaths giving rise to dependants' benefits.

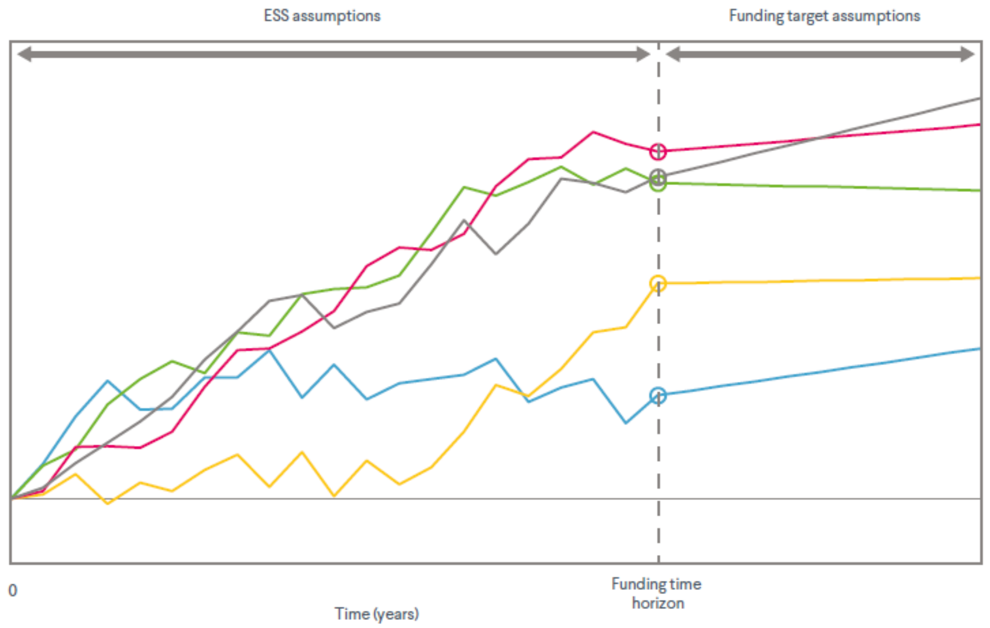
Changes in assumptions will affect the funding target and required contribution rate. However, different assumptions will not of course affect the actual benefits payable by the Fund in future.

The actuary's approach to calculating employer contribution rates involves the projection of each employer's future benefit payments, contributions and investment returns into the future under 5,000 possible economic scenarios. Future inflation (and therefore benefit payments) and investment returns for each asset class (and therefore employer asset values) are variables in the projections. By projecting the evolution of an employer's assets and benefit payments 5,000 times, a contribution rate can be set that results in a sufficient number of these future projections (determined by the employer's required likelihood) being successful at the end of the employer's time horizon. In this context, a successful contribution rate is one which results in the employer having met its funding target at the end of the time horizon.

Setting employer contribution rates therefore requires two types of assumptions to be made about the future:

1. Assumptions to project the employer's assets, benefits and cashflows to the end of the funding time horizon. For this purpose the actuary uses Hymans Robertson's proprietary stochastic economic model - the Economic Scenario Service ("ESS").

2. Assumptions to assess whether, for a given projection, the funding target is satisfied at the end of the time horizon. For this purpose, the Fund has three different funding bases.



Details on the ESS assumptions and funding target assumptions are included below (in E2 and E3 respectively).

E2 What assumptions are used in the ESS?

The actuary uses Hymans Robertson's ESS model to project a range of possible outcomes for the future behaviour of asset returns and economic variables. With this type of modelling, there is no single figure for an assumption about future inflation or investment returns. Instead, there is a range of what future inflation or returns will be which leads to likelihoods of the assumption being higher or lower than a certain value.

The ESS is a complex model to reflect the interactions and correlations between different asset classes and wider economic variables. The table below shows the calibration of the model as at 31 March 2019. All returns are shown net of fees and are the annualised total returns over 5, 10 and 20 years, except for the yields which refer to the simulated yields at that time horizon.

		Annualised total returns									
		Cash	Index Linked Gilts (medium)	Fixed Interest Gilts (medium)	UK Equity	Overseas Equity	Property	A rated corporate bonds (medium)	RPI inflation expectation	17 year real govt bond yield	17 year govt bond yield
5 years	16th %'ile	-0.4%	-2.3%	-2.9%	-4.1%	-4.1%	-3.5%	-2.7%	1.9%	-2.5%	0.8%
	50th %'ile	0.7%	0.5%	0.3%	4.0%	4.1%	2.4%	0.8%	3.3%	-1.7%	2.1%
	84th %'ile	2.0%	3.3%	3.4%	12.7%	12.5%	8.8%	4.0%	4.9%	-0.8%	3.6%
10 years	16th %'ile	-0.2%	-1.8%	-1.3%	-1.5%	-1.4%	-1.5%	-0.9%	1.9%	-2.0%	1.2%
	50th %'ile	1.3%	0.0%	0.2%	4.6%	4.7%	3.1%	0.8%	3.3%	-0.8%	2.8%
	84th %'ile	2.9%	1.9%	1.7%	10.9%	10.8%	7.8%	2.5%	4.9%	0.4%	4.8%
20 years	16th %'ile	0.7%	-1.1%	0.1%	1.2%	1.3%	0.6%	0.7%	2.0%	-0.7%	2.2%
	50th %'ile	2.4%	0.3%	1.0%	5.7%	5.8%	4.3%	1.9%	3.2%	0.8%	4.0%
	84th %'ile	4.5%	2.0%	2.0%	10.3%	10.4%	8.1%	3.0%	4.7%	2.2%	6.3%
	Volatility (Disp) (1 yr)	1%	7%	10%	17%	17%	14%	11%	1%		

E3 What assumptions are used in the funding target?

At the end of an employer's funding time horizon, an assessment will be made – for each of the 5,000 projections – of how the assets held compare to the value of assets required to meet the future benefit payments (the funding target). Valuing the cost of future benefits requires the actuary to make assumptions about the following financial factors:

4. Benefit increases and CARE revaluation
5. Salary growth
6. Investment returns (the "discount rate")

Each of the 5,000 projections represents a different prevailing economic environment at the end of the funding time horizon and so a single, fixed value for each assumption is unlikely to be appropriate for every projection. For example, a high assumed future investment return (discount rate) would not be prudent in projections with a weak outlook for economic growth. Therefore, instead of using a fixed value for each assumption, the actuary references economic indicators to ensure the assumptions remain appropriate for the prevailing economic environment in each projection. The economic indicators the actuary uses are: future inflation expectations and the prevailing risk free rate of return (the yield on long term UK government bonds is used as a proxy for this rate).

The Fund has three funding bases which will apply to different employers depending on their type. Each funding basis has a different assumption for future investment returns when determining the employer's funding target.

Funding basis	Ongoing participation basis	Contractor exit basis	Low risk exit basis

Employer type	All employers except Transferee Admission Bodies and closed Community Admission Bodies	Transferee Admission Bodies	Community Admission Bodies that are closed to new entrants
Investment return assumption underlying the employer's funding target (at the end of its time horizon)	Long term government bond yields plus an asset outperformance assumption (AOA) of 1.8% p.a.	Long term government bond yields plus an AOA equal to the AOA used to allocate assets to the employer on joining the Fund	Long term government bond yields with no allowance for outperformance on the Fund's assets

E4 What other assumptions apply?

The following assumptions are those of the most significance used in both the projection of the assets, benefits and cashflows and in the funding target.

a) Salary growth

After discussion with Fund officers, the salary increase assumption at the 2019 valuation was set to be a blended rate combined of:

1. 3% for year 1 and then 2% for years 2 to 4, followed by

2. retail prices index (RPI) p.a. thereafter.

This gives a single "blended" assumption of RPI less 0.3%. This is a change from the previous valuation, which assumed a blended assumption of RPI less 0.7%. per annum. The change has led to a higher funding target (all other things being equal).

b) Pension increases

Since 2011 the consumer prices index (CPI), rather than RPI, has been the basis for increases to public sector pensions in deferment and in payment. Note that the basis of such increases is set by the Government, and is not under the control of the Fund or any employers.

At this valuation, we have continued to assume that CPI is 1.0% per annum lower than RPI. (Note that the reduction is applied in a geometric, not arithmetic, basis).

c) Life expectancy

The demographic assumptions are intended to be best estimates of future experience in the Fund based on past experience of LGPS funds which participate in Club Vita, the longevity analytics service used by the Fund, and endorsed by the actuary.

The longevity assumptions that have been adopted at this valuation are a bespoke set of "VitaCurves", produced by the Club Vita's detailed analysis, which are specifically tailored to fit the membership profile of the Fund. These curves are based on the data provided by the Fund for the purposes of this valuation.

Allowance has been made in the ongoing valuation basis for future improvements in line with the 2018 version of the Continuous Mortality Investigation model published by the Actuarial Profession and a 1.25% per annum minimum underpin to future reductions in mortality rates. This updated allowance for future improvements will generally result in lower life expectancy assumptions and hence a reduced funding target (all other things being equal).

d) General

The same financial assumptions are adopted for most employers (on the ongoing participation basis identified above), in deriving the funding target underpinning the Primary and Secondary rates: as described in (3.3), these calculated figures are translated in different ways into employer contributions, depending on the employer's circumstances.

The demographic assumptions, particularly the life expectancy assumption, vary by type of member and so reflect the different membership profiles of employers.

Appendix F – Glossary

Administering Authority	The council with statutory responsibility for running the Fund, in effect the Fund's "trustees".
Admission Bodies	Employers where there is an Admission Agreement setting out the employer's obligations. These can be Community Admission Bodies or Transferee Admission Bodies. For more details (see 2.3).
Covenant	The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term.
Designating Employer	Employers such as town and parish councils that are able to participate in the LGPS via resolution. These employers can designate which of their employees are eligible to join the Fund.
Employer	An individual participating body in the Fund, which employs (or used to employ) members of the Fund. Normally the assets and funding target values for each employer are individually tracked, together with its Primary rate at each valuation.
FSS	Funding Strategy Statement (this document) – see Section 1: Introduction for background to it.
Funding basis	The combined set of assumptions made by the actuary, regarding the future, to calculate the value of the funding target at the end of the employer's time horizon. The main assumptions will relate to the level of future investment returns, salary growth, pension increases and longevity. More prudent assumptions will give a higher funding target, whereas more optimistic assumptions will give a lower funding target.
Gilt	A UK Government bond, i.e. a promise by the Government to pay interest and capital as per the terms of that particular gilt, in return for an initial payment of capital by the purchaser. Gilts can be "fixed interest", where the interest payments are level throughout the gilt's term, or "index-linked" where the interest payments vary each year in line with a specified index (usually RPI). Gilts can be bought as assets by the Fund, but are also used in funding as an objective measure of a risk-free rate of return.
Guarantee / guarantor	A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's covenant to be as strong as its guarantor's.
Letting employer	An employer which outsources or transfers a part of its services and workforce to another employer (usually a contractor). The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer. A letting employer will usually

	be a local authority, but can sometimes be another type of employer such as an Academy.
LGPS	The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 100 Funds which map the UK. Each LGPS Fund is autonomous to the extent not dictated by Regulations, e.g. regarding investment strategy, employer contributions and choice of advisers.
Maturity	A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.
Members	The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).
Primary contribution rate	The employer contribution rate required to pay for ongoing accrual of active members' benefits (including an allowance for administrative expenses). See Appendix D for further details.
Profile	The profile of an employer's membership or liability reflects various measurements of that employer's members, ie current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc. A membership (or liability) profile might be measured for its maturity also.
Rates and Adjustments Certificate	A formal document required by the LGPS Regulations, which must be updated at the conclusion of the formal valuation. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the period until the next valuation is completed.
Scheduled Bodies	Types of employer explicitly defined in the LGPS Regulations, whose employees must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, academies, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).
Secondary contribution rate	The difference between the employer's actual and Primary contribution rates. See Appendix D for further details.
Stabilisation	Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund.

Valuation	A risk management exercise to review the Primary and Secondary contribution rates, and other statutory information for a Fund, and usually individual employers too.

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Suffolk County Council

Agenda Item 6

Suffolk Pension Board

Report Title:	Pensions Administration Performance
Meeting Date:	11 October 2019
Chairman:	Councillor Richard Smith MVO
Director:	Chris Bally, Deputy Chief Executive
Assistant Director or Head of Service:	Louise Aynsley, Head of Finance (S151 Officer)
Author:	Stuart Potter, Pensions Operations Manager

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, previously a separate paper, 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

5. This report covers staff performance and team achievements since the previous Board meeting on 23 July 2019.

6. The Service Level Agreements for our 'key' processes between July 2019 and August 2019 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 72, percentage completed in SLA 100%

   b) Estimates are issued to members or employers within 10 working days of receipt of all information – Total cases 150, percentage completed in SLA 100%

c) Retiring employees are notified of their options within 5 working days of receipt of all information – Total cases 281, percentage completed in SLA 99%

d) Retirement lump sums will be paid within 10 working days of receipt of all necessary information after retirement – Total cases 198, percentage completed in SLA 100%

e) Notification of survivor benefits will be issued within 10 working days of receipt of all information – Total cases 33, percentage completed in SLA 97%

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 79, percentage completed in SLA 100%

7. Annual Benefit Statements were produced and published on Member Self Service by 31 August 2019. This completes the administration side of the triennial valuation. Paper statements were issued to those members who had requested them.

8. Significant work and progress has been made on the payroll project. This has now resulted in the final data extracts being provided to Heywood and commencement of the 2 parallel run periods. Training has been provided by Heywood in the use of the system and the hope and expectation is that no significant issues will be identified during the parallel process enabling the go live date of 1 November 2019 to be achieved. This will also be reliant on IT agreement regarding BACS files/General ledger transfers and HMRC providing the requested new PAYE code.

9. Since the update at the last board meeting there have been five compliments. One of those was from a member thanking us for our 'quick response and for 'providing the information they needed to help plan for their future'. The next compliment was thanking us for attending an employer's team meeting and 'the expertise was very much appreciated'. The third compliment was from an employer thanking us for helping them understand their stance in relation to a member request and thanks was also received from another employer for helping them obtain capital cost values at very short notice. The fourth compliment was in relation to some information provided to support a member who was suffering a salary reduction. The final compliment was 'brilliant – thanks so much' in relation to the detail and clarification being provided to resolve one part of the payroll migration.

10. During this time there have been three complaints received. One of these was a formal complaint via SCC's complaint process. This was from a member who had not received his pension information despite requesting and chasing this. He was also unhappy with the email communication he received. Having investigated, the problems were caused by the team not correctly using the escalation process when the customer made contact. Reminders have been issued regarding the importance of this, and I have spoken to the member of staff regarding improving their future email communications. The complaint was responded to and resolved.

11. The second complaint was from a member who wanted their refund paid quicker, however a refund wasn't possible as they had a deferred pension in

another fund. The complaint was responded to although the situation had been communicated before the complaint was received.

12. The final complaint was in relation to a member who was unhappy with her pension figures as she was expecting higher values. This was down to a misunderstanding between the employer and the Pensions team and we are awaiting the employer's instruction on how to proceed. The member is being kept up to date.

13. An IDRP stage 2 complaint from last year that was not upheld has now been passed to the Ombudsman to investigate. The complaint is in relation to a member who feels they are entitled to more pension benefit than the regulations allow. We have provided the requested information and will await the decision on this case.

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

Contribution payments

15. The administration strategy requires contributions from employers to be received by the Pension Fund within 5 working days of the month end in which the contributions were deducted. The table below summarises the timeliness of receipts received during 2019/20 quarter 1:

	Quarter 1		
	Employer	Contributions	
	%	£'m	%
On Time	98%	27.882	98%
Up to 1 week late	1%	0.284	1%
Over 1 week late	1%	0.333	1%
Total		**28.499**	

16. Included in those that were late every month were three academy trusts totalling 6 schools and one other academy. Each has been contacted to resolve the issue.

Sources of further information

a) None.

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SUMMARY UPDATE
ACCESS Joint Committee:
9 September 2019

ACCESS
Effective • Collective • Investment

All ACCESS Authorities were represented, and the key matters considered are described below.

Part I Item	Details
Election of Chairman	Cllr Andrew Reid (Suffolk), incumbent, was unanimously re-elected as Chairman of the Joint Committee for a period of two years.
ACCESS Support Unit (ASU) update	The appointment of Kevin McDonald as *Interim Director ACCESS Support Unit* on 1st August 2019 was noted. The Committee also noted that Nicole Wood replaced Margaret Lee as *s151 Officer* at Essex CC (ASU Host Authority) on the same date.

Scheme Member representation	A report on Scheme Member representation was considered which set out:
	
	• relevant background;
	• UNISON's correspondence;
	• the current local governance and transparency arrangements at each ACCESS Fund;
	• the guidance and draft guidance from tPR, SAB, MHCLG and CIPFA (section 6); and
	• the s151 Officers':
	    ○ consideration of ACCESS's objective to enable Authorities *"to execute their fiduciary responsibilities to LGPS stakeholder including scheme members and employers…"*;
	    ○ their conclusions that existing Authority representation on the JC (via Elected Members) is appropriate and that scheme member & employer involvement in Authorities' discharging their fiduciary duty (including asset pooling) is a matter for each Authority to determine locally; and
	    ○ their recommendation that no change be made to the current arrangements.
	
	This matter was considered by the Committee, and following discussion of the report, a vote on the above recommendation was taken and the recommendation (*no change to current arrangements*) was agreed.

Governance	The Committee were updated on Monitoring Officers' comments on the revised Inter Authority Agreement (IAA). As the expected completion date was prior to the Committee's next meeting it was agreed that a tracked changes version of the final IAA would be circulated.
Business plan & budget	The Committee were updated on progress on the 2019/20 Business Plan along with workstreams undertaken by the ASU. The revised budget forecast was noted.

Part II Item	Details
Risk Register	The Committee noted the risk register and where appropriate agreed the proposed changes to the ratings of the risks specified.
Contract Management & supplier relationship update	The Committee noted a report on the Operator contract. This included details of current issues upon which the ASU and colleagues on the Officer Working Group are engaging with Link. Details of contract and supplier relationship management arrangements and activity was also included.
Link presentation	Karl Midl, Duncan Lowman and James Zealander from Link Fund Solutions gave a presentation. This highlighted progress on onboarding sub funds to date and plans for future launches along with the forthcoming inaugural investor day. Key learnings were also highlighted and discussed.
MHCLG update	The Committee noted a report highlighting the positive meeting between ACCESS and Civil Servants from MHCLG that took place on 4 July. The recently issued MHCLG reporting template was also noted.
Sub Fund implementation & development of illiquid	A report updating the Committee on sub fund launches and the future pipeline was noted. As a result of Link's recent appointment of two Global Value Equity managers agreement was given to an additional sub fund. Details of the forthcoming inaugural ACCESS investor day were noted. The process and timescales for the procurement of investment consultancy for the means and process for pooling illiquid assets were noted.
Next meeting date	9 December 2019

Suffolk
County Council

Agenda Item 8

Suffolk Pension Board, 11 October 2019

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. Good Governance

1.1 The LGPS has evolved considerably within the last few years, becoming increasingly complex. Hymans Robertson were appointed by the Scheme Advisory Board (SAB) to facilitate a review of the effectiveness of current governance structures and to consider alternatives or enhancements to these models to strengthen the governance of the LGPS.

1.2 The SAB are currently reviewing the report's recommendations (an executive summary is attached as **Appendix 1**) and have requested further work on the implications of an Outcomes Based Approach and options for independent assessment. Further guidance will be issued later this year or early next, and this will be reported to the Board when known.

1.3 The link to the full report is:

https://www.lgpsboard.org/images/PDF/GGreport.pdf

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2. Colleges – Consultation on Opt-out

2.1 This covers the proposal to allow higher and further education establishments to determine whether to offer the LGPS to new non-teaching staff which would reflect their non-public sector category status which was presented in the recent Government Consultation to amend the Local Government Pension Scheme 2013 Act regulations.

Background

2.2 Under the LGPS Regulations 2013, further education corporations, sixth form college corporations and higher education corporations in England and Wales are required to offer membership of the LGPS to their non-teaching staff.

2.3 In recent years, a number of changes have taken place in the further education and higher education sectors:

- In 2012, the Office for National Statistics took further education and sixth form college corporations in England out of the General Government sector, reflecting changes introduced by the Education Act 2011 which, in the view of the ONS, took public control away from such organisations.
- The Technical and Further Education Act 2017 provided for the introduction of a new statutory insolvency regime for further education and sixth form college corporations in England and Wales meaning, for the first time, it will be possible for such bodies to become legally insolvent. The Government expects cases of insolvency to be rare.
- The Higher Education and Research Act 2017 established a new regulatory framework and a new single regulator of higher education in England, the Office for Students (the OfS). The OfS adopts a proportionate, risk-based approach to regulating registered higher education providers consistent with its regulatory framework.

2.4 Reflecting the independent, non-public sector status, of further education, sixth form colleges, and the autonomous, non-public sector status of higher education corporations, these bodies are responsible for determining their own business models and for ensuring that their financial positions are sound. As such, these bodies may value greater flexibility in determining their own pension arrangements for their own workforces. Indeed, some respondents to the Department for Education consultation 'Insolvency regime for further education and sixth form colleges', held in 2017-18, requested that the obligation to offer LGPS to all eligible staff be removed.

2.5 The LGPS is a statutory scheme, with liabilities potentially falling back on other LGPS employers in the event of an employer becoming insolvent. The costs associated with meeting the liabilities of a failed organisation could therefore fall back on local authorities and other scheme employers, meaning there may be a direct impact on the finances of public bodies in a particular area if an organisation fails.

2.6 Given the nature of the LGPS and the changes in the further education and higher education sectors, it is right to consider whether it is still appropriate for LGPS regulations to require that these employers offer the LGPS for all eligible staff.

2.7 The Welsh Government does not propose to change the requirements of the LGPS Regulations 2013 in relation to further education corporations and higher education corporations in Wales. These bodies will continue to be required to offer membership of the LGPS to their non-teaching staff.

Proposal

2.8 The consultation proposed that further and higher education establishments be changed from scheduled to designation bodies under the LGPS regulations. In effect they would change from a situation where they must offer LGPS to new employees to one where they may offer LGPS.

2.9 The consultation proposes no change for existing employees who are eligible for LGPS membership who would retain their right to be in the scheme. These employees would retain an entitlement to membership of the scheme for so long as they remain in continuous employment with the body employing them when the regulations come into force. These employees would also retain an entitlement to membership of the scheme following a compulsory transfer to a successor body, for example, following the merger of two corporations.

2.10 Under the proposals each corporation would have the flexibility to decide whether to offer the LGPS to all or some eligible new employees, in recognition that corporations may view offering LGPS as a benefit in recruitment and retention strategies, but the flexibility to offer it should be for the corporations themselves.

2.11 It will be up to each institution to consider the potential equalities impacts when making a decision on which, if any, new employees should be given access to the scheme.

Local Government Response

2.12 The Local Government Pensions Committee (LGPC) is a committee of councillors constituted by the Local Government Association (LGA). The LGA is a cross-party membership organisation that works on behalf of councils to ensure Local Government has a voice with national Government.

2.13 They responded to this consultation on behalf of all Local Authorities an extract is as below:

‘The LGPC is concerned about the potential impact on future cash flows and scheme membership profiles which could result from this proposal and impact on remaining employers. The committee would wish to see detailed impact analysis before committing to a view on this proposal.

‘It is also concerned that this proposal could lead to similar moves in the Teachers’ Pension Scheme which could result in increased employer contributions for local authorities.

‘LGPC is aware of the SAB’s Tier 3 project which was commissioned to investigate, report and make proposals on issues such as the status of higher and further education establishments and suggests it may be advisable to wait for the outcome of that project before progressing this proposal.’

Scheme Advisory Board’s Tier 3 project

2.14 The Scheme Advisory Board for the LGPS in England and Wales (SAB) appointed Aon Hewitt to help them in their review of Tier 3 employers in the LGPS. Tier 3 employers are all those with no tax-payer backing (i.e. colleges, universities, housing associations, charities and any admission bodies with no guarantee from a Council, academy or other tax-payer backed employer).

2.15 The aim of the exercise was to identify:

- the duties, benefits, issues and challenges for LGPS funds, Tier 3 employers and their scheme members with regard to their participation in the LGPS
- options for change that would improve the funding, administration, participation and member experience with regard to Tier 3 employers.

2.16 SAB released a report in September 2018 and a working group was established to make a set of recommendations which would be subject to stakeholders review before a formal approach is made to MHCLG Ministers for changes to the Scheme's regulations or guidance.

2.17 The link to the findings is below:

http://www.lgpsboard.org/images/PDF/Tier_3_employers_in_the_LGPS_FINAL.pdf

Suffolk Employers

2.18 These proposals would affect 4 employers which are currently part of the Suffolk Pension Fund as an open scheduled body. Their details are as below:

Employer	Active	Deferred	Pensioners	Total
East Coast College	138	435	121	694
Suffolk College	239	439	209	887
West Suffolk College	551	759	190	1,500
Lowestoft Sixth Form	29	39	2	70
Total	**957**	**1,672**	**522**	**3,151**

2.19 Their total combined membership as at 31 March 2019 represents 5% of the Fund's total membership. The membership has increased by around 500 since the 2016 valuation.

2.20 The 2019 draft valuation results for these employers, all show them to be in a relatively well funded position.

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

Executive summary

Governance in the LGPS is evolving to accommodate new developments in the last decade, including oversight by The Pensions Regulator, introduction of Local Pension Boards, increasing complexity in scheme benefits and administration, local government funding cuts and pooling of LGPS investments which has changed the role of local pensions committees and the way LGPS administering authorities work with one another.

The SAB commissioned this report to examine the effectiveness of current LGPS governance models and to consider alternatives or enhancements to existing models which can strengthen LGPS governance going forward.

Given the unique nature of the LGPS, guaranteed by administering authorities and funded to a large degree by tax-payers, a criterion specified by SAB is that any models considered must maintain strong links to local democratic accountability.

Process

We engaged extensively with all stakeholder groups and all fund types via an online survey (140 respondents), one-to-one conversations through interviews and seminars (153 respondents), speaking engagements, a workshop with the Association of Local Authority Treasurers (ALATS), and discussion with the CIPFA Pensions Panel and the Society of County Treasurers (SCT).

We focussed on the following criteria for assessing governance arrangements; Standards, Consistency, Representation, Conflict Management, Clarity of Roles and Responsibilities and Cost. We were asked by SAB to consider how existing and alternative governance models fared against these criteria.

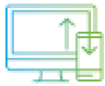
We considered four governance models:

- **Model 1:** improved practice
- **Model 2:** Model 1 plus greater ring-fencing
- **Model 3:** joint committee; and
- **Model 4:** separate Local Authority body.

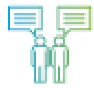
These models were described in qualitative terms with the recognition that some of the characteristics attributed to one model could also be replicated in another model and that the final solution may draw on the features of more than one model.

Results and themes from survey responses

The online survey responses indicated a first preference for governance Model 2 (greater ring-fencing) followed by support for Model 1 (improved practice). Respondents recognised that governance models along these lines may need independent monitoring to add bite and ensure consistency of application. »



140 respondents to our online survey



one-to-one conversations

153 attendees at interviews and seminars

discussions with CIFPA and SCT

Model 2 was also the clear preference in additional surveys at the PLSA conference in May* and other events (*Models 1 and 2 between them had more than 70% support).

Few respondents supported Model 3 (joint committee) citing no benefits over existing arrangements and considerable added complexity as the main reasons. Some respondents could see value in Model 4 (separate LA body), including one trade union for whom a version of this was the favoured model. However, for most this value was outweighed by concern about weakening relationships with councils who are key sponsors of the scheme and a belief that establishing this model would incur disproportionate cost to any benefits that could be delivered.

Through the written responses, interviews and other engagement, many stakeholders pointed out that their existing models provided many of the features and benefits of Models 1 and 2. Many had found good solutions to some of the challenges faced within the current structure and welcomed the opportunity to share these with peers and learn from others' experiences. This process enabled us to identify

i. Some best practice within current governance arrangements that is delivering good outcomes and may have potential for wider application across the LGPS; and

ii. Additional ideas for further strengthening governance within the current regulatory framework.

We have included these in the report.

Conclusions

- It is clear from survey responses that governance structure is not the only determinant of good governance. Funds with similar governance models deliver different results and good examples exist across a range of different set ups.
- Survey respondents were also clear that establishment of new bodies is not required, although this should be facilitated for funds who wish to pursue other arrangements voluntarily. Instead, the focus should be on greater specification of required governance outcomes from within the existing structures, and a process to hold funds to account for this.
- Respondents favour developing a set of standards that all funds are required to achieve, drawing on current best practice and not imposing disproportionate burden on administering authorities or disrupting current practices that deliver good outcomes already.
- Respondents emphasised that independent review is needed to ensure consistency in application of standards.

Key proposals

1. **'Outcomes-based' approach** to LGPS governance with minimum standards rather than a prescribed governance model.

2. **Critical features of the 'outcomes-based' model** should include:
(a) robust conflict management including clarity on roles and responsibilities for decision-making;
(b) assurance on sufficiency of administration and other resources (quantity and competency) and appropriate budget;
(c) explanation of policy on employer and scheme member engagement and representation in governance; and
(d) regular independent review of governance – this should be based on an enhanced governance compliance statement which should explain how the required outcomes are delivered.

3. **Enhanced training requirements** for s151s and s101 committee members (requirements for s101 should be on a par with LPB members).

4. **Update relevant guidance and better sign-posting.** This should include 2014 CIPFA guidance for s151s on LGPS responsibilities and 2008 statutory guidance on governance compliance statements. This guidance pre-dates both TPR involvement in LGPS oversight, local pension boards and LGPS investment pooling.

We also set out suggested actions for implementing these proposals if agreed by SAB.

Suffolk County Council

Agenda Item 9

Suffolk Pension Board

Report Title:	Risk Register
Meeting Date:	11 October 2019
Chairman:	Councillor Richard Smith MVO
Director:	Chris Bally, Deputy Chief Executive
Assistant Director or Head of Service:	Louise Aynsley, Head of Finance (S151 Officer)
Author:	Paul Finbow, Senior Pensions Specialist Telephone: 01473 265288

Brief summary of report

1. This report sets out the Risk Register for the Pension Board as approved on 13 March 2019 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. There are no alternative options.

Main body of report

Regulatory Background

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

Implementation of Risk Control Measures

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

Risk Register

9. The purpose of the risk register is to reflect best practice in the identification, evaluation and control of risks in order to ensure that key risks are recognised, and then either eliminated or reduced to a manageable level. If neither of these options is possible then means to mitigate the implications of the risks should be established.
10. The 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 2**.
11. The summary risk register for the Pension Fund Committee is attached as **Appendix 3**.
12. The risk register for the Pension Board to approve is attached as **Appendix 4**.
13. The risk register and actions taken to mitigate or control the risks are reported to the Board twice a year.

Sources of further information

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

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

c) Integrated Risk Management – Pensions Regulator 2015

Suffolk Pension Board Risk Register

Risk ID	Risk	Risk Control Measures	Implementation
SPB01	**Employer** Employers' failure to carry out their responsibilities for paying contributions and providing information required for the administration team to fulfil their responsibilities.	An effective Administration Strategy setting out the employers responsibilities. Monitoring and reporting of the compliance of the employers. Pension Fund officers report on the statutory requirements of the Fund and any breaches that may have occurred. Vetting prospective employers in regards to financial security of funding streams. Seeking a funding guarantee or indemnity from the former scheme employer. Review to ensure Bonds are renewed when expiring and reflect current employer position. Non compliance is addressed.	The Administration strategy is reviewed every three years. It was last approved by the Pension Fund Committee at its meeting on 27 November 2018. A link was sent to all employers. The document is available on the Pension Fund website. The administration report to the Board provides information on the adherence to statutory requirements for both the Fund and employers. Prospective employers (where a government guarantee doesn't apply) are required to secure either a guarantee or a bond to provide security for the pension liabilities of their members. Bonds are reviewed annually to reflect the current employer position. Eligible Employers are not able to access the Suffolk Pension Fund without providing a bond or guarantee. Engagement is the key to ensure compliance and the administration team have had meetings with Ipswich Borough Council to help them with the requirements for the annual membership data return. All membership data returns were run through validation processes and any queries were addressed with employers.
SPB02	**Scheme Members** Scheme members are not in receipt of the correct benefit and/or paid on time.	The Pensions Administration team are required to keep up to date with pension benefit regulation and adhere to the stringent procedures required to comply with the benefits regulations. Knowledge and understanding is kept up to date by attending the relevant training courses on offer by professional bodies. Calculations are independently checked and verified. Internal and external audit review the internal control arrangements in place.	Forthcoming Regulatory changes are kept under review thorugh the consultation preocess. Once the draft regulations are formalised the Fund will effectively plan for implementation seeking technical clarification from the LGA if required. The Altair system is updated and tested by Heywoods. Regulation changes are communicated to affected individual members within the statutory 3 months. The changes from the January 2018 regulation amendments were communicated by 9 April 2019 Attendance at training courses and conferences are encouraged, with the knowledge gained shared amongst the team to ensure the team as a whole is kept up to date. New administrators have an indepth training plan to work through which cover each main area of administration to build up their knowledge and develop their skills before they move on to the next area. There are currently three staff going through this process. There are regular team meetings where the specifics of changes to regulations are discussed and refresher training is also carried out. All calculations are peer reviewed by members of the Administration team for accuracy before communications are sent out. There have also been various factor changes from March to September which are loaded into the Altair system. If the Altair pension system is found to be producing incorrect calculations this is raised with the software provider to investigate. There have been 15 calculations that have needed to be referred to the software provider for further investigation in the last year. The Administration Team are made aware of the issues and where similar cases might arise. Internal audit annually review the internal control arrangements in place for the administration systems and investments, the result are reported to the Board. The Board also receives the external audit report for the Annual Report and Accounts.

Risk ID	Risk	Risk Control Measures	Implementation
SPB03	**Governance** Failure to communicate or engage with employers and scheme members.	An effective Communications Strategy so that employers are engaged with the Pension Fund. Regular communications to employers on LGPS matters are provided by Pension Fund officers in the form of newsletters and bi-annual employer meetings. Regular meetings are held by the Pension Board with the papers published within statutory deadlines. A range of communication tools are available to enable effective communication such as newsletters, pension help desk, pensions website. An annual employers meeting is held.	The Communication strategy is reviewed annually. It was last approved by the Pension Fund Committee at its meeting on 23 July 2019. The document is available on the Pension Fund website. The Pension Matters newsletter is emailed to employers on a monthly basis to keep them updated with the Local Government Pension Scheme, Suffolk Pension Fund developments and highlights up coming deadlines for administration paperwork requirements from themselves. The Pension Board meets regularly and the papers are published on the Pension Fund website. The Board has access to the Pension Fund officers and have the opportunity to seek clarification or request further information. The Pension Fund has a public facing website and a member self service facility. These elctronic means of communicating, along with email are complemented by paper based communicatiun where appropriate. The team issue newsletters to Pensioner members of the scheme twice a year and employers monthly. Information is provided to all active and deferred scheme members annually with the provision of their Annual Benefit statements through the self service syatsem unless another format has been requested. The Pensions website is reviewed and kept up to date with useful information and the Pensions Helpdesk is available for members to contact if they need some guidance. The Annual employers meeting was held on 9 October covering investment performance, progress in the pooling of assets, review of the data exercise for 2019, upcoming developments for Pensions administration and a presentation by Hymans explaining the valuation exrcise being carried out.
SPB04	**Governance** Pension Fund Board members do not have the appropriate skills or knowledge to discharge their responsibility.	The Board has adopted the CIPFA Pensions Knowledge and Skills Framework as the basis for assessing its training and development needs. The Board approves a formal two year training plan which is designed to cover the Board's responsibilities. This is reviewed annually and updated to include new topics of interest and any additional training requirements identified. New Board members are fully briefed by a Pension Fund officer to enable them to participate in meetings. External advisers are employed to advise the Pension Fund Board as required.	The Board agrees its Training plan annually, linked to the requirements of the Cipfa Pensions Knowledge and Skills framework. The next review is at the March 2019 Board meeting. The Board also has access to and often attend the Pension Fund Committee's training programme. In September 2019 two members of the Board attended the Pension Fund training day in London. New Board Members always receive an introduction to the scheme and a briefing from officers before attending their first meeting. Advisers attend meetings, at the request of the Board. The performance data providers presented to the Board at its 23 July 2019 meeting

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 Pension Fund Risk Register – Monitoring Report

Risk Profile as of 30 June 2019

Theme	Ref	Description	Score
Employer	SPF01	Council fails to commission a cessation valuation for departing Admission Body.	Low (4)
	SPF02	Failure to carry out responsibilities for providing scheme administration data.	Medium (6)
	SPF03	Increase in unfunded early retirements	Low (4)
	SPF04	Failure to communicate or engage with pension fund stakeholders	Low (4)
Actuarial	SPF05	Assumptions used in the triennial valuation are significantly different to the experience	Medium (9)
	SPF06	Fall in risk-free returns on Government bonds, leading to rise in value on liabilities	Medium (9)
	SPF07	Failure of investment strategy to produce the long-term returns required in the investment strategy	High (12)
	SPF08	Failure of the Pension officers to submit accurate and timely data for the valuation exercise	Medium (6)
Governance	SPF09	Committee members have insufficient skills or knowledge to make informed decisions	Medium (6)
	SPF10	Board members have insufficient skills or knowledge to discharge their duties	Low (4)
	SPF11	Pension fund officers have insufficient skills or knowledge to advise the Pension Fund appropriately	Medium (6)
	SPF12	Failure by a provider of Additional Voluntary Contributions to the Pension Fund	Low (4)
	SPF13	Failure to have adequate systems and processes in place to safeguard data	Low (4)
Investment	SPF14	Failure of investment markets in generating returns	High (12)
	SPF15	Failure in performance by individual investment managers leading to shortfall	Medium (6)
	SPF16	Counterparty default in securities lending programme	Low (4)
	SPF17	Negligence, fraud, or default by individual investment manager leading to shortfall	Medium (6)
	SPF18	Failure of custodian leading to loss of investment or misreporting of position	Medium (6)
	SPF19	Insufficient liquid assets to meet liabilities	Medium (6)
	SPF20	Failure by investment managers to appropriately manage the potential risk of stranded assets	Low (4)
Regulatory	SPF21	Changes to regulations or legislation not being adhered to	Medium (6)
	SPF22	Pooling of the Pension Fund assets in ACCESS does not meet Government expectations	Medium (6)

Operational	SPF23	Failure of payroll and pensions administration IT systems	Medium (9)
	SPF24	Failure in the implementation of the new pensioner payroll administration system	Medium (8)
	SPF25	Failure to comply with LGPS pensions benefits regulations	Medium (6)
	SPF26	Staff fraud/theft/negligence	Low (4)
	SPF27	Failure to collect/account for full receipt of contributions and deficit payments	Low (4)

Theme	**Number of risks in each category**			
	V High	High	Medium	Low
Employer	0	0	1	3
Actuarial	0	1	2	0
Governance	0	0	4	2
Investment	0	1	2	4
Regulatory	0	0	2	0
Operational	0	0	3	2

Key changes to the Suffolk Pension Fund Risk Register since the last summary report.

Removal

- Breaching of current data protection legislation – this risk was identified when the new General Data Protection Regulation (GDPR) came into force in May 2018. Procedures have been amended in line with the new legislation and so this higher level risk will be covered by risk SPF13 – Safeguarding Pensions data.
- Loss of Pension Fund microfiche records – the project to digitalise all the microfiche records has now been completed and the risk has been eliminated.

Additions

- SPF07 – Failure of the Pension officers to submit accurate and timely data for the valuation exercise – the valuation exercise to set employers contribution rates is carried out every three years requiring additional work competing with other pension fund priorities and requiring complete co-operation from all the employers in the Fund.
- SPF24 – Failure of the new pensioner payroll administration system – the project to implement the new payroll system is a huge undertaking requiring thorough reconciliation of data before and after implementation and control and understanding of the implementation process and as such has been identified as a standalone risk.

Key actions to mitigate risks on the Suffolk Pension Fund Risk Register since the last report.

Risk Reference	Action taken
SPF 07	Since September 2018 regular validation checks have been run on the valuation extract membership data to enable pension officers to cleanse the data ahead of the June 2019 upload date. In January 2019 employers were emailed a list of the members for whom we expected to receive membership data. This enabled them to check whether their starter and leaver notifications were up to date, and whether we held the correct number of records for each member. In February 2019 employers were provided with the annual return template and guidance. Monthly Employer newsletters have been sent since January 2019, these included information regarding the annual returns to ensure that employers were aware of the requirements and deadlines. When annual membership data returns were received, pension officers worked to get these loaded into the Pensions database as quickly as possible to allow time for validation checks to be run, and queries to be sent to employers. This allowed officers to resolve any queries so that they didn't cause a delay in submitting the data to the Actuary.
SPF 22	Work continues with the other members of ACCESS and Link (the appointed operator) to set up the investment sub funds. The Suffolk Fund has pooled its global equity investment (£402m) with a further sub fund (£256m) in the pipeline for this financial year. The passive investments with UBS (£800m) are held on a pool governance basis. This represents 48% of the Fund's holdings.
SPF 24	Reconciliation of the data produced in the 'dummy' pay run for September is underway – checking totals, coding and headcount. Provided this reconciles then a parallel run will be undertaken in October which must reconcile completely before the system goes live.

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Suffolk Pension Board Risk Register

Risk ID	Risk	Impact	Prob	Risk Score	Risk Rating	Risk Control Measures
SPB01	**Employer** Employers' failure to carry out their responsibilities for paying contributions and providing information required for the administration team to fulfill 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	2	6	Medium	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	2	6	Medium	The Pensions Administration team are required to keep up to date with pension benefit regulation and adhere to the stringent procedures required to comply with the benefits regulations. Knowledge and understanding is kept up to date by attending the relevant training courses on offer by professional bodies. Calculations are independently checked and verified. Internal and external audit review the internal control arrangements in place.

Risk ID	Risk	Impact	Prob	Risk Score	Risk Rating	Risk Control Measures
SPB03	**Governance** Failure to communicate or engage with employers and scheme members. <u>Consequence</u> Leading to non compliance with legislation and best practice. Inability to determine policy and effective decisions. Damaging to reputation.	3	3	9	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. 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 County Council

Agenda Item 10

Suffolk Pension Board Forward Work Programme

Purpose

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

Terms of reference

The terms of reference of the Pension Board are:

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

Meeting date (see Note)	Added to Work Programme	Subject	Short description	How is it anticipated the Board will deal with this issue?
Thursday, 12 December 2019	Added 23 July 2019	Complaints, Compliments and Administration Performance	To receive a report on the complaints and compliments received by the Fund	Written Report
	Added 23 July 2019	Suffolk's progress on Pooling of Assets	To receive an update on the progress of pooling assets	Presentation
	Added 23 July 2019	New Payroll System	To receive a report on the Payroll implementation project	Written Report
	Added 23 July 2019	Recent Developments	To receive an information bulletin covering recent developments that the Board has an interest in	Written Report
	Added 23 July 2019	Forward Work Programme	To approve the Forward Work Programme for the Suffolk Pension Board.	Written Report
Friday, 13 March 2020	Added 23 July 2019	Complaints, Compliments and Administration Performance	To receive a report on the complaints and compliments received by the Fund	Written Report
	Added 23 July 2019	Suffolk's progress on Pooling of Assets	To receive an update on the progress of pooling assets	Presentation

Meeting date (see Note)	Added to Work Programme	Subject	Short description	How is it anticipated the Board will deal with this issue?
Friday, 13 March 2020	Added 23 July 2019	Administration Costs	To consider the administration costs for 2020/21	Written Paper
	Added 23 July 2019	Board Training Programme	To consider the Board's Training programme for the next 12 months	Written Report
	Added 23 July 2019	Pension Board Risk Register	To review the Pension Board Risk Register	Written Report
	Added 23 July 2019	Recent Developments	To receive an information bulletin covering recent developments that the Board has an interest in	Written Report
	Added 23 July 2019	Forward Work Programme	To approve the Forward Work Programme for the Suffolk Pension Board.	Written Report
Monday, 20 July 2020	Added 23 July 2019	Complaints, Compliments and Administration Performance	To receive a report on the complaints and compliments received by the Fund	Written Report
	Added 23 July 2019	Suffolk's progress on Pooling of Assets	To receive an update on the progress of pooling assets	Presentation

Meeting date (see Note)	Added to Work Programme	Subject	Short description	How is it anticipated the Board will deal with this issue?
Monday, 20 July 2020	Added 23 July 2019	Investment Performance	To receive a report on the investment performance of the Fund in 2019/20	Written Report
	Added 23 July 2019	Annual Report and Accounts 2019/20	To review the annual report and Accounts of the Pension Fund	Written Report
	Added 23 July 2019	Recent Developments	To receive an information bulletin covering recent developments that the Board has an interest in	Written Report
	Added 23 July 2019	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 2019