

## Suffolk Pension Board

(Quorum 2 – 1 member of each representative group)

### **Scheme Employer Representatives:**

Councillor Richard Rout, representing Suffolk County Council.

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

Thomas Jarrett, representing all other employers in the Fund.

### **Scheme Member Representatives:**

Pauline Bacon, representing the Unions.

Richard Blackwell, representing Pensioners.

Kay Davidson, representing Active Members.

**Date:** Wednesday, 6 December 2023

**Venue:** King Edmund Chamber  
Endeavour House  
8 Russell Road  
Ipswich  
Suffolk  
IP1 2BX

**Time:** 11:00 am

**Business to be taken in public:**

1. **Apologies for Absence**

To note and record any apologies for absence.

2. **Declarations of Interest and Dispensations**

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

3. **Minutes of the Previous Meeting**

Pages 5-10

To approve as a correct record, the minutes of the meeting held on 17 October 2023.

4. **Pensions Administration Performance**

Pages 11-14

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

5. **AVC Provider for the Fund**

Pages 15-54

To receive an update on Committee's review of the AVC Provider for the Pension Fund.

6. **ACCESS Pool update**

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

7. **Annual Report and Accounts 2022/23**

Pages 55-146

To receive the annual report and accounts and to identify any areas the Board would like further information on at a future meeting.

8. **Information Bulletin**

Pages 147-164

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

9. **Forward Work Programme**

Pages 165-167

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

**Date of next scheduled meeting:** Wednesday, 20 March 2024 at 11:00 am

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**Nicola Beach**  
**Chief Executive**

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Minutes of the Suffolk Pension Board Meeting held remotely on Tuesday 17 October 2023 at 10:30 am.

Present: Councillor Richard Rout (Chairman) (representing Suffolk County Council), Richard Blackwell (representing Pensioners), Ian Blofield (representing all Borough, District, Town and Parish Councils), Kay Davidson (representing Active Members), and

Supporting officers present: Rebekah Butcher (Democratic Services Officer), Paul Finbow (Head of Pensions), Stuart Potter (Pensions Operations Manager) and Sharon Tan (Lead Accountant, Pensions).

### **13. Apologies for Absence**

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

### **14. Declarations of Interest and Dispensations**

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

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

### **15. Minutes of the Previous Meeting**

The minutes of the meeting held on 25 July 2023 were confirmed as a correct record and signed by the Chairman.

### **16. Pensions Administration Performance**

At Agenda Item 4, the Board received a report which provided an update on the performance of the Pensions Administration Team. The report also included details of compliments and complaints received by the Administration team and details on the timeliness of contribution payments from employers in the Fund.

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

A member noted his disappointment that the Pension Fund was required to report itself to the Pensions Regulator for failing to issue the annual benefits statement by the end of August deadline. He hoped scheme members had been made aware that this was beyond the control of the Suffolk Pension Fund and was in fact because the County Council's payroll system failed to provide the data to the Fund in time. In response to a question from a member, the Head of Pensions confirmed that he did not expect the Regulator to take any further action over the failure because this had been remedied by the end of September, as confirmed

to the Regulator. Members were assured that this would not repeat itself in the future.

In response to a question from a member in relation to paragraph 9 of the report, the Pensions Operations Manager assured the Board that his colleagues would be starting to rework the annual benefits statements for some members as required within the next couple of weeks and the statements could be issued immediately once the remedial work had been completed for each individual.

**Decision:**

- a) The Board noted the report.

The Board also suggested

- b) it sends a letter to employers to persuade them to join the iConnect system. This would be sent at an appropriate time following the successful implementation at Suffolk County Council.
- c) that any new employers which joins the Suffolk Pension Fund be mandated to sign up to iConnect.

**Reason for decision:**

- a) The Board was interested in being provided with regular updates on the performance of the Pensions Administration Team including updates on statutory requirements and Service Level Agreements.
- b) Members were aware the Fund was presently trying to onboard Suffolk County Council and other council's to iConnect. A member noted that the government's aim to have a pensions dashboard for every person to see and access details on their pensions would be of benefit to the individual pension fund members enabling them to check the latest information on their pension records. It would also reduce the administration costs to the Pension Fund in relation to the year-end processes such as the issuing of annual benefits statements, as well as potentially reduce enquiries from members throughout the year.

Members were informed that Schools Choice covered around 100 employers on the Fund, and if they joined iConnect, it would see the biggest difference in terms of reducing costs of the administration of the Fund.

The Board also noted that for some of the smaller employers such as the Town and Parish Council's, they might not opt to join iConnect as they could only employ a few individuals, however they would still be required to submit a monthly spreadsheet to the Pension Fund, as opposed to submitting a statement once a year.

- c) Members were informed that the Norfolk Pension Fund had mandated that all employers provide iConnect files as part of their monthly reconciliation. This was also an expectation of the Pensions Regulator, although this was not presently a requirement.

The Head of Pensions agreed with the comments made by members however wished to ensure the successful implementation at Suffolk County Council before a letter was sent out to other employers, and before any new employers would be mandated to join iConnect.

**Alternative options:** There were none considered.

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

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

**Dispensations:** There were none granted.

## **17. LGPS Government Consultations**

At Agenda Item 5, the Board received a report which set out the consultation response submitted by the Suffolk Pension Fund on the Department of Levelling Up, Housing and Communities (DLUHC) proposals for new requirements on LGPS Administering Authorities. It covered asset pooling, levelling up, opportunities in private equity, investment consultancy services and the definition of investments.

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

Comments from members included concerns that the Government was trying to have a one size fits all approach without taking local variations into account; and concerns of increased costs associated to changing a system that was working well.

In response to a question from a member, the Head of Pensions confirmed that no timescales for any changes to the pools had been provided. It was noted that something could happen quite quickly, however further consultations might be required, including making changes to the regulations. However, it could take several years to implement depending on the volume of feedback to the current consultation and because there could also be the possibility of legal challenges against the Government.

**Decision:** The Board noted the report.

**Reason for decision:** At the national level, the LGPS was governed by the DLUHC and the LGPS Advisory Board. The investment and management of LGPS assets, the collection of employer and employee contributions, and payment of pension benefits was the responsibility of LGPS administering authorities.

The Board was reassured with Suffolk's thorough and competent response.

**Alternative options:** There were none considered.

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

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

**Dispensations:** There were none granted.

## **18. ACCESS Pool update**

At Agenda Item 6, the Board received a verbal update from the Head of Pensions on the recent developments within the ACCESS pool.

Members were informed that Councillor Karen Soons, Chairman of the Suffolk Pension Fund Committee, had been acting as the media spokesperson for ACCESS. However, in September 2023 due to changes in her working career, she had decided to step down. Rather than reappoint to the role, it had been decided to return the role back to the Chair and Vice Chair of the Joint Committee.

In relation to the third-party review commissioned by ACCESS, a document from Barnett Waddingham had been shared with the Joint Committee and a number of options had been identified for how ACCESS could evolve over the coming months and years. This would be considered by officers of the pension funds and the Section 151 officers, and an initial report would be submitted to the Joint Committee's December meeting; this would identify any quick wins that could be implemented immediately and outline further considerations for ACCESS in the longer term. It was the expectation that any decisions in relation to this would be taken at the Joint Committee's March meeting.

In relation to alternative investment options for the pool, members heard that CBRE had been appointed by Apex to look at property investments. Members heard there had been a number of meetings with CBRE and Apex to date about how that was being developed which the Lead Accountant, Pensions, had been involved in. A report to the November meeting of the Suffolk Pension Fund Committee was expected which would detail the CBRE offering, including how and when the Fund could transition its property investments from Schroders to pooled funds.

Following this piece of work, Apex was now starting to look at private debt, equity, and infrastructure in order to develop offerings for ACCESS. Members were aware that work on this had been paused due to some issues over the filing of the accounts from MJ Hudson prior to its sale to Apex. The Joint Committee was content that activity could now resume.

Finally, the Board was informed that the sale of Link Financial Solutions (the former operator services provider for ACCESS) to Waystone was completed last week and so Link Financial Solutions no longer existed. Members heard that all pension funds within the pool had signed a novation agreement that transferred the contract from Link to Waystone.

**Decision:** The Board noted the update.

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

**Alternative options:** There were none considered.

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

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

**Dispensations:** There were none granted.

## 19. Information Bulletin

The Board noted the Information Bulletin at Agenda Item 7.

## 20. Risk Register

At Agenda Item 8, the Board received a report which set out the Risk Register for the Pension Board and how the risk control measures had been implemented against the risks.

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

**Decision:** The Board:

- a) reviewed the implementation of the risk control measures.
- b) reviewed and approved the Pension Board Risk Register subject to the inclusion of an additional risk in relation to significant upgrades to finance systems and the knock-on effect that could potentially have on the output to the pensions systems.

**Reason for decision:** 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.

Members shared concerns about the recent failings of the Oracle Fusion payroll system, and the knock-on effect of failing to issue Suffolk County Council employees annual benefits statements by the required deadline. A member noted that any system upgrades could cause immense problems if not tested effectively. Members were advised that the new risk could also encompass any cyber security improvements to the Fund's IT systems. The Lead Accountant, Pensions, would formulate some wording to include on the Board's Risk Register, and this would be submitted to the Boards next meeting for consideration and approval.

**Alternative options:** There were none considered.

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

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

**Dispensations:** There were none granted.

## 21. Forward Work Programme

The Board received a copy of its Forward Work Programme at Agenda Item 9.

**Decision:** The Board approved its Forward Work Programme as published and noted that a more detailed report on the McCloud remedy would be provided at either the Board's December or March meeting.

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

The McCloud remedy was usually reported to the Board via the Pensions Administration paper, however given the detail recently received from Government, the Head of Pensions believed a more in-depth report for the Board's consideration should be provided and would include detail on how many people was affected, what the changes were and how this would be managed over a period of time.

*The meeting closed at 11:40 am.*

Chairman

## Suffolk Pension Board

<b>Report Title:</b>	Pensions Administration Performance
<b>Meeting Date:</b>	6 December 2023
<b>Lead Councillor(s):</b>	Councillor Richard Rout
<b>Director:</b>	Stephen Meah-Sims, Deputy Chief Executive and Executive Director of Corporate Services
<b>Assistant Director or Head of Service:</b>	Louise Aynsley, Chief Financial Officer (S151 Officer)
<b>Author:</b>	Stuart Potter, Pensions Operations Manager Tel: 01473 260295; Email: <a href="mailto:Stuart.potter@suffolk.gov.uk">Stuart.potter@suffolk.gov.uk</a>

### Brief summary of report

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

### Action recommended

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

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

### Alternative options

4. There are no alternative options.

### Main body of report

#### Introduction

5. This report covers staff performance and team achievements since the previous Board meeting on 17 October 2023.

#### Service Level Agreements

6. The Service Level Agreements for our 'key' processes for September and October 2023 are shown below:
  - a) Provision of a transfer quote to scheme members within 10 days of the receipt of the estimated value and all necessary information – Total cases **59** percentage completed in SLA **100%**

- b) Estimates are issued to members or employers within 10 working days of receipt of all information – Total cases **58**, percentage completed in SLA **100%**
- c) Retiring employees are notified of their options within 5 working days of receipt of all information – Total cases **339**, percentage completed in SLA **100%**
- d) Retirement lump sums will be paid within 10 working days of receipt of all necessary information after retirement – Total cases **223**, percentage completed in SLA **100%**
- e) Notification of survivor benefits will be issued within 10 working days of receipt of all information – Total cases **52**, percentage completed in SLA **100%**
- f) Outstanding monies owed in respect of a deceased pension, and any death grant, will be paid within 10 working days of receipt of all information – Total cases **50** percentage completed in SLA **100%**

### **I-Connect Implementation**

- 7. The team are continuing to check the output of the County Council's payroll development team (Mastek) who are trying to develop a working I-Connect extract. The reports are slowly improving but are unlikely to be ready by the end of the year. In the meantime, I-Connect continues to be rolled out to other employers, including a further 30 schools which were onboarded at the beginning of November.

### **End of year processing**

- 8. Following on from the update in the last meeting, the work to check the data for County Council members, in addition to updating their records and producing their annual benefit statements has been completed.
- 9. Following receipt of updated data for the 21/22 year, the team are reviewing all data for employers who use the County Council's payroll system. Where appropriate the team will be updating records and issuing revised annual benefit statements to relevant members.

### **Backlog Tasks**

- 10. The team have continued to work on the backlog cases previously reported to the Board. These numbers have reduced by 250 to around 10,150 since the previous meeting.
- 11. The Pensions management team are currently reviewing the specific cases remaining to ensure focus is on the most important areas, and to identify cases that can be resolved more quickly than others.
- 12. During the next Board meeting more details behind these cases and the plan of action to clear these will be provided.

### **Newsletters**

- 13. The October edition of the Pensioner newsletter, published twice a year, has been written and communicated. All members registered on Member Self Service have been sent a personal copy. This edition included a first article from Richard Blackwell in his role as Pensioner Representative on the Board.

14. Additionally, the new Employer newsletter mentioned during the previous meeting has been created and issued. This newsletter will be issued twice a year in spring and autumn and will supplement other communications to employers.

### McCloud legislation update

15. Further to the update provided in the previous board meeting, this legislation came into force on 1 October 2023.
16. Pension Officers are continuing to review guidance, and holding monthly management meetings as the team works through this project.
17. The current focus is on identifying all those affected and putting steps into place to ensure the team will be in a position as soon as possible to apply the new requirements to all current retirements. This will ensure members have accurate retirement documents without the need for a review.
18. While there is no need for members to contact the Pension team, as all affected members will be contacted, steps have been put in place to ensure any members who have contacted the team are recorded so they can be updated as soon as possible regarding their own position.
19. It was hoped that further information would be available to share with the Board during this meeting. However, it was felt it would be more appropriate and informative to share with the Board in the next meeting by which time full details, including numbers of affected members, will be known and progress on these cases can be provided.

### Compliments and Complaints

20. During this short period since the previous Board meeting there has been one compliment above and beyond the usual thanks received for the service we provide.
21. This compliment from a customer stated '*Many thanks for this. I would like to add that all of my dealings with your department so far have been very positive, and I have found the staff dealing with me to be polite and helpful*'.
22. During this period there have been no complaints received.
23. During this period there have been no IDRPs cases to report.
24. This report will be ongoing in all future Board meetings and will be developed in accordance with the requirements of the Board.

### Contribution payments

25. The administration strategy requires contributions from employers to be received by the Pension Fund within 5 working days of the month end in which the contributions were deducted. The table below summarises the timeliness of receipts received during 2023/24 Quarter 1 and 2:

	Quarter 1			Quarter 2		
	Employer	Contributions		Employer	Contributions	
	%	£'m	%	%	£'m	%
On Time	88	29.698	93.4	86	30.773	95.1
Up to 1 week late	5	0.940	3.0	5	1.012	3.1
Over 1 week late	7	1.145	3.6	9	0.594	1.8
<b>Total</b>		<b>31.784</b>			<b>32.379</b>	

**Sources of further information**

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

## Suffolk Pension Board

<b>Report Title:</b>	Additional Voluntary Contribution Provider Review
<b>Meeting Date:</b>	6 December 2023
<b>Lead Councillor(s):</b>	Councillor Richard Rout
<b>Director:</b>	Stephen Meah-Sims, Deputy Chief Executive and Executive Director of Corporate Services
<b>Assistant Director or Head of Service:</b>	Louise Aynsley, Chief Financial Officer (S151 Officer)
<b>Author:</b>	Paul Finbow, Head of Pensions Tel. 01473 265636; Email: <a href="mailto:paul.finbow@suffolk.gov.uk">paul.finbow@suffolk.gov.uk</a>

### Brief summary of report

1. This report provides a review of the current Additional Voluntary Contributions (AVC) providers and makes recommendations for the future.

### Action recommended

- |   |
|---|
| <ol style="list-style-type: none"> <li>2. The Board is asked to note the review of the Additional Voluntary Contribution provision.</li> <li>3. The Board is asked to consider promoting the Additional Voluntary Contribution arrangements to the Fund's members.</li> </ol> |
|---|

### Reason for recommendation

4. The Pension Board represents active members in the LGPS.

### Alternative options

5. There are no alternative options.

### Main body of report

6. The Pension Fund Committee last reviewed its AVC arrangements on 4 June 2018 but due to a rationalisation of providers at the time the Fund was unable to implement the outcomes of the review. Therefore the existing arrangements with Standard Life were continued.
7. Hymans had been asked to conduct another review to test the current market. The covering report (**Appendix 1**) and information (**Appendix 2 and 3**) considered by the Pension Fund Committee on 28 November 2023, is attached.
8. The Board will receive a verbal update on the outcome of the Committee's considerations.

**Sources of further information**

No further documents have been relied on to a material extent for this report.

## Suffolk Pension Fund Committee

<b>Report Title:</b>	Additional Voluntary Contribution Provider Review
<b>Meeting Date:</b>	28 November 2023
<b>Lead Councillor(s):</b>	Councillor Karen Soons
<b>Local Councillor(s):</b>	All Councillors
<b>Director:</b>	Stephen Meah-Sims, Deputy Chief Executive and Executive Director of Corporate Services
<b>Assistant Director or Head of Service:</b>	Louise Aynsley, Chief Financial Officer (S151 Officer)
<b>Author:</b>	Paul Finbow, Head of Pensions, Telephone: 01473 265288 Email: <a href="mailto:Paul.Finbow@suffolk.gov.uk">Paul.Finbow@suffolk.gov.uk</a>

### Brief summary of the item to be considered

1. This report provides a review of the current Additional Voluntary Contributions providers and makes recommendations for the future.

### Action recommended

- |  |
|--|
| <ol style="list-style-type: none"> <li>2. The Committee is asked to consider the report and to consider the options set out in the paper.</li> </ol> |
|--|

### Reason for recommendation

3. A review of the current Additional Voluntary Contribution providers was last carried out on 4 June 2018 and a decision was made to change the provider. However soon after, sudden changes in the AVC market meant that the decision could not be implemented.
4. On 23 July 2018 the Committee agreed to continue with the current provision and approved Standard Life as the AVC provider.
5. Legal and General are now offering a LGPS AVC which forms part of the review.

### Alternative options

6. The Committee could decide to keep the current AVC provision as is.

### Who will be affected by this decision?

7. All key stakeholders.

## Main body of report

### Background

8. The Local Government Pension Scheme is a defined benefit scheme and the members' retirement benefits are built up based on a combination of years of service and final salary, and career average benefits from 2014. Pension contributions are fixed by regulation and increase as a percentage of pay as a member's salary increases. This will provide the member with a predictable and index linked pension at retirement.
9. The regulations also require LGPS Funds to offer scheme members the opportunity to build up additional pension benefits. This is done through two routes, one through the Fund called Additional Pension Contributions (APC), and the other through Additional Voluntary Contributions (AVC). APC is covered by the LGPS regulations and is managed as part of the Pension Fund, in effect buying additional Pension benefits within the Suffolk Pension Fund.
10. AVC's are different as scheme members monies are invested outside the Fund, generally with an insurance company. AVCs are deducted directly from member's pay and attract tax relief. However, benefits earned through AVC's are similar to defined contribution pension schemes and will change daily based on markets movements until the day the benefits are brought into payment.
11. Previously, the majority of benefits built up through an AVC were converted to an annuity on retirement, giving the scheme member an additional monthly pension for life. However, the "Freedom and Choice" options that the Government announced in 2014, give members the opportunity to take monies invested in a defined contribution plan as a tax-free lump sum, rather than a pension.
12. The Pension Fund Committee reviewed its AVC arrangements on 4 June 2018 but due to a rationalisation of providers the Fund was unable to implement the outcomes of the review.

### Current Provision

13. Scheme members currently contribute about £65,000 a year into the AVC's schemes that Suffolk offers, which is a relatively modest amount. Advertising of the scheme is on the Pension Fund website, but there has been no active marketing of it for several years.
14. For any new AVC's these have been provided through Standard Life. Some older arrangements are still being provided by Clerical Medical.

### AVC Review

15. Hymans Robertson has undertaken a review of the current arrangements (attached as **Appendix 1**)
16. All the long-established AVC providers for LGPS have closed to new AVC Pension Fund business:
  - Clerical Medical and Utmost (née Equitable) for some years; and, more recently
  - Prudential, Scottish Widows and Standard Life.

17. This has inevitably led to their AVC offerings falling behind the leading master trust providers in the private sector in areas such as:
  - Charges members pay;
  - On-line access for members to information on their AVCs; and
  - With the exceptions of Standard Life, contemporary investment options including responsible and sustainable investing.
18. Hymans have conducted some research on behalf of other LGPS clients and have identified Legal & General as the most credible new provider. The Legal & General scheme is set out in **Appendix 2**.
19. Hymans have concluded that Standard Life gives moderate value for the members and Clerical Medical are poor value. Hymans have recommended that the Fund considers the following options to improve the value for members:
  - a) Transferring members with Clerical Medical AVCs to Standard Life (if it remains the preferred AVC provider);
  - b) Approaching Standard Life to review its charges and the quality of the services it offers (such as the application of the restricted investment options and operation of shared cost AVCs);
  - c) Reviewing the in-house communications for AVC members to complement those provided by Standard Life; and
  - d) Introducing regular “light-touch” governance of the AVCs, such as annual oversight of the performance and suitability of the AVC investment options and periodically check the providers’ competitiveness.
  - e) Transferring members with both Clerical Medical AVCs and Standard Life AVCs to an alternative provider, Legal & General.

### Conclusion

20. Regulations governing the LGPS require Funds to offer scheme members the opportunity to build up additional pension benefits. This is done through two routes, one through the Fund called Additional Pension Contributions (APC), and the other through Additional Voluntary Contributions (AVC).
21. The Pension Fund Committee last reviewed its AVC arrangements on 4 June 2018, but due to a rationalisation of providers the Fund was unable to implement the outcomes of the review.
22. Hymans have completed another review and have set out a number of options for the Pension Fund Committee to consider:
  - a) Transferring members with Clerical Medical AVCs to Standard Life (if it remains the preferred AVC provider);
  - b) Approaching Standard Life to review its charges and the quality of the services it offers (such as the application of the restricted investment options and operation of shared cost AVCs);
  - c) Reviewing the in-house communications for AVC members to complement those provided by Standard Life; and

## Agenda Item 5, Appendix 1

- d) Introducing regular “light-touch” governance of the AVCs, such as annual oversight of the performance and suitability of the AVC investment options and periodically check the providers’ competitiveness.
- e) Transferring members with both Clerical Medical AVCs and Standard Life AVCs to an alternative provider, Legal & General.

### **Sources of further information**

No further documents have been relied on to a material extent for this report.

# Suffolk County Council Pension Fund

AVC Review

November 2023

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- B Standard Life With-Profits Fund
- C Clerical Medical With Profits Fund

## 1 Introduction

### Introduction

This paper is addressed to the Officers of the Suffolk County Council Pension Fund (the “Fund”). It reviews the Fund’s Additional Voluntary Contribution (“AVC”) arrangements and includes:

- A summary of the Fund’s existing AVC arrangements;
- Commentary on the Fund’s investment options;
- Commentary on Clerical Medical and Standard Life as AVC providers; and
- Our recommendations and proposed next steps.

Prepared by:

Brenda Kite, DC Platform Solutions Lead

Shu Qi Lim, DC Analyst

For and on behalf of Hymans Robertson LLP

### **Disclosure, reliance and limitations**

This paper should not be released or otherwise disclosed to any third party except as required by law or regulatory obligation or without our written consent. We accept no liability where the paper is used by or released or otherwise disclosed to a third party unless we have expressly accepted such liability in writing. In preparing this paper we have relied upon information supplied by the providers.

In some cases, we have commercial business arrangements/agreements with clients within the financial sector where we provide services. These services are entirely separate from any advice that we may provide in recommending products to our advisory clients. Our recommendations are provided as a result of clients’ needs and based upon our independent research. Where there is a perceived or potential conflict, alternative recommendations can be made available.

### **General Risk Warning**

Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investments in developing or emerging markets may be more volatile and less marketable than in mature markets. Exchange rates may also affect the value of an overseas investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.

### **With-Profits Warning**

The performance of a with-profit policy is dependent on the bonuses declared by the insurance company and the manner in which these are distributed. Surrender of a policy during the early years may reflect the higher incidence of charges during this initial period. In addition, surrender or contractual termination may trigger an adjustment (“market value adjustment”) to the amount payable in certain market conditions. This adjustment is applied at the discretion of the insurance company to protect the interests of continuing policyholders.

## 2 Summary

### Existing arrangements

The Fund has 151 AVC members. The AVC members cover an age range of 37 to 73 with an average of 59.

The Fund's AVCs are held with Standard Life and Clerical Medical, with a total fund value of £2,109,811 as at July 2023.

Further details are given in section 3.

### Current investment options

#### Lifestyle options

##### Standard Life

The Fund's AVC application form shows 4 lifestyle options, but Standard Life's data shows 9 lifestyle options in use. Both 4 and 9 lifestyle options seem excessive.

Standard Life rationalised their AVC options during 2022 with a greater emphasis on responsible and sustainable investing and so we're puzzled why there are 9 lifestyle options still in use.

##### Clerical Medical

There are three lifestyle options available with Clerical Medical which all target 25% cash plus 75% in long-dated bonds (typically intended for annuity purchase) at retirement, whereas most LGPS members typically take their AVCs as a lump sum at retirement.

£490,950 of the £1,072,839 assets with Clerical are invested in the Balanced Lifestyle option.

#### Self-select funds

##### Standard Life

While the Fund's AVC application form lists 4 unit linked funds, members are invested across 17 funds. We have noted with other LGPS Funds that Standard do not always operate restricted fund ranges effectively. Nevertheless, most AVCs are invested in the Managed Fund.

##### With-Profits

##### Standard Life

Several members are invested in Standard Life's With-Profits One Fund. This fund is effectively closed and the investment returns, which drive the bonuses members receive, have been lower than might be expected.

Further details are given in section 4 and Appendices B.

##### Clerical Medical

A few members are invested in the Clerical Medical With Profits Fund.

Further details are given in section 4 and Appendices C.

### Future investment options

We believe that a default option would make it easier to save more for retirement for members who do not wish to make investment decisions.

See section 4 for our proposed framework.

## AVC providers

### Standard Life

Standard Life has been a major player in the LGPS AVC market, but has been closed to new AVC business for a few years. Following the transfer of its business to Phoenix, Standard's focus is on its Group Personal Pension product and Master Trust.

Standard Life's charges are reasonable for an AVC arrangement of this size, however member communications are not tailored to AVCs. and We have also seen that the operation of restricted fund ranges and "shared cost" AVCs is inefficient at times.

### Clerical Medical

Clerical Medical have been closed to new business for some years and are now a legacy business withing Scottish Widows. As a result, their AVC offering has fallen behind the market, in particular the lifestyle options are dated and poorly suited to AVCs and member communications are limited with no scope for on-line access.

We are also aware of recent instances of indifferent administration service.

### Future AVC provision

Standard Life now give moderate value for your AVC members, while Clerical Medical are poor value for AVC members.

All the long-established AVC providers for LGPS have closed to new business and their AVC offerings are falling behind the master trusts now widely used for defined contribution pension provision in the private sector.

We suggest that moving to a single AVC provider is once again considered. Either transferring the Clerical Medical AVCs to Standard Life or transferring both the Clerical Medical and Standard Life AVCs to Legal & General who have recently entered the LGPS AVC market.

While some work would be entailed in transferring the existing AVC arrangements, members would see a useful reduction in charges – while Legal & General also offer bespoke member literature, better on-line access and a stronger fund range.

## 3 Existing AVC Arrangements

### Membership

Provider	Members	AVC value
Clerical Medical	65	£1,072,839
Standard Life	86	£1,036,972
<b>Total</b>	<b>151</b>	<b>£2,109,811</b>

Sources: Clerical Medical, Standard Life. As of July 2023.

### Demographics

Provider	Age range	Average age
Clerical Medical	37 to 66	58
Standard Life	37 to 73	59
<b>Total</b>	<b>37 to 73</b>	<b>59</b>

Source: Clerical Medical, Standard Life. As of July 2023.

The age distribution of members aligns closely with that of other local authorities, although with a smaller proportion of younger AVC payers. However, both the number of members and the average pot sizes are below the average. More details can be found in Appendix A.

### Fund Values

Total values as at July 2023:

Funds	Standard Life £	Clerical Medical £
With-Profits	45,860	20,155
Unit linked	991,112	1,052,685
<b>Total</b>	<b>1,036,972</b>	<b>1,072,839</b>

The 6 largest investment options as at July 2023 were:

Standard Life	Value £	Clerical Medical	Value £
Managed	190,526	Balanced Lifestyle	490,950
At Retirement Multi Asset Universal	85,823	Cautious Lifestyle	140,720
Future Advantage 2	84,091	International Growth	93,023
Multi Asset Managed	67,865	UK Growth Lifestyle	69,629
Sustainable Multi Asset	53,901	World (ex-UK) Equity	32,883

Sources: Standard Life and Clerical Medical

### Assets and Charges

#### Standard Life

The table below includes the fund value and the Total Expense Ratio (TER) of the top 10 funds. The data for the remaining 48 funds has been categorized under "Others."

Fund	Value	TER % p.a. *
Standard Life Managed Pension Fund	£190,526	0.54%
Standard Life At Retirement (Multi Asset Universal) Pension Fund	£85,823	0.56%
Standard Life Future Advantage 2 Pension Fund (renamed from Standard Life Sustainable Focus 2 Pension Fund)	£84,091	0.52%

Standard Life Multi Asset Managed (20-60% Shares) Pension Fund	£67,865	0.54%
Standard Life Sustainable Multi Asset (PP) Pension Fund	£53,901	0.51%
Standard Life North American Equity Pension Fund	£51,214	0.53%
Standard Life Deposit and Treasury Pension Fund	£46,620	0.53%
Standard Life Sustainable Multi Asset Growth Pension Fund	£84,801	0.51%
Standard Life Global Equity 50:50 Pension Fund	£33,218	0.53%
Others	£338,912	-
<b>Total</b>	<b>£1,036,972</b>	<b>-</b>

Source: Standard Life, includes funds used in lifestyle options. As of July 2023.

\* TER = Total Expense Ratio

Standard Life apply a 0.38% discount on their base charges, which is in keeping with what they offer other LGPS Funds. Standard Life's charges are broadly competitive with the established LGPS AVC providers, but other providers seeking to enter the LGPS AVC market may give better overall value.

## Clerical Medical

Fund	Value
Balanced Lifestyle	£490,950
Cautious Lifestyle	£140,720
International Growth	£93,023
UK Growth Lifestyle	£69,629
World (ex-UK) Equity	£32,883
UK Equity	£32,305
Corporate Bond All Stocks	£21,784
Balanced Pension	£20,324
Non-Equity Lifestyle	£19,752
Adventurous	£17,290
Others	£134,180
<b>Total</b>	<b>£1,036,972</b>

Source: Clerical Medical

The core Clerical Medical funds have a charge of 0.5%. The funds are "clean-priced" such that the Annual Management Charge is equal to the funds' Total Expense Ratio.

The fund charges are, in isolation, competitive with their peers, but are less competitive taking the overall package of services into account.

## 4 Investment Options

### Standard life

#### Lifestyle option

The Fund's AVC application form shows 4 lifestyle options, but Standard Life's data shows 9 lifestyle options in use. Both 4 and 9 lifestyle options seem excessive.

A large proportion of the AVC assets with Standard Life are invested in the Balanced Managed 1 Universal Lifestyle Profile which:

- Invests 100% in the Managed Fund until 9 years from retirement;
- Switches partly into the Multi-Asset Managed (20%-60% Shares) Fund, reaching 80% in this fund at 5 years from retirement; and then
- Beginning 6 years from retirement, switches At Retirement (Multi-Asset Universal) Fund reaching 100% in this fund at retirement; and
- The At Retirement (Multi-Asset Universal) Fund, previously known as the Annuity Purchase Fund, invests in a mix of equities, bonds and property.

This lifestyle option targets income drawdown during retirement, whereas most LGPS AVC members tend to take their AVCs as a cash lump sum at retirement.

#### Self-select funds

From the material supplied by Standard Life, it is not clear whether specific Standard Life funds have been selected for the Fund's AVC arrangements.

Standard Life's fund guides for members are generic across all their pension clients and show several hundred funds. We note that, currently, 58 funds (including several variants of the With-Profits Fund) are used by the Fund's AVC members.

#### Charges

Standard Life have given a 0.375% discount on their headline charges, which means that the charges for most of their core in-house funds are 0.625% p.a.. These charges are reasonable for an AVC arrangement of this size.

#### Investment performance

The Managed Fund, which accounts for a large proportion of the AVC assets, returned 9.1% over 3 years (2.9% p.a.) and 12.3% over 5 years (2.3% p.a.) to 30 June 2023. This compares to the benchmark performance of 2.7% over 3 years (0.8% p.a.) and 7.8% over 5 years (0.8% p.a.) to 30 June 2023.

#### With-Profits

Full details of the 2023 bonus declaration can be found in Appendix B.

The Standard Life With-Profits Fund is in decline and so we would anticipate a growing focus on maintaining the Fund's solvency. While the section used for AVCs has around 70% invested in growth assets, the investment return on the Fund's underlying assets has been disappointing, which will gradually feed through to the bonuses added to members' AVCs.

### Clerical Medical

#### Lifestyle option

The largest proportion of funds (46% of total assets) are invested in Clerical Medical's Lifestyle Balance strategy which is designed with the assumption that a member will take 25% of their savings as a cash lump sum and

use the remaining 75% to buy an annuity at retirement. We note that most LGPS AVC members take their AVC savings entirely as cash at retirement.

## Self-select funds

Clerical Medical offer a choice of actively and passively managed funds across the main asset classes.

The range should meet most members' needs, covering the main asset classes. However, there are limited funds available with specific ESG, climate aware or ethical considerations.

## Charges

Clerical Medical apply a flat fixed fee structure of 0.50% p.a. on their core unit linked funds.

For the With-Profits Fund, the charges are inherent within the bonuses that they pay out. It is therefore very difficult to assess the overall charges members pay on these funds. There is also a general lack of transparency on the charges for these funds, this is standard across the industry, not just Clerical Medical. Clerical Medical do aim to limit deductions to 1.0% p.a.

## Investment performance

The Balance Lifestyle, which accounts for a large proportion of the AVC assets, and the Balanced Fund used in the growth phase returned 15.0% over 3 years (5.3% p.a.) and 7.5% over 5 years (1.9% p.a.) to 30 June 2023. This compares to the benchmark performance of 2.7% over 3 years (0.8% p.a.) and 7.8% over 5 years (0.8% p.a.) to 30 June 2023.

## With-Profits

Full details of the With-Profits review can be found in Appendix B.

The Clerical Medical With Profits Fund has been closed for some years and so we would expect that the investment strategy will become increasingly cautious, which will in turn feed through to lower overall bonus returns. Meanwhile, Clerical Medical has been making modest distributions from its Estate for several years to avoid building up excessive assets in the Estate as the Fund and number of policyholders shrinks. However, based on our "desktop" review of Clerical Medical's literature, there appears to be a disconnect between the investment returns on the Fund's underlying assets and the bonus returns and Estate distribution seen by policyholders.

## Future options

### AVC default

We believe AVC arrangements should have a default investment option because:

- It makes it easier for members to save more for their retirement (and take advantage of the tax reliefs);
- AVC funds are often cheaper than comparable funds under private savings products; and
- A default can be chosen which should broadly meet the needs of most members.

The use of a default means that some additional governance is needed to ensure it remains suitable and good value for members.

We suggest that the main objectives for a default option should be:

- It meets the needs of a majority of AVC members who do not want to make investment choices;
- It manages the main investment risks AVC members face over time (e.g. inflation throughout their membership, volatility approaching retirement and conversion into benefits at retirement);
- It caters for the most common benefit choice at retirement – typically 100% cash for LGPS AVC members.

## Lifecycle option

We believe that a lifecycle option (either a lifestyle strategy or target date funds), which change the mix of assets members are invested in as they approach retirement would be a suitable default.

Standard Life rationalised and updated their lifestyle options, including greater emphasis on responsible and sustainable investing, during 2022.

The funds used in the lifestyle option should be included in the self-select fund range to avoid forced sales of existing fund holdings if a member decides the lifestyle option no longer meets their needs.

## Self-select funds

We suggest that the AVC self-select fund range is set with the following objectives in mind:

- The choice of funds complements the default lifestyle option;
- The range caters for members wanting to take a more active interest in where their AVCs are invested;
- The choice of funds reflects the age profile of the AVC members and the pattern of AVC values;
- A choice of funds is offered across major asset classes and the risk/reward spectrum;
- Funds meeting more specific investment needs are offered as appropriate (such as ethical investments and catering for retirement benefits other than those targeted by the default lifestyle option); but
- Recognises that it cannot meet the needs of every member.

This is in keeping with the guidance in the 2016 DC Code of Practice 13, which the Pensions Regulator hopes LGPS Funds will follow the spirit of.

While members may say they would like more choice, offering a large number of investment options can be counter-productive. Behavioural economics studies and experience suggest that too much choice can deter members from taking any action to save more for their retirement (and in turn forego the tax reliefs) or result in irrational choices. It also creates an undue governance burden for the Fund, often for funds with little money invested in them.

We suggest that the Fund moves towards a self-select fund range of 10 to 15 funds along the following lines:

Asset class	Investment approach	Use
Global Equity	Passive	Growth
Global Equity	Passive, Ethical investing	Growth/ethical stock selection
Global Equity	Passive, Sharia Law compliant	Growth/faith-based stock selection
UK Equity	Passive	Growth/home country bias
Property *	Active	Growth/diversification
Multi-asset	Active asset/passive stock	Diversified growth
Cautious multi-asset	Active asset/passive stock	Diversified growth/de-risking
Corporate Bond	All-stocks, active or passive	Moderate growth/diversification
Fixed Interest	Active	De-risking/pre-retirement
Index-linked Gilts	Passive	De-risking/pre-retirement

Long-dated bonds	Active or passive	Annuity rate tracking
Cash	Active	Short-term/benefit conversion

\* While property is a useful diversifier of returns, the intermittent periods of illiquidity have proved problematic for AVC members, especially if they remain in a property fund at retirement. We therefore suggest that a property fund is only offered where there is already one in place.

The funds in the lifestyle strategy would be an integral part of the self-select range. The choice of funds in each category can be finalised once the future AVC provider has been agreed.

## Responsible investing

A growing number of providers are now offering equity and multi-asset funds with responsible/sustainable investment strategies, while “green” bond funds for AVCs are “work in progress”.

We believe that responsible and sustainable investing should deliver better risk adjusted returns and better retirement outcomes to AVC members over the medium to longer-term as the World adjusts to a low carbon economy.

## Private markets

We believe that investing in private markets can deliver better outcomes for AVC members over time.

The major pension providers have become signatories to the Mansion House accord, committing to invest in a range of global private asset classes. However, we anticipate that it will be 12 to 24 months before we start to see meaningful allocations to private markets.

## Managing towards the agreed investment options

### Options

There are several approaches to managing changes to the lifestyle options and self-select fund range over time which the Pensions Committee may wish to consider:

- Closing old funds to further AVCs – gradually running down use of these funds, but there is still a need to monitor their performance; or
- Completely closing old funds with little money in them – with AVCs transferred to another fund selected by members or the nearest equivalent fund, agreed by Fund’s Officers, if they take no action; or
- Members are encouraged to review their investment choices and switch to funds in the new range if they are more appropriate to their needs.

In some cases, changes may be forced upon members where a provider decides to discontinue an existing investment option.

### Costs

Any switch between funds may incur transaction costs from selling units in the old fund and buying units in its replacement. These costs are implicit in funds’ unit prices and would be borne by members. These costs vary according to the asset classes involved and market conditions at the time of transfer – in favourable circumstances they can be zero.

In the case of With-Profits Funds, we would not recommend selling holdings for older members who may lose valuable guarantees on earlier AVCs and investment returns which have not yet been distributed as bonuses.

### **Fund switches without member consent**

Trust based schemes' rules usually give the trustees power to change funds without member consent where it is in the best interests of most members.

While LGPS Funds can close funds to future AVCs, we are aware of differences of opinion regarding the scope for transferring accumulated AVCs to new funds without member consent. However, we understand that some local authorities have obtained Counsel's opinion that County Councils have a similar fiduciary duty to act in members' best interests and so transfers between funds or providers without member consent can be undertaken. The Pensions Committee may want to obtain legal advice on this aspect.

Trust based schemes moving members between funds without consent may also face creating default arrangements subject to the 0.75% charge cap for auto-enrolment due to the wording of the Regulations. However, we believe that LGPS is not subject to the Occupational Pension Schemes (Charges and Governance) Regulations 2015 – SI 2015/879, but the Panel may again wish to obtain legal advice on this point.

## 5 Standard Life as an AVC Provider

### Structure

Standard Life's life and pensions business transferred to Phoenix on 1 September 2018.

Standard Life's focus is now on its Group Personal Pension product and Master Trust. It has recently announced that it will offer workplace ISAs etc. operated by Cushon.

Standard Life's AVC product does benefit from developments for its wider DC products (such as the new lifestyle options being introduced during 2022). However, while it continues to accept contributions and new members to existing AVC contracts, it is not open to new AVC business from other pension schemes.

### Investment options

Standard Life rationalised their lifestyle options in 2022, expanding its responsible and sustainable investment credentials – although it lags a little way behind the market leaders in this area.

Standard Life's AVC product shares its fund range with its other defined contribution products including contract-based group personal pension plans, which means that the fund range is large and unwieldy with numerous similar funds in each asset class.

Standard Life's highly generic literature does not accommodate limiting the choice of funds, which we have seen give rise to confusion among members. So, a Fund's own member communications are of added importance.

### Competitive Position

The overall investment proposition is improving, with an increased focus on responsible and sustainable investing. The With-Profits Fund has been largely closed to new business for several years and its operation is even less transparent than some of its peers.

### Charges

Standard Life's literature quotes their standard charge across all schemes, to which a scheme specific discount is applied by purchasing additional units each month. Charges have gradually become less competitive in recent years, especially when the generic nature of its services are taken into account.

### Administration

Administration is handled on in-house systems, whereas Phoenix normally use systems developed by Diligenta/Tata Consulting Services. Administration normally works smoothly, albeit lacking the level of integration we see with other providers. There have been a couple of spells in recent years where a surge in the volume of work has caused service standards to slip temporarily, but we do not have any major concerns.

As Standard Life's systems are based on their Group Personal Pension offering, we have seen that their implementation of restricted fund ranges for public and private sector AVC schemes is not always successful. More specifically for LGPS AVC, the operation of "shared cost" AVCs by salary sacrifice appears disjointed.

Standard Life are able to produce a comprehensive governance report.

### Conclusion

Standard Life's once-competitive position is gradually being eroded and their offering is not tailored to LGPS AVCs however their efforts to develop responsible and sustainable focussed funds is positive.

## 6 Clerical Medical as an AVC provider

### Summary

Clerical Medical has been closed to new business for some years and their AVC offering has gradually become uncompetitive: investment options as well as supporting services for both members and authorities/employers.

Clerical Medical had a significant presence in the LGPS AVC market and now fall under the wing of Scottish Widows who are also active in the LGPS AVC market. While Scottish Widows provide a degree of support to LGPS Funds, this does not appear to be fully “joined-up” with Clerical Medical’s administration.

While it is possible to make limited improvements to the unit linked funds with Clerical Medical, there is no scope for changes to the lifestyle options or improvements to the services available to members and the authority/employers. We therefore recommend accelerating Clerical Medical’s replacement by Prudential.

### Structure

Clerical Medical became part of the Lloyds Banking Group in December 2009. Clerical Medical’s operations and client support have become integrated with that of Scottish Widows, although administration is separate.

Administration is being outsourced to Diligenta (a subsidiary of Tata Consultancy Services). Scottish Widows administrative staff were TUPE’d to Diligenta in March 2018.

### With-Profits

Clerical Medical’s With-Profits Fund has been closed for some years and effectively became a sub-fund within the Scottish Widows With-Profits Fund, although it largely retains its previous investment strategy and bonus structure.

### Unit linked funds

Clerical Medical’s “in-house/own-branded” unit linked funds have undergone several changes of investment manager over the years. Lloyds Banking Group announced in February 2018 that it would be transferring its £109bn of mandates from Aberdeen Standard in 2019.

### Range

Despite being closed to new business, the fund range has been expanded on the back of Clerical’s links to Scottish Widows and now includes funds from several external managers: BlackRock, Fidelity, Insight, Invesco Perpetual, Newton, Schroder and UBS.

The fund range does, to an extent, have something of a retail savings market flavour. In particular, the choices of passively managed and multi-asset funds are limited.

### Lifestyle options

The lifestyle strategies which all target members taking 25% of their AVC pot as cash and using the balance to buy an annuity are now largely unsuitable for AVCs.

### Charges

The funds’ 0.5% AMC is, in isolation, competitive in the AVC market. However, taking into account the limited range of services Clerical Medical provide, this charge is less competitive value for money.

## 7 Future AVC provision

While Standard Life give moderate value for your AVC members, Clerical Medical are poor value for AVC members.

### Improving value

We recommend that the Fund considers the following routes over the next few years to improve “Value for Members”:

1. Transferring members with Clerical Medical AVCs to Standard Life (if it remains the preferred AVC provider);
2. Approaching Standard Life to review its charges and the quality of the services it offers (such as the application of the restricted investment options and operation of shared cost AVCs);
3. Reviewing the in-house communications for AVC members to complement those provided by Standard Life; and
4. Introducing regular “light-touch” governance of the AVCs, such as annual oversight of the performance and suitability of the AVC investment options and periodically check the providers’ competitiveness.
5. Transferring members with both Clerical Medical AVCs and Standard Life AVCs to an alternative provider.

### LGPS AVC market

All the long-established AVC providers for LGPS have closed to new AVC business:

- Clerical Medical and Utmost (née Equitable) for some years; and, more recently
- Prudential, Scottish Widows and Standard Life.

This has inevitably led to their AVC offerings falling behind the leading master trust providers in the private sector in areas such as:

- Charges members pay;
- On-line access for members to information on their AVCs; and
- With the exceptions of Standard Life, contemporary investment options including responsible and sustainable investing.

### Alternative providers

In the light of the administrative issues other local authorities are experiencing with Prudential, we conducted a market review on behalf of 6 local authorities and identified Legal & General as the most credible new provider for LGPS AVCs.

Since then, Legal & General have engaged in extensive dialogue with several local authorities of all sizes to understand the characteristics of the LGPS AVC market. In particular, the payment of AVCs from multiple participating employers is unique compared to the private sector.

Two local authorities have in the last two years transferred their AVC arrangements to Legal & General and a further local authority will complete a transfer to Legal & General in early 2024. So far, the feedback from members, local authorities and participating employers has been positive.

A new National Framework for AVC providers and AVC advice is due to be introduced in 2024. However, while we are aware of a few other providers expressing interest in entering the LGPS AVC market, we do not anticipate this happening in the near future.

## Rationalising AVC arrangements

Options 1 and 5 would have the most impact on value for members as well as simplifying administration and governance over the longer-term. However, both would require additional work in the short-term to implement the change.

We also suggest that options 3 and 4 are implemented to maximise the benefits of adopting option 1 or 5.

### Option 1

Standard Life are willing to accept a transfer of members and AVC assets from Clerical Medical. They would improve their charges discount from 0.38% to 0.48% which, for example, would reduce the charge for the popular Managed Fund from 0.62% p.a. to 0.52% p.a.

#### For

- Lower charges for all members;
- Added work only need to move Clerical Medical members.

#### Against

- Issues with non-bespoke member communications remain;
- Potential for administration issues;
- Long-term commitment to AVC market?

### Option 5

Legal & General are willing to accept a transfer of members and AVC assets from both Standard Life and Clerical Medical. They would offer a charge of 0.52% p.a. for their Cash Target Date Funds as a default.

#### For

- Lower charges for all members;
- Investment options tailored to LGPS AVCs;
- More bespoke member literature;
- Better on-line access for all members.

#### Against

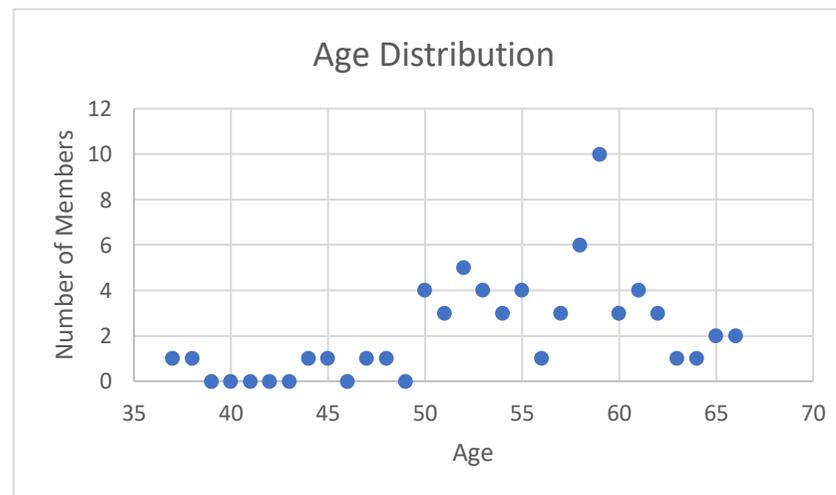
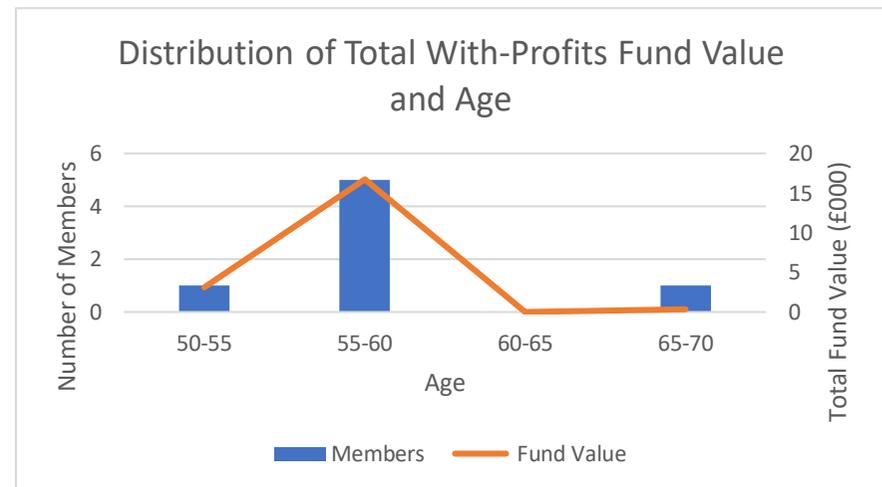
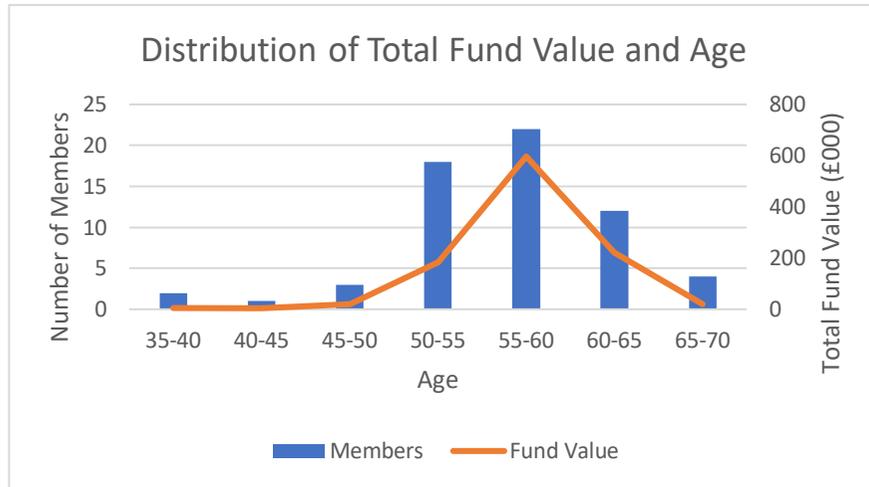
- Work involved in moving all members (although L&G will provide and implementation manager and training for new processes).

If the Pensions Committee want to pursue option 5, we can provide the Officers more details on the investment options, charges and work involved in transferring the AVC arrangements.

## Appendix A – Member demographics

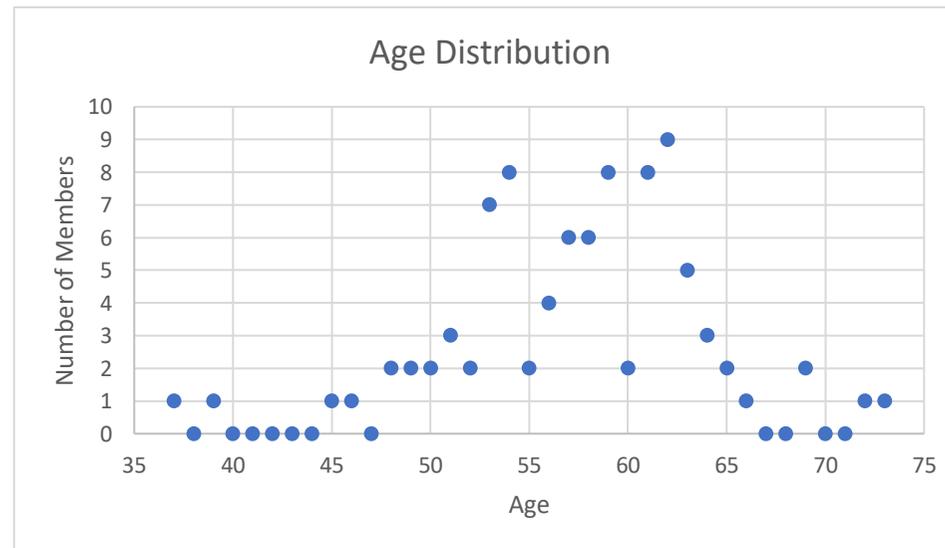
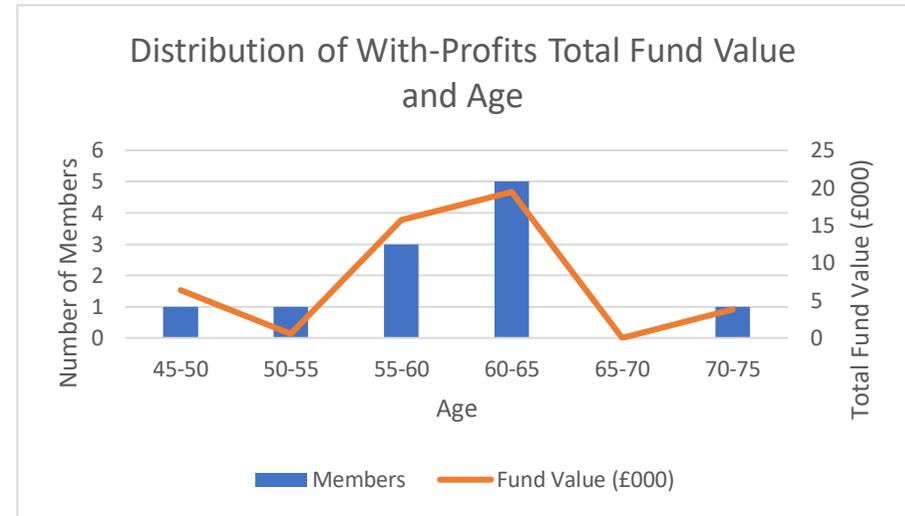
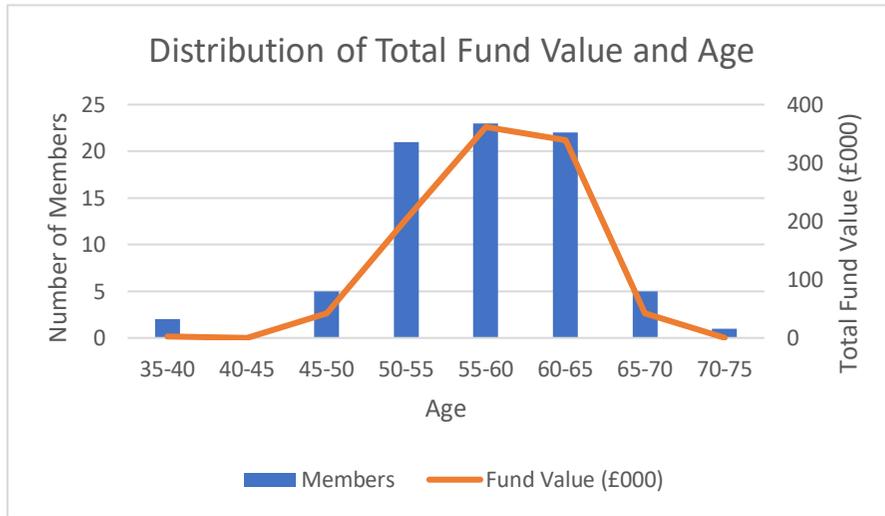
### Clerical Medical

The following charts (and underlying data) informed our recommendations.



## Standard Life

The following charts (and underlying data) informed our recommendations.



## Appendix B – Standard Life With-Profits Fund

Information is based on material produced by Standard Life in 2023, which covers the year to 31 December 2022.

### Structure

Standard Life's With-Profits Fund is effectively closed to new business, although increments to some existing contracts are accepted. The With-Profits Fund is divided into several sub-funds, each using a discreet asset mix which reflect the liabilities for that group of policyholders.

Members invest in one of Standard Life's With-Profits sub-funds: With-Profits One. This sub-fund uses Standard Life's "asset mix 3" (details below).

### Investment strategy

While the strategic asset allocation of the sub-funds is set by the With-Profits Actuary, Aberdeen's fund management team are able to make limited shorter-term tactical asset allocation moves. This tactical asset allocation has added value in recent years.

### Asset mix 3

Asset mix 3 applies to the: Pension With-Profits One, Pension With-Profits One 2006, Pension 2 With-Profits 2, Pension 2 With-Profits 2 2006, Pension With-Profits Millennium and Pension With-Profits Millennium 2006 sub-funds. There are no minimum return guarantees applying to these sub-funds.

The asset allocation for asset mix 3 as at 31 December in recent calendar years has been:

Asset class	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
UK equity	38%	44%	44%	40%	36%	35%	32%	31%	32%	36%
Overseas equity	24%	20%	20%	18%	16%	16%	14%	14%	15%	15%
Emerging/unquoted equities	2%	2%	2%	2%	2%	2%	2%	3%	3%	3%
Property	10%	11%	9%	12%	13%	13%	15%	16%	16%	15%
Bonds and cash	26%	23%	25%	28%	33%	34%	37%	36%	34%	31%

Source: Standard Life

The investment returns for asset mix 3 (i.e. before smoothing, expenses and bonus rate declaration) in recent calendar years has been:

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Return (net) %	-6.3%	14.5%	-2.7%	11.7	-5.1	7.9	12.2	3.2	8.3	13.0	9.8

Source: Standard Life

The exposure to real assets (equities and property) of asset mix 3 remains moderately high relative to other With-Profits funds we monitor. However, the asset allocation does show a strong UK bias. The performance shown over the period has been acceptable for a diversified portfolio of this nature and is better than the median return for diversified growth funds during 2022.

All the UK sub-funds are in run-off with assets under management declining. While asset mix 3 still holds significant assets, other sub-funds have shrunk markedly over the last 10 years and will contract further in the near future. As a result, the With-Profits Fund's overall policyholder profile is maturing and maintaining liquidity is a growing focus. The Fund is progressively reducing its holdings of property and private equity, while the duration of the bond portfolios is being shortened.

## Expenses

Standard Life's "Principles and Practices of Financial Management" and annual "Report to UK With-Profits Policyholders" do not give an indication of the average level of expenses the Fund expects to incur. We had hoped that more information would become available in due course in the light of the FCA's changes to the COBS rule-book in January 2018, but so far this has not been forthcoming from several With-Profits providers.

Charges for unitised With-Profits are specified in the contract. However, any surplus is passed to shareholders if the actual charges are less than those set out in the contract. Unexpected out of course expenses would be met from the Inherited Estate.

## Inherited estate

Contributions prior to demutualisation on 9th July 2006 to what has become the Heritage With-Profits Fund are eligible for distributions of surplus assets from that sub-funds' Estate. These "enhancements" increase pay-out values in the event of a claim, but do not increase the guaranteed values. During 2018 there was a 2.5% enhancement.

## Bonus setting

The FCA requires With-Profits providers to state the pay-out values relative to the "fair asset share return" for 90% of policyholders. Standard Life's "Principles and Practices of Financial Management" state that this is in the range of 80% to 125% of the fair asset share. This spread and its asymmetry are wider than we see with some other With-Profits providers.

Standard Life's bonus pay-outs are more opaque than those of other leading With-Profits providers. The annual/regular bonus rates and any minimum return guarantees applying differ between sub-funds. Bonus rates/returns in recent years for the sub-funds using asset mix 3 are:

Period	Bonus rate %	Overall bonus return%
1 February 2023 until further notice	1.75	1.75
01/02/22 to 31/01/23	1.25	1.25
01/02/18 to 31/01/21	0.75	0.75

01/02/16 to 31/01/18	0.50	0.50
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Source: Standard Life

The bonus series related to asset mix 3 are unitised.

Standard Life may also add final/terminal bonuses on maturity. Unfortunately, unlike most of their peers, Standard Life do not quote percentage overall bonus returns including final/terminal bonuses, which makes it difficult to judge how final bonus pay-outs over longer periods compare in general to the return on the sub-funds' underlying assets.

### Guarantees

These Standard Life With-Profits sub-funds include the normal capital guarantee on maturity (assuming the continued solvency of Standard Life). There are no additional guarantees for sub-funds using asset mix 3.

### Conclusions

The absence of more information on overall long-term bonus pay-outs makes it difficult to draw clear conclusions. However, we note that:

- The investment returns for asset mix 3 are over the last few years have been better than the average diversified growth fund; and
- The annual bonus rates for sub-funds using asset mix 3 appear low relative to the returns we might expect to see from this asset allocation.

## Appendix C – Clerical Medical With Profits Fund

### Structure

Clerical Medical transferred to Scottish Widows on 31 December 2015. While both the Clerical Medical With Profits Fund and the Scottish Widows With-Profits Fund sit in a “Combined Fund”, they are in most respects managed quite independently. The Clerical Medical With Profits Fund has been largely closed to new business for some years.

### Investment strategy

As at 31 December 2022 the assets of the With-Profits Fund was £3.8bn, showing a decline of £1.4bn p.a. over the last 3 years. This suggests that the With-Profits Fund’s net cash-flow (investment plus premium income less claims) has been negative for several years.

The With-Profits Fund’s asset allocation for the asset share section of the Fund which backs policy values at years ending 31 December were as follows:

Asset class	2017	2018	2019	2021	2022
UK Equities	18.3	18.6	20.0	12.6	8.0
Overseas Equities	25.5	25.5	21.6	28.0	32.8
Property	12.7	13.5	14.2	13.9	10.0
<b>Growth Assets total</b>	<b>56.5</b>	<b>57.6</b>	<b>55.8</b>	<b>54.5</b>	<b>50.8</b>
Corporate Bonds	9.7	9.9	11.0	12.7	16.1
Private Debt	-	-	2.7	2.7	3.3
Emerging Market Debt	-	-	4.9	5.3	6.0
UK Gilts	3.8	9.4	4.4	1.5	3.4
Asset backed securities	3.3	3.7	2.3	-	0.2
Absolute return funds	14.1	14.4	12.8	16.0	12.3
Cash and Other	12.6	5.0	6.2	7.3	7.9

Source: Clerical Medical

The exposure to growth assets (equities and property) has remained fairly stable over the last 5 years.

The size of the investment in absolute return strategies is unusual and perhaps indicative of needing to maintain the Fund's solvency while retaining a fair exposure to growth assets. The addition of Private and Emerging Market Debt in 2019 should improve returns from the Fund's bond assets.

The investment returns achieved by the underlying assets of the With-Profits Funds were:

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Gross return %	9.9	7.1	2.3	8.5	7.8	-2.6	10.8	0.5	10.1	-8.0

Source: Clerical Medical

This compares to unit linked diversified growth funds where the median 1-year return was 4.80% in 2020, 7.6% in 2021 and -10.4% in 2022.

## Estate

The Estate is the Fund's "working capital" enabling the Fund to maintain an adequate solvency level as required by the regulatory authorities, which in turn enables the asset share section of the Fund to be invested to improve policy values.

Clerical Medical commenced distribution of excess estate in February 2010. The scope for distributions is reviewed at 6 monthly intervals.

## Expenses

Clerical Medical has not disclosed the expenses for traditional With-Profits business in 2019. For unitised With-Profits policies the charges are set out in the policy document.

The expenses to meet With-Profits guarantees in 2021 were 0.55% in respect of premiums paid to 1 January 2008 and 0.20% for later premiums of asset shares in 2019. Clerical Medical's aim is that costs of these guarantees should be less than 1% per annum.

## Smoothing

Clerical Medical's target range for overall bonus pay-outs (reversionary plus terminal) is that 90% of surrender values should be within +/- 20% of the underlying "fair asset share value".

This is broadly in line with the practice of other With-Profits Funds although, again in line with other Funds, no information on the distribution of pay-outs within this range is given.

## Bonuses

The regular or reversionary bonus rates added to traditional With-Profits policy values each year are:

Year from 1 January	2022	2023
Reversionary bonus rate %	0.12	-
Interim bonus rate %	-	0.12

Source: Clerical Medical

These bonus rates have remained at this level.

The overall policy return including both regular/reversionary and final/terminal bonuses are:

5 years to 1 February	2016	2017	2018	2019	2020
Overall bonus return % p.a.	5.7	5.6	5.9	2.2	3.1

Source: Clerical Medical

We note that average overall bonus returns have declined in the last few years.

## Market Value Reductions

Market Value Reductions (“MVRs”) are generally applied by most With-Profits Funds to protect the interests of ongoing policyholders from early surrenders receiving more than their fair asset share.

Clerical Medical normally review the level of MVR twice yearly (in February and August) when a flat rate percentage reduction is applied to the bonus value relating to each year’s premium payments. Clerical Medical’s MVR basis is easier to follow, but less precise, than that of some other With-Profits Funds.

As at 1 August 2022, the MVR on pensions premiums paid in years since 1999 are all zero.

## Guarantees

Clerical Medical only gave a guaranteed minimum rate of return on some Group AVC and Group Money Purchase Products in respect of premiums paid prior to 1 June 1999. Otherwise, Clerical Medical’s With-Profits Fund only provides the usual With-Profits capital guarantee (assuming the provider remains solvent). Nevertheless, this security of capital on discretionary savings may well be valued by members approaching retirement.

## Conclusions

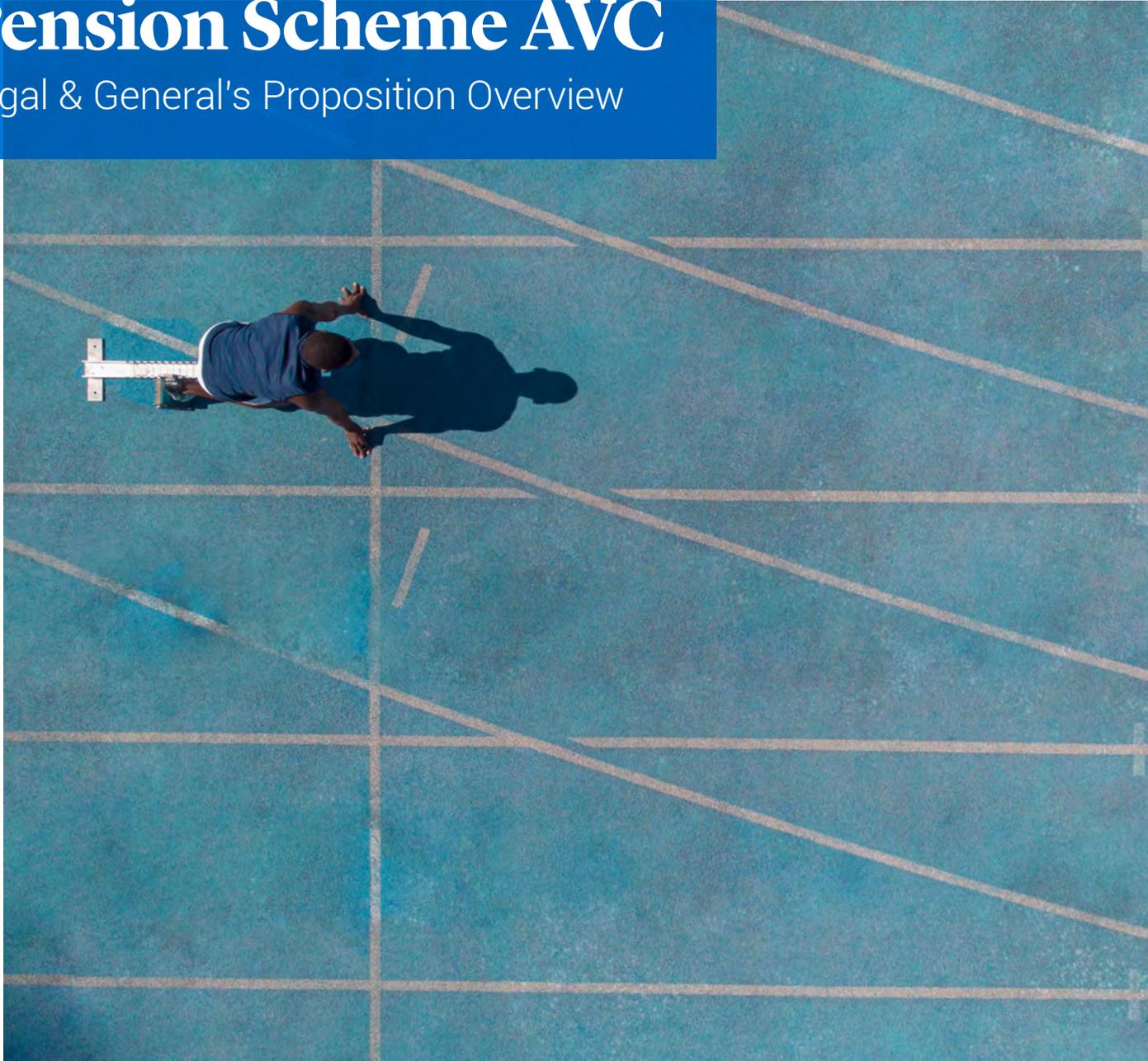
The Clerical Medical With Profits Fund has been closed for some years and so we would expect that the investment strategy will become increasingly cautious, which will in turn feed through to lower overall bonus returns. Meanwhile, Clerical Medical has been making modest distributions from its Estate for several years to avoid building up excessive assets in the Estate as the Fund and number of policyholders shrinks. However, based on this “desktop” review

of Clerical Medical's literature, there appears to be a disconnect between the investment returns on the Fund's underlying assets and the bonus returns and Estate distribution seen by policyholders.

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# Local Government Pension Scheme AVC

Legal & General's Proposition Overview





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# Introduction

Legal & General are a market leading provider of UK pensions. We currently administer pension schemes for over 12,000 employers and 4.4 million members within our Workplace Defined Contribution pension products\*.

Legal & General Investment Management (LGIM), the global asset management business of Legal & General Group is one of the largest asset managers in the world and manages over £1.4 trillion of assets for clients\*

As a Group, we are uniquely placed to create and develop innovative solutions for you and your members, providing access to a competitively priced, high-quality and well-governed range of products that will endure as the savings and pensions landscape changes.

We're pleased to offer the Local Government Pension Scheme (LGPS) a solution to support additional voluntary contributions (AVCs), via the Legal & General [WorkSave Pension Trust](#), which is supported by Legal & General's high-quality services for employers and members.

## Summary of the LGPS proposition

### Dedicated Support

You will be provided with a dedicated Client Director, whose role is to understand your detailed requirements and guide you through the process of establishing a new AVC arrangement. They will also provide ongoing support once your scheme is up and running with Legal & General.

\*Figures provided as at March 2022

The Client Director will be supported via an Implementation Manager who will help you through the onboarding phase and a dedicated Scheme Owner who will oversee the ongoing administration of your plan. The individuals are supported via administration teams which consist of skilled service specialists.

### Scheme administration

Our DC investment and savings platform was built in-house and is fully customised to serve the needs of DC pension schemes. Our service philosophy is based around maximising the use of straight-through processing for bulk and repeatable processes, i.e. monthly contribution cycles, bulk transfers, bulk updates of member records – all avoiding the need for manual intervention

Your LGPS AVC scheme will be administered via our 'Manage Your Scheme' system, which achieves up-front validation to identify the target account for every payment within the contribution file. This ensures that any queries are resolved before submission and removes the need for any retrospective reconciliation of contributions.

Where contributions are paid via our recommended method of employer-initiated direct debit, collection takes place in three working days which includes the investment trading cycle. Money is automatically invested at this point and members can see the investment within their account the following working day.

Our specialist team in Cardiff offers support to scheme administrators to supplement our user guides and videos. Please [click here](#) for further information on our online services and [click here](#) for a video of the contribution collection process.

### Contribution collection

We recognise that each local government authority is made up of multiple employers and payrolls. Our proposed solution is to manage the AVC scheme by receiving a consolidated file of member AVC contributions from each authority and shared cost AVC contributions (salary sacrifice) for each pay period. However, we'll work with you to consider what works best for your needs and can offer alternative configurations.

### Investment solutions

Being part of Legal & General grants LGIM a unique strength. Everything we do is informed by our parent group's vision of Inclusive Capitalism, which seeks to share the benefits of economic growth among as many people as possible.

LGIM draw on industry-leading expertise to innovate constantly across public and private assets, index and active strategies. Our approach is underpinned by our commitment to responsible investment ([click here](#) for further responsible investment information). We work with companies, policymakers and other investors to bring about real, positive change.

In conjunction with your advisers, we can create a range of investment solutions for your members from an unrivalled set of investment options. Adviser-specific lifestyle profiles, additional funds or blended funds can also be considered.

**Pricing**

Our pricing consists of two parts: an annual management charge (AMC) and a fund management charge (FMC).

- The AMC is Legal & General's administration charge and includes all standard services, communications and engagement tools, and implementation support (including data take-on and installation costs).
- The FMC will be dependent on the funds chosen as part of your investment solution.

Once we understand the demographics of your requirements, we will offer you a bespoke pricing structure that is designed to provide the best value for your members.

**Life cover**

We note that the rules of the LGPS scheme allow members to increase life cover benefits via AVCs. Whilst Legal & General are not able to offer this facility directly from the payment of the AVC contributions, alternative life cover options are available via the Legal & General Group. If this is an option that you wish to maintain we can discuss with you a separately funded solution to facilitate.

**Next steps**

We do not underestimate the significance of your decision and the importance of finding the right partner to provide your LGPS AVC solution.

Please contact our DC New Business team, [DCNewBusiness@lgim.com](mailto:DCNewBusiness@lgim.com) to understand more about the solutions we can offer.

Should you wish to understand the pricing terms that we can offer, please also share the following information:

- Date of birth or average age of each member paying AVCs
- Number of employers and payrolls that these members belong to
- Total value of the AVCs being paid – either monthly or annually
- Details of members' current AVC pot value (please indicate if any of these values are invested in with profits)

# Supporting the LGPS

An implementation manager will be assigned as your point of contact throughout the AVC onboarding phase.

Their role will be to fully project manage the activity to successfully create your new AVC arrangement to your requirements and ensure that the launch is a positive experience for LGPS and your members.

Please [click here](#) to view the WorkSave Pension Trust application form required to create the new AVC arrangement for an administering authority once terms have been agreed.

Legal & General offers a dedicated client director as the main point of contact for the LGPS AVC arrangements. Their role is to take the time to understand you and your requirements and to guide you through the process. They will take a proactive approach to working with you, bringing you new developments and ideas to deliver a successful and valuable benefit to your employees. Your client director will also act as your voice within Legal & General.

We also offer a dedicated scheme owner from our employer support team to oversee the administration of your plan and provide ongoing support to the operational needs of your HR and payroll teams.

# Administration

**Service levels**

All joiner, contribution and payment allocations are targeted for completion within 24 hours. We can achieve this as a result of the validation and straight through processing within Legal & General's file submission process.

**Maintaining personal details**

We offer two options for keeping members' personal details up to date. This can be done by the member via the Manage Your Account service or helpline. If this option is selected and the local authority would like to receive details of any changes we've received, this can be arranged ([see Governance](#)).

Alternatively, a consolidated 'HR Changes' file can be provided from the administering authority to Legal & General, containing details of changes to member names, addresses, email addresses, etc. Where an HR Changes file is in place, the ability to change personal details for active members is removed from the Manage Your Account service and only deferred members are then able to instruct changes via the helpline.

**Experience\***

The average years' experience in the pension administration team is 11 years across our product range, and our staff turnover is less than 6%.

Our helpline and administration staff are skilled service specialists with many holding Financial Planning Certificate and NVQ Customer Service qualifications. Overall, 25% hold a professional qualification, with 82% of those in managerial roles holding a professional qualification.

\*Experience data as at 1 February 2022

Our core operating principles are outlined to here:

Service model designed around client and customer needs

Continuous improvement

Committed to quality

Continuous investment in people development and training

Our goal is to deliver service excellence for all our clients and customers



# Payroll contribution support

We provide scheme administrators with secure access to the Manage Your Scheme service where joiner and contribution files are submitted. Regular and one-off AVCs, shared cost AVCs (salary sacrifice) and leavers can all be included in the contribution file.

There is mapping capability within the system, which means that the order of information and some formats are not prescribed. The administrator can decide when they want to send us the data to suit their payroll timing. The system maintains a record of all submissions and the employer can view and print historic submissions for audit trail purposes.

The key steps are:

1. CSV contribution file is uploaded from the relevant payroll team(s) into the Legal & General secure site.
2. Validation takes place to identify the target account for every payment within the contribution file.
3. Where contributions are paid via our recommended method of employer-initiated direct debit, the three working day direct debit collection period begins.
4. The purchase of units takes place within the direct debit collection period, which means the member is invested once the contribution has been received.

Our specialist team in Cardiff offers support to scheme administrators to supplement our [user guides and videos](#).



## New contributions demo

Step by step online demo on how to submit your contributions data to us on a regular basis.

# Investment

As one of the world's largest asset managers, with a long history of corporate engagement on the most material long-term issues, we believe we have the scale and ability to make a real, positive impact on the companies in which we invest and on society as a whole.

These values are deeply embedded into LGIM's culture – and that of the wider Legal & General Group – and are reflected in how we invest our own capital and that of our clients.

We continue to take steps to embed the principles of responsible investing across our entire business, through the integration of active ownership, long-term thematic analysis and Environment, Social, Governance integration.

We believe that well-governed companies that manage all stakeholders, including the environment, are more likely to deliver sustainable long-term returns. We view the consideration of ESG issues as part of risk management, and therefore part of fiduciary duty.

## ESG integration

Our Corporate Governance and Index teams have developed a rules-based and transparent methodology by which to score companies against ESG metrics as discussed above.

We use the score to design equity and fixed income indices with 'tilts' towards higher-scoring companies and away from lower-scoring companies, which we use for our Future World index range. The LGIM ESG Score is linked to how we engage with, and vote on, the companies in which we invest. To incentivise companies to raise ESG standards and best practice, we publish the scores of the companies we analyse on our website.

We believe scoring companies provides transparency, tracks progress and builds awareness of key ESG topics for investors. This enables companies to know exactly where they are doing well and where they need to improve.

Our approach to ESG integration within index funds complements that applied by our Active Equity and Global Fixed Income teams, all of which are supported by our Investment Stewardship team. These active teams incorporate ESG through fundamental analysis, more than 2,000 company meetings annually and through ESG data when selecting securities for investment. In doing so, they focus on material company and sector-specific factors to reflect ESG risks and opportunities embedded within each stock or bond under review. This process results in our ESG Active View.

Please [click here](#) for further information on investment stewardship.

## Responsible business practice

The future success of the UK economy is dependent on companies and shareholders making the correct long-term business decisions. Legal & General consistently campaigns for improved transparency particularly in ESG performance. We help people build better and more secure lives. The 2021 InfluenceMap report on asset managers and climate change found that we continue to show the most robust engagement with companies. We scored in the A grade category, are fully transparent with our stewardship processes, and show specific evidence of engagement with companies on the transition of business model and lobbying practices.

## Supporting members

Please [click here](#) to see how we help members to understand how their pension contributions can make a difference to the world around us.

## Investment options

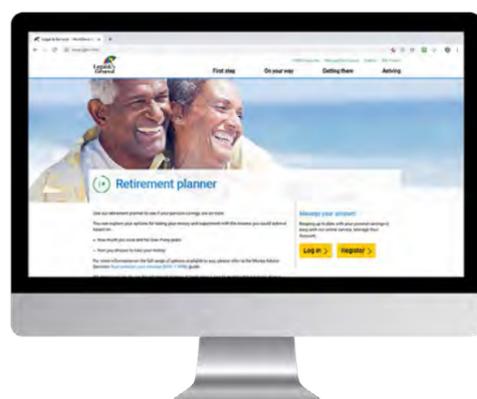
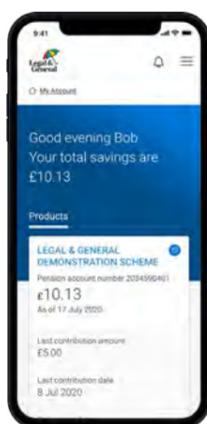
Please [click here](#) to see the range of investment options available to the LGPS members and their advisers, which can be used to form a suitable suite of fund and lifestyle options for AVC members.

# Communications

## Scheme communications

An investment guide will be created to show the range of options available to each administering authority. Produced in PDF format, this can be shared as a hyperlink to be included on an existing administering authority pension website, or if this does not exist, Legal & General can provide a scheme microsite.

Forms allowing members to elect to start paying AVCs and change their level of AVC contribution can be provided if a robust existing process is not available. Our solution is to capture the member requests via an online form, collate the results and share the information via a secure report with the scheme administrator on an agreed frequency.



## Member communications

Members paying AVCs will have access to the secure portal, Manage Your Account (MYA). All of our online functions are optimised for use via smart devices such as phones and tablets, including the tools, ensuring that all sites are accessible in a range of formats.

MYA brings together all products that members may have with Legal & General, as well as their AVC savings. Members can access support through MYA via webchat, which provides automated answers to frequently asked questions. They can also find support from Legal & General through real-time online live chat.

For their retirement savings, members will be able to:

- view the current value of savings, contributions and transactions
- view information about investments
- view statements and useful documents
- switch/redirect funds online and change personal details such as their address, email and telephone contacts
- change selected retirement age
- access a pre-populated retirement planner making it simpler to model the impact of changes to metrics such as their retirement age or contribution levels

The MYA service is accessible within Legal & General's market leading mobile app, Coll8, which allows members to interact with their retirement savings on the go. It can be accessed using biometrics and has the following features:

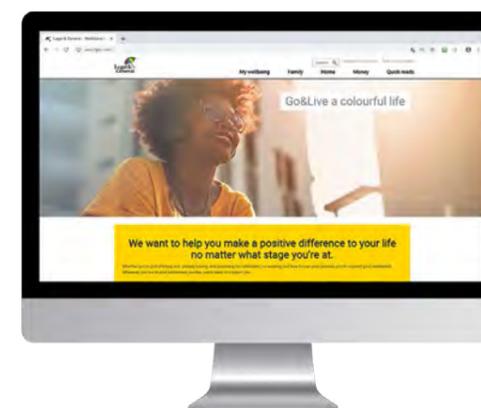
- Access to webchat, allowing members to quickly find answers to frequently asked questions
- An additional communication channel via push notifications
- Access to members' pension microsite as well the financial wellbeing hub, Go&Live



Legal & General will produce annual benefit statements according to timings agreed with the LGPS pension team. Members will be advised that their statement is available to view in MYA via email unless the member has previously selected paper statements as their preferred means of delivery.

Where Legal & General does not hold an email address, these members will be contacted by post and encouraged to register for MYA to view their statements online.

If you would like to find out more, please visit our designated [campaign page](#).



1. Retirement Planner demo

2. Go&Live Demo



## Member services

### Eligibility

Members of the LGPS are eligible to contribute and can elect to join at any time. Before enrolling any employees who live outside of the UK, the scheme trustees/ employer should ensure that the scheme rules permit membership to any overseas employee.

### Helpline

The Legal & General helpline telephone service is available to all members and is available from 8.30am to 7pm, Monday to Friday. Calls are charged at the local rate. Legal & General is happy to call back any member concerned about call charges.

The team aims to answer 85% of all calls at the first point of contact within an average of less than 120 seconds. Customer satisfaction is measured via a short survey and reported as a net promoter score.

All calls are recorded, and all callers are asked to complete a two-stage data protection verification procedure before any information can be provided.

Many members choose to raise queries online via our webchat service. This provides an automated response to a range of frequently asked questions with the option of messaging our team via live chat. The range of questions and answers can be tailored to the LGPS AVC.

## Transfers

### Transfers in

Transfers in from other LGPS AVC arrangements are permitted. On receipt of a transfer in request, Legal & General will share the information with the LGPS pension team for its consideration and to ensure that the appropriate documentation is completed. If approved by the LGPS pension team, Legal & General will be provided with the payment and any relevant information to allow the AVCs to be added to the member's account.

Transfers in from other approved pension schemes are not permitted.

### Transfers out

A similar process applies to transfers out of the scheme, where Legal & General will complete the transfer on instruction from the LGPS administering authority.

### Divorce

All documentation required to settle benefits will be arranged between the administering authority and the courts/member.

The value of the member's AVC plan will be paid to the LGPS administering authority account by Legal & General on receipt of a valid surrender request (the surrender form must be signed by authorised personnel at the administering authority).

## Claims

### Retirement (including early retirement, ill health and serious ill health retirement)

All warm-up communications and option packs will be produced by the LGPS administering authority, therefore Legal & General will not communicate to members in this respect.

All documentation required to settle benefits will be arranged between the administering authority and the member.

The value of the member's AVC plan will be paid to the LGPS administering authority account by Legal & General on receipt of a valid surrender request (the surrender form must be signed by authorised personnel at the administering authority).

Legal & General can offer annuity and drawdown options to the administering authority on request.

### Death

All documentation required to settle benefits will be arranged between the administering authority and the executor.

The value of the member's AVC plan will be paid to the LGPS administering authority account by Legal & General on receipt of a valid surrender request (the surrender form must be signed by authorised personnel at the administering authority).

## Governance

### Scheme reporting

The Legal & General reporting team will produce a governance and investment report for the scheme containing an overview of the scheme's demographics and performance. This can be supplied on a quarterly, half-yearly or annual basis as required by the LGPS administering authority.

A scheme member report, including member plan valuations and personal details, can be provided at different frequencies. This can be helpful to administering authorities where members provide their personal detail changes directly to Legal & General.

We can also help with any ad hoc requests for member data from your authorised personnel at the LGPS administering authority.

## Contact us

For further information about LGIM, please visit [lgim.com](http://lgim.com) or contact your usual LGIM representative



### For prospective pension schemes clients of Legal & General Assurance Society Limited or Legal & General (Portfolio Management Services) Limited

Trust based pension schemes within the UK  
Contract based pension schemes within the UK  
Pension scheme administration within the UK

#### Legal & General Investment Management

##### Key risk

The value of any investment and any income taken from it is not guaranteed and can go down as well as up, and investors may get back less than the amount originally invested.

##### LGIM Disclaimer and important legal notice

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Past performance is no guarantee of future results. The value of an investment and any income taken from it is not guaranteed and can go down as well as up, you may not get back the amount you originally invested.

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The risks associated with each fund or investment strategy are set out in this publication, the relevant prospectus or investment management agreement (as applicable) and these should be read and understood before making any investment decisions. A copy of the relevant documentation can be obtained from your Client Relationship Manager.

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## Suffolk Pension Board

<b>Report Title:</b>	Annual Report and Accounts 2022-23
<b>Meeting Date:</b>	6 December 2023
<b>Lead Councillor(s):</b>	Councillor Richard Rout
<b>Director:</b>	Stephen Meah-Sims, Deputy Chief Executive and Executive Director of Corporate Services
<b>Assistant Director or Head of Service:</b>	Louise Aynsley, Chief Financial Officer (S151 Officer)
<b>Author:</b>	Paul Finbow, Head of Pensions Tel: 01473 265288; Email: <a href="mailto:paul.finbow@suffolk.gov.uk">paul.finbow@suffolk.gov.uk</a>

### Brief summary of report

1. This report provides the Pension Board with the Annual Report and Accounts approved for publishing by the Suffolk Pension Fund.

### Action recommended

- |  |
|--|
| <ol style="list-style-type: none"> <li>2. The Board is asked to note the Fund's Annual Report and Accounts and consider any areas of interest that the Board would like further information on to be added to the forward work programme.</li> </ol> |
|--|

### Reason for recommendation

3. The Pension Fund Annual Report and Accounts is an important channel of communication, reporting on the Pension Fund's activities to employers, scheme members and other stakeholders.
4. The Board receives information about the Annual Report and Accounts of the Fund to fulfil its remit to secure the effective and efficient governance and administration of the Suffolk Pension Fund.

### Alternative options

5. There are no alternative options

### Main body of report

#### Regulatory Background

6. The overall assets of the Pension Fund as at 31 March 2023 is £3.759bn, an increase of £3m from the previous financial year. Investment assets are £3.742 bn down £4m from the previous year. The investment return for the year was -0.5%.

7. There are 352 active employers in the scheme with 71,169 scheme members of whom 23,080 are contributing members, 18,501 are in receipt of pension benefits and the remainder deferred members.
8. Contributions for the year totalled £106m from employers and £28m from contributing members. £111m was paid out in pension benefits.
9. Management expenses were £18m, of which investment expenses were £15m. Investment expenses include management fees and expenses, and performance fees, directly charged to the Pension Fund and those charged against the Net Asset Statement.
10. The Pension Fund Annual Report and Accounts for 2022-23 are attached as **Appendix 1**. This has been prepared with regards to the regulations and guidance set out below:

### **Audit of Pension Fund Accounts for 2022-23**

11. The audit of the Pension Fund accounts commenced in the summer and is drawing to an end, with a few outstanding items awaiting resolution.
12. The audit of the Suffolk County Council Statement of Accounts for 2022-23 hasn't started and a date for commencement has not been given. The Pension Fund accounts which form part of the Suffolk County Council accounts will need revisions for completeness based on the sign off date.
13. The Pension Fund Committee on 28 November 2023 recommended the approval of the accounts to Audit Committee and will be appraised of any changes to the Pension Fund Accounts.
14. The statutory deadline for the publication of the Pension Fund Annual Report is 1 December. To meet this deadline, a draft Annual Report has been published after the Audit Committee meeting on 30 November 2023.

### **Conclusion**

15. The Board is asked to note the Fund's Annual Report and Accounts and consider any areas of interest that the Board would like further information on to be added to the forward work programme.

<b>Sources of further information</b>
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No other documents have been relied on to a material extent in preparing this report.
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# Suffolk Pension Fund Annual Report and Accounts 2022-23



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## Report from the Head of Finance

### Foreword to Annual Report and Accounts

The Suffolk Pension Fund Annual Report and Accounts sets out the Pension Fund's income and expenditure and its assets and liabilities for the financial year ended 31 March 2023, the governance arrangements for administering the scheme and the work carried out by the Pension Fund Committee, Pension Fund Board and the Pension Fund officers throughout the year.



The policies of the Fund which form part of the prescribed content of the Annual Report, are published as separate documents on the website of the Fund ([www.suffolkpensionfund.org](http://www.suffolkpensionfund.org)).

### Business Plan

The Committee approves a business plan at the start of each financial year. This provides a mechanism for the Committee to ensure that its responsibilities for the Fund are carried out effectively. Their key actions for 2022-23 are as below:

### Actuarial Valuation

The Fund is required to obtain an independent actuarial valuation of its assets and liabilities every three years. This was undertaken during 2022-23 which determined the employer contributions that are required for the three years starting April 2023.

The Committee set the financial assumptions to be used, with advice from the Fund's actuary, Hymans Robertson LLP, and reviewed the Funding Strategy.

A full set of contribution rates, the Valuation Report and the Funding Strategy are published on the Suffolk Pension Fund website.

### Investment Strategy

The Fund's investment objectives are set out in its Investment Strategy Statement to achieve the aims of the Funding Strategy Statement. There are significant levels of diversification between different asset classes to ensure that the assets of the Pension Fund, when taken in conjunction with future contributions, are sufficient to ensure that all future pension and retirements benefits will be fully covered by the Fund's assets when they fall due, whilst maintaining the Fund's relatively low risk approach.

These objectives have been translated into an asset allocation plan and as at 31 March 2023, 42.5% of the Fund is to be invested in equities, with the balance in bonds (28%), property (10%), a number of funds in alternative investments (19%) and a small holding in cash and money markets of 0.5%.

### Environment, Social & Governance

The Pension Fund is committed to integrating not just environmental factors, but also other social and governance factors to demonstrate a sustainable, responsible and ethical approach to investment.

The Pension Fund is actively working on becoming a signatory to the UK Stewardship code.

## ACCESS Pool

The Section 151 Officers of the ACCESS Authorities provide advice to the Joint Committee overseeing the Pool and one Section 151 Officer attends the meeting to be on hand to offer direct support as decisions are made at the meeting. The Section 151 Officers meet on at least a quarterly basis to be briefed by the Director of the Access Support Unit (ASU) on the progress of implementing the decisions made by the Committee and to understand the resources required to implement these decisions and to ensure the budget is appropriate.

The Suffolk Pension Fund remains committed to transferring all of its investment assets into the ACCESS Pool over the long term. Excellent progress has been made with 70% pooled as at 31 March 2023 with further opportunities already identified for transferring into the Pool during the 2023-24 financial year.

## Administration

The Pension Board focuses on the governance and administration of the Fund to ensure that it is managed and administered effectively, engaging with the Employer's, and receiving reports on the performance of the administration team.

The Pensions team operate a hybrid working structure, with all staff working part-time in the office and part-time at home. The Fund has a self-service platform (<https://pensions.suffolk.gov.uk>) which enables members to access their statements and have instant access to their records. The phone helpdesk meets the needs of members who prefer to talk to someone or who are not computer literate.

The 2022 annual benefit statements for active and deferred members were delivered electronically ahead of the statutory deadline of 31 August.

## Audit

The Pension Fund accounts are included within the County Council's Statement of Accounts for 2022-23, which is subject to audit by Ernst and Young LLP. As part of the audit review, the external auditor will provide an opinion to confirm whether the information provided within the Pension Fund Annual Report and Accounts is consistent with the information contained within the County Council's Statement of Accounts.

## Louise Aynsley

*Chief Financial Officer (S151)  
August 2023*



Tree Way Marker, Saxmundham

## Statement of Responsibilities for the Pension Fund Accounts

### The Council's Responsibilities

The Council is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, during 2020-21 that officer was the Chief Financial Officer.
- to manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets; and
- to approve the statement of accounts

### Certification

I confirm that these Accounts were approved by the Audit Committee at its meeting on XX 2024 on behalf of Suffolk County Council and have been authorised for issue.

### Councillor Joanna Spicer

*Chairman of the Audit Committee*  
**TBC**

### The Responsibilities of the Chief Financial Officer (Section 151 Officer)

The Chief Financial Officer is responsible for the preparation of the Council's Statements of Accounts including those of the Pension Fund. In order to comply with the Code of Practice on Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), these statements must present a true and fair view of the financial position of the Pension Fund at 31 March 2023, and the income and expenditure (spending) for the year to that date.

In preparing this Statement of Accounts, the Chief Financial Officer has:

- chosen suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- followed the Code of Practice on Local Authority Accounting.

The Chief Financial Officer has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps to prevent and detect fraud and other irregularities.

### Certification

I certify that this statement of accounts has been prepared in accordance with proper accounting practices and presents a true and fair view of the Pension Fund at 31 March 2023 and its income and expenditure for the year to that date.

### Louise Aynsley

Chief Financial Officer (Section 151 Officer)  
**TBC**

## Scheme Management and Advisers

### Pension Fund Committee

Cllr Karen Soons (Chairman)	Cllr Robert Lindsay
Cllr Georgia Hall (Vice-Chairman)	Cllr Simon Harley (From Feb 23)
Cllr Edward Back	Cllr Colin Kreidewolf
Cllr David Goldsmith	Cllr John Whitehead
Cllr David Nettleton	Steve Warner (Unison)

### Pension Board

Cllr Richard Rout (Chairman)	Ian Blofield
David Rowe (Vice-Chairman)	Thomas Jarrett
Eric Prince	Pauline Bacon

### Suffolk County Council

Louise Aynsley	Chief Financial Officer (S151)
Paul Finbow	Head of Pensions
Sharon Tan	Lead Accountant (Pensions)
Andy Chapman-Ennos	Technical Pensions Specialist
Stuart Potter	Operations Manager (Administration)

### Investment Managers

Blackrock Investment Management	Partners Group
Brookfield Asset Management	Pyrford International
JP Morgan	Schroders Investment Management
Kohlberg, Kravis, Roberts	UBS Group
Link Fund Solutions	Wilshire Associates
M&G Investments	Pantheon Ventures

### Pension Fund Advisers

Auditors	Ernst & Young LLP
Actuary	Hymans Robertson LLP
Investment Consultancy Service	Hymans Robertson LLP
Independent Investment Adviser	Mr Mark Stevens
Performance Measurement	Northern Trust
	PIRC
Investment Custodian	Northern Trust
Banking Services	Lloyds Banking Group Plc
Legal Advisers	Squire Patton Boggs
Pool Operator	Link Fund Solutions

## Scheme Overview

### Introduction to the Fund

The Local Government Pension Scheme (LGPS) provides pension benefits for certain employees within local government. It is governed by statute and the statutory responsibility for regulating the scheme lies with the Minister of State for the Department of Levelling Up, Housing and Community (DLUHC).

The LGPS is administered locally by 86 Pension Funds in England and Wales and collectively is one of the largest pension schemes in the UK.

It is a defined benefit pension scheme, meaning benefits are paid out based on the members salary and for how long they have paid into the scheme.

### Scheme Eligibility

The scheme is open to all County Council employees (except teachers, fire fighters and former NHS staff who have their own national scheme), employees of the Suffolk District and Borough Councils and employees of certain other public bodies (known as scheduled bodies) within Suffolk.

Parish and Town Councils may decide by designation to allow their employees to join the scheme and regulations also permit the Pension Fund Committee to admit certain other bodies which provide public services.

All eligible employees automatically become members of the scheme unless they chose to opt out.

### How the Fund Works

The LGPS is a funded pension scheme, contributions from employees and employers are held in the Fund and invested, until the benefits fall due for payment. This enables the fund to generate capital growth and income from investments.

The Employer's contribution rates are set as part of the actuarial valuation exercise which is carried out every three years by the Suffolk Pension Fund's actuary, Hymans Robertson LLP.

The last valuation exercise was carried out in 2022-23, and following consultation with the Employers', the next three years contribution rates take effect from 1 April 2023.

### Costs of Employee Membership

Employee contributions are set nationally, in bands on members' pensionable pay. The pay banding table which was used during 2022-23 is shown below:

Actual Pensionable Pay	Contribution Rate
£0 - £15,000	5.50%
£15,001 - £23,600	5.80%
£23,601 - £38,300	6.50%
£38,301 - £48,500	6.80%
£48,501 - £67,900	8.50%
£67,901 - £96,200	9.90%
£96,201 - £113,400	10.50%
£113,401 - £170,100	11.40%
£170,101 or more	12.50%

The contribution rates are reviewed periodically to maintain the average contribution from employees at 6.5% and to ensure the long-term costs of the scheme are affordable.

Members have the option to join on a 50/50 basis which entitles members to pay half the contribution rate in exchange for half the pension benefit. These members retain full benefits in the event of ill health or death in service.

### **Benefits of the Pension Fund**

The majority of the benefits payable are set by regulation and are increased in April each year based on the CPI rate as at 30 September in the previous year.

### **The core scheme benefits are:**

- Life assurance of three times the member's yearly pay from the day they join the scheme.
- Inflation linked pension for the rest of the member's life.
- The ability to take a tax-free lump sum by commutation of pension. For service in the scheme prior to 1 April 2008 there is an automatic tax-free lump sum of three times the annual Pension to 31 March 2008.
- Dependent pensions for spouses, civil registered partners and qualifying co-habiting partners and eligible children should the member die.
- An entitlement paid early if a member has to stop work due to permanent ill health.
- Flexible retirement and an option to take the Pension from between the ages of 55 and 75.
- Early payment of members benefits without reduction from aged 55, should they be made redundant.



Mechanical Water Clock, Southwold

## Governance Report

### Pension Fund Committee Chairman's Report

I am pleased to be introducing the latest Suffolk Pension Fund Annual Report and Accounts.

Financial markets have continued to be volatile, with another unpredictable year. The war in Ukraine and central banks' measures to contain inflation have been the main sources of poorer performance in bond and equity markets. However, the final quarter of the year has at least brought some improvement. The Fund returned -0.5%, which although disappointing was in the top quartile of other Local Government schemes.



Investment pooling continues to be a focus for the Fund, with a further £368 million being transferred during the year. 70% of the Suffolk Pension Fund's assets are in the ACCESS Pool, with plans to transfer the emerging market investment in the forthcoming financial year and consider the transfer of Property to CBRE who were appointed by MJ Hudson as the investment manager of both global and UK property for the ACCESS Pool.

The committee continues to seek investment opportunities to reduce the Fund's carbon intensity, switching £310 million into a low carbon transition fund with UBS which will further reduce the carbon intensity year on year to help mitigate the risks of climate change.

This year saw the completion of the triennial valuation for 2022, setting the contribution rates for the employers for the next three years starting from April 2023. The funding level improved from 99% to 107%, with a majority of employers benefitting from a reduction to their contribution rates. Employee contribution rates are set nationally, in pensionable pay bands.

A new Funding Strategy was approved after consultation with the Employers, setting out the funding strategy objectives and how the contributions are set and how Employers are treated when certain events happen.

Whereas the Funding Strategy sets out how money will be collected from employers to meet the Fund's obligations, the Investment Strategy sets out how the contributions, assets and other income are invested to ensure that benefits are paid when due.

The Committee receives a quarterly report on Environmental, Social and Governance issues affecting the Fund's investments. This has been developed during the year and has focussed on differing asset classes and investment manager practices. Voting and engagement activities carried out are also reported.

The Fund met with investment managers on a rotational basis, quarterly, with the independent investment advisor, to understand the managers' views on the current market conditions and the way they are investing the Fund's money.

A new Investment Manager Engagement Strategy was agreed at the November 2022 Pension Fund Committee meeting, and this now forms the basis of these engagements with Investment Managers, setting out a structured way these occur in line with a requirement within the future stewardship code application by the Fund.

### Councillor Karen Soons

*Chairman of the Pension Fund Committee  
August 2023*

## Pension Fund Committee

The Pension Fund Committee’s key responsibilities are:

- a) The effective and prudent management of the Suffolk Pension Fund.
- b) The approval of the Fund’s investment strategy
- c) The approval of the funding strategy following the triennial actuarial valuation, and the determination of the employers’ contributions to the Fund.

### Membership of the Committee

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



Cllr David Nettleton



Cllr Edward Back



Cllr Robert Lindsay



Cllr Simon Harley



Cllr Colin Kreidewolf



Cllr John Whitehead

District Representatives



Cllr Karen Soons  
Chairman



Cllr Georgia Hall  
Vice Chairman



Cllr David Goldsmith



Steve Warner  
Union Representative

## Committee Attendance

The attendance of the Pension Fund committee members for the Committee meetings held during 2022-23 are shown below.

Suffolk County Council Pension Fund committee members are encouraged to send a substitute for any committee meeting which they are unable to attend. The substitute is fully briefed by a Pension Fund officer to enable them to participate in the meeting.

Councillor	Meetings attended
Cllr Karen Soons	4/6
Cllr Georgia Hall	6/6
Cllr David Nettleton	3/6
Cllr David Goldsmith	6/6
Cllr Edward Back	6/6
Cllr Robert Lindsay	3/6
Cllr Simon Harley	2/2*
Cllr Peggy McGregor	0/3*
Cllr Colin Kreidewolf	5/6
Cllr John Whitehead	5/6
Mr Steve Warner	4/6

\*Cllr Peggy McGregor stepped down in September 2022, replaced by Cllr Simon Harley in February 2023.

All members of the Pension Fund Committee have voting rights.

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



Cardinal Thomas Wolsey, Ipswich

## Committee Training

The Pension Fund Committee recognises the importance of ensuring that those who are responsible for financial management and decision making with regards to the pension scheme are equipped with the necessary knowledge and skills. The Chief Financial Officer is responsible for ensuring that appropriate training is undertaken by members and officers with responsibilities relating to the Pension Fund.

The Committee has adopted the CIPFA Pensions Knowledge and Skills Framework as the basis for assessing its training and development needs. All new committee members are given training on the operation of the Fund and their responsibilities.

In addition, the committee approves a formal training plan which is designed to cover the Committee's responsibilities. This is reviewed annually and updated to include new topics of interest and any additional training requirements identified.

Councillor	Training attended
Cllr Karen Soons	4/6
Cllr Georgia Hall	5/6
Cllr David Nettleton	4/6
Cllr David Goldsmith	5/6
Cllr Edward Back	6/6
Cllr Robert Lindsay	3/6
Cllr Peggy McGregor	0/3
Cllr Simon Harley	2/2
Cllr Colin Kreidewolf	4/6
Cllr John Whitehead	5/6
Mr Steve Warner	3/6

Training sessions are designed to cover the major areas of the Committee's activities throughout the year. In addition to these a training day is also offered to cover any specific training needs which are identified.

As part of the training plan the Committee has received presentations during the year from the fund's investment managers and advisers. This year topics have been:

- **Company Engagement** presented by LAPPF taking the committee through how they engage with companies their members are invested in, how the outcomes are reported and how actions are followed up.
- **Pathway to Net Zero** by Hymans Robertson setting out the TCFD requirements, what net zero is and what the Fund should be aiming for it.
- **Currency Hedging** by Hymans Robertson taking the Committee through how currency hedging works and what it sets out to achieve.
- **ACCESS Alternative Investment Platform** covered by MJ Hudson explaining how the ACCESS alternative assets will be set up, how it will operate and the journey towards illiquid asset pooling.
- **Risk Management** which was presented by Hymans Robertson outlining what risk is and how it can and should be managed.
- **Annual Training Day** with presentations by investment managers covering what a net zero investment portfolio would look like in 2023.

The Suffolk Pension Fund Committee signed up to the Hymans Robertson online training module aimed at both Committee and Board members. They are progressing through the training modules and will continue to do so across the current year.

This is supplemented by external training provided by local government organisations and investment seminars organised by investment managers and industry experts. Committee members and officers have access to the on-line training and reference material contained in the CIPFA Pensions Knowledge and Skills ‘tool kit’.

### Work of the Pension Fund Committee

The Pension Fund Committee has an annual business plan which sets out its priorities for service development.

The Committee monitors the investment performance of the Fund and all its managers on a quarterly basis, receiving a combined investment report with collaboration from Hymans Robertson LLP and Mark Stevens, the Fund’s Investment advisers and officers of the Pension Fund. The report includes commentaries on the performance of the managers and the investment strategies employed, a review based on the quarterly investment manager’s meetings and an overview of the economic outlook.

During the year the Committee completed the Actuarial Valuation as at 31 March 2022 and contribution rates have been set for all employers in the Fund for the next three years (starting 1 April 2023).

The Committee monitors the actuarial position of the Fund on a quarterly basis with the receipt of an estimated funding valuation report produced by Hymans Robertson LLP.

The Committee has been regularly kept informed of the development of the ACCESS pool and has approved transfers of assets into the pool.

The Committee updated and approved the following policy documents:

- Treasury Management Strategy
- Funding Strategy Statement
- Governance Policy

- Investment Strategy Statement
- Risk Management Strategy
- Risk Register

Additional areas considered by the Committee were:

- Review the business plan for 2022/23 and set the work for 2023/24
- Review the strategic asset allocation of investments.
- Regular report on the work of the administration team
- Continued development of reporting on Environmental, Social and Governance issues including climate change.
- Review and setting of the investment consultant performance objectives.
- Approval of Annual Report and Accounts



Green Wind, Ravenswood, Ipswich

## Pension Board Chairman's Report

It is a pleasure to introduce the Suffolk Pension Board's annual report. The Suffolk Pension Board, representing employers and members of the scheme, operates to assist Suffolk County Council in ensuring the effective and efficient governance and administration of the Suffolk Pension Fund.



As representatives of the Employers in the Fund, the Pension Board has a keen interest in the triennial valuation. The Board was kept apprised of the planning phase and the timetable for the key milestones for the exercise receiving regular updates on progress throughout.

The Annual Employers meeting was held on 7 October, with Craig Alexander from Hymans Robertson taking the attendees through the actuarial funding valuation and covering the major financial assumptions used.

The Pension Board is regularly kept informed of the activity of the ACCESS Pool and the progress of the Suffolk Pension Fund's pooling of its assets by the Pension Fund officers. In March 2023, two members of the Board attended the ACCESS Joint Committee meeting to observe on the proceedings which provided a greater insight on the governance process that ACCESS operates under and witness the discussions that are had around each decision made.

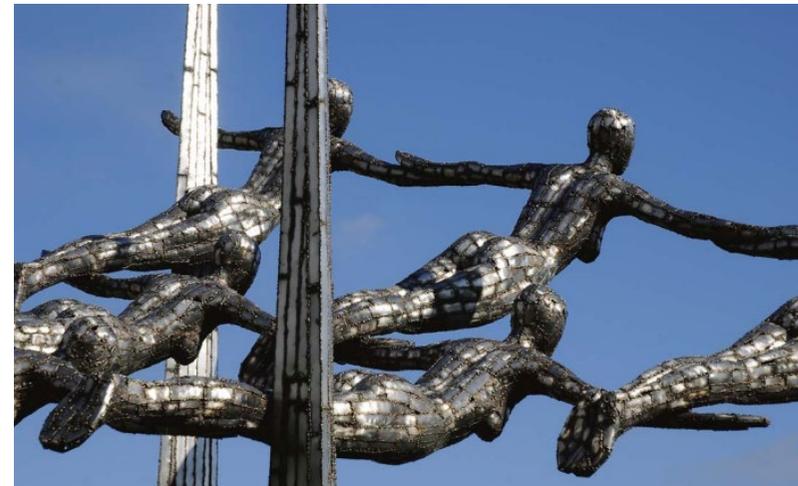
The Pension Board meeting held in March 2023 saw the departure of David Rowe, representing active scheme members and Eric Prince representing retired members, both had been on the Board since its inception and had served the maximum two terms permitted.

David and Eric brought a wealth of experience to the Board and contributed to the development of the Board from the first meeting on 9 July 2015

Following a recruitment process overseen by the Suffolk County Council Monitoring Officer, Nigel Inniss, Kay Davison will be joining the Board to represent the active members and Richard Blackwell representing retired members.

### **Councillor Richard Rout**

*Chairman of the Suffolk Pension Board  
September 2023*



Formation, Ravenswood Ipswich

## Pension Board

The Pension Board’s key responsibilities are:

- 1) Assist the Council as scheme manager.
  - 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 requirements imposed in relation to the LGPS by the Pensions Regulator.
  - c) In such other matters as the LGPS Regulations may specify.
- 2) Secure the effective and efficient governance and administration of the Suffolk Pension Fund.

### Membership of the Board

The Suffolk Pension Board consists of six members, three Pension Fund employer representatives (one each representing the County Council, other local government employers and other employers) and three Pension Fund member representatives (one each representing current active members, retired members and trade unions).

Cllr Richard Rout	Suffolk County Council
David Rowe	Active Scheme Member
Thomas Jarrett	Other Employers
Ian Blofield	Other Local Government
Eric Prince	Retired Members
Pauline Bacons	Unions

### Board Attendance

The attendance of the Pension Board members for the quarterly meetings held during 2022-23 are as follows:

Board member	Representing	Meetings attended
Cllr Richard Rout	Suffolk County Council	1/4
David Rowe	Active Scheme Members	4/4
Eric Prince	Retired members	4/4
Ian Blofield	Other Local Government	4/4
Thomas Jarrett	Other Employers	3/4
Pauline Bacon	Unions	2/4

### Board Training

The Pension Board recognises the importance of complying with the Pensions Regulator’s Code of Practice in regard to the demonstrable knowledge and understanding of the LGPS that is expected, whilst in addition, having due regards to the guidance issued by the Scheme Advisory Board.

The Board approves a 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.

Members of the Board are also invited to attend the Pension Fund Committee training and the annual Committee training day.

Board member	Representing	Training attended
Cllr Richard Rout	Suffolk County Council	0/4
David Rowe	Active Scheme Members	3/4
Eric Prince	Retired members	4/4
Ian Blofield	Other Local Government	3/4
Thomas Jarrett	Other Employers	3/4
Pauline Bacon	Unions	1/4

As part of the training plan the Board has received training as follows:

- Other Local Pension Board Agendas and Priorities by Paul Finbow to enable the Board to understand what other Pension Boards are covering in their meetings.
- The Pensions Regulator covered by Sharon Tan looking at the role and powers of the Pension Regulator
- Employer Onboarding by Paul Finbow taking the Board through the different Employer types who are members of the Fund and how they are onboarded.
- Annual Training Day presentations by investment managers covering what a net zero investment portfolio will contain.

The Board also agreed to sign up the Hymans Robertson online training module aimed at both Committee and Board members that covers all the required knowledge and understanding to undertake appropriate scrutiny and decisions.

## Work of the Pension Board

The Pension Board agrees a forward work programme for the year ahead which includes regularly reviewing its risk register, quarterly updates on the performance of the administration team, and recent developments in the Fund.

The annual report on investment performance for 2021-22 presented to the Committee was also separately presented to the Board.

The Board has been regularly kept informed of the development of the ACCESS pool and has appraised of the transfers of assets into the pool by the Fund.

In addition to the regular reports the Board has received and reviewed:

- Pension Fund Annual Report and Accounts 2021-22
- Review of the process for the Actuarial Valuation.
- Admin and Management expenses
- Policies approved by the Committee.



St Edmundsbury Cathedral

## Independent Auditor's Report to the Members of Suffolk County Council

### Opinion on the Pension Fund financial statements

We have audited the Pension Fund financial statements for the year ended 31 March 2023 under the Local Audit and Accountability Act 2014. The Pension Fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion the Pension Fund financial statements:

- Give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023 and the amount and disposition of the Fund's assets and liabilities as at 31 March; and
- Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority in the United Kingdom 2022/23.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the pension fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Financial Officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

### Other information

The other information comprises the information included in the 'Statement of Accounts 2022-2023', other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information contained within the 'Statement of Accounts 2022-2023'.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have

performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

## Responsibility of the Chief Financial Officer

As explained more fully in the 'Statement of Responsibilities for the Statement of Accounts' set out on page 8, the Chief Financial Officer is responsible for the preparation of the Authority's Statement of Accounts, which includes the Pension Fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Pension Fund either intends to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant are the Local Government Pension Scheme Regulations 2013 (as amended), and The Public Service Pensions Act 2013.

We understood how Suffolk Pension Fund is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, the Head of Internal Audit, those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Pension Committee minutes, through the inspection of Pension Fund policies and procedures and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and opportunities for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise.

Based on our risk assessment procedures we identified the manipulation of journal entries of the investment income and investment asset valuations and management override of controls to be our fraud risks.

To address our fraud risk we tested the consistency of the investment income and investment asset valuation from the independent sources of the custodian and the fund managers to the financial statements.

To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested the appropriateness of the journal and that it was accounted for appropriately.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business.

**Debbie Hanson TBC**  
*(for and on behalf of Ernst & Young LLP, Appointed Auditor)*



Snooks the dog, Aldeburgh

## Actuarial Statement for 2022-23

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

### Description of Funding Policy

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

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

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 20 years. Asset-liability modelling

has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 75% likelihood that the Fund will achieve the funding target over 20 years.

### Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £3,756 million, were sufficient to meet 107% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2022 valuation was £235 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in its FSS.

### Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2022 valuation report.

### Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

**Assumptions**

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2022 valuation were as follows:

Financial assumptions	31 March 2022
Discount rate	3.7%
Salary increase assumption	3.7%
Benefit increase assumption (CPI)	2.7%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	22.0 years	24.6 years
Future Pensioners*	22.7 years	26.2 years

\*Aged 45 at 2022 Valuation

Copies of the 2022 valuation report and Funding Strategy Statement are available on the Suffolk Pension Fund website ([www.suffolkpensionfund.org](http://www.suffolkpensionfund.org))

**Experience over the period since 31 March 2022**

Markets continued to be disrupted by the ongoing war in Ukraine and inflationary pressures, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in a higher than expected LGPS benefit increase of 10.1% in April 2023. Despite this, the funding level of the Fund is likely to be higher than reported at the 31 March 2022 funding valuation due to the significant rise in interest rates which reduces the value placed on the Fund's liabilities.

The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed at that time.



Craig Alexander FFA  
For and on behalf of Hymans Robertson LLP  
18 May 2023



Together, building better futures since 1921

## Risk Management

The long-term risk in relation to the Pension Fund is that its assets fall short of its liabilities and that there would be insufficient assets to pay the pensions to its members. Investment objectives have been set by the Pension Fund Committee with the aim of achieving long term investment returns within an agreed risk tolerance level to mitigate the risk.

Investment risk and performance is regularly monitored and reviewed by the Council's officers. The Pension Fund Committee reviews investment performance on a quarterly basis with the assistance of its investment advisers, Hymans Robertson LLP and Mark Stevens.

The Pension Fund Committee and Pension Board each maintains a risk register for the Pension Fund, which is available on the website ([www.suffolkpensionfund.org](http://www.suffolkpensionfund.org)). All Pension Fund risks are subject to regular monitoring in regards to the likelihood of occurrence and potential impact on the Fund.

Assurance over the systems operated by the Fund's investment managers and custodians is maintained by reviewing relevant documentation about their internal control environment such as ISAE340 reports, prepared in accordance with the guidance from the Audit and Assurance Faculty of the ICAEW.

## Systems and internal control

The Council's statement of accounts, which includes the accounts of the Pension Fund, is subject to external audit by Ernst & Young LLP who produce an overall audit opinion on the Council's accounts. The auditors produce a separate opinion on the Pension Fund financial statements and an opinion that the Pension Fund annual report is consistent with the Pension Fund accounts.

The Pension Fund is also subject to an internal review by the Council's internal auditors on the robustness of the Pension Fund's systems, procedures and controls. The Head of Audit Services has provided the opinion that the internal control environment provides sufficient assurance that the Pension Fund financial and administrative systems have adequate controls and effective systems in operation.

The 2022-23 audit review of Pension Investments confirmed that there continued to be evidence of sound governance, risk management and control arrangements in place.

The Pension Fund assets held by the external custodian are regularly reviewed and reconciled. The Fund has appropriate independent advisers who report on the performance of the Fund and Investment Managers. The Pension Fund Committee and Local Pension Board are kept informed on the performance and development of the Fund and receive appropriate training to assist them in carrying out their responsibilities. The Committee and Board maintain separate risk registers, and these are reviewed on a regular basis.

The Suffolk Pension Fund continues to transfer assets into the ACCESS pool when appropriate. ACCESS is a collaborative partnership between eleven LGPS Administering Authorities and has a legal agreement in place (the IAA - Inter Authority Agreement). The IAA has been reviewed, and the revised version has now been adopted by all eleven Authorities.

Governance arrangements for the Pool are in place, and these preserve the ability of Suffolk Pension Fund to determine its own investment decisions (in accordance with its own investment strategy). The Suffolk Pension Fund is represented on the Pool's Joint Committee and also at the Officer Working Group. Feedback on the pooling progress is given at the Suffolk Pension Fund Committee and Board meetings.

The administration systems audit is conducted annually, with the aim of providing assurance to the Pension Fund Committee that the control environment is operating effectively. A risk assessment is carried out to determine the scope of the annual audit of pension administration, using the LAWGAIM matrix.

A reasonable level of assurance was gained that there are sound control arrangements that allow the fund to operate effectively. This is a good opinion when accounting for the high volume of transactions going through the fund.

Procedure notes and training are made available to staff, and checklists have been developed for key processes. Progress has continued in reducing the backlog of 'undecided leavers' cases. Performance management processes are in place - including a daily task list which prioritises each days tasks for the team.

Staff check each other's work, and there is a clear audit trail of authorisation and separation of duties within the payments process. Annual benefit statements were produced by the required deadline.

Monthly reconciliations are undertaken between the contributions received to records from the employers, and between the pay run and the bank statement. Good controls are in place enabling transactions to be completed accurately and timely.

The following table lists the audit opinions for the last three years.

Audit	2020/21	2021/22	2022/23
Pensions Investments	Substantial Assurance	Substantial Assurance	Substantial Assurance
Pensions Administration	Reasonable Assurance	Reasonable Assurance	Reasonable Assurance

- Substantial Assurance – There are sound governance, risk management and control arrangements in place in order to meet the objectives of the area under examination.
- Reasonable Assurance - Whilst there is basically sound governance, risk management and control arrangements in place, there are some gaps in assurance which put at risk some of the objectives of the area under examination.

## ACCESS Pool

The ACCESS pool continues to develop, there is a clear governance structure in place with quarterly reporting to the Joint Committee, and a business plan and risk register which are regularly reviewed. The ASU (ACCESS Support Unit) provides day-to-day support for the Pool, including programme and contract management, and administration and technical services. The ASU was audited by Essex County Council in 2022-23 with a 'Good Assurance' opinion, the highest rating available.



Question Mark, Ipswich

## Counteracting Fraud

The Suffolk Pension Fund participates in the National Fraud Initiative exercise which matches electronic data between public and private sector bodies to prevent and detect fraud.

Any returned post or bank payments results in payments being ceased and a tracing agency is utilised to track down the member to confirm existence or otherwise.

The Suffolk Pension Fund utilises the 'Tell us once' service that enables someone to report a death to most government organisations online in one go instead of having to write to the Pension Fund at a later date which results in a timelier notification.

The Pension Fund has controls in place to prevent internal fraud such as administrative staff being unable to access their own records, separation of duties and appropriate authorised signatories which are checked against payments. Internal controls are also subject to the audit scrutiny on an annual basis.

## Pension Fund Risk Register

The Committee has adopted a formal framework for the identification and management of the risks that the Fund is exposed to. The risk management strategy identifies the principles for how the Fund will embed risk awareness and management into the decisions and processes of the Pension Fund to ensure that the Fund's objectives are met.

The risk management framework is used to identify and assess risks and the implementation of the management of those risks.

The risk register has been reviewed and updated in line with guidance and reflects 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 is established.

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

The risks are managed in accordance with the County Council's arrangements for managing risks, including appropriate monitoring and mitigation measures.

The Pension Fund risk register includes risk on pooling including progress of pooling the Suffolk Pension Fund assets does not meet Government expectation. The Committee and Board are updated on pooling at every meeting and the officers actively participate within the ACCESS pool.

Note 19 in the Pension Fund statement of accounts includes a statement of the nature and extent of risks associated with the Fund's investments. The most significant risks associated with the Fund's investments are considered to be market risk (the risk that the value of the Fund's investments will fluctuate due to changes in market sentiment) and price risk (the risk that the funding level will fluctuate due to changes in market conditions and market performance). These risks are included in the Fund's risk register and subject to appropriate management and monitoring arrangements.

## ACCESS Pool Risk Register

The ACCESS Pool has a detailed risk register that is reviewed at every officer working group and reported to the Joint Committee. The risk register covers the establishment of pool governance and sub-fund establishment and implementation.

## Financial Performance

### Summary of the Financial Position

The following table shows the Pension Fund's financial position for the past five years:

Financial Summary	2018-19	2019-20	2020-21	2021-22	2022-23
	£'000	£'000	£'000	£'000	£'000
Contributions	111,531	117,880	122,110	125,022	133,558
Other Income	5,612	6,944	4,119	10,625	10,571
	<b>117,143</b>	<b>124,824</b>	<b>126,229</b>	<b>135,647</b>	<b>144,129</b>
Benefits Payable	-96,152	-100,508	-101,372	-105,956	-111,336
Other Expenditure	-10,371	-4,389	-7,506	-7,661	-6,301
	<b>-106,523</b>	<b>-104,897</b>	<b>-108,878</b>	<b>-113,617</b>	<b>-117,637</b>
<b>Net additions / withdrawals(-) from dealings with members</b>	<b>10,620</b>	<b>19,927</b>	<b>17,351</b>	<b>22,030</b>	<b>26,492</b>
Management Expenses	-12,479	-14,697	-11,518	-14,247	-17,561
Investment Income (net of tax)	35,085	40,981	36,301	35,392	57,656
Change in Market Value of Investments	135,384	-168,848	547,829	314,837	-64,142
<b>Net Returns on Investments</b>	<b>157,990</b>	<b>-142,564</b>	<b>572,612</b>	<b>335,982</b>	<b>-24,047</b>
<b>Change in Fund during the year</b>	<b>168,610</b>	<b>-122,637</b>	<b>589,962</b>	<b>358,012</b>	<b>-2,445</b>
<b>Net Assets at 31 March</b>	<b>2,931,091</b>	<b>2,808,454</b>	<b>3,398,416</b>	<b>3,756,428</b>	<b>3,758,873</b>

## Benefit Payments

Annual pension benefits are paid:

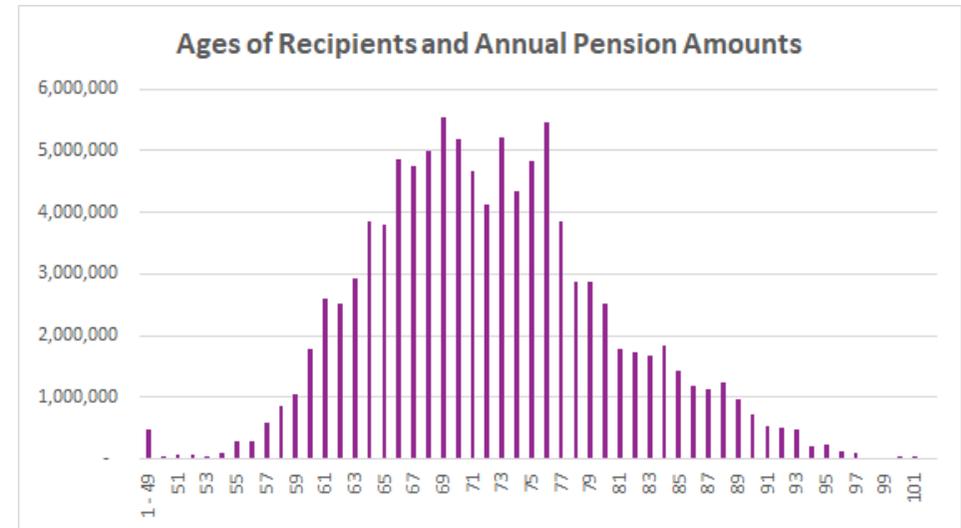
- To a retiree for the rest of their life
- To the partner of a retiree when they have died
- To the partner of a member who dies before claiming their retirement benefits

There are circumstances when pensions are paid to dependents of members who die before claiming their retirement benefits such as:

- To dependent children of retirees when they die, or members who die before claiming their retirement benefits, until they leave full time education.
- To dependent children of retirees when they die, or members who die before claiming their retirement benefits, for the rest of their life, if they have a disability that inhibits their ability to be in gainful employment.

Demographic assumptions about the proportion of members who are assumed to be married or have a dependent at retirement or on earlier death are made as part of the valuation process.

The graph across, shows the total pension payments for each age. Pension payments tend to be concentrated within the 65 – 76 age brackets with pension payments peaking with recipients at age 69 at £5.5m a year, with another peak at £5.4m for those aged 76. A significant reduction is not experienced until pensioners are in their early 80's. This is in line with the longevity demographic assumptions reported in the last valuation exercise.



- 10% of the recipients are aged 85 or over and account for 10% of the annual benefits being received.
- There are 18 recipients who are aged 100 or over.
- The pension being drawn for the longest, is 55 years and is currently £5,186. The initial amount of this pension was £266 in 1968 when it was first drawn.
- 39 pensions have been claimed for 40 or more years.
- The average amount received during the year is £5,353. 13,523 recipients receive less than the average payment.
- The national average wage is £29,600. 381 recipients receive in excess of the national average wage.

## Contribution Receipts

A review is carried out on the timings of the payment of pension contributions to the fund by the employers and reported quarterly to the Pension Board. The administration strategy requires these to be received by the Pension Fund within 5 working days of the month in which the contributions were deducted. The table below summarises the timeliness of receipts for the 2022-23 financial year:

	2022-23		
	Emp.	Contribs.	
	%	£'000	%
On Time	86	129,615	98
Up to 1 week late	3	434	0
Over 1 week late	11	2,378	2
<b>Total</b>		<b>132,427</b>	

## Cost of Running the Fund

Running costs are incurred in administration, investment management and governance. The costs for 2022-23 were £17.562 million, representing about 0.47% of the value of the Fund at 31 March 2023.



Framlingham Castle, Framlingham

## Administration Expenses

Administrative expenses consist of costs incurred by Suffolk County Council as administering authority of the Pension Fund, relating to activities the pension administration team perform to administer and pay pensions and provide members with scheme and benefit entitlement information, such as their annual benefit statements.

	2021-22	2022-23
Administration Expenses	£'000	£'000
Suffolk County Council	1,014	1,056
Heywood pension administration system	329	334
Subscriptions and other costs	40	039
<b>Total Administration Expenses</b>	<b>1,383</b>	<b>1,429</b>

The Heywood administration software system supports the pensions' administration team to fulfil the complex requirements around administering the scheme; such as calculating pension benefits. The system holds every pension member record and history. Ongoing charges are incurred for maintenance of the system, licenses to use it and includes the costs of the self-service system which allows contributing and deferred members of the scheme to access their pension data, change their personal details, calculate their pension estimates and receive their annual benefit statements.

Heywood also provides the Fund with an integrated Pensioner payroll system that links with the member self-service module allowing pensioner members to view their payslips, P60's and keep their personal data up to date therefore reducing printing and postage costs whilst improving members access to their information.

**Oversight and Governance Expenses**

Oversight and governance expenses are costs relating to the ‘over seeing’ of the fund such as actuarial costs, internal and external audit costs and the costs of independent advisers to the Fund. Costs associated with the operation and support of the Pension Fund Committee and Pension Board, and costs associated with statutory and non-statutory reporting such as committee reports, annual reports and accounts.

Asset pooling costs represents Suffolk’s share of costs included in the ACCESS Pool Report (please see section on ACCESS for further information about the costs of the Pool). These are the operational ongoing costs for running the ACCESS Pool and include the costs of the ACCESS support unit and professional and legal advice.

	2021-22	2022-23
<b>Oversight and Governance Expenses</b>	<b>£'000</b>	<b>£'000</b>
Suffolk County Council	180	164
Pension Fund Committee	6	5
Pension Board	2	2
Actuarial Services	68	164
Audit Fees	62	72
Legal Fees	0	9
Performance Analysis	39	29
Proxy Voting Service	10	0
Investment Advice	126	122
Asset Pooling	82	107
Subscriptions and membership fees	3	10
<b>Total Oversight and Governance Expenses</b>	<b>578</b>	<b>684</b>



The Major, Ipswich

### Investment Management Expenses

Investment management expenses are costs related to the management of the fund’s assets, including directly invoiced fees from investments managers and fees payable to fund managers which are deducted from the fund assets as opposed to being invoiced to the Pension Fund. The fees charged by the custodian, are also included.

In the Pension Fund accounts, (as per CIPFA guidance), only the fees and expenses that the Fund has a contractual liability for are included, this means that only the management fee, depositary fees and audit fees charged by Link for overseeing the sub-funds that Suffolk are invested in are shown. The additional fees and expenses paid to the investment managers that Link has a contractual agreement with on behalf of the Fund (Newton, Blackrock, Janus Henderson and M&G), are £3.783 million.

The Scheme Advisory Board have been supporting the cost transparency initiative which was developed through the LGPS code of transparency. Many of the managers the Fund has investment with have signed up to the voluntary code and submitted templates which illustrates underlying indirect costs which the Suffolk Pension Fund does not have a direct contractual liability.

These costs include indirect transaction costs, which is the difference between the buying and selling prices of investments and their actual value (bid offer spread) and implicit costs which is the opportunity cost of the investment manager using internal resources, these costs total £0.908 million.



Burial Mound, Sutton Hoo

	2021-22	2022-23
Investment Management Expenses	£'000	£'000
BlackRock	3,946	2,042
Brookfield	70	42
J P Morgan	997	1,333
KKR	159	301
Link Fund Solutions	194	285
M&G	1,694	885
Pantheon	203	1,342
Partners	3,145	4,223
Pyrford	771	669
Schroders	322	880
UBS	480	459
Wilshire	160	782
Transaction Costs	114	2,172
Custodian (NT)	31	34
<b>Total Investment Management Expenses</b>	<b>12,286</b>	<b>15,449</b>

Notes:

1. Blackrock bonds were disinvested during the year.
2. An additional investment has been taken out with Partners which accounts for the increase in fees for from the previous year.
3. Transaction costs include a dilution levy which was payable when the Fund invested in the Janus Henderson sub-fund within Link Fund Solutions.

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

A breakdown of the performance fee element included in the previous table is as below:

	2021-22	2022-23
<b>Investment Management Expenses</b>	<b>£'000</b>	<b>£'000</b>
BlackRock	2,021	749
JP Morgan	542	283
Partners	1,802	1,262
<b>Total Investment Management Expenses</b>	<b>4,365</b>	<b>2,294</b>

## Investment Income

The table below shows the sources of Investment Income earned by the Fund in 2022-23:

Investment Income	UK	Non-UK	Global
	£'m	£'m	£'m
Equities	0.000	-	24.123
Property	10.839	-	-
Alternatives	1.720	14.449	5.685
Cash & Cash Equivalent	0.839	-	-
Other	-	-	0.000
<b>Total Income</b>	<b>13.399</b>	<b>14.449</b>	<b>29.808</b>

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

Alternatives include private equity, illiquid debt, absolute returns and infrastructure.

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



Wolf and Crown, Bury St. Edmunds

## Fund Performance Report

### Investment Powers

Within the Local Government Pension Scheme (Investment and Management of Funds) Regulations 2016 the Government has placed a 5% restriction on the investments of the Suffolk Pension Fund into entities connected with Suffolk County Council. The Pension Fund has no investments in entities connected to Suffolk County Council and is therefore below the 5% statutory limit included in the regulations.

### Investment Strategy Statement

The Fund's investment objectives and asset allocation are incorporated into its Investment Strategy Statement, which is published on the Suffolk Pension Fund website ([www.suffolkpensionfund.org](http://www.suffolkpensionfund.org)).

The Pension Fund Committee has approved a customised asset allocation for the Pension Fund, based on a review of its investment strategy that was carried out with the assistance of its investment advisors, Hymans Robertson LLP and Mark Stevens.

The Fund's investments are allocated across a range of asset classes. The largest allocation is to equities which also accounts for the majority of the investment risk taken by the Fund.

### Asset Allocation

The Suffolk Pension Fund is currently cash flow positive, meaning that annual contributions are in excess of annual benefit payments and is therefore in a position to target a predominantly growth-based strategy with the aim of maximising asset growth in the long term.

There are significant levels of diversification between different asset classes to reduce overall portfolio risk through combining the performance of each asset class. This helps reduce the volatility effects

of the financial markets, whilst maintaining the Fund's relatively low risk approach.

The Fund has a 71.5% allocation to 'growth' assets (equities and alternatives) in order to meet the long-term funding assumptions set out in the 2022 actuarial valuation.

Over the long term, equities are expected to outperform other liquid asset classes, particularly bonds. Allocations to asset classes other than equities and bonds allow the Fund to gain exposure to other forms of risk premium and can reduce the overall volatility of portfolios. These assets are expected to generate returns broadly similar to equities over the long term and so allocations to these can maintain the expected return and assist in the management of market movement.

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

Within the global equities holdings there is an 14% allocation to the Climate Aware Fund and 7.5% to a Low Carbon Transition Fund both managed by UBS. These Funds help mitigate the risk of climate change and represents a transition to a lower carbon portfolio than other global index tracking funds. The Fund aims to deliver returns broadly in line with the FTSE Developed Index and will increase or decrease exposures to constituents of the index based on their expected contributions towards climate change.

The 28% allocation to bonds is designed to help manage overall levels of funding volatility.

The strategic benchmark and the actual asset allocation of the Fund at March 2023 are shown below along with the maximum investment limits set for each asset class.

Asset Allocation			
	Actual Allocation March 2023	Long-term Allocation	Maximum Limit
	%	%	%
UK Equities	8.2	8.0	25.0
Overseas Equities	37.9	34.5	50.0
<b>Total Equities</b>	<b>46.1</b>	<b>42.5</b>	<b>75.0</b>
Global Bonds	20.7	24.0	35.0
UK Index-linked Gilts	3.0	4.0	8.0
<b>Total Bonds</b>	<b>23.7</b>	<b>28.0</b>	<b>43.0</b>
Private equity	4.4	4.0	8.0
Property	7.9	10.0	15.0
Absolute return	3.8	0.0	
Infrastructure	10.1	10.0	15.0
Illiquid Debt	2.8	5.0	8.0
<b>Total Alternatives</b>	<b>29.0</b>	<b>29.0</b>	<b>54.0</b>
Cash & Cash Equivalents	1.2	0.5	5.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	

The Committee monitors the investment allocation relative to the agreed asset allocation benchmark and the maximum investment limits.

Global equities have outperformed the rest of the portfolio, the level is closely monitored and the position is discussed as part as the quarterly investment performance review.

The illiquid debt is awaiting new investment opportunities to attain the strategic allocation.

The absolute return mandate has been in part allocated to the new infrastructure commitment with KKR with the remainder to be allocated to the illiquid debt strategic allocation.

## Investment Management Arrangements

The Fund's investment management arrangements at March 2023 are shown below.

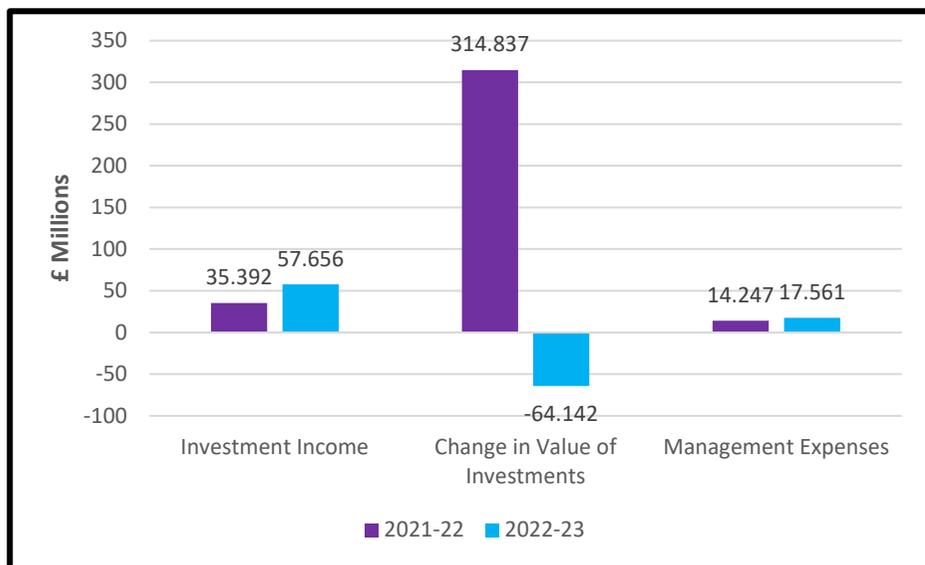
Fund Manager Allocation			
Investment Manager	Asset class	Actual allocation March 2023	Long-term allocation
		%	%
J P Morgan	Infrastructure	6.0	6.0
Kohlberg, Kravis, Roberts (KKR)	Infrastructure	0.8	1.5
Link Fund Solutions	Global equities, UK Equities, Global Bonds	42.9	44.0
M&G Investments	Illiquid Debt and Infrastructure	2.6	3.5
Pantheon	Private equity	4.2	3.7
Partners Group	Infrastructure	3.6	4.0
Pyrford	Absolute return	3.8	0.0
Schroder	Property	8.5	10.0
UBS	Equities and Bonds	26.9	26.5
Wilshire	Private equity	0.2	0.3
Internal Cash	Cash	0.5	0.5
<b>Total</b>		<b>100.0</b>	<b>100.0</b>

### Notes

- Commitments with KKR, Partners, Pantheon, the Debt Solution Fund and Infracapital commitments made to M&G are only part funded. These investments only call for capital funding when they have an investment to fund and will continue to increase their holdings in the forthcoming financial year.
- Wilshire, the older commitment to Pantheon, Partners and the Debt Opportunity investment with M&G are in the process of realising the underlying investments and returning cash to the Pension Fund.

**Investment Performance**

The chart below shows the comparative investment returns between 2021-22 and 2022-23. The change in the value of the Fund’s investments includes realised and unrealised gains and losses during the year.

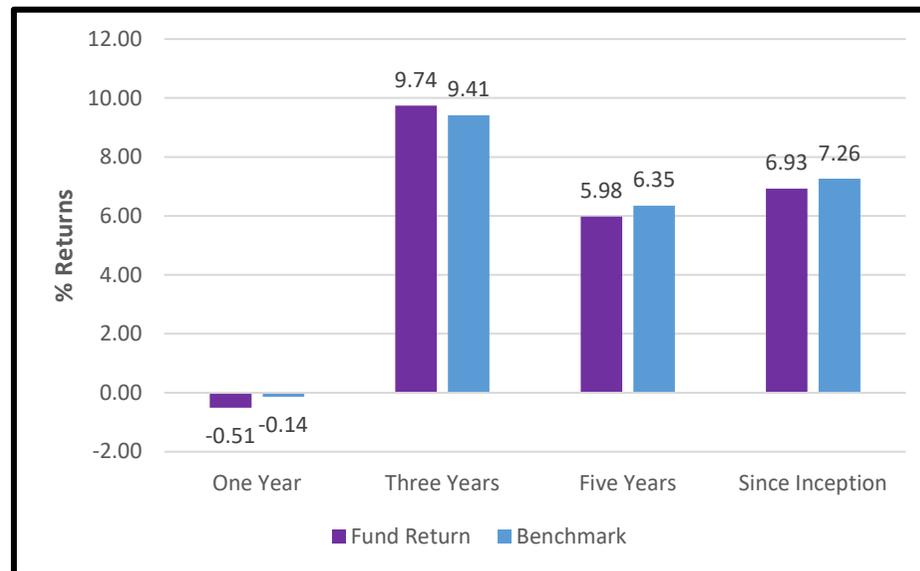


The Fund’s investment assets decreased from £3,746 million to £3,742 million during 2022-23, representing an investment return of -0.5%. The Fund’s benchmark is based on the weighted average of the market index returns for the markets in which it invests in or a mandate specific absolute return. The Fund underperformed the benchmark by 0.4%.

The Fund outperformed the benchmark over the three-year period by 0.3% but slightly underperformed the benchmark over the five-year period and since inception.

**Fund Investment returns**

The Fund’s investment return compared with its benchmark index over one, three, five and ten years and since inception are:



Call of the Sea, Lowestoft

**Long-term Investment Performance**

The Fund’s investment returns over the previous ten year are shown below compared to the Fund’s own benchmark. In addition, the Fund’s returns are compared with the movement in consumer price inflation as at September for each period.

Long-term performance (year ended 31 March)										
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	%	%	%	%	%	%	%	%	%	%
<b>Fund return</b>	<b>5.6</b>	<b>15.4</b>	<b>0.7</b>	<b>19.0</b>	<b>4.0</b>	<b>5.9</b>	<b>-4.5</b>	<b>20.6</b>	<b>10.2</b>	<b>-0.5</b>
Fund benchmark	6.3	13.9	1.5	17.9	4.8	7.4	-3.3	18.7	10.3	-0.1
Relative return	-0.7	1.5	-0.8	1.1	-0.8	-1.5	-1.2	-1.9	-0.1	-0.4
<b>Consumer Price Inflation</b>	<b>1.2</b>	<b>-0.1</b>	<b>1.0</b>	<b>3.0</b>	<b>2.4</b>	<b>1.7</b>	<b>0.5</b>	<b>3.1</b>	<b>10.1</b>	<b>6.7</b>

Over the longer term the Fund’s investment return is substantially above the increase in consumer price inflation, which is the factor applied as the pension increase in April the following year and as such has a direct impact on the movement of the Fund’s pension liabilities.



Foxgrove Band gates, Ipswich

The table below shows the opening and closing balances and reported performance for each asset class (excluding cash) for 2022-23, alongside the Suffolk benchmark target and the passive index if an appropriate index exists.

Holdings	Opening Value		Closing value		Perf.	Passive Index	Benchmark
	£' m	%	£' m	%	%	%	%
<b>Pooled &amp; Pool Aligned</b>							
UK Equities	294.525	7.9	307.847	8.2	4.5	2.9	2.9
Overseas Equities	519.256	13.9	519.456	13.9	0.0	2.4	-0.5
Global Bonds	385.974	10.3	776.447	20.8	1.9	-30.4	4.7
Passive Equities	892.929	23.9	896.105	23.9	-4.1	-3.9	-3.9
UK Index-linked Bonds	137.183	3.7	110.641	3.0	-30.5	-30.4	-30.4
<b>Total Pool Aligned</b>	<b>2,229.867</b>	<b>59.7</b>	<b>2,610.496</b>	<b>69.8</b>	<b>0.02</b>		
Global Bonds	379.627	10.1	-	-	-	-	-
	<b>379.627</b>	<b>10.1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Absolute Return	178.808	4.8	140.959	3.8	1.5		7.8
Illiquid Debt	95.674	2.6	106.194	2.8	1.1		8.0
Infrastructure	288.479	7.6	379.237	10.2	14.9		8.0
Money Market	38.148	1.0	42.365	1.1	5.6		2.4
Private Equity	178.843	4.8	165.430	4.4	-3.1		-1.4
Property	343.274	9.2	296.809	7.9	-11.5		-13.8
Timber	8.010	0.2	0.235	0.0	-43.6		8.0
<b>Total Alternatives</b>	<b>1,131.236</b>	<b>30.2</b>	<b>1,131.229</b>	<b>30.2</b>			
<b>Total</b>	<b>3,740.730</b>	<b>100.0</b>	<b>3,741.725</b>	<b>100.0</b>			



Scallop, A conversation with the sea, Aldeburgh

## Asset Pooling

The Suffolk Pension Fund has made a commitment to pool all of its assets into the ACCESS Pool. (Please see section on ACCESS for further information about the Pool). The first sub-fund that Suffolk transferred into was the Newton Global Equity Fund which was available for investment in the first quarter of 2019-20.

During 2021 – 2022 the Blackrock UK Equity and the M&G Alpha Opportunities Fund transferred into the ACCESS Pool and the Fund invested into the Janus Henderson Fixed Income sub-fund during 2022 - 2023.

The passive investment funds are held on a pool governance basis under one investment manager as these assets are held in life fund policies, which cannot be held within an authorised contractual scheme which is how the Pool operates.

The Suffolk Pension Fund has £1.604 billion in sub-funds and £1.006 billion under pooled governance accounting for 70% of the Fund's assets.

The Suffolk Pension Fund has saved £3.3 million in 2022 - 2023, on investment management fees on assets that have been pooled or under pooled governance.

## Manager Performance

The table below shows the investment returns by the Fund's investment managers relative to their benchmarks over one, three and five years (where available) and their absolute returns for the year.

The investment objectives of the Fund's investment managers are to outperform relative to their benchmark index, typically the index for the market they are invested in or on an absolute return cash plus basis.

Investment Manager Performance					
Share of Fund 31 Mar 23	Manager	2022-23 Absolute Return	2022-23 Relative Return	3 Year Relative Return	5 Year Relative Return
%		%	%	% p.a.	% p.a.
0.0	Brookfield	-43.6	-51.6	-6.2	3.9
43.0	Link Fund Solutions	1.8	-0.9	10.4	6.3
6.0	JP Morgan	11.4	3.4	7.4	-
0.8	KKR	-	-	-	-
2.6	M&G	8.4	0.4	11.7	7.2
4.2	Pantheon	-2.7	-1.3	19.4	14.4
3.5	Partners Group	13.1	5.1	8.3	6.6
3.8	Pyrford	0.9	-6.9	4.2	2.5
8.5	Schroders	-11.5	2.3	2.5	6.0
26.9	UBS	-3.0	0.9	14.3	8.4
0.2	Wilshire	-10.4	-9.0	7.9	11.6

Notes for table:

- The performance achieved by the segregated Newton, Blackrock UK Equities and M&G Bond mandates have been transferred to the sub-funds held by Link Fund Solutions due to similar mandate being held.
- KKR is a new investment for 2022 – 2023, a full year will be available next year.



Against the Stream, Ipswich

### Market review: Year to 31st March 2023

The twelve-month period up to 31<sup>st</sup> March 2023 has been amongst the most challenging in recent times with central banks across the globe struggling to contain inflation, which became embedded after the post COVID-19 shutdown was ended. As the financial year began the inflationary pressures that had initially focused on supply chain disruptions broadened out with tight labour markets leading to wage pressures. The outbreak of hostilities in Ukraine caused energy prices particularly in Europe to spike higher. Other impacts including fast rising fertiliser prices added to the widespread and persistent inflationary environment.

During the first half of the period the extent of the selloff in both equities and bonds was dramatic. As rates increased and the expectation of future rate rises took hold, investors reassessed the discount rate attached to future earnings. High growth (long duration) companies with much of their present value derived from future earnings suffered most as the discount rate changed. Technology companies that had performed strongly over the pandemic period witnessed the sharpest reversals with the technology focused NASDAQ index moving into bear market territory.

By mid-2022 The World Bank sharply downgraded its forecast for global growth, the impact of the war in Ukraine, surging inflation and rising interest rates had raised the spectre of stagflation a phenomenon not seen for multiple decades. The deceleration in the global economy was now forecast to be twice as severe over 2021-2024 as it was 1976-1979. Worryingly, external public debt in developing economics is at record levels, much on variable rates. Debt distress could become a real problem over the medium term in these economies.

Further evidence emerged of a slowing global economy including the purchasing managers index (PMI) and growth data turning negative. In the light of this sharp slowdown markets began to believe that the Federal Reserve might 'pivot' and begin to cut rates as early as 2023.

This belief immediately impacted the risk assets most exposed to interest changes, including high growth equity and high yield bonds up which both rallied over the early summer. This rally proved to be short lived however as energy prices rose once more on the failed attempt to re-open the Nordstream 1 gas pipeline.

Against this backdrop the ECB was forced to raise rates for the first time in over a decade supporting the Euro which had recently dropped below parity with the US dollar for the first time. Across the Atlantic the US Federal Reserve increased rates for the second consecutive meeting by 0.75%. Fears over a Federal Reserve induced recession grew with the 2yr-10yr treasury yield curve inverting which has previously been seen as an indicator of future recessions. To complete the picture the composite PMI printed at 47.5 indicating contraction in the economy going forward.

Politically the summer was also volatile, in the UK Boris Johnson was forced to resign as Prime Minister after losing the confidence of his party. This instigated a protracted period over the summer when eventually Liz Truss was elected as party leader and became the new Prime Minister. In Italy after the fall of the Draghi government the subsequent election delivered the first ever female Italian prime minister.

At the September meeting of the Bank of England they increased rates by a further 0.5% to 2.25%, below market expectations and less than both the ECB and Federal Reserve had delivered. There was some speculation that this more cautious move was in part predicated on the belief that the UK was already in recession, a belief that turned out to be false given the revised GDP figures. Whatever the truth the less than expected rise combined with on the ongoing unwinding of QE resulted in significant stress in the gilts market and sharp falls in the pound. This situation became significantly worse following the new chancellors 'mini budget'. Even stripping out the politics which centred on a reduction in the top rate of tax, the general market concern was of huge unfunded government spending pledges on energy, combined with the cancellation of a number of previously announced tax rises.

Following the 'mini' budget the Bank of England was forced to intervene in gilt markets with up to £60bn of emergency intervention particularly in the 30yr part of the yield curve. One of the issues triggered by the spike in yields of long dated gilts to over 5% was chaos in the £1trn+ liability driven investment (LDI) pension market with a number of funds forced to sell assets to fund margin calls leading to further falls.

As the calendar year ended, it had delivered the worst combined global equity and bond returns for 150 years. Overall, 2022 proved to be the year when everything changed. The long-term issues of QE, zero interest rates, COVID-19, lockdowns, and naïve energy policies came home to roost. There were few if any places for global investors to hide, even cash would have lost substantial real terms value in the face of rampant inflation. Bond and equity markets fell in tandem as the realisation that the so called 'transient' inflation seen at the back end of 2021 was in fact nothing of the sort.

As the new year began the combination of falling inflation and energy prices combined with the re-opening of China from its latest lockdown drove markets higher. Service sector PMI figures in particular showed signs of strong recovery. Corporate profits appeared to be holding up well despite the numerous pressures being exerted on the corporate the cost base. There is some evidence that pricing power has allowed for costs to be pushed through onto the consumer.

After a positive start to the new year for investment markets the quarter ended with concerns that another banking crisis might be developing. SVB a Californian bank with over \$200bn of assets experienced a classic "bank run" after depositors withdraw over \$42bn in a single day. Rumours on social media that the bank was in trouble following a problematic capital raise required after losses from bond holdings impacted SVB's balance sheet strength. Given the sharp losses experienced in bond markets across the globe concerns about a growing financial crisis began to emerge. Soon after the SVB collapse Swiss bank Credit Suisse was forced into a government brokered merger with fellow Swiss bank UBS. This forced merger was again the

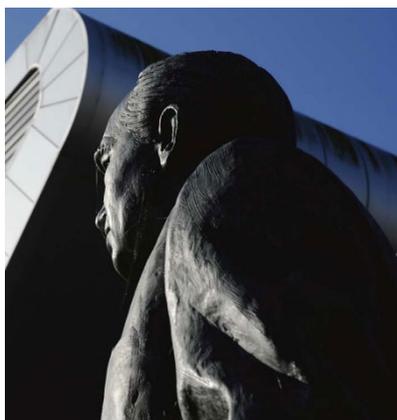
result of liquidity concerns and highlights the often precarious nature of banks when confidence is lost. Although the overall strength of the banking system is much stronger than before the 2008 financial crisis rapidly rising interest rates will continue to cause strains in the system.

### Global Economy Highlights: 2022-23

- The global economy continued to recover from the shock of the pandemic. However, with inflationary pressures accelerating and conflict in Europe causing energy prices to spike significant rate increases were implemented across the globe. Bond markets and equity from interest rate sensitive companies sold off sharply, followed by real estate.
- Inflation which Central Banks had initially dismissed as transitory proved anything but. Post pandemic fragile supply chains and then wage rises from tight labour markets resulted in increasingly embedded inflationary expectations. Late in the period strains in the financial system from the rapid rise in interest rates were seen as the US witnessed its second and third largest bank failures and in Europe Credit Suisse had to be rescued by a government mandated take over by UBS.
- UK Interest rates began the fiscal year at 0.75% but ended the period at 4.25% after eight successive rises. Given the on-going inflationary pressures the Bank of England is expected to raise rates further.

## Equity

- The performance of global equities was negative over the period despite a strong rally over the final quarter. The conflict in Ukraine added to already significant inflationary pressures post COVID-19. Markets became concerned about corporate profits holding up given the rising input cost including labour. For sterling-based investors moderate weakness in £ increased returns to many overseas markets. European equity gained 8.5% in sterling terms. The US equity market fell 8.3% in local currency but only 2.4% in sterling terms.
- UK equities rose 3.1% in the quarter to March 2023, ending the financial year up 2.9%, this return from UK market was ahead the World Index.
- The best performing global sectors were Energy (+14.5%) Consumer Staples (+7.8%) and Industrials (+5.7%) the worst performing sectors were Consumer Discretionary (-6.1%), Communication Services (-9.8%) and Real Estate (-13.9%).



Sir Alf Ramsey, Ipswich

## Bonds

- UK bonds produced significant negative returns over the period as inflationary pressures grew and the Bank of England rapidly raised interest rates. Over the period rates moved from 0.75% to 4.25%. Gilts fell sharply and ended the year down 16.3%. The index linked market performed even worse with the over 5-year index down 30.4%. The benefit of inflation protection was more than offset by the negative impact of significant rate rises on these long duration bonds.

## Property

- The UK property market recovered strongly following the re-opening of the economy after the COVID-19 lockdowns however as rate rises impacted property yields capital values began to fall sharply across a number of sectors. The All-Property Index fell 11.4% in twelve months to February 2023. with the weakest sectors being Office and Industrials down -9.6% and -21.7% respectively. Retail which has struggled in recent years held up best during the period although still down -4.1%. UK commercial property volumes were £56bn over 2022 slightly below the five-year average however, more recent data suggests a sharp falloff in transactions. Globally CBRE estimate property investment volume down 55% in the year to March 2023.

**Mark Stevens,**  
Independent adviser

**July 2023**

## Environmental, Social and Governance

The Pension Fund Committee has developed a set of ESG beliefs as part of its responsible investment philosophy which underpins its investment objective – to deliver an investment return consistent with funding plans that does not compromise future generation’s ability to meet their own needs.

In addition to the beliefs set up, the Committee identified climate change, pollution and company stewardship as its priorities for responsible investment.

These beliefs and priorities have been incorporated into the investment beliefs and environmental, social and governance considerations set out in the investment strategy statement.

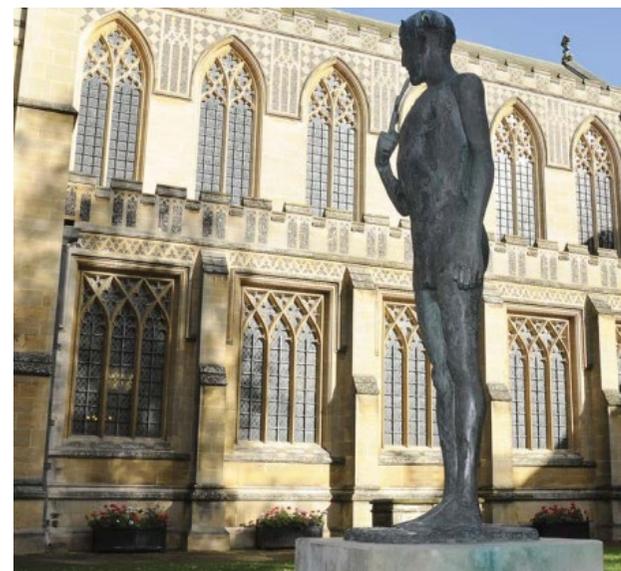
### Engagement

The Suffolk Pension Fund is a member of the Local Authorities Pension Fund Forum (LAPFF). The LAPFF was established to develop a collective response to ESG issues through constructive dialogue and filing of shareholder resolutions. There are 82 LGPS (7 ACCESS Pension Funds) who are members of the forum and 7 pools covering £350 billion of assets. The ACCESS Pool has recently become a member.

The forum engages directly with company chairs and boards to affect change at investee companies and challenge regulators to deliver reforms that advance corporate responsibility and responsible investment.

The Fund expects its investment managers to be engaged in social, environmental and ethical considerations insofar as these matters are regarded as impacting on the current and future valuations of individual investments. The Fund believes taking account of such considerations forms part of the investment managers’ normal fiduciary duty and expect the investment managers to report the engagement that they have undertaken.

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



St Edmund, Bury St Edmunds

## Voting Policy

The Pension Fund seeks to protect and enhance the value of its shareholdings by promoting good practice in the corporate governance and management of the companies that it invests in which includes the investment managers voting at shareholder meetings.

The equity investments with Blackrock and Newton are held within ACCESS sub-funds and not held in the name of the Suffolk Pension Fund, therefore the ACCESS voting guidelines for inclusion by Link in the Investment Management Agreements apply. These are aligned with the Suffolk Pension Fund voting principles.

The voting guidelines set out those matters of importance to the participating ACCESS Pension Funds and promote good corporate governance and management in the companies in which investments are made. In circumstances where investment managers do not adopt the positions set out in these guidelines, they are required to provide a robust explanation of the position adopted.

The general principles followed in the guidelines are: -

- Will vote in favour of proposals at annual and extraordinary general meetings which comply with good practice on corporate governance. The definition of good practice is based on the guidelines in the UK Corporate Governance Code.
- Will vote against proposals which breach the Code and where the company is unable to provide a satisfactory explanation of its policy.
- Will in general abstain on proposals which do not relate to issues contained in the good practice guidance in the Code.

### Voting on Link Newton Sub-fund holdings

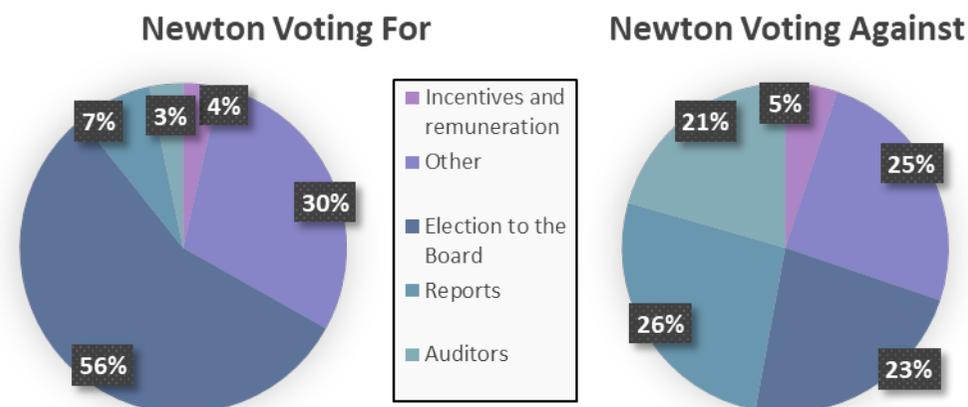
Newton have voted at 54 meetings during the year on 865 resolutions. 722 (83%) were for the resolution and 136 (16%) were against and 7

(1%) received abstain votes. These were all in line with the ACCESS voting guidelines.

The votes cast can be categorised as follows:

Vote Categorisation	Number of Votes Cast
Election of Directors	436
Incentives and Remuneration	33
Reports	90
Auditors	52
Other	254

The categorisation of the votes cast are set as below:





Perceval, Snape Maltings

## Voting on Link Blackrock Sub-fund holdings

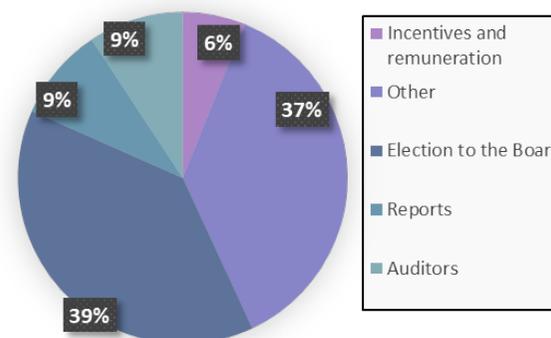
Blackrock have voted at 97 meetings during the year on 1,416 resolutions. 1,354 (96%) were for the resolution and 41 (3%) were against and 21 (1%) received abstain votes.

The votes cast can be categorised as follows:

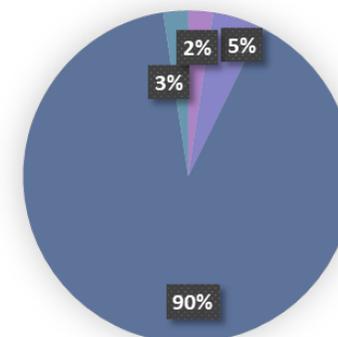
Vote Categorisation	Number of Votes Cast
Election of Directors	559
Incentives and Remuneration	84
Reports	124
Auditors	126
Other	523

The categorisation of the votes cast are set as below:

Blackrock For Votes



Blackrock Against Votes

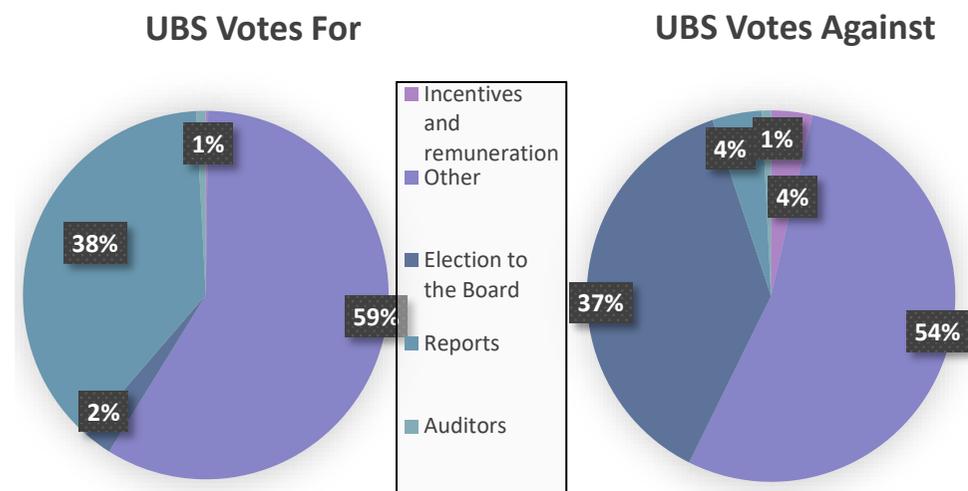


## Voting on UBS index tracking holdings

UBS votes in line with their voting policy for the index tracking investments they make on behalf of the Fund, as they are not able to systematically apply the ACCESS voting guidelines to each proxy vote. They are also unable to compare the ACCESS voting guidelines to each vote and determine any difference in the outcome.

UBS have voted at 4,725 meetings on the Fund's behalf during the year on 52,858 resolutions. 44,190 (84%) were for the resolution and 7,417 (14%) were against and 1,251 (2%) received abstain votes.

The categorisation of the votes are set as below:



The votes against the proposal can be categorised as follows:

Vote Categorisation	Number of Votes Cast
Election of Directors	2,784
Incentives and Remuneration	268
Reports	323
Auditors	58
Other	3,984

The reasoning for the largest proportion of against votes are:

- Concerns regarding the independence of the proposed candidate or that the nomination committee does not comprise a majority of independent directors. (1,722 votes)
- Lack of reporting disclosure which results in shareholders not being able to make an informed voting decision. (527 votes)
- Business and related party transactions are not in line with shareholders' interests and/or disclosure is below best market practice. (231 votes)
- Company pay frameworks do not demonstrate long term incentives or performance. The short-term incentives and performance figures do not align with the shareholder's long-term interests. (207 votes)

## Administration Report

### Pension Administration Team

The Pension Administration team carries out a range of pension benefit calculations and administrative functions:

- Maintaining an accurate database of scheme members, deferred members and pensioners;
- Calculating service credits from incoming transfer values and notifying scheme members accordingly;
- Calculating and paying outgoing transfer values to other pension schemes and providers;
- Calculating and notifying amounts of deferred pension benefits when a member leaves before normal retirement age;
- Calculating and paying pension benefits when a member retires;
- Implementing amending legislation when received, assessing the impact of the changes and communicating the effect to members, deferred members, pensioners and scheme employers;
- Providing estimates of benefits, information on entitlements and implementing pension sharing orders on divorce;
- Paying pensioners monthly;
- Calculating and paying dependent pensions any lump sums when a member, deferred member or pensioner dies.

### Summary of Work Undertaken by the Fund in 2022-23

In addition to the day-to-day functions of completing and processing various administration tasks the team seeks to continually improve the functionality of the Pension Fund and the quality of the data required to administer the Pension Fund effectively and to a high standard.

During the year a lot of time has been spent working with the software providers to try and resolve some issues which were impacting some

employers being able to provide I-Connect data reports, these have mainly arisen when an employer has changed payroll provider and the software provider needs to produce new reports.

I-Connect was implemented to enable employers to upload and send monthly data to the Fund, which reduces the costs and risks with processing pension data. I-Connect generates automatic submissions of monthly data to the Fund by extracting the data from the employer's payroll system, enabling automatic identification of new joiners, those opting out and leavers.

This reduces the time spent on pensions administration by both the Fund and the employer, creating accurate and secure data submissions and reducing the need to submit individual forms.

This change will also benefit individual members as their Member Self-Service record will be up to date with their latest employment information.

To date, 95 employers are now live and using this system while 11 others are undergoing member matching prior to onboarding as soon as possible. A further 128 are developing reports and when all of these are complete and able to go live, the Fund will have 91% of active members covered by this new approach.

The Fund is planning to roll this system out to the remainder of the employers by 2025.

The Suffolk Pension Fund continues to actively work on improvement to the quality of data. During the year, common and conditional data scores of 96% and 99% were reported to the Pensions Regulator, an improvement from the 2021-22 financial year scores of 95% and 98% respectively. These will improve further once the roll out of I-connect is complete.

## Key Performance Indicators

The administration team monitors its performances based on the key indicators in the tables below and overleaf. This information has been downloaded from the Heywood Altair pension administration system which records all tasks required to complete and sign off the cases logged.

Key Performance Indicators:

Process	Fund KPI	%	No. of cases	Legal KPI	%	No of Cases
Death of member – Initial letter of acknowledgement	5 days	100	491	2 months	100	491
Death – Letter notifying amount of dependant’s benefits	10 days	100	25	2 months	100	250
Retirements - Letter notifying estimate of benefits (all types)	5 days	99	1,743	2 months	99	1,760
Retirements - Letter notifying actual retirements and process and pay lump sum retirement grant (all types)	10 days	100	517	2 months	100	517
Deferred in to Pay - Process and Pay lump sum retirement grant	10 days	91	624	2 months	99	687
Deferment - Calculate and notify deferred benefits	30 days	64	1,945	2 months	71	2,134
Transfer Ins - Letter detailing transfer in quote	10 days	99	394	2 months	99	396
Transfers Out - Letter detailing transfer out quote	10 days	59	312	2 months	91	482
Refund - Process and pay refund	10 days	95	1,061	2 months	99	1,110
Divorce quote - Letter detailing cash equivalent value and other benefits	10 days	98	155	3 months	100	158
Divorce settlement - Letter detailing implementation of cash equivalent value and application of PSO	10 days	100	7	3 months	100	7

## Member Self-Service

Member Self-Service is an online secure portal for members of the Suffolk Pension Fund. This enables all members to change their address and view newsletters, active and deferred members to calculate projections for retirements, view their annual benefit statements and change their nominations for payment of a death grant sum and pensioner members to view their payslip and P60 figures.

19,471 members have registered to use it, with 3,312 new users in 2022-23 and 8,702 members have used the system during the year. The system continues to be promoted as the preferred system although paper copies of the content is available on request.

## Employer Performance

The Administration Strategy sets out the quality and performance standards expected of the employers in the Fund as well as those of the administration team, seeking to promote good working relationships, improve efficiency and the quality of data.

Employers who are not using i-Connect are required to provide the Pension Fund with their annual end of year returns by 21 April each year. The team engages with the scheme employers providing templates, guidance on the requirements, issuing deadline reminders and provide scheme employers with a starting point list of members.

## Internal Dispute Resolution Procedure (IDRP)

If a member or their representative has a complaint against the administration of the Pension Fund or wishes to appeal against a decision which has affected them, they can invoke the Pension Fund's Internal Disputes Resolution Procedure (IDRP). There are 3 stages to this process.

The first stage ensures a nominated person from the scheme employer will look at the case with the requirement that this individual has had no previous involvement in the case. The nominated person will review the complaint and notify the person of their decision.

If the person raising the complaint is dissatisfied with the first stage decision, they can apply for a second stage review of the decision, which is undertaken by the person nominated by the Head of Legal Services at Suffolk County Council to hear such disputes. If the person is still dissatisfied, they can take their case to the Pensions Ombudsman for a further review.

During 2022 – 2023 there were 3 new IDRP cases, all relating to early retirement on the grounds of ill health. Two of these cases went to stage 1 with an outcome recommendation for further medical opinions to be obtained. One went to stage 2, as the member stated that they had not been referred for ill health retirement, the outcome was for the case to be reviewed and referred to a medical practitioner for assessment.

In 2022-23 there have been 960 new pensions paid, which are further analysed as below:

Retirement Type	Number of Retirements
Pension Credit	4
Deferred Pension	565
Ill Health	26
Early (aged 60 and over) /Normal	192
Early (aged under 60)	50
Redundancy	16
Efficiency	1
Late Retirements	106
<b>Total Retirements</b>	<b>960</b>

## Employers in the Fund

There are 352 active employers in the Fund and 25 employers who do not have active members but, have deferred pension members and/or pensioners.

	Active	Inactive	Total
<b>Scheduled Bodies</b>	238	4	<b>242</b>
<b>Resolution Bodies</b>	49	2	<b>51</b>
<b>Admitted Bodies</b>	65	19	<b>84</b>
<b>Total</b>	<b>352</b>	<b>25</b>	<b>377</b>



Henry Moore sculpture at Snape Maltings

A list of the active employers in the Fund on 31 March 2023 are as follows:

### Scheduled Bodies

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

#### Local Authority

Babergh District Council	Mid Suffolk District Council
East Suffolk Council	Suffolk County Council
Ipswich Borough Council	West Suffolk Council

#### Other

Association of Inshore Fisheries and Conservation Authorities (AIFCA)	Police & Crime Commissioner
Chief Constable of Suffolk	East Suffolk Services

#### Colleges

Abbeygate Sixth Form College	University Campus Suffolk Ltd
East Coast College	West Suffolk College
Lowestoft 6th Form College	Suffolk One
Suffolk New College	

#### Academies

Debenham Academy	St Mary's C of E Academy
Holbrook Academy	Thomas Mills High School
The Ashley School Academy	Olive Academy Trust

## **Academy Transformation Trust**

Beck Row Primary  
Great Heath Academy

Mildenhall College Academy  
Westbourne Academy

## **Active Learning Trust**

Albert Pye Primary  
Chantry Academy  
Grove Park  
Gusford  
Hillside  
Pakefield

Ravensmere Infant School  
Red Oak  
Reydon  
Sidegate  
Westwood Primary

## **All Saints School Trust**

All Saints (Laxfield)  
Charsfield CoE Primary  
Dennington CoE Primary  
Fressingfield CEP  
Great Welnetham Primary  
Thorndon Primary

Hardwick Primary  
Occold Primary  
St Peter & St Paul  
Stradbroke CEP  
Worham Primary

## **Anglian Learning**

Howard Primary

The Pines Primary

## **ASSET Education**

Bungay Primary  
Castle Hill Infants School  
Castle Hill Junior School  
Cliff Lane Primary  
Eggar Sewter  
Holton St Peter  
Ilketshall

Ringshall Primary  
Shotley Primary  
St Helens Primary  
Stutton C of E Primary  
The Oaks Primary  
Wenhaston  
Whitton Community Primary

## **Avocet Academy Trust**

Aldeburgh Primary  
Easton Primary  
Leiston Primary

Saxmundham Primary  
Wickham Market Primary

## **Believe Engage Succeed Trust**

Riverwalk  
The Albany Centre PRU

Warren School

## **Children's Endeavour Trust**

Abbot's Hall Community Prim  
Bosmere Community Primary  
Freeman Community Primary  
Chilton Community Primary

Combs Ford Primary  
Broke Hall  
Springfield Junior  
Whitehouse Infants School

## **Clarion Academy Trust**

Pakefield High School

## **Diocese of Ely**

St Christophers CE Primary

## **Diocese of Norwich Education**

Kessingland C of E Primary

## **East Anglian Schools Trust**

Bungay High School  
Farlingaye High School

Kesgrave High School  
Castle EAST

## **Eastern Multi Academy Trust**

The Glade Community Primary

West Row Academy

## **Eko Trust**

Rushmere Hall Primary

## **Evolution Academy Trust**

Coldfair Green Primary  
Elm Tree Community Primary

## **Forest Academy**

Elveden Primary

## **Gippeswyk Com. Ed. Trust**

Britannia Primary School  
Copleston High School

## **Hartismere Family of Schools**

Benjamin Britten High School  
Hartismere School

## **Inspiration Trust**

Eastpoint Academy

## **John Milton Academy Trust**

Bacton Community Primary  
Cedars Park Primary

## **Ormiston Academies Trust**

Ormiston Denes Academy  
Ormiston Endeavour Academy  
Ormiston Sudbury Academy

## **Our Lady of Walsingham**

St Albans Catholic High School  
St Felix-Haverhill  
St Louis Catholic Academy

Poplars Community Primary  
The Dell Primary School

Forest Academy

Rose Hill Primary

Somerleyton Primary  
Woods Loke Primary

Mendlesham Primary  
Stowupland High School

Stoke High School-Ormiston Ac  
Thomas Wolsey Academy

St Mary's Catholic Primary  
St Pancras Primary  
St Benedicts Catholic School

## **Orwell Multi Academy Trust**

Brooklands Primary  
Grange Community Primary  
Halifax Primary  
Grace Cook Primary

## **Paradigm Trust**

Ipswich Academy  
Murrayfield Primary

## **Raedwald Trust**

Alderwood PRU  
First Base Bury St Edmunds  
First Base Ipswich PRU

## **REAch2 Multi Academy Trust**

Beccles Primary  
Gunton Primary  
Martlesham Primary  
Northfield St Nicholas Primary

## **Sapienta Trust**

Stradbroke High School

## **Seckford Educational Trust**

Causton Junior School

## **South Suffolk Learning Trust**

Claydon High School  
Claydon Primary

## **SENDAT**

Chalk Hill Academy  
Stone Lodge Academy

Handford Hall Primary  
Springfield Infant School  
Willows Primary

Pipers Vale Community Prim  
Woodbridge Road Academy

Parkside Pupil Referral Unit  
St Christophers PRU  
Westbridge Pupil Referral Unit

Phoenix St Peter/Meadow Prim  
Sprites Primary  
St Margarets Primary  
The Limes

Seckford Educational Trust

East Bergholt High School  
Hadleigh High School

The Priory School  
Sunrise Academy

## **St Edmundsbury and Ipswich**

### **Diocesan Trust**

All Saints CEVAP School  
 Bedfield Primary  
 Bramfield C of E Primary  
 Brampton C of E Primary  
 Chelmondiston C of E Primary  
 Elmsett Primary  
 Eyke  
 Hartest C of E Primary  
 Hintlesham & Chattisham  
 Long Melford C of E Primary  
 Mellis

### **St Johns the Baptist Multi**

#### **Academy Trust**

St Benet's Catholic (Beccles)  
 St Edmund's Catholic (Bungay)

### **Stour Valley Ed Trust**

Clare Community Primary

### **Thedwastre Education Trust**

Great Barton CE Primary  
 Rattlesden CE Primary

### **The Tilian Partnership**

Bardwell CEVC Primary  
 Crawford's CEVC Primary  
 Gislingham CEVC Primary  
 Ixworth CEVCP

Morland Primary  
 Nacton C of E Primary  
 Ringsfield C of E Primary  
 Sproughton CEVC Primary  
 St Marys Hadleigh  
 St Marys Woodbridge  
 St Matthews CEVAP  
 Stoke by Nayland C of E Prim  
 Tudor Primary  
 Wetheringsett C of E Primary

St Mary's Catholic (Lowestoft)

Stour Valley Community School

Thurston CE Primary  
 Woolpit Primary

Kersey Primary  
 Old Newton CEVC Primary  
 Palgrave CEVC Primary  
 Rougham CEVCP

## **The Consortium Multi**

### **Academy Trust**

Barnby & North Cove  
 Helmingham Primary  
 Henley Primary  
 Mendham  
 Middleton Primary

### **Unity Schools Partnership**

Abbotts Green  
 Burton End Academy  
 Bury St Edmunds Acad Trust  
 Castle Manor Academy  
 Clements Primary School  
 County Upper  
 Coupals  
 Felixstowe Academy  
 Glemsford  
 Houldsworth Valley  
 Horringer Court  
 Kedington Primary Academy  
 Langer Primary  
 Laureate Primary  
 IES Breckland Free School

### **Waveney Valley Academy Trust**

Alde Valley Academy  
 Roman Hill Primary  
 Stowmarket High School

Rendlesham Primary  
 St Edmunds Primary-Hoxne  
 Yoxford Primary  
 Southwold Primary

Newmarket Academy  
 Place Farm Academy  
 Samuel Ward Academy  
 Sir Bobby Robson School  
 Sybil Andrews  
 St Peter Hall  
 Thomas Gainsborough  
 The Bridge School  
 The Churchill Free School  
 Tollgate  
 Wells Hall Primary  
 Westfield Academy  
 Westley Middle  
 Wickhambrook  
 Woodhall (Sudbury)

Sir John Lehman High School  
 Snape Primary

## Resolution Bodies

Resolution bodies are bodies, usually town and parish councils who are entitled to be members but have a choice so therefore need to formally pass a resolution designating staff to be eligible to join the Fund.

Barningham Parish Council  
Beccles Town Council  
Botesdale Parish Council  
Boxford Parish Council  
Bramford Parish Council  
Bury St Edmunds Town Council  
Carlton Colville Town Council  
Claydon & Whitton Parish Council  
Felixstowe Town Council  
Framlingham Town Council  
Glemsford Parish Council  
Great Cornard Parish Council  
Great Livermere Parish Council  
Great Waldingfield Council  
Hadleigh Town Council  
Halesworth Town Council  
Haverhill Town Council  
Holesley Parish Council  
IPSERV Employers Ltd  
Kesgrave Town Council  
Lakenheath Parish Council  
Leavenheath Parish Council  
Leiston cum Sizewell Town Council  
Long Melford Parish Council  
Lowestoft Town Council

Market Weston Parish Council  
Martlesham Parish Council  
Melton Parish Council  
Mildenhall Parish Council  
Nayland and Wissington Parish Council  
Onehouse Parish Council  
Oulton Broad Parish Council  
Pinewood Parish Council  
Red Lodge PC  
Redgrave Parish Council  
Rickingham Parish Council  
Saxmundham Town Council  
Southwold Town Council  
Stowmarket Town Council  
Sudbury Town Council  
The Saxhams Parish Council  
Thurston Parish Council  
Troston Parish Council  
Ufford Parish Council  
Verse  
Vertas  
Woodbridge Town Council  
Woolpit Parish Council  
Worlingham Parish Council

## Admitted Bodies

Admitted bodies are voluntary and charitable organisations or private contractors undertaking a local authority function.

Abbeycroft Leisure  
 Anglia Community Leisure  
 Aspens – Evolution Trust  
 Aspens – Kessingland  
 Aspens – St Marys  
 Aspens – Asset  
 Atalian Servest – WS College  
 Beccles Fenland Charity Trust  
 Care Quality Commission  
 Care UK  
 Caterlink – Copleston  
 Caterlink – Felixstowe  
 Caterlink – St Albans  
 Caterlink – SSLT  
 Caterlink – USP  
 Churchill Contract Services  
 Churchill CS – Kesgrave High School  
 Churchill CS – Paradigm Trust  
 Compass – ASST  
 Compass – ATT  
 Compass – EAT  
 Compass – Orwell  
 Compass – Paradigm  
 Compass – Thedwastre  
 Concertus  
 Countrywide Grounds Maintenance  
 Deben – Ravenswood  
 Ecocleen – TILIAN Palgrave  
 Ecocleen – Westgate  
 Ecocleen – Woolpit  
 Edwards and Blake – ASSET Education

Edwards and Blake – Kyson  
 Edwards and Blake – Roman Hill  
 Edwards and Blake – Waveney Valley  
 Elior Ltd – Chantry Academy  
 European Electronique  
 Everyone Active - Waterlane & Waveney  
 Flagship Housing Group  
 Greenace – Paradigm  
 Hadleigh Market Feoffment Charity  
 Housing 21  
 Impact FGL – ALT The Pines  
 Kier MG Ltd  
 Leading Lives  
 Lunchtime Co – All Saints Lawshall  
 Lunchtime Co – Avocet  
 Lunchtime Co – Hartismere  
 Lunchtime Co – Paradigm  
 Norland Managed Services  
 Orwell Housing  
 Osiris IT – Evolution Trust  
 Papworth Trust  
 Places for People  
 Radis Ltd  
 Realise Futures  
 Ridge Crest – SS Learning  
 Seckford Foundation  
 Sports and Leisure Management Ltd  
 Suffolk Association of Local Councils SALC  
 Suffolk Libraries IPS  
 The Havebury Housing Partnership  
 The Partnership in Care Ltd

The Stevenson Centre  
 Thorpe Woodlands A.C.T  
 Waveney Norse Ltd



Foxgrove Band Gates, Ipswich



# Foreword

## As Chairman of the ACCESS Joint Committee, I am pleased to introduce the latest Annual Report for the ACCESS Pool.

Whilst our initial steps to collaborate as eleven Authorities started in 2016, it was in 2018 that our first pool investments were made.

Having jointly procured UBS to provide passive investment mandates, we started 2018 with the migration of assets from legacy passive managers to UBS with £10bn held in passive assets at the end of March 2023.

Following the appointment of Link Fund Solutions (LFS) as Authorised Contractual Scheme (ACS) Operator, we saw the first actively managed sub-funds launched towards the end of 2018. Our range and depth of sub-funds has grown substantially since then, with over £24bn invested within the ACS at the end of March 2023.

As investors with a long-term focus, we find ourselves within the relatively early stages of our pooling journey. However, given that some of the earliest sub-funds now have between four and five years of history, it is right to highlight the performance trends we are starting to see.

Beyond listed assets our Pool has undertaken significant work in relation to property – which is our first non-listed asset class. During the year our Implementation Adviser MJ Hudson has undertaken a procurement process for two property mandates: UK Core Property and Global Real Estate. Towards the end of 2022/23 these processes concluded and saw the appointment of CBRE to both mandates.

Work is currently underway with CBRE, our advisers and the ACCESS Authorities on establishing the necessary arrangements for these investment opportunities.

In the last twelve months we have published our updated Responsible Investment (RI) Guidelines and participated in the DLUHC consultation on climate related reporting, the outcomes of which we look forward to seeing. ACCESS also commenced the process for the procurement of advice and support for RI reporting which will conclude in later summer 2023.

In closing I would like to thank my fellow ten Joint Committee members, each representing their respective Authorities, along with the Officers who support them, and the ACCESS Support Unit (ASU).



 Hampshire

Cllr Mark Kemp-Gee,  
Chairman of the ACCESS Joint Committee.  
Chairman of the Hampshire Pension Fund Committee and Board.

# Introduction

## It has been another busy and fulfilling year supporting the ACCESS Pool.

Every twelve months a process is undertaken to develop both a Business Plan and Budget for the forthcoming financial year. The Business Plan is fundamental to how ACCESS activity is both scoped and monitored, and its development serves as an illustration of the Pool’s governance arrangements and how interaction with key stakeholder groups is structured.

The process commences with initial drafting by the ACCESS Support Unit (ASU) and proceeds through detailed dialogue with the subject matter experts at each ACCESS Authority who come together to constitute the Officer Working Group (OWG). This is followed by consideration by the s151 Officers Group which has specific responsibility under the terms of the ACCESS Inter-Authority Agreement (IAA) to make recommendations to the Joint Committee on business planning and budget matters. Subsequently, the Joint Committee reviews and considers both the Business Plan which is then recommended to each ACCESS Authority. The Joint Committee also determines the annual budget required to deliver the Business Plan.



The key milestones within the 2022/23 Business Plan are outlined later in this Annual Report.

2022/23 also saw processes commence in relation to two of ACCESS’s strategic partners. ACS Operator Link Fund Solutions announced arrangements which will see its business purchased by Waystone Group. The sale process of Implementation Adviser MJ Hudson to Apex also commenced. It is important to emphasise that the teams and systems supporting the ACCESS Pool remain unaltered as a consequence of these announcements.

Shortly after the end of the year, the ASU welcomed Alistair Coyle as a new Client Manager. Alistair joins us having worked for our colleagues at Link Fund Solutions and brings a wealth of both ACS Operator and ACCESS experience.

I would like to thank my ASU colleagues, the technical leads and the officers of the Authorities for their enthusiasm, support and hard work towards the continued progress of the Pool.



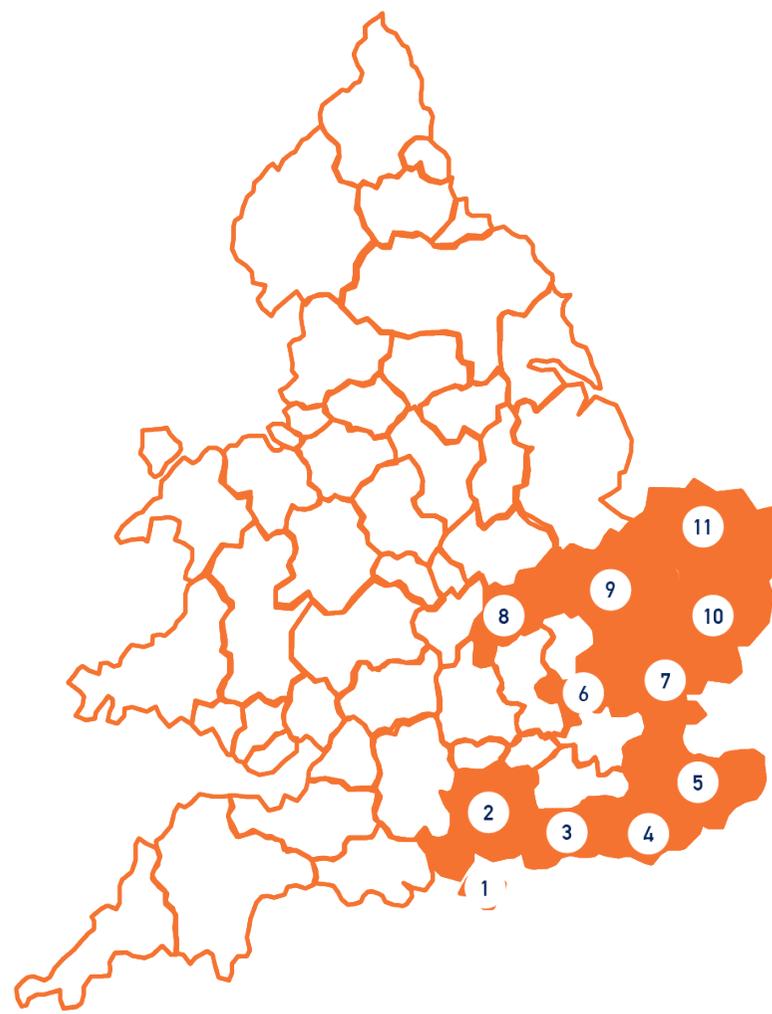
Kevin McDonald  
Director - ACCESS Support Unit



 Felixstowe, Suffolk

# ACCESS Authorities profile

- |   |   |    |  |
|---|---|----|--|
| 1 |  | 7  | <br>Essex County Council          |
| 2 |  | 8  | <br>West Northamptonshire Council |
| 3 |  | 9  | <br>Cambridgeshire County Council |
| 4 |  | 10 | <br>Suffolk County Council        |
| 5 |  | 11 | <br>Norfolk County Council        |
| 6 |  |    |  |



ACCESS pool		
<p><b>Joint Committee (JC)</b></p> <p>11 Councillors representing 11 Authorities</p>	<p><b>Officers</b></p> <p>Section 151 Officers, Monitoring Officers, Officer Working Group (OWG)</p>	<p><b>ACCESS Support Unit (ASU)</b></p> <p>Programme, contract and client management</p>
No FCA regulated decisions in client side functions		
<p>Active-listed assets, ACS operator:</p> <p></p>	<p>Passive-listed assets jointly procured manager:</p> <p></p>	<p>Non-listed assets implementation advice:</p> <p></p>

# ACCESS Background

## ACCESS Background

ACCESS has its origins in 2016 when 11 Local Government Pension Scheme (LGPS) Authorities agreed to begin working collectively to address the requirements of the Government's agenda for pooling LGPS investments.

The following strategic objectives are in place:

- 1

Enable the Councils to execute their fiduciary responsibilities to LGPS stakeholders, including scheme members and employers, as economically as possible.
- 2

Provide a range of asset types necessary to enable those participating Authorities to execute their locally-determined investment strategies as far as possible.
- 3

Enable the Councils to achieve the benefits of pooling investments, preserve the best aspects of what is currently done locally, and create the desired level of local decision making and control.

03

In order to achieve these objectives, the Councils have established a set of governing principles.

The governing principles are summarised below.



Collaboration



Risk management



Objective evidence based decisions



Equitable voice in governance



Professionalism



Equitable cost sharing



No unnecessary complexity



Evolution and innovation



Value for money

Implicit within the above principles is the democratic accountability and fiduciary duty of the Councils as Administering Authorities.



**Thaxted, Essex**

# Key Statistics

<b>3 Year Performance</b> <b>14% p.a.</b>	<b>Employers</b> <b>3,459</b>
<b>Members</b> <b>1.2 million</b>	<b>Pensioners</b> <b>340 thousand</b>



 Maidstone, Kent

<b>Pooled Assets</b> <b>As at March 2023</b> <b>ACS</b> <b>£24.5bn</b>	<b>Costs &amp; Savings</b> <b>Since inception to March 2023</b> <b>Gross Savings</b> <b>£98.9m</b>
<b>UBS (1 jointly procured provider)</b> <b>£9.9bn</b>	<b>Costs</b> <b>£27.6m</b>
<b>Pooling Progress</b> <b>59%</b>	<b>Net Savings</b> <b>£71.4m</b>

## Pooling Progress

Pooled assets represented 85% of all listed assets held by ACCESS Authorities and 59% of all assets held by ACCESS Authorities.

Pooled Investments	£ Billion
Global Equity Funds	15.595
UK Equity Funds	2.590
Fixed Income	4.973
Diversified Growth	1.319
Passive Investments	9.940
<b>Total Pooled Investments</b>	<b>34.417</b>
<b>Pooled Assets % of Total Listed Assets</b>	<b>85%</b>
<b>Pooled Assets % of Total Assets</b>	<b>59%</b>

Pooling has continued throughout the year with the ACCESS Authorities investing within the sub-funds already set up.

One sub-fund was launched during the year in November 2022, which attracted £800 million funding from ACCESS Authorities that had not previously invested with the investment manager



Potter End, Hertfordshire



Blakeney, Norfolk

## Performance

As at 31 March 2023 the ACCESS ACS contains a number of sub-funds across UK and Global Equities, Fixed Income and Diversified Growth Fund (DGF) Strategies.

Annualised investment performance for each of these asset classes is shown in the table below for the three years ending 31 March 2023 and since inception.

Asset class	£bn	Asset Managers	3 years to 31 March 2023 (annualised)			Since inception to 31 March 2023 (annualised)		
			Perf.	B/mark	+/-	Perf.	B/mark	+/-
UK equities	2.6	Schroders, Baillie Gifford, Liontrust & Blackrock	13.8%	13.5%	0.3%	6.0%	6.1%	-0.1%
Global equities (growth)	10.9	Baillie Gifford, Longview, Fidelity, Newton, J O Hambro, Capital, Mondrian & Arcadian	17.1%	16.0%	1.1%	13.0%	9.7%	3.3%
Global equities (value)	4.7	M&G, Dodge & Cox, Schroders & Macquarie						
Fixed income	5.0	Royal London, Baillie Gifford, M&G, Fidelity & Janus Henderson	-0.4%	-1.7%	1.3%	0.6%	0.2%	0.4%
DGF	1.3	Baillie Gifford, Ruffer & Netwon	7.4%	10.0%	-2.6%	4.7%	5.4%	-0.7%
<b>Total</b>	<b>24.5</b>		<b>14.0%</b>	<b>13.1%</b>	<b>0.9%</b>	<b>10.1%</b>	<b>7.5%</b>	<b>2.6%</b>

Both Global Equities (which account for the largest allocation of assets £15.6 billion, c.64% of all pooled assets) and Fixed Income saw investment outperformance over three years, and since inception, to 31 March 2023.

Despite negative returns from Diversified Growth Funds and on UK Equities (since inception), the emerging trend is one of overall positive performance.

# Savings

**A budget for ongoing operational costs is set by the Joint Committee and is financed equally by each of the eleven Authorities.**

The table below summarises the financial position for 2022/23 along with the cumulative position since the commencement of ACCESS activity in early 2016.

	2022 – 2023		2016 – 2023	
	Actual In Year £' Million	Budget In Year £' Million	Actual Cumulative to date £' Million	Budget Cumulative to date £' Million
Set Up Costs	-	-	1.824	1.400
Transition Costs	-	2.100	3.338	6.907
Ongoing Operational Costs	1.175	1.366	5.292	7.695
Operator & Depositary Costs	4.979	4.787	17.128	20.938
<b>Total Costs</b>	<b>6.154</b>	<b>8.253</b>	<b>27.582</b>	<b>36.940</b>
<b>Pool Fee Savings</b>	<b>28.645</b>	<b>17.800</b>	<b>98.945</b>	<b>65.550</b>
<b>Net Savings Realised</b>	<b>22.491</b>	<b>9.547</b>	<b>71.363</b>	<b>26.510</b>

2022/23 saw an underspend primarily due to lower than anticipated costs of procurement and technical professional costs.

Operator and depositary fees are payable by each Authority in relation to assets invested within the Authorised Contractual Scheme established by Link Fund Solutions as pool operator.

The 2022/23 fee savings have been calculated using the Chartered Institute of Public Finance and Accountancy (CIPFA) price variance methodology and based on the average asset values over the year. This approach highlights the combined level of investment fee savings, across all ACCESS Authorities stemming from reduced charges.

In summary, since inception ACCESS has demonstrated excellent value for money, maintaining expenditure broadly in line with the DLUHC submission whilst delivering an enhanced level of savings ahead of the timeline contained in the original proposal.



 **Freshwater Bay,  
Isle of Wight**

# Business Plan

The activities within last year's 2022/23 Business Plan, are shown below. The ongoing nature of a number of areas result in milestones spanning different years.

- Review of the corporate governance manual.
- Revisions and sign off by the councils of the Inter-Authority Agreement.
- ACCESS Responsible Investment guidelines agreed by the Joint Committee and recommended to Councils.
- Agree the requirements for the UK Property and Global Property mandates.
  - Procurement for implementation adviser carried out by MJ Hudson in collaboration with the Hampshire procurement officer.
  - UK Property and Global Property awarded to CBRE.
- Procurement for an independent third party to review the effectiveness of the ACCESS Pool operations.

The Business Plan for **2023/24** was agreed by the Joint Committee in December 2022 and covers:

- Independent third-party business review and implementation of any outcomes.
- Launch of emerging market sub-funds.
- Continuance of the implementation of the alternative investment programme.
- Investment of indirect UK and global property mandates with CBRE.
- Responsible Investment Phase II procurement.
- Governance: the continued application of appropriate forms of governance throughout ACCESS including the commencement of both responsible investment reporting support for the Pool, and the second contract for communications support.
- Scheduled evaluation: preparation for, and the commencement of, the re-procurement of operator services in the penultimate year of the Operator contract.



 **Braunston, West Northamptonshire**

# Environmental, Social & Governance

**The ACCESS Authorities believe in making long term sustainable investments whilst integrating environmental and social risk considerations, promoting good governance and stewardship.**

Whilst the participating Authorities have an overriding fiduciary and public law duty to act in the best long-term interests of their Local Government Pension Scheme (LGPS) stakeholders to achieve the best possible financial returns, with an appropriate level of risk they also recognise the importance of committing to responsible investment alongside financial factors in the investment decision making process.

## Responsible Investment Guidelines

Following the completion of a review led by Minerva Analytics, ACCESS has now published an updated Responsible Investment Guidelines. These have been developed around five pillars: governance, process, implementation, stewardship and monitoring/reporting.

The key high-level points of the Guidelines are:

- The Councils remain sovereign (particularly in relation to setting investment strategy). However, the opportunity exists for ACCESS to help coordinate RI approaches;
- All Councils agree that RI issues have the potential to impact investment returns over the short, medium and long-term;

- RI issues and concerns should be addressed primarily at the point of investment, whether that is in relation to an individual stock, or an entire portfolio;
- A number of RI priorities have been identified for the coming year, mostly associated with establishing a 'benchmark' of where the Councils' assets and asset managers sit in terms of RI concerns;
- Active stewardship remains the preferred approach when it comes to investments – with engagement over divestment being the Councils' combined approach;
- ACCESS, through the ASU and Link (the ACS Operator), will seek to ensure appropriately structured RI reporting is provided by the asset managers, so that each Council can meet its own RI reporting and communication objectives.

The Guidelines have been published in both summarised and full forms.



 Rye, East Sussex

## Voting:

The ACCESS pool has a set of voting guidelines which seeks to protect and enhance the value of its shareholdings by promoting good practice in the corporate governance and management of those companies.

The guidelines set out the principles of good corporate governance and the means by which ACCESS will seek its influence on companies. The voting activity is reported to the Joint Committee on a quarterly basis.

During the year ACCESS voted at 2,801 meeting on 34,727 resolutions.

On a quarterly basis the votes can be summarised as below:

Quarter	Number of Meetings	Votes cast For	Votes cast Against	Votes cast Other	Total Votes Cast
June 2022	1,920	24,301	3,664	605	24,301
September 2022	350	3,870	368	51	4,289
December 2022	250	2,204	297	72	2,573
March 2023	281	3,180	391	65	3,564

## Engagement:

Link Fund Solutions arranges regular sessions with the Investment Managers to present to the Authorities Pension Fund Officers to demonstrate how they implement environmental, social and governance into their investment strategy and decision-making process.

These also give the investment manager the opportunity to discuss the engagement activities they have undertaken, what constructive dialogue was had and how they have used their influence to encourage the adoption of best practice.



 Arundel, West Sussex

## Fund Account

2021 - 2022 £ million	Fund Account		2022 - 2023 £ million
	<b>Dealings with members, employers and others directly involved in the scheme</b> Notes		
	<b>Contributions and benefits</b>		
	Contributions receivable:		
	From employers		
95.305	Normal	10	101.751
3.010	Additional	10	2.922
1.318	Other	10	0.830
	From members		
25.389	Normal	10	28.055
	Transfers In		
6.940	Individual transfers in from other schemes		10.571
3.685	Group transfers in from other schemes		0.000
	Benefits payable:		
-89.790	Pensions	10	-94.180
-13.418	Commutations of pensions and lump sum retirement benefits	10	-15.246
-2.748	Lump sum death benefits	10	-1.910
	Payments to and on account of leavers:		
-0.631	Refunds of Contributions		-0.371
-7.030	Individual transfers out to other schemes		-5.930
<b>22.030</b>	<b>Net additions (withdrawals) from dealings with members</b>		<b>26.492</b>
-14.247	Management Expenses	11	-17.561
<b>7.783</b>	<b>Net additions (withdrawals) including management expenses</b>		<b>8.931</b>
	<b>Returns on investments</b>		
	Investment income		
1.258	Dividends from equities		0.000
8.451	Income from Pooled Investment Vehicles - Property		10.839
0.891	Income from Pooled Investment Vehicles - Private Equity		0.959
24.711	Income from Other Pooled Investment Vehicles		45.019
0.014	Interest on Cash Deposits		0.838
0.069	Other		0.001
-0.002	Taxes on Income		0.000
314.837	Change in market value of investments		-64.142
<b>350.229</b>	<b>Net returns on investments</b>		<b>-6.486</b>
358.012	Net increase, or (decrease), in the fund during the year		2.445
3,398.416	Opening net assets of the scheme		3,756.428
<b>3,756.428</b>	<b>Closing net assets of the scheme</b>		<b>3,758.873</b>



Spirits of Lowestoft, Lowestoft

## Net Asset Statement

2021 - 2022 £ million		Notes	2022 - 2023 £ million
	<b>Net asset statement</b>		
	<b>Investment assets</b>		
	Pooled Investment Vehicles		
813.781	Equities	13,14	827.302
765.601	Fixed Income	13,14	776.447
1,030.112	Unit linked insurance policies	13,14	1,006.746
343.274	Property unit trust	13,14	296.809
787.962	Other Managed Funds	13,14	834.421
	Other Investment Balance		
5.145	Cash [held for investment]	13	0.709
<b>3,745.875</b>	<b>Total investments</b>		<b>3,742.434</b>
	<b>Current assets</b>		
12.761	Debtors	22	14.286
5.815	Cash Deposits	19d	7.061
0.184	Cash at Bank	19d	0.022
<b>18.760</b>	<b>Total current assets</b>		<b>21.369</b>
	<b>Current liabilities</b>		
-8.207	Creditors	23	-4.930
<b>-8.207</b>	<b>Total current liabilities</b>		<b>-4.930</b>
<b>10.553</b>	<b>Net current assets</b>		<b>16.439</b>
<b>3,756.428</b>	<b>Net assets</b>		<b>3,758.873</b>



Friends of the Lake, Needham Lake

## Notes to the Accounts

### 1. Description of the Fund

The Suffolk Pension Fund is administered by Suffolk County Council. It is a contributory defined benefit scheme established by the Superannuation Act 1972 and governed by the Public Service Pensions Act 2013.

The Fund is administered in accordance with the following secondary legislation:

- The Local Government Pensions Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended).

The Fund provides retirement benefits for employees who are members of the Local Government Pension Scheme (LGPS).

Organisations participating in the Suffolk County Council Pension Fund include:

- Scheduled bodies - local authorities, district and borough councils and other similar bodies such as academies whose staff are automatically entitled to be members of the Fund
- Admitted bodies - voluntary and charitable bodies or private contractors undertaking a local authority function
- Resolution bodies - town and parish councils who formally pass a resolution designating staff to be eligible to join the LGPS.

There are 352 employer organisations with active members within the Scheme as at 31 March 2023, an increase of 21 from the previous year total of 331. Teachers, Firefighters and NHS staff have their own pension schemes and are not included in the Fund.

The Fund has the following number of members and pensioners:

31 March 2022		31 March 2023
	<b>Number of Employees in the Scheme</b>	
7,701	County Council	7,934
14,578	Other Employers	15,146
<b>22,279</b>	<b>Total</b>	<b>23,080</b>
	<b>Number of Pensioners</b>	
9,918	County Council	9,961
8,492	Other Employers	8,540
<b>18,410</b>	<b>Total</b>	<b>18,501</b>
	<b>Number of Deferred Members</b>	
15,542	County Council	15,007
15,610	Other Employers	14,581
<b>31,152</b>	<b>Total</b>	<b>29,588</b>

### Funding

Benefits are funded by contributions and investment earnings. Employers' contributions are set based on the triennial actuarial funding valuation in March 2019 for the contributions paid in 2022 – 2023. Employees contributions are paid in line with the LGPS Regulations 2013.

### Benefits

Prior to 1 April 2014 pension benefits are based on final pensionable pay and length of service. From 1 April 2014, the scheme became a career average scheme with members accruing benefits based on their current annual pensionable pay at an accrual rate of 1/49th.

### 2. Events after the Balance Sheet Date

There has been no event between 31 March 2023 and the date when these accounts were authorised for issue that requires any adjustments to these accounts.

### 3. Significant Changes to the Fund

As part of its annual asset allocation review, the Committee at its meeting on 31 March 2022, agreed to transfer its UBS RAFI All World holding into the UBS RAFI Global Low Carbon Transition Fund, to further reduce the carbon intensity of the equity portfolio. This transfer was implemented during March 2023.

At its meeting on 23 November 2022, the Pension Fund Committee ratified a commitment of £75 million to the Partners Group Multi Asset Credit Fund VII. The first capital call is expected at the end of 2023.

The Pension Fund Committee made a decision at its meeting on 23 September 2023, to disinvest from the Blackrock Fixed Income Fund and to invest the proceeds into the ACCESS Janus Henderson Fixed Income sub-fund. The first tranche of £200m was invested on 30 November, with the final balance of £168 million invested on 31 January 2023.

Suffolk Pension Fund has £2.610 billion invested within the ACCESS Pool (£2.230 billion, 31 March 2022), which represents 70% of the Fund's investment assets (60%, 31 March 2022).

### 4. Basis of Preparation of Pension Fund Accounts

The Statement of Accounts summarises the Fund's transactions for the 2022-2023 financial year and its position as at 31 March 2023.

These accounts have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in United Kingdom 2022 - 2023', which is based upon International Financial Reporting Standards (IFRS).

The accounts do not take into account obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS 26) basis, is disclosed in Note 21 of these accounts.



Suffolk Trinity, Suffolk Showground, Ipswich

### 5. Going Concern Statement

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022 - 2023 (the Code), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

In carrying out its assessment that this basis is appropriate, made to 31 May 2023, management of the Pension Fund have considered the additional qualitative and quantitative key requirements:

The basis for preparation is supported by legislation for local authorities, and the Code requirements on the basis of the continuation of services;

The Fund is cashflow positive meaning that the contributions received from the employers and members of the scheme exceed the benefits amount paid out. All employers within the fund are paying contributions as per the rates and adjustment certificate.

In line with Regulation 62 of the Local Government Pension Scheme Regulations 2013, the Fund's actuary carried out a valuation during 2022 - 2023. The Fund's assets were valued at £3,756 million, with liabilities of £3,522 million resulting in a funding level of 107%.

The improved funding position has resulted in many Employers paying lower contribution rates from 1 April 2023 which will reduce the income from contributions over the next 3 years. The Fund has forecast a positive cashflow for 2023 - 2024 and a negative cashflow of £4 million for 2024 - 2025, which can be met through surplus cash in the form of income from investments.

The Pension Fund has not utilised any borrowing during the 2022 - 2023 financial year or within the 2023 - 2024 year to date.

The Pension Fund has an allocation of 42.5% to equities, 28% to Bonds and 0.5% to cash, which are assets that could be liquidated to pay benefits should the need arise.

On this basis, the Pension Fund have a reasonable expectation that it will have adequate resources to continue in operational existence throughout the going concern period. For this reason, alongside the statutory guidance, we continue to adopt the going concern basis in preparing these financial statements.



Hyperion, Newmarket

## 6. Summary of Significant Accounting Policies

### 6.1 Fund Account - Revenue Recognition

#### Contribution Income

Normal contributions from members and employers are accounted for on an accruals basis at the percentage rate recommended by the actuary in the payroll period to which they relate.

Employers' deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary.

Employers' augmentation and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset.

#### Transfers to and from Other Schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the LGPS Regulations.

Individual transfers in/out of the scheme are accounted for when they have been received/paid, which is when the member's liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included within transfers in.

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

#### Investment Income

Investment income may include withholding tax which is disclosed as a separate item (taxes on income) on the face of the Fund Account. Investment income arising from the underlying investments of Pooled Investment Vehicles is reinvested in the vehicle and reflected in the unit price.

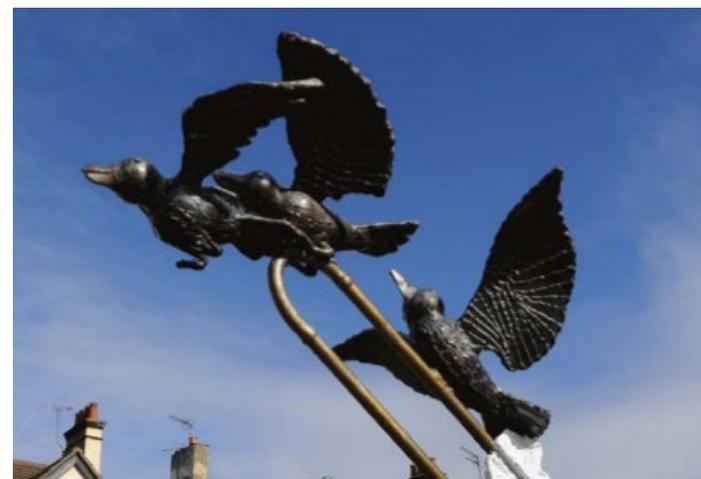
Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Asset Statement as a current financial asset.

Income from cash and other investments are accounted for on an accrual's basis.

Distributions from pooled funds are recognised at the date of issue and any amount not received by the end of the reporting period is disclosed in the Net Asset Statement as a current financial asset.

#### Movement in the Market Value of Investments

Movement in the net market value of investments is recognised as a realised or unrealised, gain or loss, during the year.



Foxgrove Band gates, Ipswich

### 6.2 Fund Account - Expenditure

#### Benefits Payable

Pensions and lump sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Asset Statement as a current financial liability.

#### Taxation

The Fund is a registered public service pension scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and is exempt from UK income tax on interest received and capital gains tax on proceeds of investments sold.

Income from overseas investments is subject to withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense.

#### Management Expenses

All management expenses are accounted for on an accrual's basis.

##### i) Administration Expenses and Oversight and Governance Expenses

Suffolk County Council staff costs are charged to the Pension Fund based on time spent. Accommodation and other overhead costs have also been apportioned.

##### ii) Investment Management Expenses

Investment management fees and performance fees are agreed in the respective mandates governing their appointment. These fees are based on the market value of the investments under management and therefore increase or decrease as the value of the investments change.

Transaction costs and custody fees are included in investment management expenses.

### 6.3 Net Asset Statement

#### Financial Assets

Financial assets are included in the Net Asset Statement on a fair value basis as at the reporting date. A financial asset is recognised on the date the Fund becomes party to the contractual acquisition of the asset. Any gains or losses arising from changes in the fair value from this date are recognised by the Fund.

The value of investments has been determined as follows:

#### Market Quoted Investments

Managed Funds are valued using the bid market price on 31 March 2023.

#### Property

Property is valued using the latest available Net Asset Value (NAV) or where a NAV is not available, assumptions based on the probable realisation value.

#### Unquoted Pooled Investment Vehicles

Unquoted Securities include pooled investments in Infrastructure, Illiquid Debt, Private Equity and Timberlands. Market quotations are not readily available. The value is based on the Fund's share of the net asset using the latest financial statements received from the respective fund manager and adjusted for capital calls and distributions received from that date to 31 March 2023.

### Quoted Pooled Investment Vehicles

Pooled Investment Vehicles are valued at the closing bid price or at the closing single price, as available. The change in market value of accumulation funds includes income which is reinvested in the Fund net of applicable withholding tax.

### Foreign Currency Transactions

Investments and cash held in foreign currencies have been valued on the relevant basis and translated into sterling at the rate as at 31 March 2023.

### Derivatives

Derivative financial instruments are used to manage exposure to specific risks arising from investment activities and are not held for speculative purposes. Derivative contract assets are valued at bid price and liabilities are valued at offer price. Changes in the fair value are included in the change in market value.

Forward Foreign Exchange Contracts outstanding at the year-end are stated at fair value, which is determined as the loss or gain that would arise if the outstanding contract was required to be settled on 31 March 2023.

### Cash and Cash Equivalents

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment purposes. Bank balances and cash held by the Pension Fund at 31 March 2023 are therefore cash equivalent sums. For short term investments there are no strict criteria to follow relating to the nature and maturity of these items.

The Pension Fund holds short term investments in Money Market Funds for the purpose of obtaining a gain or return.

### Events after the Balance Sheet date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Pension Fund Accounts are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Pension Fund Accounts are adjusted to reflect such events.
- those that are indicative of conditions that arose after the reporting period – the Pension Fund Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Pension Fund Accounts.

### Additional Voluntary Contributions

The Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. AVC's are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVC's are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (SI 2009/3093) but are disclosed as a note.

### Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial codes.

As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Asset Statement.

### 7. Accounting Standards Issued, Not Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2022 – 2023 requires the disclosure of information relating to the expected impact of changes that will be required by a new standard that has been introduced but not yet adopted and applies to the adoption of the following disclosures as amended in the 2023 - 2024 code.

IFRS 16 - Leases

IAS 8 - Definition of accounting estimates.

IAS 1 - Disclosure of Accounting Policies

IAS 12 - Deferred tax

IFRS 3 - Updating reference to the conceptual framework.

The code requires implementation of the above disclosure from 1 April 2023. These changes are not considered to have a material effect on the Pension Fund accounts of 2022 - 2023.

### 8. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 6, the Pension Fund has to make certain judgements about complex transactions or those involving uncertainty about future events. The main critical judgement that the Pension

Fund must consider is the Pension Fund actuarial liability.

The Pension Fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 20 Funding Position. This estimate is subject to significant variances based on changes to the underlying assumptions.

The methodology used in calculating the Pension Fund's liability, in conjunction with the Fund's investment strategy means that the surplus or deficit can vary significantly over short periods of time, whilst the underlying funding strategy is based on a much longer timeline that smooths out the effects of extreme market volatility.

### 9. Assumptions made about the Future and other Sources of Estimation Uncertainty

The Pension Fund Accounts contain estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that actual outcomes could differ from those estimates and there is a risk that these investments may be under or overstated in the accounts. An analysis of the potential market movement range for these holdings is set out in Note 18e.

The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

#### Actuarial Present Value of Promised Retirement Benefits

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. A firm of consulting actuaries, Hymans Robertson LLP are engaged to provide the Fund with expert advice about the assumptions to be applied.

### Property

Pooled property investment vehicles are valued at closing bid prices if both bid and offer prices are published; or if single priced, at the closing single price. Pooled property funds have derived underlying assets that have been valued by independent external valuers on a fair value basis and in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards (9th Edition).

The property investment held with Schrodgers at 31 March 2023 is £296.809 million.

### Private Equity

Private Equity investments are valued at fair value in accordance with IFRS and British Venture Capital Association guidelines. Both Pantheon and Wilshire have established procedures to report fair value on a consistent, transparent and prudent basis. These investments are illiquid and are not publicly listed and as such there is a high degree of estimation involved in the valuation.

The unquoted Private Equity investments at 31 March 2023 are £125.074 million with Pantheon and £7.955 million with Wilshire.

### Infrastructure

Infrastructure investments are valued through a fair market value process designed in accordance with IFRS. These investments are not publicly listed and as such there is a high degree of estimation involved in the valuation.

The Infrastructure investments held with Partners, M&G, KKR and JP Morgan at 31 March 2023 are £58.146 million, £67.502 million, £28.714 and £224.875 million respectively.

### Illiquid Debt

Illiquid Debt is valued by a valuation agent who will use an independent pricing source to value most loans at market value or a probable realisation valuation method if market quotations are not readily available. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.

Illiquid Debt is held with M&G and includes the Debt Opportunity investments, the Illiquid Credit Opportunity Fund and the Debt Solutions Fund totalling £31.312 million and a Multi Asset Credit Fund held with Partners Group valued at £74.882 million as at 31 March 2023.

### Timber

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

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

The Timber investment at 31 March 2023 is £0.235 million.



Memorial to 94<sup>th</sup> Bombardment Group, Bury St. Edmunds

## 10. Contributions Received and Benefits Paid during the Year

2021 - 2022				2022 -2023		
Employers' Contributions	Employees' Contributions	Benefits Paid		Employers' Contributions	Employees' Contributions	Benefits Paid
£ million	£ million	£ million		£ million	£ million	£ million
36.920	9.984	-48.156	Suffolk County Council	39.428	11.171	-51.584
59.733	14.567	-52.687	Other Scheduled and Resolution Bodies	63.506	16.103	-56.766
2.980	0.838	-5.113	Admitted Bodies	2.569	0.781	-2.986
<u>99.633</u>	<u>25.389</u>	<u>-105.956</u>	<b>Total</b>	<u>105.503</u>	<u>28.055</u>	<u>-111.336</u>

Employer contributions are made up of two elements:

- a) The primary rate which is the level sufficient to cover all new benefits
- b) The secondary rate which are the costs associated with sufficiently funding benefits accrued up to the valuation date.

Included within the employer normal contributions of £101.751 million shown in the Fund account, is an amount of £3.929 million which represents the secondary rate paid within the employers' percentage (£4.411 million in 2021 - 2022).

The additional employer contribution identified separately on the Fund account of £2.922 million (£3.010 million in 2021 - 2022), refers to those employers funding their secondary rate by means of lump sum payments.

The Fund undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the next three-year period. 2022 - 2023 was the third year in the three-year period following the 31 March 2019 valuation for the contribution rates set by the actuary to reflect a and b above.

A list of employers and their contribution rates is available on the Suffolk Pension Fund website at [www.suffolkpensionfund.org](http://www.suffolkpensionfund.org).

## 11. Management Expenses

2021 - 2022		2022 - 2023
£ million		£ million
12.286	Investment Management Expenses	15.449
1.383	Administration Expenses	1.429
0.578	Oversight and Governance Costs	0.684
<u>14.247</u>		<u>17.562</u>

Management expenses are categorised into investment management expenses, administration expenses and oversight and governance costs in accordance with the CIPFA guidance to Accounting for Local Government Pension Scheme Management Costs.

Administration Expenses includes costs associated with members, pensioners and scheme employers. This would include all activities associated with pension administration - staff costs, IT, membership fees and subscriptions.

Oversight and Governance Costs includes costs incurred in the monitoring of investments, investment advisory services, independent advisors, support to the Pension Fund Committee and Pension Board, voting services, costs associated with the production of statutory and non-statutory reporting, legal services, actuarial services, audit services and accountancy services.

External audit fees charged by Ernst & Young for 2022 - 2023 were £0.028 million, (£0.019 million 2021 - 2022). The external fee is subject to change, depending on additional charges which may be made by the external auditors on high-risk areas. £0.015 million has been accrued for additional work for 2022 - 2023.

Ernst & Young will charge an additional amount to respond to IAS 19 assurance requests for 2022-23. £0.016 million was charged in 2022 - 2023, for the work completed for the 2020 - 2021 and the 2021 - 2022 accounts. This has been charged to the employers who have requested this assurance.

£0.012 million has been received from the Department for Levelling Up, Housing and Communities to support the implementation of the Redmond Review recommendations, to meet the anticipated rise in fees for the 2022 - 2023 audits driven by new audit requirements.

Investment management expenses include costs that are incurred in association with the management of the Pension Fund assets and financial instruments, whether directly invoiced to the fund or deducted from the fund assets. This includes management fees, performance fees and investment transaction costs as below:

2021 - 2022	Management Fees	Performance Fees	Transaction Costs	Total
	£ million	£ million	£ million	£ million
<b>Assets</b>				
UK Equities	0.076	2.021	0.039	2.136
<b>Pooled Investments</b>				
Equities	0.165			0.165
Unit Linked Insurance Policies	0.480			0.480
Fixed Income	2.808		0.073	2.881
Property	0.322		0.003	0.324
Absolute Returns	0.771			0.771
Private Equity	0.363	0.001		0.364
Infrastructure	2.544	2.344		4.887
Illiquid Debt	0.177			0.177
Timberlands	0.070			0.070
Money market				
<b>Total Investment Expenses</b>	<b>7.776</b>	<b>4.365</b>	<b>0.114</b>	<b>12.255</b>
Custody	0.031			0.031
<b>Total Investment Management Expenses</b>	<b>7.807</b>	<b>4.365</b>	<b>0.114</b>	<b>12.286</b>

2022 - 2023	Management Fees	Performance Fees	Transaction Costs	Total
	£ million	£ million	£ million	£ million
<b>Assets</b>				
UK Equities		0.749		0.749
<b>Pooled Investments</b>				
Equities	0.285			0.285
Unit Linked Insurance Policies	0.459			0.459
Fixed Income	1.294		2.149	3.443
Property	0.880		0.023	0.903
Absolute Returns	0.669			0.669
Private Equity	2.123			2.123
Infrastructure	4.832	1.545		6.377
Illiquid Debt	0.365			0.365
Timberlands	0.042			0.042
<b>Total Investment Expenses</b>	<b>10.949</b>	<b>2.294</b>	<b>2.172</b>	<b>15.415</b>
Custody	0.034			0.034
<b>Total Investment Management Expenses</b>	<b>10.983</b>	<b>2.294</b>	<b>2.172</b>	<b>15.449</b>



Pairs of Tritons, Lowestoft

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

31 March 2022		31 March 2023	
Market Value £ million	Percentage of Assets %	Market Value £ million	Percentage of Assets %
<b>Investments managed within the ACCESS Pool</b>			
1199.756	32.07%	1,603.749	42.84%
1030.111	27.54%	1,006.746	26.91%
<b>2,229.867</b>	<b>59.61%</b>	<b>2,610.495</b>	<b>69.75%</b>
<b>Investments managed outside the ACCESS Pool</b>			
379.627	10.15%	0.000	0.00%
8.010	0.21%	0.235	0.01%
0.146	0.00%	0.061	0.00%
166.397	4.45%	224.875	6.01%
0.000	0.00%	28.715	0.77%
95.895	2.56%	98.813	2.64%
24.142	0.65%	20.420	0.55%
167.048	4.47%	157.414	4.21%
121.860	3.26%	133.029	3.56%
178.808	4.78%	140.959	3.77%
357.281	9.55%	318.754	8.52%
11.649	0.31%	7.955	0.21%
<b>1,510.863</b>	<b>40.39%</b>	<b>1,131.230</b>	<b>30.25%</b>

The Blackrock Investment Management Fixed Income mandate was disinvested and the proceeds invested into the Janus Henderson Fixed Income mandate held with the ACCESS Pool, which is managed by Link Fund Solutions, as the Authorised Contractual Scheme operator of the Pool. The UBS Group investments are managed within the ACCESS Pool on a pool governance basis.

The Northern Trust holding is the surplus cash invested in money market funds.

The Multi Asset Credit mandates with Partners Group, the Infrastructure mandate with Kohlberg, Kravis, Roberts, the Private Equity mandate with Pantheon Ventures Investments, and Infracapital Fund with M&G have been funded as investment opportunities are identified by the investment managers. These investments are funded from surplus cash and from the

Pyrford International mandate.

The Debt Opportunity mandate with M&G, Private Equity with Wilshire and Infrastructure with Partners Group are mature investments that are returning funds as the investments are realised.

13. Reconciliation of Movements in Investments and Derivatives

	Opening Market Value 01 April 2021 £ million	Purchases £ million	Sales £ million	Change in Market Value £ million	Closing Market Value 31 March 2022 £ million
UK Companies	243.349	7.845	-269.997	18.803	0.000
<b>Quoted Pooled Investment Vehicles:</b>					
Equities	501.287	306.453	-35.000	41.041	813.781
Fixed Income	722.674	440.425	-390.425	-7.073	765.601
Unit trusts	25.116	-	-29.099	3.983	0.000
Other Managed Funds	260.096	149.914	-163.680	14.184	260.514
Unit linked insurance policies	916.969	112.754	-112.755	113.144	1,030.112
<b>Unquoted Pooled Investment Vehicles:</b>					
Other Managed Funds	440.135	61.088	-46.539	72.764	527.448
Property	278.112	35.216	-21.475	51.421	343.274
<b>Total of Investments</b>	<b>3,387.738</b>	<b>1,113.695</b>	<b>-1,068.970</b>	<b>308.267</b>	<b>3,740.730</b>
	<b>Opening Market Value 01 April 2021 £ million</b>	<b>Movement in Cash Balance £ million</b>	<b>Impairment of Investments £ million</b>	<b>Change in Market Value £ million</b>	<b>Closing Market Value 31 March 2022 £ million</b>
<b>Other Investment Balances:</b>					
Cash Held for Investment	-2.437	9.179	-	-1.597	5.145
<b>Net Investments</b>	<b>-2.437</b>	<b>9.179</b>	<b>-</b>	<b>-1.597</b>	<b>5.145</b>

The change in market value of £306.670 million (£308.267 million and -£1.597 million) is £8.167 million lower than the change in market value on the Fund Account of £314.837 million. The difference is caused by indirect management fees of £8.053 million and indirect transaction costs of £0.114 million which are charged against the NAV and not directly to the Fund.

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

## 14. Analysis of Investments (excluding Cash and Derivatives)

	Opening Market Value 31 March 2022 £ million	Purchases £ million	Sales £ million	Change in Market Value £ million	Closing Market Value 31 March 2023 £ million
<b>Quoted</b>					
<b>Pooled Investment Vehicles:</b>					
Equities	813.781	15.513	-	-1.992	827.302
Fixed Income	765.601	384.693	-368.232	-5.615	776.447
Unit linked insurance policies	1,030.112	15.000	0.000	-38.366	1,006.746
Other Managed Funds	260.514	608.432	-643.357	-9.925	215.664
<b>Unquoted</b>					
<b>Pooled Investment Vehicles:</b>					
Other Managed Funds	527.448	115.660	-58.407	34.056	618.757
Property	343.274	31.518	-26.046	-51.937	296.809
<b>Total of Investments</b>	<b>3,740.730</b>	<b>1,170.816</b>	<b>-1,096.042</b>	<b>-73.779</b>	<b>3,741.725</b>
	Opening Market Value 31 March 2022 £ million	Movement in Cash Balance £ million	Impairment of Investments £ million	Change in Market Value £ million	Closing Market Value 31 March 2023 £ million
<b>Other Investment Balances:</b>					
Cash Held for Investment	5.145	-4.250	-	-0.186	0.709
<b>Net Investments</b>	<b>5.145</b>	<b>-4.250</b>	<b>-</b>	<b>-0.186</b>	<b>0.709</b>

The change in market value of -£73.965 million (-£73.779 million and -£0.186 million) is £9.823 million different than the change in market value on the Fund Account of -£64.142 million. The difference is caused by indirect management fees which are charged against the NAV and not directly to the Fund.

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



Tam, Ipswich

Market Value 31 March 2022 £ million		Market Value 31 March 2023 £ million	
<b>Pooled Investment Vehicles - Quoted</b>			
813.781	Equities		827.302
765.601	Fixed Income		776.447
1,030.112	Unit Linked Insurance Policies		1,006.746
<b>Other Managed Funds</b>			
178.808	Absolute Returns		140.959
38.148	Money Market Funds		42.365
43.558	Private Equity		32.340
<u>260.514</u>	<b>Total Quoted Other Managed Funds</b>		<u>215.664</u>
<b>Pooled Investment Vehicles - Unquoted</b>			
<b>Other Managed Funds</b>			
95.674	Illiquid Debt		106.195
288.479	Infrastructure		379.237
135.285	Private Equity		133.090
8.010	Timberlands		0.235
<u>527.448</u>	<b>Total Unquoted Other Managed Funds</b>		<u>618.757</u>
787.962	<b>Total Other Managed Funds</b>		834.421
343.274	Property		296.809
<u><u>3,740.730</u></u>	<b>Total</b>		<u><u>3,741.725</u></u>

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



### 17b. Net Gains and Losses on Financial Instruments

31 March 2022		31 March 2023
£ million	Financial Assets	£ million
308.267	Fair value through profit and loss	-73.779
-1.597	Amortised cost - unrealised gains	-0.186
	<b>Financial Liabilities</b>	
0.000	Fair value through profit and loss	0.000
<u>306.670</u>	<b>Total</b>	<u>-73.965</u>

### 18a. Fair Value Hierarchy

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

#### Level 1

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

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

#### Level 2

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

Assets classified as level 2 include pooled equity and fixed income investments.

#### Level 3

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

These instruments would include unquoted investments such as Property, Private Equity, Infrastructure, Illiquid Debt and Timberlands, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.



Walkway, Snape Maltings

18.b Fair Value - Basis of valuation

The basis of valuation for each class of investment asset is set out below:

Asset	Valuation Hierarchy	Basis of Valuation	Observable and Unobservable inputs	Key Sensitivities affecting the Valuations
Private Equity	Level 3	The valuation of the investments are carried at fair value as determined in good faith by the General Partner in accordance with the terms of the Partnership Agreement and US GAAP.	Management's cash flow projections Estimates of growth expectations and profitability Profit margin expectations Adjustments to current prices for similar assets valuation techniques	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Funds reporting date, by changes to expected cash flows, earning multiples and discount rates used in the discounted cash flow analysis.
Timberlands	Level 3	Valuation technique is based on accepted valuation techniques that include discounted cash flow and multiple earnings.	Management's cash flow projections Estimates of growth expectations and profitability Profit margin expectations Adjustments to current prices for similar assets valuation techniques	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Funds reporting date, by changes to expected cash flows, earning multiples and discount rates used in the discounted cash flow analysis.



Wartime Pilot, Ipswich

## 18.c Valuation of Financial Instruments Carried at Fair Value

Values at 31 March 2022	Quoted Market Price Level 1 £ million	Using Observable Inputs Level 2 £ million	With Significant Unobservable Inputs Level 3 £ million	Total £ million
<b>Financial Assets</b>				
Fair value through profit and loss	260.514	2,609.494	870.722	3,740.730
Assets at amortised cost	13.515			13.515
<b>Total Financial Assets</b>	<b>274.029</b>	<b>2,609.494</b>	<b>870.722</b>	<b>3,754.245</b>
<b>Financial Liabilities</b>				
Fair value through profit and loss				
Financial Liabilities at amortised cost	-5.001			-5.001
<b>Total Financial Liabilities</b>	<b>-5.001</b>	<b>0.000</b>	<b>0.000</b>	<b>-5.001</b>
<b>Net Financial Assets</b>	<b>269.028</b>	<b>2,609.494</b>	<b>870.722</b>	<b>3,749.244</b>

Values at 31 March 2023	Quoted Market Price Level 1 £ million	Using Observable Inputs Level 2 £ million	With Significant Unobservable Inputs Level 3 £ million	Total £ million
<b>Financial Assets</b>				
Fair value through profit and loss	215.663	2,610.495	915.566	3,741.725
Assets at amortised cost	10.292			10.292
<b>Total Financial Assets</b>	<b>225.955</b>	<b>2,610.495</b>	<b>915.566</b>	<b>3,752.016</b>
<b>Financial Liabilities</b>				
Fair value through profit and loss				
Financial Liabilities at amortised cost	-2.069			-2.069
<b>Total Financial Liabilities</b>	<b>-2.069</b>	<b>0.000</b>	<b>0.000</b>	<b>-2.069</b>
<b>Net Financial Assets</b>	<b>223.886</b>	<b>2,610.495</b>	<b>915.566</b>	<b>3,749.946</b>

## 18.d Reconciliation of Fair Value measurements within Level 3

Assets	Opening Market Value 01 April 2021 £ million	Purchases £ million	Sales £ million	Realised Gains/(Losses) £ million	Unrealised Gains/(Losses) £ million	Closing Market Value 31 March 2022 £ million
Property	278.112	35.216	-21.475	2.593	48.828	343.274
Illiquid Debt	66.606	35.513	-9.380	1.752	1.183	95.674
Infrastructure	258.257	13.997	-7.617	0.201	24.043	288.479
Private Equity	107.328	11.578	-29.531	19.497	26.413	135.285
Timberlands	7.944	-	0.000	0.000	0.066	8.010
<b>Total of Investments</b>	<b>718.247</b>	<b>96.304</b>	<b>-68.003</b>	<b>23.641</b>	<b>100.532</b>	<b>870.722</b>

Assets	Opening Market Value 01 April 2022 £ million	Purchases £ million	Sales £ million	Realised Gains/(Losses) £ million	Unrealised Gains/(Losses) £ million	Closing Market Value 31 March 2023 £ million
Property	343.274	31.518	-26.046	4.112	-56.049	296.809
Illiquid Debt	95.674	22.307	-11.662	0.323	-0.448	106.195
Infrastructure	288.479	87.915	-25.165	3.105	24.903	379.237
Private Equity	135.285	5.438	-13.502	10.137	-4.268	133.090
Timberlands	8.010	0.000	-8.078	2.632	-2.329	0.235
<b>Total of Investments</b>	<b>870.722</b>	<b>147.179</b>	<b>-84.453</b>	<b>20.309</b>	<b>-38.191</b>	<b>915.566</b>



Thomas Wolsey's Cat, Ipswich

## 18.e Sensitivity of assets values at Level 3

An analysis of historical data and expected investment return movements by Hymans Robertson has determined a potential market movement range for the value of the holdings classified as level 3 as below:

	Market Value 31 March 2022 £ million	Valuation Range	Value on Increase £ million	Value on Decrease £ million
Property	343.274	15.0%	394.765	291.783
Illiquid Debt	95.674	10.3%	105.529	85.820
Infrastructure	288.479	14.6%	330.597	246.361
Private Equity	135.285	31.2%	177.494	93.076
Timberlands	8.010	14.6%	9.179	6.840
<b>Total of Investments</b>	<b>870.722</b>		<b>1,017.564</b>	<b>723.880</b>

	Market Value 31 March 2023 £ million	Valuation Range	Value on Increase £ million	Value on Decrease £ million
Property	296.809	15.5%	342.815	250.804
Illiquid Debt	106.195	8.3%	115.009	97.381
Infrastructure	379.237	16.0%	439.915	318.558
Private Equity	133.090	31.2%	174.614	91.566
Timberlands	0.235	16.0%	0.273	0.197
<b>Total of Investments</b>	<b>915.566</b>		<b>1,072.626</b>	<b>758.506</b>

## 19. Nature and Extent of Risks Arising from Financial Instruments

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

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

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

The key risks that have been identified are:

- A. Credit risk
- B. Liquidity risk
- C. Market risk
- D. Interest Rate Risk
- E. Currency Risk
- F. Price Risk
- G. Custody
- H. Investment Management
- I. Sensitivity of Funding position to market conditions and investment performance

### A. Credit risk

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

The Fund is exposed to credit risk in its operational activities through securities lending, forward currency contracts and treasury management

activities. Commercial credit risk also arises with those organisations that pay monies over to the Fund (debtors) as part of the administration function, principally contributions from employers and transfers in from other registered pension schemes.

Fund monitors the monthly receipt of contributions from employers. The Funding Strategy Statement requires safeguards to be in place for all new admission agreements to protect the Fund from an employer default, primarily through a guarantee from a tax-backed scheme employer for any new employer in the Fund. An analysis of debtor balances at 31 March 2023 is provided in Note 23.

The Fund's bank account is held with Lloyds Bank Plc, which is also banker to Suffolk County Council the Administering Authority for the Pension Fund. The bank held a Long-Term rating of 'A+' (strong) with Standard and Poor and with Fitch as at March 2023. The management of this cash held for the purpose of managing the cashflow was carried out by the Council's Treasury Management team in accordance with the cash management strategy approved by the Pension Fund Committee. The Fund has had no occasion of default or uncollectable deposits.

The Fund's bank account is held with Lloyds Bank Plc, which is also banker to Suffolk County Council the Administering Authority for the Pension Fund. The bank held a Long-Term rating of 'A+' (strong) with Standard and Poor and with Fitch as at March 2022. The management of this cash held for the purpose of managing the cashflow was carried out by the Council's Treasury Management team in accordance with the cash management strategy approved by the Pension Fund Committee. The Fund has had no occasion of default or uncollectable deposits.

The Fund's cash pending allocation for investment, is held within the custody system in the bank account of the custodian, Northern Trust.

At 31 March 2023, £7.083 million was with Lloyds (£5.999 million at March 2022). Cash deposited with Northern Trust amounted to £21.128 million at 31 March 2023 (£24.142 million March 2022) and Schroders held £21.945 million in their money market fund, (£14.006 million at March 2022).

### **B. Liquidity risk**

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

The Pension Fund holds sufficient working capital to ensure that it has cash available to meet benefit and transfer payments and cash drawdown requirements in respect of certain investment transactions. Within mandates it is the responsibility of the individual managers to ensure that they have sufficient funds available to meet the transactions they enter into on behalf of the Fund. These responsibilities are detailed within the investment management agreements. At an investment level a large proportion of the Fund's investments are held in instruments that can be realised at short notice if a cash flow need arose. Certain investments, particularly property, unquoted private equity, illiquid debt, timberlands and infrastructure funds are considerably less liquid, but these make up a far smaller proportion of the overall portfolio, £915.566 million, 24% (£870.222 million, 23% at March 2022).

### **C. Market risk**

Market risk is the risk that the fair value of cash flows of a financial instrument will fluctuate due to changes in market sentiment. Market risk reflects interest rate, currency and other price risk.

Market risk is inherent in the investments that the Fund makes. To mitigate market risk the investments are made in a diversified set of asset classes and investment approaches to ensure a risk adjusted balance between categories. The Fund takes formal advice from its independent investment advisers (Hymans Robertson LLP and Mark Stevens) and the portfolio is split between a number of managers and investment strategies with different benchmarks and performance targets. Full details can be found in the investment strategy statement that is available at [www.suffolkpensionfund.org](http://www.suffolkpensionfund.org). Investment risk and strategy are regularly reviewed by the Pension Fund Committee.

## D. Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Pension Fund's exposure to interest rate movements from its investments in fixed interest securities and cash and cash equivalents which includes the custodian money market fund and cash held for investment.

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

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

Asset Type	Value as at 31 March 2022 £ million	Change + 100 BP's £ million	Change - 100 BP's £ million
Cash held for Deposit	5.999	0.060	-0.060
Cash and Cash Equivalent	43.293	0.433	-0.433
<b>Total Assets</b>	<b>49.292</b>	<b>0.493</b>	<b>-0.493</b>

Asset Type	Value as at 31 March 2023 £ million	Change + 100 BP's £ million	Change - 100 BP's £ million
Cash held for Deposit	7.082	0.071	-0.071
Cash and Cash Equivalent	43.073	0.431	-0.431
<b>Total Assets</b>	<b>50.156</b>	<b>0.502</b>	<b>-0.502</b>

## E. Currency Risk

Currency risk is the extent to which the Pension Fund is exposed to fluctuations in exchange rates and the impact these fluctuations have on the sterling valuation of assets denominated in foreign currency.

The one year expected standard deviation for an individual currency as at 31 March 2023 is 9.9% (as provided by Hymans Robertson). This is based on the assumption that there is no diversification with other assets and that all other variables, in particular interest rates remain constant.

The foreign exchange rate movement exposure to the strengthening or weakening of sterling against the various currencies in which the fund holds investments which are not hedged to sterling are as follows:

Asset Type	Value as at 31 March 2022 £ million	Potential Market Movement £ million	Value on Increase £ million	Value on Decrease £ million
Overseas Equities	519.256	49.329	568.586	469.927
Overseas Index Linked Equities:	892.929	84.828	977.757	808.101
Alternative Investments	381.671	36.259	417.928	345.412
<b>Total overseas assets</b>	<b>1,793.856</b>	<b>170.415</b>	<b>1,964.272</b>	<b>1,623.441</b>

Asset Type	Value as at 31 March 2023 £ million	Potential Market Movement £ million	Value on Increase £ million	Value on Decrease £ million
Overseas Equities	519.456	51.426	570.882	468.030
Overseas Index Linked Equities:	896.105	88.714	984.820	807.391
Alternative Investments	445.000	44.055	489.054	400.945
<b>Total overseas assets</b>	<b>1,860.561</b>	<b>184.195</b>	<b>2,044.756</b>	<b>1,676.366</b>

## F. Price Risk

Price risk is the risk of volatility in the valuation of the assets held by the Fund. The level of volatility will vary by asset class and also over time. The Fund has some diversification in the asset classes in which it invests, which seeks to reduce the correlation of price movements between different asset types, while employing specialist investment managers to best deploy capital in line with the Fund's overall strategy.

An analysis of historical data and expected investment return movements by Hymans Robertson has resulted in a potential market movement price risk index for each asset type. If the market price of the fund's investments increase or decrease in line with the potential market movements then the change in the value of the net assets would be as follows:

Asset Type	Value as at 31 March 2022 £ million	Change %	Value on Increase £ million	Value on Decrease £ million
Equities	813.781	20.03	976.782	650.781
Fixed Income	765.601	8.10	827.615	703.587
Index Linked	1,030.111	18.63	1,222.021	838.202
Cash & FFX	5.145	0.30	5.160	5.129
Money Markets	38.148	2.10	38.949	37.347
Property	343.275	15.00	394.766	291.783
Alternatives	749.814	16.60	874.058	625.570
<b>Total Assets</b>	<b><u>3,745.875</u></b>		<b><u>4,339.352</u></b>	<b><u>3,152.399</u></b>

Asset Type	Value as at 31 March 2023 £ million	Change %	Value on Increase £ million	Value on Decrease £ million
Equities	827.302	18.70	982.008	672.597
Fixed Income	776.447	7.50	834.681	718.214
Index Linked	1,006.746	17.90	1,186.953	826.538
Cash & FFX	0.709	0.30	0.711	0.707
Money Markets	42.365	2.00	43.212	41.517
Property	296.809	15.50	342.815	250.804
Alternatives	792.056	16.88	925.755	658.357
<b>Total Assets</b>	<b><u>3,742.434</u></b>		<b><u>4,316.134</u></b>	<b><u>3,168.734</u></b>

## G. Custody

The Fund appointed Northern Trust as its global custodian with responsibility for safeguarding the assets of the Fund. Northern Trust is an established custodian bank and were appointed as the Fund's custodian in 2021 following a national framework tendering process. Quarterly reconciliations are performed between the underlying records of the custodian and the appointed investment managers.

## H. Investment Management

The Fund has appointed a number of investment managers to manage portions of the Fund. An Investment Management Agreement is in place for each relationship. All appointments meet the requirements set out in the LGPS investment regulations. Managers' report performance on a quarterly basis and this is monitored and reported to Pension Fund Committee. The Fund makes use of a third-party performance measurement service provided by Northern Trust. All managers have regular review meetings and discussions with members of the Pension Fund Committee, officers and the Independent Financial Adviser Mark Stevens.

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

When preparing the formal valuation, the Actuary takes the assets of the Fund at the market value on the valuation date. Volatility in investment performance as a result of market risk factors can have an immediate effect on the funding level and deficit. This is particularly relevant because the Fund is invested predominantly in riskier (and historically higher return) assets such as equities and equity-like investments (e.g., property trusts). A rise or fall in the level of equity prices can have a direct impact on the financial position of the Fund.

Less obvious is the effect of anticipated investment performance on the Fund's liability to pay future pension benefits. Here the returns available on government bonds (gilts) are important, as the discount rate that is used to place a value on liabilities is the gilt yield at the valuation date plus a margin of 1.8% per annum. Effectively if the gilt yield rises the discount rate will increase and all other things being equal the value placed on liabilities will

fall. If the Fund was invested entirely in gilts rather than potentially higher returning assets the discount rate would be lower as no margin for the expected-out performance of the Fund's investments over gilts could be assumed.

### 20. Funding Position

In line with Regulation 62 of the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period.

An actuarial valuation uses economic and demographic assumptions in order to estimate future liabilities of pensions payable. The assumptions are typically based on a mix of statistical studies and experienced judgement. Hymans Robertson LLP provides the Fund's Actuarial appraisal.

The key elements of the funding policy are:

- To take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants,
- To use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency,
- To ensure that employer contributions rates are as stable as possible,
- To reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so,
- To use reasonable measures to reduce the risk to other employers and ultimately to the council tax- payer from an employer defaulting on its pension's obligations.

The aim is to achieve 100% solvency over a number of years and to provide stability in employer contribution rates by spreading increases in rates over a period of time. This is usually over three years but in some cases this period can be extended.

Solvency is achieved when the funds held plus future expected investment

returns and future contributions are sufficient to meet expected future pension benefits payable.

### Formal Valuation

The last formal three-yearly actuarial valuation was carried out as at 31 March 2022. The valuation report sets out the rates of the employer's contributions for the three years starting 1 April 2023. The valuation was based on:

- Meeting the requirements of the Local Government Pension Regulations.
- 100% funding of future liabilities for service completed to 31 March 2022.
- The 'projected unit method' of actuarial valuation.

### Financial Assumptions

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

- Projected investment returns of 3.7% per year
- Projected increase in future salaries of 3.7% a year.
- Projected pension increases of 2.7% a year. (CPI)

### Funding Position

The actuary uses the market value of the Fund's assets as stated in the audited accounts of March 2022. The actuarial assessment of the value of the fund's assets was £3,756 million as at 31 March 2022 and the liabilities at £3,522 million.

The valuation showed that the Fund's assets covered 107% of its liabilities at the valuation date, and the surplus based on the actuarial valuation was £235 million.

### Contribution Rates

The Fund actuary uses a model to project each employer's asset share over a range of future economic scenarios. The contribution rate takes each employer's assets into account as well as the projected benefits due to their members.

Employer contributions are made up of two elements:

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

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

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

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

The whole fund primary rate (payroll weighted average of the underlying individual employer rates) is 20.0% of pensionable pay for the three years starting 1 April 2023.

The average employee contribution rate is 6.6% of pensionable pay.

The next formal valuation is as at 31 March 2025.

### 21. Actuarial Present Value of Promised Retirement Benefits

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

In 2015 the Government introduced reforms to public sector pensions, meaning most public sector workers were moved into new pension schemes in 2015 with transitional protections introduced for older members. In December 2018, the Court of Appeal ruled that the 'transitional protection' offered to some members of the judicial and fire fighters' schemes, as part of the reforms, amounted to unlawful discrimination on the basis of age discrimination. This ruling does have implications for the Local Government Pension Scheme.

As part of the introduced reforms the LGPS changed from a final salary scheme (a pension based on the members salary when they left) to a career average scheme (a pension which is built up based on what the member earned each year)

Older members who were closer to retirement were protected from the changes. This means when a protected member takes their pension, the benefits payable under the career average scheme are compared with the benefits that would have been built up, had the final salary scheme continued and they receive the higher amount. This protection is called the underpin.

To remove the McCloud age discrimination, qualifying younger members will now receive the underpin protection too. This change will come into force on 1 October 2023. Underpin protection only applies to pension built up in the remedy period, between 1 April 2014 and 31 March 2022. From 1 April 2022, there is no underpin protection. Pension built up after this date is based on the career average scheme only.

The cost to the Suffolk Pension Fund of the McCloud remedy has been built into the valuation and funding position by the Fund's actuary.

## Interim Valuation

An interim valuation was carried out as at 31 March 2023. The valuation was included in the actuary's Navigator report which is based on long term financial assumptions for the Suffolk Pension Fund and contains the following assumptions:

Increases in future pensions of 2.3% a year (2.7% 2021 - 2022)  
 Projected investment returns of 5.1% per year (3.7% 2021 - 2022)

The actuarial value of the Fund's assets were £3,759 million and the liabilities £2,800 million at 31 March 2023 (£3,756 million and £3,521 million at 31 March 2022).

The valuation showed that the Fund's assets covered 134% of its liabilities at the interim valuation date and the surplus was £959 million (107%, £235 million surplus at March 2022).

The required asset return for 100% funding is 3.2% p.a. (3.3% March 2022) and there is a 94% (84% March 2022) likelihood of the assets achieving this return.

## International Accounting Standard 26 (IAS 26)

CIPFA's Code of Practice on Local Authority Accounting 2022 - 2023 requires administering authorities of the LGPS funds that prepare pension fund accounts to disclose what IAS 26 refers to as the actuarial present value of promised retirement benefits. This is similar to the interim valuation, but the assumptions used are in line with IAS 19 rather than assumptions tailored to the Suffolk Pension Fund.

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

- Pension increases of 2.95% a year (3.2% 2021 - 2022)
- Increases in future salaries of 3.95% a year (4.2% 2021 - 2022)
- Discount Rate of 4.75% per year (2.7% 2021 - 2022)

The IAS 26 calculation shows that the present value of promised retirement benefits amount to £3,305 million as at 31 March 2023 (£4,591 million as at 31 March 2022). This incorporates an approximate allowance for the potential increase in liabilities arising from the impact of the McCloud judgement.

## 22. Current Debtors

The current debtors can be analysed as below:

31 March 2022 £ million	Debtors	31 March 2023 £ million
8.220	Employers Contributions	8.433
2.122	Employee Contributions	2.201
1.386	Investment Assets	1.526
1.015	Sundry Debtors	2.098
0.018	Asset Pooling	0.028
<b>12.761</b>		<b>14.286</b>

## 23. Current Creditors

The current creditors can be analysed as below:

31 March 2022 £ million	Creditors	31 March 2023 £ million
-0.941	Amounts owed to Employers	-0.878
-2.818	Investment Expenses	-0.632
-0.143	Administration and Governance Expenses	-0.180
-0.188	Transfer Values In Adjustment	-0.154
-0.987	Lump Sum Benefits	-0.612
-3.130	Sundry creditors	-2.474
<b>-8.207</b>		<b>-4.930</b>

### 24. Additional Voluntary Contributions

Scheme members have the option to make additional voluntary contributions to enhance their pension benefits. In accordance with regulation 4 (1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, additional voluntary contributions have been excluded from the Fund Account and Net Asset Statement. These contributions are held by the providers and therefore do not form part of the Fund's investments.

A total of £0.065 million was paid over to the providers Clerical Medical, Standard Life and Utmost (previously Equitable Life) in 2022 - 2023, (£0.065 million 2021 - 2022).

### 25. Related Party Transactions

Related party transactions requiring disclosure in accordance with IAS 24 are as follows:

The Suffolk Pension Fund is administered by Suffolk County Council and consequently there is a strong relationship between the Council and the Pension Fund.

Suffolk County Council is the largest single employer of members of the Pension Fund and contributed £39.429 million to the Fund in 2022 - 2023 (£36.920 million in 2021 - 2022). In addition, the council incurred costs of £1.239 million (£1.219 million in 2021 - 2022) in relation to the administration of the Fund, audit, legal and committee services. These have all been reimbursed by the Fund.

Part of the Pension Fund cash holdings are invested by the Treasury Management operations of Suffolk County Council through the Treasury Management Policy approved by the Pension Fund Committee. During the year ending 31 March 2023 the Fund had an average investment balance of £10.469 million (£9.619 million in 2021 - 2022) earning interest of £0.247 million (£0.007 million in 2021 - 2022) from these investments.

One member of the Pension Fund Committee and five members of the Pension Fund Board are scheme members within the Pension Fund. All members of the Pension Fund Committee and Board are required to declare their interests at each meeting.

### 26. Key Management Personnel

No senior officer responsible for the administration of the Pension Fund provides any goods or services to the Fund other than those covered by their contract of employment with the Council.

The key management personnel of the Fund are the S151 Officer, Head of Pensions and Lead Accountant (Pensions). The total remuneration payable to the key management personnel by the Suffolk Pension Fund was £0.155 million in 2022 - 2023 (£0.150 million in 2021 - 2022).

These costs are charged to the Pension Fund as governance and oversight costs, Note 11 and are included in the related parties Note 25.

### 27. Securities Lending

The Suffolk Pension Fund does not operate securities lending however, it is undertaken in the pooled holdings operated by Link Fund Solutions and the proceeds are reflected in the asset value earning £0.021 million in 2022 - 2023 (£0.021 million) in 2021 - 2022.

### 28. Contractual Commitments

In 2003 the Fund has made contractual commitments to private equity funds managed by Wilshire and Pantheon. Commitments are made in the underlying currency of the funds (\$103.131 million and €41.288 million) and are therefore subject to volatility (risk) arising from exchange rate fluctuation. This volatility will impact both the value of unfunded commitments in sterling terms and the valuation of the funded interest and monies received as distributions. At 31 March 2023 the unfunded commitment (monies to be

drawn in future periods) is \$8.589 million and €2.245 million. The commitments are paid over the investment timeframe of the underlying partnerships.

In 2011 - 2012 a contractual commitment of €54 million was made to an infrastructure investment (Partners Group Global Infrastructure 2012) managed by Partners Group, the outstanding amount as at 31 March 2023 is €9.290 million.

In 2015 - 2016 contractual commitments of \$149.500 million were made to private equity investments managed by Pantheon. Some draw downs on the commitments have been made and the outstanding amounts to 31 March 2023 are \$27.855 million.

In 2016 - 2017 the Pension Fund made additional contractual commitments to M & G, of £60 million in the Greenfield infrastructure fund the outstanding amount is £8.927 million.

During 2017 - 2018 a contractual commitment was made to an infrastructure investment (Partners Group Global Infrastructure 2015) managed by Partners Group of €55 million, the outstanding amount as at 31 March 2023 is €8.314 million.

During 2020 - 2021 a contractual commitment of £75 million was made to the Mult Asset Credit Fund VI with Partners Group. The undrawn amount at the end of the year is £4.185 million.

During 2021 - 2022 a contractual commitment of \$84 million was made to the Global Infrastructure Fund IV with KKR \$48.735 million remains outstanding.

During 2022 - 2023 a contractual commitment of £75 million was made to the Mult Asset Credit Fund VII with Partners Group No capital calls have been made during the year.

A summary of the commitments is as below:

Asset Class	2022 - 2023		
	Commitment £ million	Drawn £ million	Outstanding £ million
<b>Private Equity</b>			
Wilshire (2003-2008)	72.902	68.552	4.350
Pantheon (2003-2010)	46.786	42.217	4.569
Pantheon (2015)	120.911	98.382	22.529
<b>Total Private Equity</b>	<b>240.599</b>	<b>209.151</b>	<b>31.448</b>
<b>Infrastructure</b>			
Partners (2012)	47.449	39.357	8.092
Partners (2016)	48.328	41.022	7.306
M&G (2016)	60.000	51.073	8.927
KKR (IV)	67.936	28.521	39.415
<b>Total Infrastructure</b>	<b>223.713</b>	<b>159.973</b>	<b>63.740</b>
<b>Illiquid Debt</b>			
Multi Asset Credit VI	75.000	70.815	4.185
Multi Asset Credit VII	75.000	0.000	75.000
<b>Total Illiquid Debt</b>	<b>150.000</b>	<b>70.815</b>	<b>79.185</b>



The Drums to the Fore and Aft, Woodbridge

## Suffolk Pension Board, 6 December 2023

### Information Bulletin

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

This Information Bulletin covers the following items:

1. [Funding Level Surplus](#)
2. [Investment Strategy Statement](#)
3. [Annual Employer Meeting](#)
4. [New Employers](#)

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#### 1. Funding level Surplus

- 1.1 Since the completion of the March 22 triennial valuation, the funding levels of LGPS funds have continued to improve. Both locally and nationally this has brought into question the contribution rates that have been set by the Fund for the next two financial years. Current regulations and guidance do not allow rates to be altered in between valuations unless circumstances set out in the Funding Strategy Statement are met. Based on Hymans Robertson's assessment, the circumstances for a review of contributions have not been met.
- 1.2 The Scheme Advisory Board have set up a Surpluses Working Group and they are expected to update a Scheme Advisory Board meeting on 4 December. This may lead to updated guidance being issued soon after.
- 1.3 Should any revised guidance require the Committee's consideration, an extra Committee meeting will be held ahead of employer's budget setting meetings. A potential date of 12 January 2024 has been identified, should it be needed. This will be confirmed during December should it be required.

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#### 2. Investment Strategy Statement

- 2.1 The Investment Strategy Statement (ISS) was approved by the Pension Fund Committee on 28 November 2023. (Attached as **Appendix 1**)
  - 2.2 Included within the ISS are the ESG beliefs as part of the Fund's Responsible Investment Philosophy and a target date for the Fund to achieve net zero.
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### **3. Annual Employers Meeting**

- 3.1 The Annual Employers Meeting is due to held on Friday 19 January 2024 in the King Edmund Chamber 10 am to noon. An online link will also be available for those unable to attend in person.

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### **4. New Employers**

- 4.1 There were 7 new employers during the September quarter.
- 4.2 Five of these employers are admitted bodies:
- Aspens – Tilian
  - Crystal FM – Clarion – Pakefield
  - Lunchtime Co – Children’s Endeavour Trust
  - Lunchtime Co – Woodley School.
  - VHS Cleaning – Anglian Learning Howard
- 4.3 The other two new employers are an Academy ‘All Saints - Benhall St Mary’, and a Resolution Body set up by East Suffolk Council: ‘East Suffolk Services’.

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

Paul Finbow, Head of Pensions

Email: [paul.finbow@suffolk.gov.uk](mailto:paul.finbow@suffolk.gov.uk) Telephone: 01473 265288.

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## Suffolk Pension Fund Investment Strategy Statement

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

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

### Fund Objective

#### Funding Strategy Statement

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

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



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

#### Funding Level

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

#### Investment Strategy

The Suffolk Pension Fund is currently forecasting a neutral cash flow position, although this is likely to turn negative in the very near future, as pensioner numbers and benefits increase, whilst employer contributions reduce (due to improved funding levels). Taking this into account, the Fund targets a growth-based strategy alongside a steady income stream, with the aim of maximising asset performance in the long term within agreed risk levels, whilst also ensuring there is income available to manage the cashflow position.

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

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

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

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

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

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



### Responsible Investment Beliefs

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

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

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

The Pension Fund Committee has agreed to set a net zero target for 2050 or earlier. An action plan which includes timelines, interim targets and how this target can be achieved will be developed. This will also include monitoring and reporting to enable the Fund to report progress.

### Key Responsible Investment Beliefs

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

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

#### I) Investment Strategy

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

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

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

#### II) Investment Managers

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

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

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

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

The ACCESS Pool should provide leadership on the ESG principles for the investments within the pool and to develop the reporting on the key principles with the investment managers through Waystone. (Link Fund Solutions were appointed to establish and operate the ACCESS investment platform they have been acquired by and incorporated into Waystone).

### III) Monitoring and Governance

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

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

#### Asset Allocation

The Fund has a 71.5% allocation to 'growth' assets (equities and alternatives) in order to meet the long-term funding assumptions, set out in the 2022 actuarial valuation and funding strategy statement.

The Fund's investments are allocated across a range of asset classes. The largest allocation is to equities which also accounts for the majority of the investment risk taken by the Fund.

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

The 28.5% allocation to bonds and cash is designed to be a diversifier of equity risk whilst generating a yield, reducing overall levels of funding volatility and help manage the cashflow.

#### Investment Allocation

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

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

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



<b>Asset Class</b>	<b>Target Allocation</b>	<b>Maximum Limit</b>
UK Equities	8.0	15.0
Global Equities	34.5	50.0
<b>Total Listed Equities</b>	<b>42.5</b>	<b>65.0</b>
Fixed Income	24.0	35.0
UK Index-linked Gilts	4.0	8.0
<b>Total Bonds</b>	<b>28.0</b>	<b>43.0</b>
Illiquid Debt	5.0	8.0
Infrastructure	10.0	15.0
Private Equity	4.0	8.0
Property	10.0	15.0
<b>Total Alternatives</b>	<b>29.0</b>	<b>46.5</b>
Cash	<b>0.5</b>	<b>5.0</b>
<b>Total</b>	<b>100.0</b>	

### Currency hedging

The Fund hedges a proportion of its overseas currency exposure to reduce risk. is no overarching currency hedge in place. The level of hedging is kept under review by the Pension Fund Committee.

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

### Investment managers and Pooling arrangements

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



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

Waystone are responsible for the creation of investment sub-funds and the appointment of investment managers to those sub-funds. Waystone ensures that the investment managers are properly authorised to manage the assets of the Fund.

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

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

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

## Investment advice

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

## Risk Management

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



### a) Funding risks:

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

### b) Asset risks:

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

### c) Other risks:

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

## Mitigations:

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

- The appointment of professional advisers to assist the Committee in managing risk;
- Regular review and monitoring of the performance of the Pension Fund's investments;

- Specific limits on individual investments;
- Ensuring the expected return from the investment strategy is consistent with the assumptions made by the Actuary in valuing the Fund;
- Monitoring the estimated funding level throughout the triennial valuation cycle.
- Assessments of the levels of risk taken by the Fund;
- Diversification of asset classes and managers;
- Professional advice is sought for significant transitions with consideration to the appointment of specialist transition managers.

### **Expected return on investments**

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

### **Realisation of investments**

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

### **Stock Lending**

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

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

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

### **Exercise of Voting Rights**

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

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

### **Engagement**

The Suffolk Pension Fund is a member of the Local Authorities Pension Fund Forum (LAPFF), to enable it to act collectively with other local authorities on corporate governance issues. The Forum currently has 87 member funds and 7 LGPS Asset Pools (including ACCESS) with assets of more than £350 billion.

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

As such, the Fund has a commitment to ensure that companies in which it invests adopts a responsible attitude towards the environment and has high ethical standards. Generally, such companies are

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expected to behave in a socially responsible manner by taking account of the interests of all stakeholders, which includes how the company will adapt to the effects of climate change.

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

## Funding Strategy and Management Structure

### Investment Managers

The Fund's investment management arrangements as at the end of November 2023 are shown below:

Manager	Asset Allocation (%)
Blackrock Investment Management	8.0
Columbia Threadneedle	1.0
Janus Henderson	12.0
JP Morgan	6.0
KKR	1.5
M&G Investments	14.5
Newton Investment Management	12.0
Pantheon Ventures	3.5
Partners Group	4.0
Pyrford International	1.0
Schroders Investment Management	10.0
UBS	25.5
Wilshire Associates	0.5
Cash	0.5
<b>Total</b>	<b>100.0</b>

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

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

### Investment Manager Guidelines

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

### UBS

#### Passive Mandate – 25.5 % of the Fund

#### Investment Objective

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

Low Carbon Transition	RAFI Fundamental Global Low Carbon Transition Fund
Climate Aware	FTSE All World Developed Index
5 Year Gilts	FTSE Actuaries Government Securities Index

#### Investment Allocations:

The asset allocations are as below:

Asset Class	Target Allocation
	%
Global equities – Low Carbon Transition	7.5
Global equities – Climate Aware	14.0
<b>Total equities</b>	<b>21.5</b>
Bonds:	
UK Index-linked (Over 5 Year Index-linked Gilts Index)	4
<b>Total bonds</b>	<b>4</b>

#### Investment Restrictions

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

## Waystone - Blackrock Investment Management

### UK Equities Mandate - 8% of the Fund

#### Investment Objective

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

#### Investment Restrictions

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

- Geographic / Market / Asset Class / Sector

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

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

## Waystone – Columbia Threadneedle

### Fixed Income - 1% of the Fund

#### Investment Objective

The investment aims to achieve a net of all costs and charges long term capital growth over at least five years and to out perform the MSCI Emerging Markets Index over a three year rolling period.

#### Investment Restrictions

The mandate will seek to achieve its objective by investing at least 75% of its assets in a portfolio of equity and equity related securities of Emerging Market companies. Emerging Markets is defined as any country within the definition of Emerging Market by MSCI.

The Sub-fund may also invest up to 30% in China A shares, up to 10% in collective investment schemes and up to 25% in money market instruments, deposits, cash and fixed income securities. The sub fund can invest across different industry sectors, geographical regions and market capitalisations without limitations.

## **Waystone – Janus Henderson**

### **Fixed Income - 12% of the Fund**

#### **Investment Objective**

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

#### **Investment Restrictions**

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

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

## **Waystone - Newton Investment Management**

### **Global Equity Mandate – 12% of the Fund**

#### **Investment Objective**

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

#### **Investment Restriction**

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

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

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

## Schroders Property Investment Management

### Property Mandate - 10% of the Fund

#### Investment Objective

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

#### Investment Restrictions

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

#### Asset allocation and control ranges

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

<b>Fund Type</b>	<b>Approved Ranges</b>
Open-ended funds *	60-100%
Close-ended funds	0-40%
Other investments and cash**	0-20%

Open-ended funds may be based in the UK or in the offshore jurisdictions of Jersey, Guernsey, Luxembourg or Dublin. Investment in funds that are managed from any other non-UK jurisdiction will be subject to specific prior approval.

Other investments include UK property equities (subject to a range of 0-5%) and Property Index Certificates (subject to a range of 0-10%)

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

## M & G

### Waystone - Fixed Income Mandate - 12% of the Fund

#### Investment Objective

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

#### Investment Restrictions

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

### Illiquid Debt Mandate - 1% of the Fund

#### Investment Objective

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

### **Investment Restrictions**

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

### **Infrastructure Mandate – 1.5% of the Fund**

#### **Investment Objective**

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

### **Investment Restrictions**

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

### **JP Morgan**

### **Infrastructure Mandate – 6.0% of the Fund**

#### **Investment Objective**

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

### **Investment Restrictions**

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

### **KKR**

### **Infrastructure Mandate – 1.5% of the Fund**

#### **Investment Objective**

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

### **Investment Restrictions**

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

### **Pantheon**

### **Private Equity Mandate – 3.5% of the Fund**

#### **Investment Objective**

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

## **Investment Restrictions**

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

## **Partners Group**

### **Infrastructure Mandate - 1% of the Fund**

#### **Investment Objective**

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

#### **Investment Restrictions**

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

### **Illiquid Debt Mandate – 3% of the Fund**

#### **Investment Objective**

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

#### **Investment Restrictions**

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

## **Pyrford International**

### **Absolute Return Mandate – 2.5% of the Fund**

#### **Investment objective:**

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

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

#### **Investment policy:**

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

#### **Investment Restrictions**

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

## **Wilshire**

### **Private Equity Mandate – 0.5% of the Fund**

#### **Investment Objective**

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

#### **Investment Restrictions**

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

## **Suffolk Pension Board Forward Work Programme**

### **Purpose**

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

### **Terms of reference**

The terms of reference of the Suffolk Pension Board are:

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

<b>Meeting date (see Note)</b>	<b>Date added</b>	<b>Subject</b>	<b>Short description</b>	<b>How is it anticipated the Board will deal with this issue?</b>
<b>Wednesday, 20 March 2024</b>	Added 17 October 2023	Complaints, Compliments and Administration Performance	To receive a report on the complaints and compliments received by the Fund.	Written Report
	Added 17 October 2023	Suffolk's progress on Pooling of Assets	To receive an update on the progress of pooling assets.	Written Report
	<b>Added 6 December 2023</b>	<b>McCloud Implementation</b>	<b>To receive a report on the implementation of the McCloud remedy</b>	<b>Written Report</b>
	<b>Added 6 December 2023</b>	<b>Administration and investment management costs</b>	<b>To receive a report on the administration and investment management costs for 2024/25.</b>	<b>Written Report</b>
	Added 17 October 2023	Pension Board Risk Register	To review the Pension Board Risk Register.	Written Report
	Added 17 October 2023	Recent Developments	To receive an information bulletin covering recent developments that the Board has an interest in.	Written Report
	Added 17 October 2023	Forward Work Programme	To approve the Forward Work Programme for the Suffolk Pension Board.	Written Report
<b>Tuesday, 23 July 2024</b>	<b>Added 6 December 2023</b>	<b>Complaints, Compliments and Administration Performance</b>	<b>To receive a report on the complaints and compliments received by the Fund.</b>	<b>Written Report</b>
	<b>Added 6 December 2023</b>	<b>Suffolk's progress on Pooling of Assets</b>	<b>To receive an update on the progress of pooling assets.</b>	<b>Written Report</b>
	<b>Added 6 December 2023</b>	<b>Annual Investment Performance Review</b>	<b>To review the investment performance of the Fund in 2023/24</b>	<b>Written Report</b>

<b>Meeting date (see Note)</b>	<b>Date added</b>	<b>Subject</b>	<b>Short description</b>	<b>How is it anticipated the Board will deal with this issue?</b>
<b>Tuesday, 23 July 2024</b>	<b>Added 6 December 2023</b>	<b>Internal Audit</b>	<b>To receive a report on the outcome of Internal Audits undertaken</b>	<b>Written Report</b>
	<b>Added 6 December 2023</b>	<b>Recent Developments</b>	<b>To receive an information bulletin covering recent developments that the Board has an interest in.</b>	<b>Written Report</b>
	<b>Added 6 December 2023</b>	<b>Forward Work Programme</b>	<b>To approve the Forward Work Programme for the Suffolk Pension Board.</b>	<b>Written Report</b>

**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](mailto:paul.finbow@suffolk.gov.uk), Telephone: 01473 265288.

Revised: December 2023

**Items for consideration/scheduling:**

Pensions Regulators new Single Code