

Suffolk Pension Board

(Quorum 2)

Scheme Employer Representatives

Councillor Richard Smith MVO representing Suffolk County Council

Homira Javadi, representing all Borough, District, Town and Parish Councils

Kate Harrison, representing all other employers in the Fund

Scheme Member Representatives

Suzanne Williams, representing the Unions

David Rowe, representing Active Members

Eric Prince, representing Pensioners

Date: Monday, 28 September 2015

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

Time: 11:00am

For further information on any of the agenda items, please contact Ann McPherson, Democratic Services Officer, on 01473 264379.

1. **Apologies for Absence**
To note and record any apologies for absence received.
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 5-8
To approve as a correct record the minutes of the meeting held 24 July 2015.
4. **Pension Fund Annual Reports and Statement of Accounts 2014/15** Pages 9-118
To consider the Fund's annual report and accounts document for 2014/15 and the Auditors opinion.
5. **Fund Investment performance** Pages 119-144
To consider the Fund's investment returns against both the market returns and those achieved by other LGPS funds.
6. **Training needs for the Board Members** Pages 145-146
To develop and agree a training programme for board members
7. **Complaints and Compliments** Pages 147-148
To receive a report summarising the complaints and compliments received by the Fund's administration..
8. **Draft Breaches Policy** Page 149-158
To consider the draft Breaches Policy for the Suffolk Pension Fund.
9. **Forward Work Programme** Pages 159-162
To agree a forward work programme for the Board.
10. **Urgent Business**
To consider any other item of business which, in the opinion of the Chairman, should be considered by reason of special circumstances (to be specified in the minutes), as a matter of urgency.

Date of next scheduled meeting – Wednesday, 16 December 2015 at 11:00am.

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Telephone: 01473 264379;

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

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

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Deborah Cadman OBE
Chief Executive

Minutes of the Suffolk Pension Board Meeting held on 24 July 2015 at 11:00 am in the Elisabeth Room, Endeavour House, Ipswich.

Present: Councillor Richard Smith MVO (representing Suffolk County Council) Homira Javadi (representing Borough, District, Town & Parish Councils), Kate Harrison (representing all other employers in the Fund), David Rowe (representing Active Members) Eric Prince (representing Pensioners)

Also present:

Supporting officers present: Tim Ryder (Assistant Director, Scrutiny & Monitoring), Paul Finbow (Corporate Finance Specialist), Lynn Wright (Strategic HR Pensions & Payroll Manager) Ann McPherson (Board Administrator)

1. Apologies for Absence

Apologies for absence were received from Suzanne Williams (Unions Representative).

2. Declarations of Interest and Dispensations

The following Board members declared a local non-pecuniary interest by virtue of the fact that each was a contributing member of the Local Government Pension Scheme:

Councillor Richard Smith, MVO

David Rowe

Homira Javadi

Eric Prince

Eric Prince declared a local pecuniary interest by virtue of the fact that he is in receipt of a pension from the Local Government Pension Scheme.

3. Appointment of the Chairman and Vice Chairman of the Board

Tim Ryder called for nominations for Chairman. Councillor Richard Smith, MVO was nominated by David Rowe, seconded by Eric Prince. The Board voted unanimously to elect Councillor Smith as Chairman.

The Chairman called for nominations for Vice Chairman. David Rowe, proposed by Councillor Richard Smith, MVO and seconded by Homira Javadi was unanimously elected to the position of Vice Chairman.

4. Rules of Procedure

The Board received a report from Tim Ryder at Agenda Item 4 regarding the Rules of Procedure for the Pension Board. The Chairman called for comments from the Board members on the Draft Rules. Points discussed included the number of meetings required, the process for the appointment of the Unions Representative and the Terms of Office. The Board agreed the following terms of office for members:-

David Rowe & Eric Prince – 4 years

Homira Javadi & Kate Harrison – 3 years

Councillor Richard Smith, MVO & Suzanne Williams – 2 years

It was agreed that Tim Ryder would supply Board Members with a copy of the Suffolk Code of Conduct.

Paul Finbow advised the Board that they may need their own Conflict of Interest Agenda and agreed to clarify to the Board what constitutes a conflict of interest.

It was agreed that the Chairman and Vice Chairman should be elected at the first meeting after 1 May each year.

The consensus of the Board was that more than two meetings a year would be necessary and the frequency was discussed. Dates were agreed for 4 meetings taking the Board up to July 2016.

Decision: The Board agreed, with amendments as discussed, to adopt the Rules of Procedure

Reason for Decision: The Board need to adopt a set of Rules of Procedure to clarify what is expected of Board Members and how the Board will operate.

Alternative options: There were none considered.

Declarations of interest: Declarations of Interest are recorded at Minute No. 2 of these minutes.

Dispensations: There were none reported.

5. Training Needs for Board Members

The Board received a report at Agenda Item 5 outlining the requirements for Board members to undertake training to gain the necessary knowledge and understanding to fulfil their Board role and to assist the Board in developing their training plan.

It was agreed that regular sessions will be provided to contribute to Board members' levels of skills and knowledge. The training of the Pension Fund Committee was discussed and their training plan for 2015-17 was included in the report. Board members expressed an interest in attending this training and discussed the benefit of shadowing the Pension Fund Committee. It was agreed that the Board Administrator would forward copies of the Pension Fund Committee papers to all Board members. The Vice Chairman requested that a training plan be brought to the next meeting of the Board.

The Board agreed that they would prefer longer training sessions rather than bite size, shorter sessions. A half day training session for Board members was agreed for Monday 14 September.

Decision: The Board agreed to note the report.

Reason for Decision: To comply with the Pension Regulators requirements, members of the Board must be able to demonstrate that they have the required knowledge and understanding of the LGPS.

Alternative options: There were none considered.

Declarations of interest: Declarations of Interest are recorded at Minute No. 2 of these minutes.

Dispensations: There were none reported.

6. Forward Work Programme

The Committee received a copy of the Forward Work Programme of the Pension Fund Committee, plus a list of possible items for consideration, at Agenda Item 6 to assist in the development of its own work programme for forthcoming meetings.

Decision: The Board agreed to include the following in relation to its Forward Work Programme:-

- Accounts of the Pension Fund for year ending 31 March
- Auditor to present to the Board
- Asset allocation of the Pension Fund Committee
- Number of Pension Fund Managers and Advisors
- Benchmarking and performance indicators
- Charges from the Investment Managers
- Mix between passive and active investments
- Plan for interaction between Board members and those they represent
- Training on Regulations & approach
- Statistics on complaints and escalations to the Ombudsman
- Risk Register and how to mitigate risk
- Standard Agenda Item for complaints and compliments
- Appetite for investment risk taken by the Pension Fund Committee

It was agreed that the Chairman and Vice Chairman would liaise with Paul Finbow on timing and also asked that he raise a training record for Board members.

Reason for Decision: A developed work programme will assist the Board in undertaking its duties in meeting the requirements of the Pensions Regulator and provide a work plan for officers.

Alternative options: There were none considered.

Declarations of interest: Declarations of Interest are recorded at Minute No. 2 of these minutes.

Dispensations: There were none reported.

7. Urgent Business

There was none reported.

The meeting closed at 12:40p.m.

Chairman

Suffolk Pension Board

Report Title:	Pension Fund Annual Report and Accounts 2014/15
Meeting Date:	28 September 2015
Chairman:	Councillor Richard Smith MVO
Director:	Geoff Dobson, Director of Resource Management Tel. 01473 264347
Author:	Paul Finbow, Corporate Finance Specialist Tel. 01473 265288

Brief summary of report

1. This report provides the Pension Board with a copy of the Annual Report and Accounts published by the Suffolk Pension Fund and the opinion issued by the Fund's auditors, EY.
2. The Board is asked to note the Fund's Annual Report and Accounts and consider its usefulness as a communication tool to employers in the Fund

Reason for recommendation

3. The Pension Fund Annual Report and Accounts is an important channel of communication to report on the Pension Fund Committee's stewardship of the Pension Fund to employers, scheme members and other stakeholders

Alternative options

4. There are no alternative options.

Main body of report

5. At the Pension Board Meeting on 24 July, the Board requested to receive information about the Annual Report and Accounts of the Suffolk Fund. This was reported to the Pension Fund Committee on 24 September. A copy of the Committee paper is attached at Appendix 1 for the Board's consideration, along with the Auditors opinion.

Sources of further information

- a) None

Suffolk Pension Fund Committee

Report Title:	Pension Fund Annual Report and Accounts 2014-15
Meeting Date:	24 September 2015
Chairman:	Cllr Peter Bellfield
Director:	Geoff Dobson, Director of Resource Management Tel. 01473 264347
Author:	Paul Finbow, Corporate Finance Specialist Tel. 01473 265288

Brief summary of report

1. The Pension Fund accounts form part of the Statement of Accounts for Suffolk County Council. The external audit of the County Council's Statement of Accounts has now been completed, and the audited accounts will be presented to the Audit Committee on 25 September 2014 for approval.
2. This report presents the Pension Fund's Annual Report and Accounts for 2014-15, which is consistent with the County Council's Statement of Accounts. Since the Pension Fund Committee's meeting will take place in advance of the formal approval of the accounts by the Audit Committee, it is proposed that the Committee receives the Pension Fund Annual Report and Accounts for 2014-15.

Action recommended

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| <ol style="list-style-type: none"> 3. The Committee is recommended to receive the Annual Report and Accounts for the Pension Fund for 2014-15. |
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Reason for recommendation

4. The Pension Fund Annual Report and Accounts is an important channel of communication to report on the Pension Fund Committee's stewardship of the Pension Fund to employers, scheme members and other stakeholders.

Alternative options

5. The Committee may decide not to receive the Pension Fund Annual Report and Accounts for 2014-15.

Main body of report

Summary of the Pension Fund Annual Report and Accounts 2014-15

6. The Net Assets of the Pension Fund as at 31 March 2015 is £2.198bn, an increase of £314m from the previous financial year.
7. The investment return for the year was 14.6%, 0.7% above the benchmark index and above the Local Authority average of 13%.
8. There are 143 employers in the scheme with 51,991 scheme members of whom 18,871 are contributing members and 14,023 are in receipt of pension benefits.
9. Contributions for the year totalled £84m from employers and £20m from contributing members. £85m was paid out in pension benefits.
10. Administration costs were £1.3m, a decrease of £0.3m from 2013-14.
11. Investment management expenses were £10.7m, an increase of £3.3m from the previous financial year which can be attributed to the increased value of the Fund and the improved performance of the investment managers resulting in an increase in performance fees paid.
12. The Pension Fund Annual Report and Accounts for 2014-15 are attached as **Appendix 1**.

Regulatory Requirements and Guidance

13. The Government issued regulations in 2007 (Statutory Instrument 2007, No. 1561) which introduced a statutory requirement for a Pension Fund Annual Report and Accounts to be published each year. It also prescribed what matters must be included within the annual report. These are set out below:
 - a) a report about the management and financial performance during the year of each of the pension funds maintained by the authority;
 - b) a report explaining the authority's investment policy for each of those funds and reviewing the performance during the year of the investments of each fund;
 - c) a report of the arrangements made during the year for the administration of each of those funds;
 - d) for each of those funds, a statement, by the actuary who carried out the most recent valuation of the assets and liabilities of the fund of the level of funding disclosed by that valuation;
 - e) the current version of the governance compliance statement;
 - f) for each of those funds, the fund account and net asset statement with supporting notes and disclosures prepared in accordance with proper practices;
 - g) an annual report dealing with—
 - i) the extent to which the authority and the employing authorities in relation to which they are the administering authority ("relevant

- employing authorities”) have achieved any levels of performance set out in the pension’s administration strategy; and
- ii) such other matters arising from their pension administration strategy as they consider appropriate;
 - h) the current version of the funding strategy statement;
 - i) the current version of the statement of investment principles;
 - j) the current version of the policy statement concerning communications with members and employing authorities (including non-Scheme employers); and
 - k) any other material which the authority considers appropriate.
14. The regulations provide for the Secretary of State to issue guidance on the preparation of annual reports, and Funds are required to have regard to this guidance. The Chartered Institute of Public Finance and Accountancy (CIPFA) has published ‘Preparing the Annual Report, guidance for Local Government Pension Scheme funds’, which has been endorsed as statutory guidance by the Secretary of State.
15. The statutory deadline for the publication of the pension fund annual report is 1 December. However the CIPFA guidance recommends that administering authorities should aim to publish the annual report by 30 September. This will align the publication of the report with the completion of the statutory audit of the local authority’s statement of accounts. It will also allow the external auditor to confirm that the financial information published in the annual report is consistent with the statement of accounts.

Pension Fund Annual Report and Accounts for 2014-15

16. In addition to the statement of accounts and the commentary on the accounts, the 2007 regulations require the inclusion within the Annual Report of a number of accompanying policy statements and other documents. These policy statements are published on the County Council’s website and have previously been reported to the Pension Fund Committee. They have therefore not been re-presented with this report.

Audit of Pension Fund Accounts for 2014-15

17. The audited County Council Statement of Accounts for 2014-15, which includes the pension fund accounts, will be presented to the Audit Committee on 25 September 2015. It is anticipated that an unqualified audit opinion will be issued by the Ernst & Young on the Council’s accounts including the Pension Fund statement of accounts for 2014-15.
18. There were no material changes to the pension fund statement of accounts 2014-15 as a result of the audit.

Publication of Pension Fund Accounts for 2014-15

19. Following the completion of the audit of the Pension Fund accounts for 2014-15, the Pension Fund Annual Report will be published as a formal publication, which will be available to all employers in the Pension Fund on the Suffolk County Council Pension Fund website.

Sources of further information

Local Government Pension Scheme (Amendment)(No 3) Regulations 2007 (SI 2007 No 1561)

Preparing the Annual Report: Guidance for Local Government Pension Scheme Funds, CIPFA, 2014 Edition

APPENDIX 2

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

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Chairman's Report

As Chairman of the the Suffolk Pension Fund Committee, I am pleased to introduce the Pension Fund's Annual Report and Accounts for 2014-15. The value of the Suffolk Pension Fund was £2.198 billion at March 2015, an increase of nearly £314m in the year. The Fund administers the local government pension scheme in Suffolk on behalf of 143 separate employers and 51,991 scheme members. The Suffolk Pension Fund Committee is responsible for managing the Fund, with the assistance of council officers, external advisors and professional investment managers.

The last financial year has been a very good year for the investment performance of the Fund, particularly for the Fund's active managers. The Fund achieved an investment return of 14.6% in 2014-15, this was 0.7% higher than the index. This has significantly improved the average return over the three years, increasing this to 11.2% per annum. Over the past ten years, the Fund's investment return of 7.5% per year is also good and well ahead of both pay and price inflation over this period, and also ahead of the expected long-term return underlying the funding strategy of the Fund.

On 1 October 2014, the Fund changed its custodian from State Street to HSBC. All assets transferred successfully and all outstanding trades on that date were settled.

In November 2014, the Pension Fund Committee formally reviewed the Fund's asset allocation strategy. The outcome of this was to reaffirm the broad investment strategy that the Fund had adopted in 2012. However, up to March 2014, the Fund had underperformed the average Local Authority Fund by about 0.5% per year. The Committee considered proposals as to how this underperformance could be addressed without significantly increasing the risk of the Fund. The Committee agreed to the following changes which have now been implemented:

- To terminate the UK equity mandate with Alliance Bernstein and transfer the assets to Legal and General to be managed passively
- To alter the Legal and General passive Overseas Equity weighting to include an allocation to RAFI (Smart Beta – an alternative way of passive management)
- To change the majority of the passively managed Bond portfolio to be actively managed
- To restart the programme of investing in Private equity.

In the Chancellor's June budget statement the government called on the LGPS to come up with proposals to pool or collaborate its investment activities to significantly reduce management costs without affecting performance. The government has indicated that it expects the scale of the pooling or collaboration of Funds to be significant. The proposals submitted should include how the governance will work. A consultation document is due to be issued in November which will set out how the government will assess the proposals put forward. The Committee will consider its response to the consultation and the potential effects on the way the Suffolk Pension Fund invests once the consultation document has been received.

Councillor Peter Bellfield

Chairman of Pension Fund Committee

September 2015

Report from the Director of Resource Management

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 2015.

The governance report sets out the arrangements under the County Council's constitution for the discharge of its statutory responsibilities as the administering authority for the Local Government Pension Scheme (LGPS) in Suffolk. This includes the responsibilities of the Pension Fund Committee, the delegations to council officers and the systems and controls which relate to the management of the Fund.

The management report sets out the work of the Pension Fund Committee during the year and explains the changes to the Fund's management arrangements that it has agreed.

The corporate social responsibility and voting report sets out how the Pension Fund has discharged its responsibilities as a responsible shareholder in relation to the Fund's shareholdings.

The administration report explains how the administration of the scheme benefits are undertaken and sets out details of the performance of the Fund and its employers in administering the scheme.

The investment report sets out how the Fund's investments have performed over the year and over the longer term and what changes have been made to the Fund's investment management arrangements by the Pension Fund Committee.

The actuarial statement sets out the actuarial position of the Fund as at March 2015. The Pension Fund Accounts for 2014-15 set out the detailed accounting statements for the Fund which have been prepared in accordance with the relevant accounting requirements.

There are also a number of policy statements and these disclosures 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):-

The governance policy statement sets out the arrangements approved by the County Council for the discharge of its responsibilities for the local government pension scheme in Suffolk, including the role and responsibilities of the Pension Fund Committee.

The Government has issued guidance setting out best practice on the governance arrangements for LGPS funds and administering authorities are required to report on the extent of their compliance with the best practice guidance. The Suffolk Pension Fund Committee's governance arrangements comply with the Government's guidance in all material respects. The governance compliance statement is published on the Suffolk Pension Fund website.

The statement of investment principles (SIP) provides an overview of the investment strategy for the Pension Fund investments.

The funding strategy statement sets out the approach taken by the Pension Fund Committee to meeting the long-term liabilities of the fund. It includes the determination of the individual employers' contributions to the fund for the three years following the triennial actuarial valuation.

The administration policy statement, which includes the Pension Fund's communication policy, sets out the arrangements for the day-to-day administration of the Pension Fund, including the performance standards which the County Council and the fund's employers are expected to achieve in the administration of the scheme benefits.

The voting policy sets out the Pension Fund's policies in relation to voting the shareholder rights attached to the fund's shareholdings.

Investment Performance of the Pension Fund

The Suffolk Pension Fund had an investment return of 14.6% in 2014-15, the average local authority Pension Fund returned 13%.

Nationally overseas equity markets continued to perform strongly, with Japan performing the strongest. UK investors also benefited from the strength of the US dollar.

UK equity returns were around 6%, suffering because of the political uncertainty before the general election in May and its relatively high weightings of oil and mining stocks which were impacted badly by the fall in oil prices during the year.

After negative returns in 2013-14, UK bonds have performed well with Government bonds returning 14% and corporates bonds 13%. Alternative investments also had good results particularly private equity. Property returned 16% for the year.

The Fund's investment strategy is diversified across a number of asset classes and regions which limits the Fund's exposure to the volatility of equities. The medium-term performance of the Fund is also good, with a return over the past three years of 11.2% per year which can be attributed to the performance of the active investment managers.

Over the past five years the Fund's return was 8.7% per year, in line with the Local Authority average and over 5% above inflation.

Over the longer term the Fund's investment returns are good, with a return of 7.5% per year over the ten years to March 2015. This is a strong performance in absolute terms, although the Fund's performance is weaker than the average local authority fund over the last ten years (7.9% per year).

The Fund's long-term underperformance is mainly the result of the poor performance by a number of its investment managers five to seven years ago. The Pension Fund Committee has made a number of changes to its investment management arrangements over the past three years, which are aimed at improving the Fund's performance.

The Fund's investment strategy can be expected to underperform compared with other local authority funds when equity markets are particularly strong but it is anticipated that over the medium to long-term the Fund's investment strategy will provide comparable returns to those of other local authority funds, but with less exposure to the volatility of equity markets.

The Fund assesses its own investment performance and the performance of its managers by making a comparison between the Fund's return and its benchmark return, based on the returns of the markets that the Fund is invested in. On the basis of this comparison, the Fund outperformed its target benchmark investment return by 0.7% in 2014-15.

The Pension Fund Committee assesses the performance of its managers over a full business cycle, so one year's outperformance (or underperformance) is not

considered significant in isolation. Over a five year period, the Fund has only marginally underperformed against its own target benchmark return by 0.1 % per year.

Investment Strategy

The Fund's investment objectives are set out in its statement of investment principles, which is subject to an annual review by the Pension Fund Committee and was last reviewed in June 2015. There were no changes made to the principles.

The investment strategy is adopted by the Fund to achieve the objectives of the statement of investment principles, it was reviewed in November 2014. 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 position on a relatively low risk approach.

These objectives have been translated into an asset allocation plan and as at 31 March 2015, 52% of the Fund was invested in equities, with the balance in bonds (20%), property (10%), a number of mandates in alternative investments (16%) and a very small holding in cash of 2%.

Actuarial Valuation and Funding Strategy Statement

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

The Funding Strategy that was approved in February 2014, following the 2013 actuarial valuation set out the Pension Fund Committee's approach to funding the liabilities of the Fund, in order to recover the deficit and bring the Fund to a fully funded position over the medium to long-term.

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

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

The estimated funding level at March 2015 was 81.1% and the actuarial deficit at that date was £506 million. Lower yields have placed a higher value on the future liabilities held by the Fund but this has been more than offset by the strong asset performance over the year resulting in an improved funding position overall.

Audit

The Pension Fund accounts are included within the County Council's Statement of Accounts for 2014-15, 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.

Geoff Dobson

*Director of Resource Management
September 2015*

Statement of Responsibilities for the Pension Fund Accounts

The Council's Responsibilities

The Council is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director of Resource Management;
- 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 25 September 2015 on behalf of Suffolk County Council and have been authorised for issue.

Councillor Michael Bond

Chairman of the Audit Committee

25 September 2015

The Responsibilities of the Director of Resource Management (Section 151 Officer)

The Director of Resource management is responsible for the preparation of the Council's Statements of Accounts including those of the Pension Fund. In order to comply with the Code of Practice on Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), these statements must present a true and fair view of our financial position and that of the Pension Fund at 31 March 2015, and the income and expenditure (spending) for the year to that date.

In preparing this Statement of Accounts, the Director of Resource Management 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 Director of Resource Management has also:

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

Certification

I certify that this statement of accounts has been prepared in accordance with proper accounting practices and presents a true and fair view of the Authority at 31 March 2015 and its income and expenditure for the year to that date.

Geoff Dobson

Director of Resource Management (Section 151 Officer)

25 September 2015

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

Opinion on the Pension Fund financial statements

We have examined the Pension Fund financial statements for the year ended 31 March 2015, which comprise the Fund Account, the Net Assets Statement and the related notes 1 to 27.

This report is made solely to the members of Suffolk County Council, as a body, in accordance with Part II of the Audit Commission Act 1998 (as transitionally saved) and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the authority and the authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Resource Management and auditor

As explained more fully in the Statement of the Director of Resource Management set out on page 8, the Director of Resource Management is responsible for the preparation of the Pension Fund's financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the Pension Fund financial statements within the Pension Fund annual report with the Pension Fund financial statements in the statement of accounts of Suffolk County Council, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014-15.

We also read the other information contained in the Pension Fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Pension Fund financial statements. The other information consists only of the Chairman's Report, Report of Director of Resource Management, Governance Report, Management Report, Management Structure, Corporate Social Responsibility and Voting Report, Administration Report, Employers in the Fund, Summary of Financial Position and Membership, Investment Report and the Actuarial Statement.

We conducted our work in accordance with guidance issued by the Audit Commission. Our report on the administering authority's full annual statement of accounts describes the basis of our opinion on those financial statements.

Opinion on financial statements

In our opinion, the Pension Fund financial statements are consistent with the full annual statement of accounts of Suffolk County Council for the year ended 31 March 2015 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014-15.

Baldeep Singh

for and on behalf of Ernst & Young LLP, Appointed Auditor

25 September 2015

Governance Report

Governance of the Suffolk Pension Fund

All LGPS Funds in England and Wales are required to produce a Governance Policy Statement, revise it following any material change in their delegation arrangements and publish it.

Each authority is required to:

- (a) Keep the statement under review;
- (b) Make appropriate revisions following a material change in respect of any matters; and
- (c) If revisions are made -
 - i) Publish the statement as revised, and
 - ii) Send a copy of it to the Secretary of State.

The Statement is required to set out:

- (d) Whether the administering authority delegates their function or part of their function in relation to maintaining a Pension Fund to a committee or an officer of the Council;
- (e) Where this is the case, details of:
 - i) The frequency of any committee meetings
 - ii) The terms of reference, structure and operational procedures in relation to the use of delegated powers
 - iii) Whether the committee includes representatives of employing authorities or scheme members, and if so, whether those representatives have voting rights.
- (f) The extent to which a delegation complies with the guidance given by the Secretary of State and if it doesn't comply the reasons why.

The Pension Fund Governance Policy Statement sets out how the County Council's statutory responsibilities for the LGPS will be carried out and is published on the Suffolk Pension Fund website (www.suffolkpensionfund.org). The Suffolk Pension Fund Committee carries out the County Council's responsibilities for the management of the Pension Fund.

Pension Fund Committee

The Pension Fund Committee's key responsibilities are:

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

Delegations to the Director of Resource Management

The Director of Resource Management, the County Council's responsible financial officer under section 151 of the Local Government Act 1972, is responsible for all decisions concerning the Pension Fund within the scope of the policies that have been approved by the Pension Fund Committee.

Membership of the Committee

During 2014-15 the Pension Fund Committee consisted of seven county councillors, who were appointed by the County Council, reflecting the political balance on the County Council as a result of the May 2013 County Council elections. In addition the Committee included two district council representatives, who were nominated by the Suffolk District Council leaders, and a scheme member representative, who was nominated by UNISON.

The attendance of the Pension Fund committee members for the six committee meetings held during 2014-15 are as follows:

Councillor	Meetings attended
Cllr Peter Bellfield *	4
Cllr Andrew Reid	5
Cllr Michael Bond	6
Cllr Peter Byatt *	1
Cllr John Field	5
Cllr Bill Knowles	6
Cllr Bert Poole	6
Cllr Derek Redhead	4
Cllr Richard Smith	6
Mr Steve Warner	4

*Non attendance due to ill health

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.

All members of the Pension Fund Committee have voting rights.

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

Key Management Personnel disclosure

The posts of Director of Resource Management and Corporate Finance Specialist are deemed to be key management personnel in regards to the Pension Fund. The members of the Pension Fund Committee also have a directing role in relation to the Pension Fund. The financial value of short-term benefits (pay and associated costs recharged to the Pension Fund) and post employment pension benefits for officers and for members of the Pension Fund Committee are as overleaf:

	Officers	Committee Members
	£'000	£'000
Short Term Benefits	78	-
Post Employment	606	29

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 committee has made the Director of Resource Management 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 two year 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.

As part of the training plans implementation the committee has received presentations during the year from the fund's investment managers and advisers:

- Committee training day:
 - overview and the building blocks of investment management.
 - Passive versus active management of investments.
 - Ethical issues.
- Portfolio construction, risk and diversification.
- Alternative investments.
- Property investment management.

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'.

Advisers to the Committee

The Pension Fund Committee is advised by the Council's Director of Resource Management, Geoff Dobson. The Pension Fund Committee is assisted by a number of external professional advisers:

- Hymans Robertson – Investment adviser and actuary
- Mark Stevens – Independent investment adviser
- State Street Global Services – Performance analyst
- Pension Investment Research Consultants (PIRC) – Shareholders voting

Systems and internal control

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

The Pension Fund is also subject to an internal review by the Council's internal auditors on the robustness of the Pension Fund's systems, procedures and controls. A report summarising the outcomes of the internal audit reviews conducted during the year and their overall opinion of the effectiveness of controls was presented to the Pension Fund Committee.

The Head of Audit Services has provided the opinion that the internal control environment provides substantial assurance that the Pension Fund financial and administrative systems are effective.

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 maximising 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.

A summary of the key funding risks and the controls that are in place to mitigate them are included in the Funding Strategy Statement (FSS) which is available on the Pension Fund website (www.suffolkpensionfund.org).

The Pension Fund Committee maintains a risk register for the Pension Fund, which forms part of the Council's corporate approach to risk management. All Pension Fund risks are subject to regular monitoring, with a formal annual review as part of the approval of the Pension Fund's business plan each year. All risks are considered and monitored on the likelihood and potential impact on the Fund.

Third party risks such as payments of contributions are monitored by Suffolk County Council.

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

A formal review of the robustness of the Pension Fund's accounting systems is undertaken by the Fund's external auditors, Ernst & Young LLP, as part of the annual audit.

Accountability to stakeholders in the LGPS

The Pension Fund Annual Report and Accounts is available to all employers in the Pension Fund and published on the Pension Fund's website. The Annual Report is the formal mechanism for reporting on the performance of the Fund to its stakeholders. In addition, the Pension Fund Committee invites all the Fund employers to an annual meeting to receive reports on the activities of the Fund during the year and on any developments relating to the LGPS. The annual meeting for 2013-14 was held on 3 October 2014.

The Pension Fund committee consults with the employers whenever any significant changes in the Pension Fund's investment strategy or funding strategy are under consideration. In addition, Pension Fund officers maintain a regular dialogue with individual employers during the year on fund administration issues through regular employer newsletters.

Pensioners are kept up to date through the provision of a newsletter informing them of statutory changes to their entitlements. Active and deferred members of the pension scheme are provided with an annual benefits statement.

Management Report

Work of the Pension Fund Committee

The Pension Fund Committee has a business plan which sets out its performance management framework and its priorities for service development. The Pension Fund Committee met on six occasions during 2014-15.

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

The Committee monitored the actuarial position of the Fund on a quarterly basis during 2014-15. The estimated funding level of the Fund has improved slightly from 79.1% at the March 2013 valuation to 81.1% at March 2015.

During the year the Committee received a report from Hymans Robertson LLP reviewing the investment strategy of the Fund recommending minor changes to the strategy to further enhance the portfolio and returns whilst maintaining a low risk approach to investments.

The main suggestions to be considered by the Committee were:

- Moving some of the active UK equities into passive UK equities.
- Managing some of the overseas equities through investment in the FTSE RAFI All-World 3000 index. This index is a composite investment using a number of factors such as total cash dividends, cashflow, total sales and book equity value and comprises of 3,000 companies with the largest fundamental RAFI scores from the FTSE Global All Cap Index.
- Move the passively managed bond mandate to an active managed bonds mandate.
- Reinstate the private equity investment programme.
- Commencement of a rebalancing strategy.

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

The Committee also responded to the draft guidelines issued on the creation and operation of Local Pension Boards.

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

A number of schools in Suffolk were established as academies during 2014-15 and these automatically become employers in the local government pension scheme with respect to their non-teaching employees. At March 2015 there were 65 academies

and 4 free schools in the Suffolk Fund. Further academies are expected to join the scheme in 2015-16. As at March 2015 the Suffolk Pension Fund administered 143 active scheme employers.

Pension Fund Risk Register

The Committee has adopted a formal framework for the identification and management of the risks that the Fund is exposed to and the Pension Fund risk register is reviewed on a regular basis during the year. The top Pension Fund risks (medium and high risk) are shown below.

Risk	Impact	Probability	Risk Score	Existing risk control measures
<p>Investment: Failure of investment markets (market crash).</p> <p>Impact: increase in employer contribution rates</p>	4	3	12	<p>Diversification between asset classes.</p> <p>Regular reporting and monitoring arrangements for investment performance by the Fund and its managers are in place.</p>
<p>Investment: Failure of investment strategy to produce long-term returns assumed by Funding Strategy.</p> <p>Impact: increase in employer contribution rates</p>	4	3	12	<p>Investment Strategy is reviewed regularly by the Pension Fund Committee.</p>
<p>Demographic: Pensioners living longer than assumed in actuarial assumptions.</p> <p>Impact: increase in employer contribution rates</p>	3	3	9	<p>Review life expectancy assumptions at each valuation.</p> <p>Setting mortality assumptions with some allowance for future increases in life expectancy.</p>
<p>Financial: Pay and price inflation significantly higher than anticipated.</p> <p>Impact: increase in employer contribution rates</p>	3	3	9	<p>Inter-valuation monitoring. The focus of the actuarial valuation process is on real returns on assets. Some investment in bonds helps to mitigate this risk.</p>

Risk	Impact	Probability	Risk Score	Existing risk control measures
<p>Regulatory: Changes to regulations (e.g. changes to scheme design following the Public Service Pensions Act 2013)</p> <p>Impact: reduction in scheme membership /participation rates</p>	3	3	9	The Pension Fund responds to all consultation proposals issued by the Department of Communities and Local Government.

Note: The Risk Score is determined by multiplying the scores for the possible impact and the assessed likelihood together. Depending on the value of the risk score, the risk is assessed as low (1-4), medium (5-9), high (10-15) or very high risk (16-25). The risks are managed in accordance with the County Council's arrangements for managing risks, including appropriate monitoring and mitigation measures.

Note 19 in the Pension Fund statement of accounts includes a statement of the nature and extent of risks associated with the Fund's investments. These are analysed over the following categories:

- a) Credit risk
- b) Liquidity risk
- c) Market risk
- d) Interest rate risk
- e) Currency risk
- f) Price risk
- g) Custody
- h) Investment management
- i) Sensitivity of funding position to market conditions and market performance

The most significant risks associated with the Fund's investments are considered to be market risk (the risk that the value of the Fund's investments will fluctuate due to changes in market sentiment) and price risk (the risk that the funding level will fluctuate due to changes in market conditions and market performance). Both of these risks are included in the Fund's risk register and subject to appropriate management and monitoring arrangements.

Cost of Running the Fund

The costs incurred by the Pension Fund in managing the Fund are relating to administration costs, investment management costs and governance costs. These costs represent about 0.5% of the value of the Fund at 31 March 2015, which is broadly in line with previous years and with the local authority average.

The overall costs of administering the Pension Fund has increased by £2.941 million in 2014-15 to £12.053 million, the majority of which relates to investment management fees. Investment management fees increase as the value of the funds under management increase during the year. £3.531 million has been incurred in respect of performance fees reflecting the overall performance of the Fund's investments.

The majority of the administrative expenses (shown below) 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 entitlements and provide members with scheme and benefit entitlement information such as benefit estimates and annual benefit statements.

The Heywood administration software system supports the pensions administration team to fulfil the complex requirements around administering the scheme; such as calculating pension benefits and producing the annual statements. The system holds every pension members record and history.

	2013-14	2014-15
Administration Expenses	£'000	£'000
Suffolk County Council	709	755
Heywood pension administration system	177	217
Subscriptions and other costs	35	28
Total Administration Expenses	921	1,000

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 custodians, State Street and HSBC are also included.

	2013-14	2014-15
Investment Management Expenses	£'000	£'000
AllianceBernstein	254	560
BlackRock	285	574
Bluecrest	1,105	1,570
Brookfield	15	59
JP Morgan	93	-
KKR	365	275
Legal & General	862	964
M&G	80	835
Millennium	-35	-
Newton	1,008	1,099
Pantheon	278	213
Partners	563	496
Pyrford	472	486
Schroders	348	398
Wilshire	347	362
Winton	714	2,137
Transaction Costs	466	474
Custodian (HSBC)	-	20
Custodian (State Street Bank and Trust)	53	31
Total Investment Management Expenses	7,273	10,553

Notes:

1. The mandate held by JP Morgan was terminated in 2012-13. The costs attributable to JP Morgan in 2013-14 relate to late invoiced performance fees.
2. KKR, Partners and M&G represent part year management fees. The fees are based on the net asset value of the fund which has not been fully funded to date.
3. Brookfield made its only investment to date at the end of December 2013 and the costs shown above for 2013-14 represents part year management fees.
4. The custodian contract changed on 1 October 2014 from State Street to HSBC.

Included in the Investment management expenses above 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 breakdown of the performance fee element included in the previous table above are as overleaf:

	2013-14	2014-15
Investment Management Expenses	£'000	£'000
AllianceBernstein	-	354
BlackRock	-	301
Bluecrest	450	653
JP Morgan	93	-
M&G	63	271
Pantheon	-	(5)
Partners	39	203
Winton	377	1,754
Total Investment Management Expenses	1,020	3,531

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 Board. Costs associated with the operation and support of the Pension Fund Committee and costs associated with statutory and non-statutory reporting such as committee reports, annual reports and accounts are also included.

The decrease in the Suffolk County Council costs can be attributed to the elimination of ongoing costs which were charged as part of the CSD contractual arrangements.

	2013-14	2014-15
Oversight and Governance Expenses	£'000	£'000
Suffolk County Council	541	164
Committee Services	8	8
Actuarial and Investment Advisory Services	169	98
Audit Fees	22	25
Legal Fees	6	9
Performance Analysis	28	29
Proxy Voting Service	31	32
Investment Advice	86	122
Subscriptions and membership fees	27	13
Total Oversight and Governance Expenses	918	500

Management Structure

Pension Fund Committee

Cllr. Peter Bellfield (Chairman)
Cllr. Andrew Reid (Vice-Chairman)
Cllr. Michael Bond
Cllr. Peter Byatt
Cllr. John Field
Cllr. Bill Knowles
Cllr. Bert Poole
Cllr. Derek Redhead
Cllr. Richard Smith
Mr Steve Warner (Unison)

Suffolk County Council

Geoff Dobson, Director of Resource Management

Paul Finbow, Corporate Finance Specialist

Lynn Wright, Strategic Payroll and Pensions Manager

Constantine House
5 Constantine Road
Ipswich
Suffolk
IP1 2DH

Pension Fund Advisers

Actuaries
Investment Consultancy Services
Independent Investment Adviser
Performance Measurement
Investment Custodians
Banking Services
Legal Advisers
Voting Advisers

Auditors

Ernst & Young LLP

AVC Providers

Equitable Life
Clerical Medical
Standard Life

Investment Managers

AllianceBernstein (Ended Jan 15)
BlackRock Investment Management
Bluecrest Capital Management
Brookfield Asset Management
Kohlberg, Kravis, Roberts
Legal & General Investments
M&G Investments
Newton Investment Management
Pantheon Ventures
Partners Group
Pyrford International
Schroder Investment Management
Wilshire Associates
Winton Capital Management

Hymans Robertson LLP
Hymans Robertson LLP
Mr Mark Stevens
State Street Global Services
HSBC
Lloyds Banking Group Plc
Squire Patton Boggs
Pension Investment Research Consultants

Corporate Social Responsibility and Voting Report

Environmental, Social and Governance Issues

The Pension Fund is required to disclose in its statement of investment principles to what extent that it takes account of environmental, social or ethical considerations in the selection, realisation or disposal of investments. The Pension Fund Committee considers that the primary responsibility of the Committee is to ensure that the long-term return from its investments is sufficient to meet the Fund's liabilities and that the selection of investments should be undertaken to achieve the best financial return for the Fund, subject to an appropriate level of risk. It has not placed any requirements on the Fund's investment managers in the selection or retention of investments by reference to environmental, social or ethical criteria. All investments that are made for the Fund comply with the legal and regulatory requirements that apply to the local government pension scheme.

Voting Policy

The Pension Fund seeks to protect and enhance the value of its shareholdings by promoting good practice in the corporate governance and management of the companies that it invests in. The Fund's equity holdings give the Fund the right to vote on the resolutions at company general meetings. The Pension Fund Committee has a voting policy which covers its holdings in UK and overseas companies. Voting is carried out on the Fund's behalf by our governance and voting advisers, Pension Investments Research Consultants (PIRC). The Fund's voting guidelines are published on the Suffolk Pension Fund website (www.suffolkpensionfund.org).

The general principles followed in our voting guidelines are:-

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

Voting activity in 2014-15

The Fund received recommendations for 2,807 resolutions at 180 meetings, supporting 2,138 resolutions (76%) and abstaining on 122 occasions (4%). The Fund voted against the proposal on 463 occasions (17%), a slight increase on the 15% opposing votes exercised in the previous year. 50 of the resolutions (2%) did not result in a vote.

The Fund's UK voting record is analysed over the page. Full details of the voting by the Fund are contained within the reports to the Pension Fund Committee which are published on the Pension Fund website (www.suffolkpensionfund.org).

	For		Oppose		Abstain		Total
	No.	%	No.	%	No.	%	
Annual Report	66	86	11	14	0	0	77
Remuneration Report	58	74	7	9	13	17	78
Articles of Association	5	56	0	0	4	44	9
Auditors Appointment	77	97	2	3	0	0	79
Directors	707	94	42	6	1	0	750
Dividend	65	100	0	0	0	0	65
Executive Pay Schemes	2	6	28	80	5	14	35

Report by Pension Investment Research Consultants (PIRC)

As in previous years, executive remuneration proved contentious on occasions and was a principal issue over which Suffolk did not support resolutions proposed by company boards. During the year under review, companies put both remuneration policy and the remuneration report to a shareholder vote, thereby giving shareholders a say on forward looking policy as well as on historic reporting.

Excessive fixed and variable pay viewed in the context of corporate performance was a major issue for many shareholders, including the Fund. At BP plc, 13% of shareholders, including Suffolk, opposed the approval of the remuneration report after the CEO received variable pay of five and a half times salary (four times for other executives) at a time of poor overall performance in terms of total shareholder return. Similar concerns were expressed at Barclays plc after a £1.2 million bonus was paid to the finance director at a time of low shareholder returns: 22.8% of votes were cast against the remuneration report. HSBC was another bank that attracted significant opposition (20.3%) following its use of imaginative ways of circumventing regulatory restrictions on bankers' pay, which were not aligned to corporate performance.

Structurally flawed incentive schemes were again an issue in 2014-15, with the Fund unable to support certain proposals for new schemes. A notable example occurred at Vodafone Group Plc regarding the Vodafone Global Incentive Plan. Grants under the new Plan were individually capped at 400% of base salary. Awards were subject to a performance period of three years. Awards vested were to be subject to performance conditions, but, since performance targets were not disclosed, shareholders were completely unable to assess whether the Plan would be aligned with their interests and whether rewards under the Plan would be commensurate with performance.

In any event, the "performance" period was not considered sufficiently long-term. The Fund could not, therefore, support the Plan. Furthermore the LTIP was considered excessive particularly when aggregated with other variable. In September 2014, Sports Direct plc proposed the 2015 Bonus Share Scheme to operate alongside the annual bonus scheme. The vesting of awards under the Scheme would depend on the achievement of annual earnings before interest taxation depreciation and amortisation EBITDA targets over four years. EBITDA is notoriously easy to manipulate and should not be used as a sole performance criterion. In addition, the performance period was less than five years, without a further holding period, which was not considered sufficiently long-term. The Scheme, potentially offered a lucrative reward at the end of the performance period: based on the recent share price (18 August 2014), the value of the 1 million shares awarded under the plan

represented approximately £7 million, which was more than 46 times the CEO's base salary.

From the above, it was again apparent that so called Long-Term Incentive Plans (LTIPs) could prove to be neither long-term nor incentivising directors in alignment with shareholders' interests and the Fund did not support proposals for new LTIPs with those characteristics. The issue of the value to shareholders of LTIPs was highlighted by the practice of readjusting original performance targets for share awards, which was apparent during the year: key examples being at Tate and Lyle, Telecom Plus and Sports Direct. Shareholders are unable to readjust the terms on which they purchase shares and it is difficult to see how the practice aligns directors' and shareholders' interests.

The terms of directors' contracts also proved a voting issue. At Vodafone, vesting of long-term awards could have been accelerated in the event of cessation of employment, which was considered inappropriate as executives could have been rewarded for performance not obtained. The directors had the ability to amend or waive any performance conditions without shareholders' approval. At Sports Direct, in the event of a change of control, directors would receive the pro-rated amount of the value of awards made under an annual bonus scheme, with no evidence that effective claw-back provisions were in place. No mitigation statement was made in the remuneration report and upside discretion could be used by the remuneration committee when determining severance payments. Similar termination clauses applied at Easyjet plc. At all three companies, Suffolk did not support the remuneration report.

On a positive note, 2014-15 saw a large number of UK companies appointing a new audit firm, and an even larger number tendering the audit contract. The failure to rotate auditors has long been regarded by many shareholders as a threat to auditor independence.

It was notable that BP plc failed to put a vote on the dividend or dividend policy to a shareholder vote, an example of practice prevalent in the US which many shareholders do not want to see replicated in the UK. Accordingly, Suffolk voted against the report and accounts.

Political donations proved an issue at SABMiller PLC where significant political donations were made outside the EU, without shareholders' approval and without giving full details of recipients. Among all donations, US\$ 1,604,021 was given to political parties in Colombia 'to support democracy'. Further political donations were made across other countries. As this was contrary to its policies, Suffolk voted against the report and accounts.

A key area of voting not in support of management resolutions again related to the re-election of directors. The principal reason being the re-election of non-executive directors who were not considered independent and where there were insufficient independent directors on the board. Reasons for non-independence included: a length of tenure greater than nine years; connections to other directors; and connections to controlling shareholders.

Numerous companies failed to discuss human rights issues as required by Companies Act 2006. This should include information about any policies in relation to those matters and the effectiveness of those policies. If any of these are not covered, the company should explain why. Examples include Berkeley Group and Sports Direct.

Overseas Voting

Board independence was again an issue of concern in the US and directors at US companies like Citigroup, United Technologies and Adobe attracted oppose votes. Suffolk also voted against the appointment of directors in combined Chair & CEO roles, common amongst many US companies but not meeting best practice in governance particularly where the level of independent representation on boards is weak or lacking. At Google and Mattel, Suffolk supported shareholder resolutions calling for combined Chair/CEO roles to be split. Board independence featured as a voting issue elsewhere with Suffolk opposing re-election of directors at Anheuser-Busch SA, SAP SE and Toyota.

Pay structures and long-term incentive plans also attracted oppose or abstention votes, particularly where disclosure was insufficient for remuneration to be judged adequately against performance or where significant discretion was given to vary the terms of remuneration and share schemes. Citigroup and Baker Hughes were amongst the US companies where pay structures were not supported, with similar votes at global giants Total SA, Roche Holdings and Vivendi.

Shareholder resolutions were again a feature at US AGMs, and Suffolk was supportive of calls for greater transparency of reporting in respect of political donations and lobbying activities (Pfizer Inc, EMC Corp, Altria Group, Google) and in favour of greater rights of proxy access (Citigroup Inc).

Administration Report

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 for Communities and Local Government.

The Suffolk LGPS Pension Fund is administered by Suffolk County Council with the statutory responsibilities for the scheme fulfilled by delegating the necessary powers to the Pension Fund Committee.

The Scheme is open to all County Council employees (except teachers and fire fighters who have their own scheme), employees of the Suffolk district councils and employees of certain other public bodies (known as scheduled bodies) within Suffolk. Parish and Town Councils may decide by designation to allow their employees to join the Pension Fund. The regulations also permit the Pension Fund Committee to admit to the Fund certain other bodies which provide public services.

All local government employees automatically become members of the scheme unless they choose to opt out.

How the Fund Works

The LGPS is a funded scheme. This means the scheme is financed by contributions from the Fund employers and their employees and by income from the Fund investments. The surplus of contributions and investment income over the benefits currently being paid is invested in a range of investments in compliance with the LGPS investment regulations.

The employers' contributions are assessed periodically by the Fund Actuary and have to be enough to maintain the long term solvency of the Fund. The law requires that these reviews (actuarial valuations) be carried out every three years. The next statutory actuarial valuation will be carried out in 2016.

Pension administration

The Pension Administration team is led by Lynn Wright, the Strategic Payroll and Pensions Manager, and carries out the full range of pension benefit calculations and administration functions. There is significant pensions experience within the team ranging from 10 months to 28 years, with the majority of staff having pensions experience in excess of 5 years.

Pensions administration involves:

- Maintaining an accurate database of pension scheme members, deferred members and pensioners;
- Calculating service credits from incoming transfer values and notifying scheme members accordingly;
- Calculating and paying outgoing transfer values to other pension schemes and providers;
- Calculating and notifying amounts of deferred pension benefits when a member leaves before normal retirement age;

- Calculating and paying pension benefits when a member retires;
- Calculating and paying dependent pensions and lump sums when a member, deferred member or pensioner dies;
- Paying pensioners monthly;
- Providing estimates of benefits, information on entitlements and implementing pension sharing orders on divorce;
- Assessing the impact of, and implementing amending legislation when received and also communicating the effect of those changes to members, deferred members, pensioners and scheme employers.

Employer Performance

The Administration Strategy requires each Employer to monitor performance against specific tasks and return to the Pensions Administration team on a quarterly basis. The below tables detail this information for 2014-15 from the employers who have completed their returns.

Liaison and Communication

Function/Task	Performance Target	Achievement %
Remit and provide details of total employer/employee contributions	5th working day of month after deduction	98
Respond to enquiries from administering authority	10 working days from receipt of enquiry	99
Provide year end information required by the Suffolk Pension Fund, in a format agreed with the Suffolk Pension Fund	By 21st April following the year end**	18
Distribute any information provided by Suffolk Pension Fund to scheme members/potential scheme members	Within 15 days of its receipt	100
Notification to Suffolk Pension Fund of material changes to workforce/assumption related areas	No later than 10 working days after material change/formal employer agreement on assumption related areas	100
Provide new/prospective members with scheme information and new joiner forms	5 working days of commencement of employment or change in contractual conditions	100

** This is the first year of the Career Average Revalued Earnings (CARE) return involving a change in reporting requirements which is reflected in the lower than usual figure for this year

Fund administration

Function/Task	Performance Target	Achievement %
Payment of additional fund payments in relation to early payment of benefits from ill health, flexible retirement, redundancy or business efficiency retirement	Within 30 working days of receipt of invoice from the Suffolk Pension fund / within timescales specified in each case	100

Employer Administration

Function/Task	Performance Target	Achievement %
Make all necessary decisions in relation to new scheme members in the LGPS (whether full or part time, pensionable pay, appropriate contribution rate band, etc)	10 working days of scheme member joining	100
Provide administering authority with scheme member details on appropriate form/via electronic interface	10 working days of scheme member joining/from month end of joining	100
Arrange for the correct deduction of employee contributions from a scheme members pensionable pay on becoming a scheme member	Immediately on joining the scheme, opting in or change in circumstances	100
Ensure correct employee contribution rate is applied and arrange for reassessment of employee contribution rate in line with employer's policy	Immediately upon commencing scheme membership, reviewed as per policy	100
Ensure correct rate of employer contribution is applied	Immediately following confirmation from the administering authority of appropriate employer contribution rate	100
Ensure correct deduction of pension contributions during any period of child related leave, trade dispute or other forms of leave of absence from duty	Immediately, following receipt of election from scheme member to make the necessary pension contributions	100
Commence/amend/cease deductions of additional regular contributions	Commence/amend in month following election to pay contributions or notification received from administering authority, cease immediately following receipt of election from scheme member	100

Arrange for the deduction of AVCs and payment over of contributions to AVC provider(s)	Commence deduction of AVCs in month following the month of election	100
	Pay over contributions to the AVC provider(s) by the 19 th of the month following the month of election	100
Refund any employee contributions when employees opts out of the pension scheme before 3 months	Month following month of opt out	100
Function/Task	Performance Target	Achievement %
Cease deduction of employee contributions where a scheme member opts to leave the scheme	Month following month of election, or such later date specified by the scheme member	100
Provide administering authority with details of all material changes in employee's circumstances (e.g. marital or civil partnership status), contractual changes to a scheme members hours and/or weeks via appropriate form/electronic interface	10 working days of change/notification of change	100
Leave of absence with permission (maternity / paternity / secondment) without pay etc. (communications with employee and confirmation to Pension Fund)	Within 10 working days of notice from employee / HR / payroll	100
Determine reason for leaving and provide notification to administering authority of scheme leavers	By the end of the month the member left	99
Provide advance basic information relating to members retiring	Within 5 days of receipt of resignation/notification	100
Determine reason for retirement and provide notification to administering authority of retiree	Within 10 working days of notification of intention to retire	100
Provide final pay information for each scheme member who leaves/retire/dies and forward to Suffolk Pension Fund on appropriate form/via electronic interface	Within 10 working days following date of leaving/retirement/death	99

Appoint an independent medical practitioner qualified in occupational health medicine, in order to consider all ill health retirement applications and agree appointment with Suffolk Pension Fund	Within one month of commencing participation in the scheme or date of resignation of existing medical adviser	100
Appoint person for stage 1 of the pension dispute process and provide full details to the administering authority	Within 30 working days following the resignation of the current "appointed person"	100

Communications Policy

The Fund has published a Communication Policy Statement which sets out how it communicates with employers and representatives of employers, Scheme members and prospective Scheme members. A copy of this document is available on the Pension Fund website (www.suffolkpensionfund.org).

The Suffolk Pension Fund has met the requirements set out in the communications policy in its communications with all of its stakeholders.

Scheme information has been provided to members, representatives and employers at all appropriate times during the year. Members receive scheme booklets when they join and everyone is issued with an annual benefit statement estimating their pension benefits for retirement. The Pension Fund reports and accounts have been created and communicated as per the policy.

Members who have joined under Auto enrolment are issued with a letter confirming this as per the regulators requirements. Pensioners have been issued with their bi-annual newsletter confirming any matters that relate directly to them. Union representatives are met with to discuss matters as and when required. In addition the Strategic Payroll and Pensions Manager reports to the Pension Fund Committee on performance and provides presentations and training on LGPS matters.

In relation to employers they are all contacted and provided with the necessary information when they join including provision of the employers guide. Employer liaison meetings are held twice a year and are an opportunity to effectively communicate important information. All employers are supported and helped through any issues affecting them and pensions administration staff visit various employers throughout the year attending workshops and meeting members.

Each employer has an individual liaison officer so they have a named point of contact and this has helped ensure a good rapport between employer and Fund. Newsletters to employers are issued on a regular basis.

Members of the Administration team regularly attend regional and national meetings ensuring that the members are represented on all the important scheme matters, as well as having the opportunity to learn valuable information and feedback ensuring the Pension Fund is fully aware of impending changes.

In terms of promoting scheme membership to prospective members, all new employees are issued with an overview of the LGPS leaflet and information is

contained within their contracts of employment explaining their situation with regards to individual entrance to the scheme. Full information is available on the Pension Fund website which has been heavily promoted and details appear on all communications issued from the team.

Benefits of the Pension Fund

The majority of benefits that are payable are set by regulations, although there are certain instances where discretion is given to employing bodies in the Fund. As a result each employer has a discretion policy detailing their decisions in respect of these instances.

All pensions payable from the Fund are defined as 'official pensions' for the purpose of the Pensions (increase) Act, the effect of which is to increase the pension annually in line with inflation.

The Local Government Pension scheme pays more than the minimum pension requirements of the State Second Pension (S2P) scheme (formerly the State Earnings Related Pension Scheme, SERPS) and the pension scheme is therefore classified as being contracted out of the S2P arrangements.

Contracted out arrangements end after 31 March 2016 and this will result in members having to pay 1.4%, and employers 3.4%, additional national insurance costs from April 2016.

The core scheme benefits are:

- The ability to take a tax-free lump sum by commutation of pension. For service in the scheme prior to 1 April 2008 there is an automatic tax free lump of three times the value of the accrued service to 31 March 2008.
- Life assurance of three times the member's yearly pay from the day they join the scheme.
- Pensions for spouses, civilly registered partners and qualifying co-habiting partners. Eligible children are also entitled to a pension.
- An entitlement paid early if a member has to stop work due to permanent ill health.
- Pensions increases in line with inflation (measured by the Consumer Price Index).
- Pensions are payable from age 55, including flexible retirement.

Costs of Membership

From April 2014 there was a change linked to the Local Government Pension Scheme 2013 regulations which saw contributions banded on a members actual pensionable pay rather than the full time equivalent which had been previously used.

The pay banding table which was used during 2014-15 is shown overleaf and the bands are increased each April in line with changes in the cost of living.

Whole time Pay Rate is:	Contribution rate is:
Up to £13,500	5.5%
£13,501 to £21,000	5.8%
£21,001 to £34,000	6.5%
£34,001 to £43,000	6.8%
£43,001 to £60,000	8.5%
£60,001 to £85,000	9.9%
£85,001 to £100,000	10.5%
£100,001 to £150,000	11.4%
More than £150,000	12.5%

Since April 2014 members have also had the option to join on a 50/50 basis. This part of the scheme entitles members who pay half the contribution detailed above in exchange for half the pension of someone who is paying full contributions. These members do however retain full benefits in the event of ill health or death.

Internal Dispute Resolution Procedure (IDRP)

If someone 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. There are 3 stages to this process.

The first stage ensures a nominated person 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 Head of Legal Services at Suffolk County Council as the person nominated by the Pension Fund Committee to hear such disputes. If the person is still dissatisfied, they can take their case to the Pensions Ombudsman for a further review.

In 2014-2015 there has been 1 IDRP case from a total of 8,418 cases processed.

Admin Management Performance

Key Performance Indicators:

Number and trend of high profile cases:

Case Type	Total Completed	Peak Period
Pension Estimates – retirements and divorce	1,831	June
Pensions Retirements	1,380	January
Pensions preserved benefits	2,284	October
Pensions transfers in	403	January
Pensions transfers out	267	February
Pensions deaths	448	April & January

Percentage completed on time against targets:

Service Level Agreement	Percentage completed within SLA
Notification of retirement benefits and payment of lump sum to be made within 10 working days of receipt of all information necessary. Payment of pension to be included in the next available monthly run.	95%
Pay death grant / balance of pension/pay within 10 working days of receipt of all necessary documentation. Pay Spouse Benefit on first available pay run.	99%
Notify beneficiary / widow / widower of documents necessary to pay death grant / balance of pension / pay within 5 working days of notification of death go ahead.	98%

Financial Performance

A review is carried out on the timings of the payment of pension contributions to the fund by the employers. The administration strategy requires these to be received by the Pension Fund within 5 working days of the month in which the contributions were deducted. The table below summarises the timeliness of receipts for the 2014-15 financial year:

	2014-15		
	Emp.	Contribs.	
	%	£'000	%
On Time	89	102,115	98
Up to 1 week late	5	947	1
Over 1 week late	6	835	1
Total		103,897	

Employers in the Fund

There are 143 active employers in the Fund and 18 employers who do not have active members but have deferred pension members and/or pensioners.

	Active	Ceased	Total
Scheduled Bodies	85	1	86
Resolution Bodies	26	-	26
Admitted Bodies	32	17	49
Total	143	18	161

A list of the active employers in the Fund as at 31 March 2015 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	St Edmundsbury Borough Council
Forest Heath District Council	Suffolk Coastal District Council
Ipswich Borough Council	Suffolk County Council
Mid Suffolk District Council	Waveney District Council

Other

Association of Inshore Fisheries and Conservation Authorities (AIFCA)	The Police and Crime Commissioner for Suffolk
Suffolk Valuation Tribunal	

Colleges

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

Free Schools

Churchill Special Free School	Seckford Foundation Free Schools Trust
IES Breckland	Stour Valley Community School

Academies - Single

Bungay High School	Kessingland C of E Primary Academy
Copleston High School	Priory School
Debenham High School	Sir John Leman School
East Bergholt High School	St Albans Catholic High School
Elveden Cof E Primary Academy	St Louis Catholic Academy
Farlingaye High School	St Mary's C of E Academy
Forest Academy	Stone Lodge Academy
Hadleigh High School	Stradbroke High School
Hartismere School	Suffolk New Academy.
Holbrook Academy	The Ashley School Academy
Ipswich Academy	Thomas Mills High School
Kedington Primary Academy	Thomas Wolsey School
Kesgrave High School	

Academies Enterprise Trust

East Point Academy
Felixstowe Academy

Langer Primary Academy

Academy Transformation Trust

Mildenhall College Academy

Westbourne Academy

Active Learning Trust

Grove Primary School
Gusford Primary School
Hillside Primary School
Pakefield Primary School

Red Oak Primary School
Reydon Primary School
Sidegate Primary School
Westwood Primary School

Avocet Academy Trust

Easton Primary School
Leiston Primary School

Wickham Market Primary School

Bright Tribe Academy Trust

Alde Valley Academy
Castle Hill Infants School

Castle Hill Junior School
Cliff Lane Primary School

Bury St Edmunds Academy Trust

County Upper School
Horringer Court School

Tollgate Primary School
Westley School

Castle Partnership Academy Trust

Burton End Primary Academy
Castle Manor Academy

Place Farm Primary Academy

Ipswich Primary Academy Trust

St Helens Primary School
The Oaks Community Primary School

Whitton Community Primary School

Ormiston Academies Trust

Ormiston Denes Academy
Ormiston Endeavour Academy

Ormiston Sudbury Academy
Stoke High School - Ormiston Academy

Samuel Ward Academy Trust

Coupals Primary Academy
Glemsford Primary Academy
Newmarket Academy

Samuel Ward Academy
Thomas Gainsborough School
Westfield Primary Academy

Resolution Bodies

Resolution bodies are bodies, usually town and parish councils who formally pass a resolution designating staff to be eligible to join the Fund.

Beccles Town Council	Leiston Town Council
Boxford Parish Council	Long Melford Parish Council
Bury St Edmunds Town Council	Martlesham Parish Council
Eastern Facilities Management Sol. Ltd	Mildenhall Parish Council
Felixstowe Town Council	Nayland & Wissington Parish Council
Framlingham Town Council	Newmarket Town Council
Great Cornard Parish Council	Onehouse Parish Council
Hadleigh Town Council	Pinewood Parish Council
Haverhill Town Council	Southwold Town Council
Kesgrave Town Council	Stowmarket Town Council
Kessingland Parish Council	Sudbury Town Council
Lakenheath Parish Council	Woodbridge Town Council
Leavenheath Parish Council	Woolpit Parish Council

Admitted Bodies

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

Abbeycroft Leisure	Marina Theatre Trust
Anglia Community Leisure Trust	Norland Managed Services Ltd
Ass. Colleges in the Eastern Region	Papworth Trust
Care Quality Commission	Realise Futures
Care UK	Seckford Foundation
Caterlink – Chantry	Sentinel Leisure Trust
Caterlink – Kesgrave	Sports & Leisure Management Ltd
Churchill Contract Services	Suffolk Ass. of Local Councils
Concertus Design & Property	Suffolk Coastal Leisure Community
Consultants	Association Ltd
Flagship Housing Group Ltd	Suffolk Libraries IPS
Hadleigh Market Feoffment Charity	Suffolk Norse Ltd
Havebury Housing Partnership	Suffolk Norse Transport
Housing 21	The Partnership in Care Ltd
Kier MG	The Voluntary Network
Lapwing	Thorpe Woodlands
Leading Lives	Waveney Norse

Pension Fund Accounts

Summary of the Financial Position and Membership

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

Financial Summary	2010-11	2011-12	2012-13	2013-14	2014-15
	£'000	£'000	£'000	£'000	£'000
Contributions	94,028	90,904	88,855	90,795	103,897
Other Income	7,417	3,619	6,062	3,855	5,561
	101,445	94,523	94,917	94,650	109,458
Benefits Payable	-68,415	-74,562	-76,415	-76,898	-85,235
Other Expenditure	-42,858	-6,276	-13,681	-5,235	-5,263
	-111,273	-80,838	-90,096	-82,133	-90,498
Net additions / withdrawals(-) from dealings with members	-9,828	13,685	4,821	12,517	18,960
Investment Income (net of tax)	22,984	22,677	19,278	21,483	25,761
Investment Expenses	-3,869	-5,400	-6,150	-7,418	-10,735
Change in Market Value of Investments	73,377	-3,539	186,986	84,219	279,733
Net Returns on Investments	92,492	19,138	206,264	105,236	294,759
Change in Fund during the year	82,664	32,823	211,085	117,753	313,719
Net Assets at 31 March	1,523,061	1,555,884	1,766,969	1,884,722	2,198,441

Membership Summary	2010-11	2011-12	2012-13	2013-14	2014-15
Members	18,505	17,779	18,155	18,658	18,871
Employees Pensioners	11,627	12,321	12,856	13,347	14,023
Deferred	14,593	16,040	16,651	17,629	19,097
Total	44,725	46,140	47,662	49,634	51,991

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Investment Report

Market Review

Year to 31 March 2015

The global economic recovery remains on track with the United States economy leading the way with output rising at its fastest rate for three years. In the United Kingdom the economy continued to strengthen with growth forecast to be the strongest of any developed country outside of the United States.

Unemployment rates in both the US and the UK continued to fall, however growth although positive, is still below what would be expected in line with this rise in employment leading to disappointing productivity rates.

The US is widely expected to lead the upturn in the interest rate cycle and the debate now centres on the timing and in particular the pace of the potential rate hikes. The first rate rise was widely expected to be around the middle of 2015, however this now seems premature as consumer spending appears to be weakening despite a considerable boost from the very sharp falls in the oil price, that were a major feature of the final quarter of 2014. The pace of any rate rise will be dependent on key inputs such as the evolution of the consumer price inflation, wage inflation and the apparent tightness of the labour market.

The advent of 'Abenomics' in Japan, an economic strategy based upon fiscal stimulus, monetary easing and structural reforms, has so far failed to deliver the growth in the economy that had been hoped for, although the weakening Yen and significant amounts of quantitative easing have driven Japanese equity market sharply higher. Corporate profits are growing although a significant proportion of this comes from the translation effect of a weak Yen, rather than the much heralded corporate reforms. It remains to be seen if increased profitability from Japan will lead to the hope for higher wages and consumer spending. The sharp falls in the oil price although providing a boost to real incomes has exacerbated the problem of deflation, which was one of the structural issues 'Abenomics' sought to fix.

In the final quarter of the financial year, the ECB announced a full Quantitative easing programme aiming to buy €60bn of assets per month until at least September 2016. The stated aim is to revive growth and inflation expectations. Initial reactions were for a fall in the euro, further falls in bond yields and a boost for European equity markets. There does appear to be signs that the European economy may be turning a corner after years of sluggish growth. Economic figures released just prior to the end of the financial year beat expectations with retail sales, industrial production and purchasing managers surveys all heading upwards.

Despite better economic news and significant central bank intervention Europe is not without issues. Inflation remains stubbornly low, this has led to the unprecedented situation of as much as € two trillion in outstanding sovereign debt now trading on negative yields. There remains much debate about how negative bond yields will influence decisions in the real economy, and if this situation were to persist there would be significant issues for the European pensions industry.

The possibility of a Greek exit from the Eurozone came sharply into focus following the election of the left wing anti austerity party Syriza in January. It remains to be seen whether the situation in Greece will provide a catalyst for further contagion concerns in the periphery of Europe as seen immediately post the financial crisis, or whether the progress made in many of these Europe economies will prevent this from reoccurring.

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After a difficult period where the ending of the US quantitative easing programme triggered capital withdrawals, which in turn exposed economic imbalances and budget deficits and currency volatility, emerging markets experienced a better year. China continues to manage an economic rebalance away from investment to domestic consumption while simultaneously dealing with slowing growth and managing the gradual deflation of a property bubble. Fears of a Chinese hard landing have receded and recent reforms to the rules allowing domestic investment into the Hong Kong market have generated sharp rises in the Hang Seng Index.

Emerging markets are not without continuing issues, lower oil and commodity prices have been detrimental to revenues in countries such as Russia and Brazil, with Russia in particular seeing a sharp depreciation in the value of the Rouble. Even with forecast growth rates continuing to fall, the IMF still expects 70% of all global growth to come from emerging markets in 2015.

The UK economy continued to grow only the US delivering stronger growth. Estimates show that the economy grew by around 3% over 2014. Job creation continued at a very healthy pace leading the Bank of England to abandon its 7% unemployment threshold for considering interest rate rises. Inflation remains below the 2% target and following the fall sharp fall in the oil price, inflation came close to zero.

With wage growth finally beginning to be seen, real incomes are rising for the first time since the crisis, which should underpin consumer spending and confidence. Towards the end of the financial year markets were becoming more concerned about the possibility of a hung parliament and the possibility of prolonged political uncertainty. Other issues remain for the economy, including the extent to which the UK's largest trading partner, Europe, continues to recover and whether the recent strength of the pound against the euro will act as a constraint on UK exporters benefiting from any European recovery.

Market Returns

Financial market returns for 2014/15 were stronger than the previous year although remaining diverse in nature. Once again developed markets provided better returns than emerging markets, although both enjoyed a strong year. UK equities provided a positive return of 6.6%, which was the lowest return amongst the major equity markets.

During the year sterling fell 11% against the dollar, but strengthened 14% against the euro. For the sterling based investor, US equities delivered an extremely impressive 25.1% return. Despite the Japanese yen falling slightly against sterling, Japanese equities still returned 27.1% in sterling terms driven sharply higher by continued government and central bank policies designed to stimulate the Japanese economy. European equities also enjoyed a strong year and responded later in the period to the ECB announcements on quantitative easing. However the weakening of the euro, which went hand in hand with the announcement, diluted returns for the sterling based investor, with a local currency return of 19.6% reduced to 7.7%.

Bond markets also enjoyed a strong year as comforting noises from the US Federal reserve and Bank of England appeared to push the inevitable interest rate rises in both countries further into the future. Inflation also remains extremely benign on a global basis. The sharp fall in the oil price particularly towards the end of 2014 added to the deflationary pressures. Global bonds rose 7.6% in sterling terms however UK bond markets were even stronger. Despite a volatile year the UK Index linked market returned 18.5% with traditional government bonds up 13.9%.

The property market has continued its strong recovery from the financial crisis. Rental growth returned to the market as investor demand spread beyond central London offices. The IPD property index returned 17.8% over the year.

Pension Fund Accounts

Economic and Market Outlook

As the financial year ended, a number of global equity markets reached record highs. The ECB and Japanese central bank have taken up the quantitative easing baton from the federal reserve and both of these respective markets have started to perform. Record equity market highs have not seen strong underlying earnings growth and as a consequence a number of markets are looking fully valued. As a consequence of the central banks activity, bond markets continue to rise and are trading on historically low and in some cases negative yields.

The outlook for asset returns looks fragile and as the fund moves into the final year of the three year actuarial cycle the committee will need to pay particular attention to the likely effects of any US interest rate rise and monitoring the success or otherwise, of the central bank intervention in Japan and Europe with possible volatility emanating from the Greek bailout restructuring talks and issues surrounding Russia and Ukraine. With the prospects of a hung parliament or even another election to deal with now eliminated, some of the risks to stability in the UK economy have receded. However, it remains to be seen whether the economic momentum established over the recent past can be maintained and the timing of any future interest rate rises will increasingly become the focus of attention for investors.

Investment Powers

The principal restrictions on the powers to invest local authority Pension Fund assets are contained within Schedule 1 of the Local Government Pension Scheme (Investment and Management of Funds) Regulations 2009 (S.I. 2009/3093).

The regulations provide for the following limits on investments as set out in column 1, with the proviso that Pension Funds can approve higher limits up to the limits set out in column 2, subject to a specific resolution being approved following consideration of proper advice.

Category of investment	Col. 1	Col. 2
1. Any single sub-underwriting contract	1%	5%
2. All contributions to any single partnership.	2%	5%
3. All contributions to partnerships.	5%	15%
4. The sum of:- (a) all loans (but not including loans to the UK Government); and (b) any deposits with:- (i) any local authority; or (ii) any body with power to issue a precept or requisition to a local authority, or to the expenses of which a local authority can be required to contribute, which is an exempt person (within the meaning of the 2000 Act) in respect of accepting deposits as a result of an order made under section 38(1) of that Act.	10%	—

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Category of investment	Col. 1	Col. 2
5. All investments in unlisted securities of companies.	10%	15%
6. Any single holding (with the exception of gilts and bank deposits with an institution authorised under the Financial Services and Markets Act 2000).	10%	—
7. All deposits with any single bank, institution or person (other than the National Savings Bank).	10%	—
8. All sub-underwriting contracts.	15%	—
9. All investments in units or shares of the investments subject to the trusts of unit trust scheme managed by any one body (but not including any securities guaranteed by the UK Government).	25%	35%
10. All investments in open-ended investment companies where the collective investment schemes constituted by the companies are managed by one body.	25%	35%
11. All investments in unit or other shares of the investments subject to the trusts of unit trust schemes and all investments in open-ended investment companies where the unit trust schemes and the collective investment schemes constituted by those companies are managed by any one body (but not including any investments guaranteed by the UK Government).	25%	35%
12. Any single insurance contract.	25%	35%
13. All securities transferred (or agreed to be transferred) by the authority under stock lending arrangements.	25%	35%

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

- All contributions to any single partnership 5%
- All contributions to partnerships 12%
- Any single insurance contract* 35%

*The single insurance contract limit has reverted to 25% from April 2015.

Pension Fund Accounts

The Pension Fund's investments in the pooled funds managed by Legal and General Investment Management amounted to 49% of the Fund at March 2015. These investments are structured in the form of two separate insurance contracts which ensures that the Pension Fund complies with the regulatory limit on any single insurance contract. The Suffolk Pension Fund complied with all the regulatory limits on its investments during 2014-15.

The Pension Fund has separate banking arrangements from those of the County Council. No loans are made from the Suffolk Pension Fund to Suffolk County Council.

Statement of Investment Principles

The Pension Fund Committee has approved a customised asset allocation for the Pension Fund, based on a review of investment strategy that it carried out with the assistance of its investment advisors, Hymans Robertson. This asset allocation is incorporated into a formal policy statement for the Fund, the statement of investment principles. The statement is published on the Pension Fund website (www.suffolkpensionfund.org). The statement of investment principles is reviewed on a regular basis, most recently in June 2015.

The Fund's investments are allocated across a range of asset classes. The largest allocation is to equities which also accounts for the majority of the investment risk taken by the Fund. The asset allocation of the Fund was reviewed in November and the Committee agreed to some minor changes to the overall strategy to increase the return of the Fund by 0.5% per annum whilst maintaining the current level of risk.

The changes agreed by Committee are as follows:

- Termination of the Alliance Bernstein mandate
- Corporate bonds to be managed on an active basis
- Passive index linked gilts reduced to 4% of the Fund
- A 6% allocation to passive UK equities from active management
- A 8% allocation to the RAFI index
- Reinstatement of the Private Equity programme to 4% of the Fund.
- Passively managed overseas equities are managed on an equally weighted approach.

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The strategic benchmark and the actual asset allocation of the Fund at March 2015 are shown below. The changes to the equity holdings were implemented during the last quarter of the financial year and active bonds in the first quarter of 2015/16. The private equity mandate will be funded over a number of years.

Asset Allocation		
	Actual Allocation March 2015	Long-term Allocation
	%	%
UK Equities	17.3	16.0
Overseas equities	34.6	29.0
Total equities	51.9	45.0
UK Government Bonds	2.0	-
UK Corporate Bonds	12.0	15.5
UK Index-linked Gilts	4.2	4.0
Emerging market debt	1.9	2.0
Total Bonds	20.1	21.5
Private equity	3.1	4.0
Property	9.8	10.0
Absolute return	9.6	10.0
Distressed Debt	1.7	2.0
Infrastructure	2.1	5.0
Timber	0.3	2.0
Total Alternatives	26.6	33.0
Cash	1.4	0.5
Total	100.0	100.0

Asset Allocation

At March 2015 the Fund had 52% of its assets in equities, 20% in bonds, 10% in property, 10% in absolute return mandates and 7% in other alternative investments with a small balance in cash.

Pension Fund Accounts

Investment Management Arrangements

The Fund's investment management arrangements at March 2015 are shown below.

Fund Manager Allocation			
Investment Manager	Asset class	Actual allocation March 2015	Long-term allocation
		%	%
BlackRock	UK equities	9.1	9.0
BlackRock	Bonds	0.0	6.5
BlueCrest	Absolute return	1.8	2.0
Brookfield	Timber	0.3	2.0
Kohlberg, Kravis, Roberts (KKR)	Infrastructure	1.7	2.5
Legal & General	Equities and bonds	48.6	29.0
M&G Investments	Debt opportunities	1.8	2.0
M&G Investments	Bonds	0.0	9.0
Newton	Global equities	14.9	13.0
Pantheon	Private equity	1.4	2.0
Partners Group	Infrastructure	0.5	2.5
Pyrford	Absolute return	5.8	6.0
Schroder	Property	10.3	10.0
Wilshire	Private equity	1.7	2.0
Winton	Absolute Return	2.0	2.0
Internal Cash	Cash	0.1	0.5
Total		100.0	100.0

Notes

- Brookfield, KKR, Partners and the debt opportunity part of the M&G mandate remain 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. The funding for these investments will be realised from the Legal & General mandate.
- Blackrock and M&G have been awarded the active bond mandates which will be funded from the Legal & General holding.
- The private equity mandates, Wilshire and Pantheon have reached maturity and are in the process of realising the underlying investments and returning cash to the Pension Fund. In June 2015 the Committee made a decision to continue investing in private equity with a new commitment with Pantheon.

Pension Fund Accounts

Investment Income

The following table shows the sources of Investment Income earned by the Fund in 2014-15:

Investment Income	UK	Non-UK	Global
	£'m	£'m	£'m
Equities	6.078	-	10.411
Alternatives	8.362	0.277	1.121
Cash & Cash Equivalent	0.120	-	0.007
Other	-	-	0.057
Total Income	14.560	0.277	11.596

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

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

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

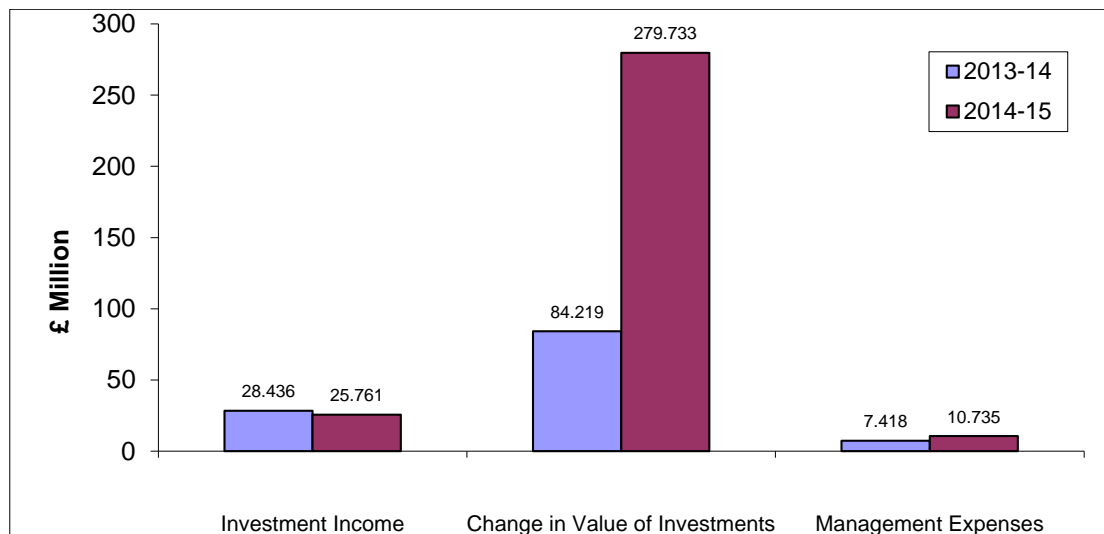
The assets used to generate this income can be analysed as follows:

Asset Classification	UK	Non-UK	Global
	£'m	£'m	£'m
Equities	380.675	218.848	551.534
Bonds	134.698	303.167	-
Alternatives	212.702	76.247	296.582
Cash & Cash Equivalent	18.119	-	-
Total Assets	746.194	598.262	848.116

Pension Fund Accounts

Investment Performance

The chart below shows the comparative investment returns between 2013-14 and 2014-15. The change in the value of the Fund's investments includes realised and unrealised gains and losses during the year.

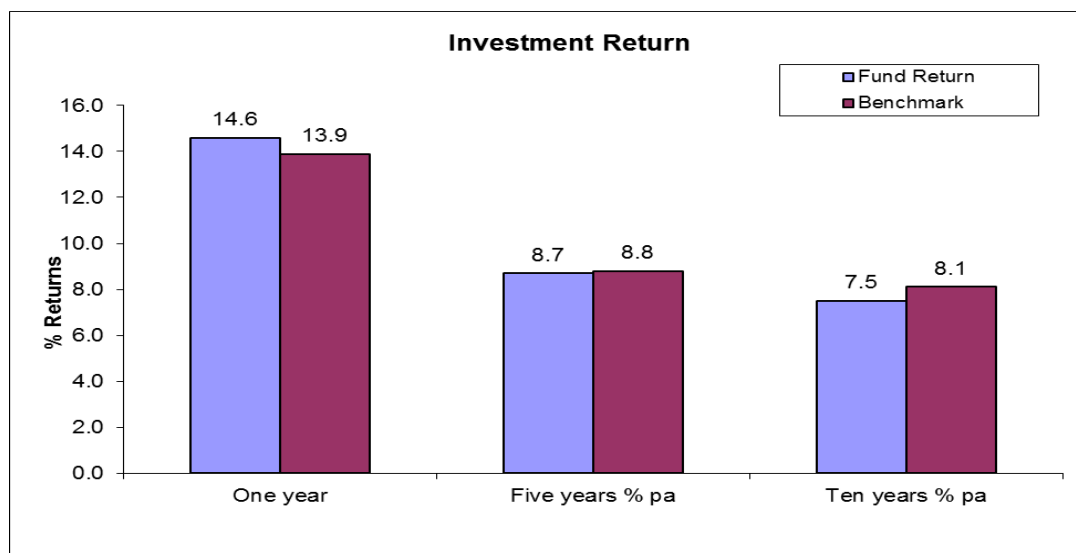


The Fund's assets increased from £1,885 million to £2,198 million during 2014-15, representing an investment return of 14.6%. The Fund's benchmark is based on the weighted average of the market index returns for the markets in which it invests. The Fund outperformed the benchmark by 0.7%.

The Fund just underperformed compared with its benchmark over the longer term, by 0.1% per year for the five year benchmark and by 0.6% per year for the ten year benchmark, which is a similar position to the previous year.

The Fund's investment return compared with its benchmark index over one, five and ten years is shown below:

Fund Investment returns



Pension Fund Accounts

Long-term Investment Performance

The Fund's investment return in each of the last ten years is shown below. The Fund's investment returns are shown compared with the Fund's own benchmark and also compared with the average local authority Pension Fund (as collated by the WM Company's performance measurement service). In addition the Fund's returns are compared with the movement in retail prices over this period.

Long-term performance (year ended 31 March)										
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	%	%	%	%	%	%	%	%	%	%
Fund return	26.2	8.3	-2.6	-22.2	32.9	7.2	1.7	13.1	5.6	14.6
Fund benchmark	26.4	7.7	-3.6	-21.3	37.6	8.5	3.8	12.1	6.3	13.9
Relative return	-0.2	0.5	1.0	-1.2	-3.4	-1.2	-2.0	+0.9	-0.7	+0.7
WM average	24.9	7.0	-2.8	-19.9	35.2	8.2	2.6	13.8	6.4	13.2
WM ranking (percentile)	26 th	13 th	37 th	72 nd	70 th	74 th	80 th	71 st	69 th	27 th
Retail prices	2.4	4.8	3.8	-0.4	4.4	5.3	3.6	3.3	2.5	0.9

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

Long-term performance (annualised)				
	1 Year	3 Year	5 Year	10 Year
	%	p.a. %	p.a. %	p.a. %
Fund return	14.6	11.2	8.7	7.5
Fund benchmark	13.9	10.7	8.8	7.8
Relative return	+0.7	+0.5	-0.1	-0.3
WM local authority average	13.2	11.0	8.7	7.9
WM local authority ranking (percentile)	27 th	44 th	51 th	62 nd
Retail prices	0.9	2.2	3.1	2.8

Pension Fund Accounts

The Fund's investment return has improved significantly in the past year as the changes to the investment mandate agreed in 2012 have been realised. Over one year the Suffolk Fund's investment return was in the top third of local authority funds (27th percentile ranking), the Fund is however in the bottom half of local authority returns over five and ten years.

However over each of these periods the Fund's investment return is substantially above the increase of retail prices, which is an important factor in the movement in the Fund's pension liabilities.

Manager Performance

The table 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.

Investment Manager Performance					
Share of Fund 31 Mar 15	Manager	2014-15 Absolute Return	2014-15 Relative Return	3 Year Relative Return	5 Year Relative Return
%		%	%	% p.a.	% p.a.
9.1	BlackRock	9.4	+2.6	+1.4	+0.8
1.8	BlueCrest	7.4	+1.8	-	-
48.6	Legal & General	17.2	-0.1	-0.3	-0.0
1.8	M&G	9.7	+1.6	-	-
14.9	Newton	20.5	+1.8	+2.7	+0.7
5.8	Pyrford	7.0	+1.4	-	-
10.3	Schroders	17.6	+0.8	-0.8	+0.5
2.0	Winton	20.1	+13.8	-	-

Note:

Legal and General manages a passive index-tracking mandate, which is not expected to outperform the benchmark. However the manager's performance may under or outperform from time to time compared with the benchmark index for technical reasons.

The private equity mandate held by Pantheon and Wilshire are not reported separately and so have not been included in the table.

The alternative mandates of KKR, Partners and Brookfield, appointed in 2012-13 do not yet have meaningful figures to report.

Pension Fund Accounts

The majority of the Fund's investment managers outperformed in 2014-15. The managers' performance is assessed by the Pension Fund Committee based on their long-term track record, typically over three or five years. Over three and five years, Newton and Blackrock have achieved a modest level of outperformance.

Pension Fund Accounts

Analysis of Investments at 31 March 2015

Holdings	Pooled Investment Vehicles Market Value	Segregated Holdings Market Value	Total Market Value	% of Market
	£'000	£'000	£'000	%
Bonds				
Fixed Interest UK Securities - Gilts	43,345		43,345	2.0
Index Linked Gilts	91,353		91,353	4.1
Overseas Fixed Interest Securities	40,749		40,749	1.9
Corporate Bonds	262,418		262,418	12.0
Total Bonds	437,865		437,865	20.0
UK Equities				
Basic Materials		10,496	10,496	0.5
Consumer Goods		26,337	26,337	1.2
Consumer Services		34,313	34,313	1.6
Financials		55,490	55,490	2.5
Health Care		21,318	21,318	1.0
Industrials		27,696	27,696	1.3
Oil and Gas		21,322	21,322	1.0
Technology		909	909	0.0
Telecommunications		10,443	10,443	0.5
Utilities		3,048	3,048	0.1
Pooled	157,076		157,076	7.1
Total UK Equities	157,076	211,372	368,448	16.8
Overseas Equities				
Europe	83,116	83,633	166,749	7.6
North America	81,556	156,443	237,999	10.9
Japan	25,524	36,892	62,416	2.8
Other Asia	25,753	7,170	32,923	1.5
Other International		7,150	7,150	0.3
RAFI	251,316		251,316	11.5
Total Overseas Equities	467,265	291,288	758,553	34.6
Absolute Return	210,322		210,322	9.6
Private Equity	69,093		69,093	3.2
Infrastructure	47,520		47,520	2.2
Money Market Investments	12,158		12,158	0.6
Unit Trusts	24,056		24,056	1.1
Debt Opportunity	38,740		38,740	1.8
Timberlands	7,154		7,154	0.3
Cash held by Investment Manager		3,716	3,716	0.2
Foreign Exchange	2,245		2,245	0.1
Property Unit Trusts	212,702		212,702	9.7
Total	1,686,195	506,376	2,192,572	100.0

Pension Fund Accounts

ACTUARIAL STATEMENT FOR 2014-15

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013, and Chapter 6 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the UK 2014-15. 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), dated February 2014. In summary, the key funding principles are as follows:

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

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised below the theoretical rate required to return their portion of the Fund to full funding over 20 years if the valuation assumptions are borne out. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is still around a 75% chance that the Fund will return to full funding over 20 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 was as at 31 March 2013. This valuation revealed that the Fund's assets, which at 31 March 2013 were valued at £1,767 million, were sufficient to meet 79% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2013 valuation was £468 million.

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

Principal Actuarial Assumptions and Method used to value the liabilities

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

Method

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

Pension Fund Accounts

Assumptions

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

The key financial assumptions adopted for the 2013 valuation were as follows:

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

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2010 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

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

*Currently aged 45

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

Experience over the period since April 2013

Experience has been mixed over the two years to 31 March 2015 (excluding the effect of any membership movements). Real bond yields have fallen dramatically and the effect of this has been offset by the effect of strong asset returns, meaning that funding levels are likely to have increased marginally over this period.

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



Stuart Reilly FFA

Fellow of the Institute and Faculty of Actuaries

Pension Fund Accounts

Fund Account

2013 - 2014 £ million	Fund Account	Notes	2014 - 2015 £ million
	Dealings with members, employers and others directly involved in the scheme		
	Contributions and benefits		
	Contributions receivable:		
	From employers		
62.593	Normal	9	70.095
7.068	Deficit funding	9	8.525
2.334	Other	9	5.471
	From members		
18.800	Normal	9	19.806
	Transfers In		
3.845	Individual transfers in from other schemes		5.561
0.010	Other Income		0.000
	Benefits payable:		
-63.099	Pensions	9	-67.192
-12.334	Commutations of pensions and lump sum retirement benefits	9	-16.155
-1.465	Lump sum death benefits	9	-1.888
	Payments to and on account of leavers:		
-0.018	Refunds of Contributions		-0.032
-3.523	Individual transfers out to other schemes		-3.913
-1.694	Administration expenses borne by the scheme	10	-1.318
12.517	Net additions (withdrawals) from dealings with members		18.960
	Returns on investments		
	Investment income		
17.381	Dividends from equities		16.489
7.096	Income from pooled investment vehicles - Property		8.362
4.036	Income from Other Managed Funds		1.450
0.043	Income from Unit Trusts		0.007
0.105	Interest on Cash Deposits		0.090
0.055	Other		0.035
-0.280	Taxes on Income		-0.672
79.721	Change in market value of investments ^{(1) (2)}		278.118
4.498	Impairment of Investments ⁽²⁾		1.615
-7.418	Investment management expenses borne by the scheme ⁽¹⁾	11	-10.735
105.236	Net returns on investments		294.759
117.753	Net increase, or (decrease), in the fund during the year		313.719
1,766.969	Opening net assets of the scheme		1,884.722
1,884.722	Closing net assets of the scheme		2,198.441

Notes:

(1) 2013 - 2014 figures have been restated to include broker commission costs.

(2) Receipt of MF Global, impairment of investment written off in 2011 - 2012.

Pension Fund Accounts

Net Asset Statement

31 March 2014 £ million		Notes	31 March 2015 £ million
	Net asset statement		
	Investment assets		
	Equities:		
324.264	UK companies	13,14,15	211.372
249.804	Overseas companies		291.288
	Pooled Investment Vehicles		
12.418	Unit trusts	13,14,15	24.056
765.834	Unit linked insurance policies	13,14,15	1,062.206
186.982	Property unit trust	13,14,15	212.702
327.043	Other Managed Funds	13,14,15	384.987
	Other Investment Balance		
4.022	Cash [held by the investment managers]	14	3.716
0.000	Forward Foreign Exchange Contracts	14	2.245
1,870.367	Total investments		2,192.572
	Current assets		
8.265	Debtors	22	10.524
9.437	Cash Deposits	18a	3.114
0.041	Cash at Bank	18a	0.036
17.743			13.674
	Current liabilities		
-3.388	Creditors	23	-7.805
-3.388			-7.805
<u>14.355</u>	Net current assets		<u>5.869</u>
<u>1,884.722</u>	Net assets		<u>2,198.441</u>

Pension Fund Accounts

1. Description of the Fund

The Suffolk Pension Fund is administered by Suffolk County Council and is governed by the Superannuation Act 1972, Public Service Pensions Act 2013, Local Government Pensions Scheme (LGPS) Regulations 2013 (as amended) and the LGPS (Management and Investment of Funds) Regulations 2009 (as amended). The Fund provides retirement benefits for employees who are members of the Local Government Pension Scheme (LGPS).

Organisations participating in the Suffolk 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 143 employer organisations with active members within the Scheme. Teachers, Firefighters and NHS staff have their own pension schemes and are not included in this Fund.

The Fund has the following number of members and pensioners:

31 March 2014		31 March 2015
	Number of Employees in the Scheme	
9,537	County Council	9,714
9,121	Other Employers	9,157
18,658	Total	18,871
	Number of Pensioners	
7,589	County Council	7,866
5,758	Other Employers	6,157
13,347	Total	14,023
	Number of Deferred Pensioners	
11,668	County Council	12,229
5,961	Other Employers	6,868
17,629	Total	19,097

Funding

Benefits are funded by contributions and investment returns. Employers contributions were set based on the triennial actuarial funding valuation in March 2013. Employees contributions are paid in line with the LGPS Regulations 2013.

Benefits

Prior to 1 April 2014 pension benefits were 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 per annum.

Pension Fund Accounts

2. Events after the Balance Sheet Date

There has been no event between 31 March 2015 and the date when these accounts were authorised that requires any adjustments to these accounts.

On 23 March 2015 the Pension Fund Committee made a decision to disinvest the Legal & General Corporate Bond and 15 year Gilt holdings and to transfer the value of those investments to the M&G Alpha Opportunities Fund (£175 million) and the BlackRock Fixed Income Global Opportunities Fund (£125 million). This will be completed by the end of June 2015. This event does not require an adjustment to the accounts but is included to enable the reader to understand the Pension Fund accounts.

3. Significant Changes to the Fund

In March 2014, using the National LGPS Framework for Global Custody Services, HSBC Holdings Plc was appointed as custodian to the Pension Fund commencing from 1 October 2014.

On 27 November 2014 the Pension Fund Committee made a decision to disinvest the Alliance Bernstein equity mandate, the stock (£161 million) and cash (£0.862 million) was transferred to the Legal & General mandate. This was completed on 23 January 2015.

On 27 November 2014 the Pension Fund Committee made a decision to change the Legal & General mandate to include a passive investment in UK Equities and the RAFI index, this was funded through the transfer of the Alliance Bernstein assets and a reduction in the L&G passive Overseas equities holdings and was completed on 2 March 2015.

4. Basis of Preparation of Pension Fund Accounts

The Statement of Accounts summarises the Fund's transactions for the 2014 - 2015 financial year and its position as at 31 March 2015.

These accounts have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in United Kingdom 2014 - 2015', which is based upon International Financial Reporting Standards (IFRS). The Code also incorporates elements of the 2015 Statement of Recommended Practice (SORP) 'Financial Reports of Pension Schemes'.

The accounts do not take into account obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS 26) basis, is disclosed in Note 21 of these accounts.

5. Summary of Significant Accounting Policies

Expenditure and income are accounted for on an accruals basis with the exception of transfers into and out of the Fund which are accounted for on a cash basis. Acquisition costs of investments are included in the purchase price.

Pension Fund Accounts

5.1 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 reduction augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classified as a current financial asset.

Transfers to and from Other Schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations.

Individual transfers in/out of the scheme are accounted for when they have been received/paid, which is when the member's liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included within transfers in.

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

Investment Income

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

Dividend Income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Asset Statement as a current financial asset.

Distributions from Pooled funds

Distributions from Pooled Funds are recognised at the date of issue and any amount not received by the end of the reporting period is disclosed in the Net Asset Statement as a current financial asset.

Income from Fixed Interest, Index Linked Securities, Cash and Other Investments

This income is accounted for on an accruals basis.

Movement in the Market Value of Investments

Movement in the net market value of investments is recognised as a realised or unrealised, gain or loss, during the year.

Pension Fund Accounts

5.2 Fund Account - Expenditure

Benefits Payable

Pensions and lump sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Asset Statement as current liabilities.

Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and is exempt from UK income tax on interest received and capital gains tax on proceeds of investments sold.

Income from overseas investments is subject to withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense.

Administration Expenses

Administration expenses are accounted for on an accruals basis. Suffolk County Council staff costs are charged to the Pension Fund based on time spent.

Investment Expenses

All investment expenses are accounted for on an accrual basis. Investment management fees and performance fees are agreed in the respective mandates governing their appointment. 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.

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

5.3 Net Asset Statement

Financial Assets

Financial assets are included in the Net Asset Statement on a fair value basis as at 31 March. A financial asset is recognised on the date the Fund becomes party to the contractual acquisition of the asset. Any gains or losses arising from changes in the fair value from this date are recognised by the Fund.

The value of investments has been determined as below:

Market Quoted Investments

Managed Funds are valued by the bid market price on 31 March 2015.

Unquoted Investments

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

Investments in Unquoted Property and Infrastructure Pooled Funds are valued at the net asset value or a single price advised by the fund manager.

Pension Fund Accounts

Investments in Private Equity and Unquoted Limited Partnerships are valued based on the Fund's share of the net asset using the latest financial statements published by the respective fund manager in accordance with guidelines set out by the British Venture Capital Association, and adjusted for capital calls and distributions received from that date to 31 March 2015.

Quoted Pooled Investment Vehicles

Pooled Investment Vehicles are valued at the closing bid price or at the closing single price, as available. The change in market value of accumulation funds includes income which is reinvested in the Fund net of applicable withholding tax.

Foreign Currency Transactions

Investments held in foreign currencies have been valued on the relevant basis and translated into sterling at the rate as at 31 March 2015.

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.

Cash and Cash Equivalents

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment purposes. Bank balances and cash held by the Pension Fund at 31 March are therefore clearly cash equivalent sums. For short term investments there are no strict criteria to follow relating to the nature and maturity of these items.

The Pension Fund holds short term investments in Money Market Funds for the purpose of obtaining a gain or return and its policy is that fixed term deposits of any length should be classified as an investment and not a cash equivalent on the Net Asset Statement.

Events after the Balance Sheet date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Pension Fund Accounts are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Pension Fund Accounts are adjusted to reflect such events.
- those that are indicative of conditions that arose after the reporting period – the Pension Fund Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Pension Fund Accounts.

Pension Fund Accounts

Impairments

Assets are assessed at each year end to determine whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and where this is less than the carrying amount of the asset, an impairment loss is recognised in the Fund Account.

Financial Liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the Net Asset Statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

Contingent Liabilities and Contractual Commitments

A contingent liability arises where an event has taken place that gives the Pension Fund a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Pension Fund.

Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that a payment will be required or the amount of the obligation cannot be measured with reliability.

Contingent liabilities are not recognised in the financial statements, but are disclosed as a note to the accounts, unless the possibility of a payment is remote. See Note 27.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Pension Fund a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Pension Fund.

Contingent assets are not recognised in the financial statements, but are disclosed as a note to the accounts, unless the possibility of a receipt is remote.

Additional Voluntary Contributions

The Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. AVC's are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVC's are not included in the accounts in accordance with Section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (Note 24).

Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial codes.

As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Asset Statement (Note 21).

Pension Fund Accounts

6. Accounting Standards Issued, Not Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2014 – 2015 has introduced some changes in accounting policy which will be required from 1 April 2015. The changes to IFRS 13 Fair Value Measurement will not have a material impact on the financial statements of the Pension Fund.

7. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 5, the Pension Fund has to make certain judgements about complex transactions or those involving uncertainty about future events.

The main critical judgements that the Pension Fund has to take into account are:

Unquoted Private Equity Investments

It is important to recognise the highly subjective nature of determining the fair value of Private Equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted Private Equities are valued by the investment managers using guidelines set out by the British Venture Capital Association. The value of unquoted Private Equities held in Pantheon and Wilshire at 31 March 2015 was £68.982 million (£67.253 million at 31 March 2014).

Infrastructure, Debt Opportunity and Timberlands

In addition to Private Equity, the Pension Fund also has holdings in Unquoted Infrastructure of £47.520 million (£32.042 million at 31 March 2014) and Debt Opportunity of £38.740 million (£28.637 million at 31 March 2014). The Timberlands holding is £7.154 million, (£6.091 million at 31 March 2014). These holding are valued by the investment manager using a probable realisation value and are based on judgement and a high degree of estimation.

Pension Fund Actuarial Liability

The Pension Fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 20 Funding Position. This estimate is subject to significant variances based on changes to the underlying assumptions.

8. Assumptions made about the Future and other Sources of Estimation Uncertainty

The Pension Fund Accounts contain estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that actual outcomes could differ from those estimates.

The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are as overleaf:

Pension Fund Accounts

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, is engaged to provide the Fund with expert advice about the assumptions to be applied.

Private Equity

Private Equity investments are valued at fair value in accordance with 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 total Private Equity investments in the financial statements are £69.903 million at 31 March 2015. There is a risk that these investments may be under or overstated in the accounts.

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 and KKR at 31 March 2015 are £12.087 million and £35.433 million respectively. There is a risk that these investments may be under or overstated in the accounts.

Debt Opportunity

The Debt Opportunity investment is valued by using probable realisation valuation by either a Director of the investment or a third party consultant. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.

The Debt Opportunity investment held with M&G at 31 March 2015 is £38.740 million. There is a risk that this investment may be under or overstated in the accounts.

Timberlands

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

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

The Timberlands investment at 31 March 2015 is £7.154 million. There is a risk that this investment may be under or overstated in the accounts.

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9. Contributions Received and Benefits Paid during the Year

2013 - 2014				2014 - 2015		
Employers' Contributions £ million	Employees' Contributions £ million	Benefits Paid £ million		Employers' Contributions £ million	Employees' Contributions £ million	Benefits Paid £ million
32.465	9.046	-36.712	Suffolk County Council	38.797	9.332	-41.108
32.948	8.030	-36.913	Other Scheduled and Resolution Bodies	37.713	8.793	-39.456
6.582	1.724	-3.273	Admitted Bodies	7.581	1.681	-4.671
71.995	18.800	-76.898	Total	84.091	19.806	-85.235

Included within employer contributions of £84.091 million shown in the Fund account, is an amount for deficit funding of £9.870 million paid within the employers percentage (£11.897 million in 2013 - 2014). The deficit funding identified separately on the Fund account of £8.525 million (£7.068 million in 2013 - 2014) refers to those employers funding their deficit by means of lump sum payments.

Employer contributions are made up of two elements:

- the estimated cost of future benefits being accrued, the 'future service rate'; plus
- an adjustment for the funding position of accrued benefits relative to the Fund's solvency target, the 'past service adjustment'.

If there is a surplus there may be a contribution reduction or if there is a deficit there may be a contribution addition, with the surplus or deficit spread over an appropriate period.

The Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the next three year period. 2014 - 2015 was the first year in the three year period following the 31 March 2013 valuation for the contribution rates set by the actuary to reflect a and b above.

A list of employers and their contribution rates as at 31 March 2013 is in the Funding Strategy Statement available on the Suffolk Pension Fund website at www.suffolkpensionfund.org.

10. Administration Expenses

2013 - 2014 £ million		2014 - 2015 £ million
1.258	Suffolk County Council Administration Costs	0.937
0.159	Actuarial Fees	0.088
0.019	External Audit Fees	0.022
0.003	Internal Audit Fees	0.003
-	External Legal Fees	0.004
0.001	Internal Legal Fees	0.005
0.254	Other	0.259
1.694		1.318

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Suffolk County Council Administration Costs have reduced by £0.321 million from 2013 - 2014. Most of the decrease can be attributed to the elimination of charges that were made as part of the CSD contractual arrangements which came to an end in May 2014.

11. Investment Management Expenses

2013 - 2014 £ million	2014 - 2015 £ million
7.220 Investment Management Expenses	10.501
0.053 Custodian Fees	0.051
0.086 Investment Advice	0.122
0.059 Performance Management Fees	0.061
<u>7.418</u>	<u>10.735</u>

Investment management expenses include the management fees and performance fees charged directly to the Pension Fund and indirect management fees and performance fees charged against the Net Asset Value in pooled fund investments. The amount of indirect management fees included in 2014 - 2015 Investment Management Expenses is £6.558 million, (£4.106 million in 2013 - 2014).

Performance Fees of £3.531 million are within Investment Management Expenses (£1.020 million 2013 - 2014).

In addition, transaction costs incurred during the year of £0.474 million (£0.466 million 2013 - 2014) have been included. These are the broker commission costs incurred through the purchase and sales of assets. The 2013 - 2014 management expenses have been restated to include these costs.

Investment management expenses are levied on the value of the investment and the £3.281 million increase on the previous year reflects the increase in the value of the Fund and performance fees incurred through improved Fund performance.

12. Management Expenses

Administration Expenses (Note 10) and Investment Management Expenses (Note 11) can be further categorised into Management Expenses, Administration Expenses and Oversight and Governance Costs in accordance with the CIPFA guidance to Accounting for Local Government Pension Scheme Management Costs.

2013 - 2014 £ million	2014 - 2015 £ million
7.273 Management Expenses	10.553
0.921 Administration Expenses	1.000
0.918 Oversight and Governance Costs	0.500
<u>9.112</u>	<u>12.053</u>

Management Expenses includes 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 broker commission transaction costs.

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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, voting services, costs associated with the production of statutory and non statutory reporting, legal services, actuarial services, audit services and accountancy services.

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

31 March 2014			31 March 2015	
Market Value	Percentage of Assets		Market Value	Percentage of Assets
£ million	%		£ million	%
152.991	8.20%	AllianceBernstein Institutional Investments	-	0.00%
178.890	9.59%	BlackRock Investment Management	198.357	9.07%
33.514	1.80%	Bluecrest	39.084	1.79%
6.091	0.33%	Brookfield	8.096	0.37%
0.106	0.01%	Cambridge Research & Innovation Limited	0.111	0.01%
25.889	1.39%	Kohlberg Kravis Roberts	36.774	1.68%
765.834	41.03%	Legal and General Investment Management	1,062.206	48.58%
28.637	1.53%	M&G Investments	38.740	1.77%
269.069	14.41%	Newton Investment Management	326.350	14.92%
30.859	1.65%	Pantheon Ventures	30.802	1.41%
6.153	0.33%	Partners Group	12.116	0.55%
104.166	5.58%	Pyrford	126.610	5.79%
193.215	10.35%	Schroder Property Investment Management	224.549	10.27%
36.394	1.95%	Wilshire Associates	38.188	1.75%
34.537	1.85%	Winton	44.628	2.04%
<u>1,866.345</u>	<u>100.00%</u>		<u>2,186.611</u>	<u>100.00%</u>

The mandate with Alliance Bernstein was terminated on 23 January 2015. The value of the mandate as of that date, £162 million, was transferred to Legal & General.

The Infrastructure mandates with Partners Group and Kohlberg Kravis Roberts, the Debt Opportunity Fund held with M&G Investments and the Timberlands mandate held with Brookfield, continue to be funded with cash as investment opportunities are identified by the investment managers.

Pension Fund Accounts

14. Reconciliation of Movements in Investments and Derivatives

	Opening Market Value 01 April 2013 £ million	Purchases £ million	Sales £ million	Change in Market Value £ million	Closing Market Value 31 March 2014 £ million
Quoted					
UK Companies	297.881	200.645	-187.593	13.331	324.264
Overseas Companies	239.164	75.489	-80.973	16.124	249.804
Derivatives - Forward Foreign Exchange contracts	0.751	190.416	-190.416	-0.751	0.000
Pooled Investment Vehicles:					
Other Managed Funds	209.811	239.212	-254.845	-1.263	192.915
Unit trusts	9.232	0.863	-0.059	2.382	12.418
Unit linked insurance policies	745.060	30.622	-35.622	25.774	765.834
Unquoted					
Pooled Investment Vehicles:					
Other Managed Funds	95.493	49.479	-15.830	4.986	134.128
Property	155.589	24.447	-7.571	14.517	186.982
Total of Investments	1,752.981	811.173	-772.909	75.100	1,866.345
	Opening Market Value 01 April 2013 £ million	Movement in Cash Balance £ million	Impairment of Investments £ million	Change in Market Value £ million	Closing Market Value 31 March 2014 £ million
Other Investment Balances:					
Cash held by investment managers	1.114	-1.640	4.499	0.049	4.022
Net Investments	1.114	-1.640	4.499	0.049	4.022

The change in market value of £75.149 million (£75.100 million plus £0.049 million) is £4.572 million lower than the change in market value on the Fund Account of £79.721 million. The difference is caused by indirect management fees of £4.106 million.

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

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

Pension Fund Accounts

	Opening Market Value 01 April 2014 £ million	Purchases £ million	Sales £ million	Change in Market Value £ million	Closing Market Value 31 March 2015 £ million
Quoted					
UK Companies	324.263	167.766	-294.256	13.599	211.372
Overseas Companies	249.804	94.596	-104.840	51.728	291.288
Derivatives - Forward Foreign Exchange contracts	0.000	149.280	-149.384	2.349	2.245
Pooled Investment Vehicles:					
Other Managed Funds	192.915	188.115	-175.289	16.739	222.480
Unit trusts	12.418	11.843	-0.395	0.190	24.056
Unit linked insurance policies	765.835	465.156	-303.477	134.692	1,062.206
Unquoted					
Pooled Investment Vehicles:					
Other Managed Funds	134.128	26.092	-24.160	26.447	162.507
Property	186.982	29.303	-28.475	24.892	212.702
Total of Investments	1,866.345	1,132.151	-1,080.276	270.636	2,188.856
	Opening Market Value 01 April 2014 £ million	Movement in Cash Balance £ million	Impairment of Investments £ million	Change in Market Value £ million	Closing Market Value 31 March 2015 £ million
Other Investment Balances:					
Cash held by investment managers	4.022	-2.438	1.615	0.517	3.716
Net Investments	4.022	-2.438	1.615	0.517	3.716

The change in market value of £271.153 million (£270.636 million and £0.517 million) is £6.965 million lower than the change in market value on the Fund Account of £278.118 million. The difference is caused by indirect management fees and broker commission costs of £7.032 million less the change of market value of the Foreign exchange holding with Newton, (£0.067 million).

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

Transaction costs, such as commissions, stamp duty and other transaction fees are included in the cost of purchases and sale proceeds. Transaction costs incurred during the year total £0.474 million (£0.466 million in 2013 - 2014).

Pension Fund Accounts

15. Analysis of Investments (excluding Derivatives)

Market Value 31 March 2014 £ million £ million		Market Value 31 March 2015 £ million £ million	
Equities			
	324.264	UK Companies	211.372
	249.804	Overseas Companies	291.288
Pooled Investment Vehicles - Quoted			
	12.418	Unit Trusts	24.056
	765.834	Unit Linked Insurance Policies	1,062.206
Other Managed Funds			
172.217		Absolute Returns	210.322
20.698		Money Market Funds	12.158
<u>192.915</u>		Total Quoted Other managed Funds	<u>222.480</u>
Pooled Investment Vehicles - Unquoted			
Other Managed Funds			
28.637		Debt Opportunity	38.740
32.042		Infrastructure	47.520
67.358		Private Equity	69.093
6.091		Timberlands	7.154
<u>134.128</u>		Total Unquoted Other Managed Funds	<u>162.507</u>
	327.043	Total Other Managed Funds	384.987
	186.982	Property	212.702
	<u>1,866.345</u>	Total	<u>2,186.611</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)

16. Holdings Above 5% of the Fund

The table overleaf is a summary of the individual holdings within the Fund which exceed 5% of the total net assets available to pay benefits as at the balance sheet date.

Pension Fund Accounts

Market Value 31 March 2014 £ million	Percentage of the Fund at 31 March 2014	Asset Type	Manager	Market Value 31 March 2015 £ million	Percentage of the Fund at 31 March 2015
222.728	11.82%	Corporate Bond Index	Legal and General	262.418	11.97%
N/A	N/A	FTSE RAFI AW 3000 Eq Ind	Legal and General	219.949	10.03%
N/A	N/A	UK Equity Index	Legal and General	157.077	7.16%
104.166	5.54%	Pyrford Global Total Return Mutual Fund	Pyrford	126.610	5.77%
127.614	6.79%	European Equity Index Hedged	Legal and General	N/A	N/A
125.589	6.68%	North American Index	Legal and General	N/A	N/A

The table below summarises the individual holdings within the Fund which exceed 5% of any class or type of security at the balance sheet date based on the holdings analysis for 2014 – 2015

Market Value of Asset Class 31 March 2014 £ million	Market Value of Securities 31 March 2014 £ million	Percentage of the Asset Class 31 March 2014 %	Holdings by Asset Type	Market Value of Asset Class 31 March 2015 £ million	Market Value of Securities 31 March 2015 £ million	Percentage of the Asset Class 31 March 2015 %
324.264			UK Equities	211.372		
	N/A	N/A	Prudential		14.312	6.77%
	22.276	6.87%	British American Tobacco		14.061	6.65%
	22.673	6.99%	Royal Dutch Shell PLC		11.401	5.39%
	18.380	5.67%	Vodafone Group PLC		N/A	N/A
	18.185	5.61%	GlaxoSmithKline		N/A	N/A
	17.139	5.29%	HSBC Holdings PLC		N/A	N/A
324.264	98.653	30.42%		211.372	39.774	18.82%
12.418	12.418	100.00%	Pooled Investment - Unit trusts	24.056		
	N/A	N/A	BlackRock Fd Mgrs BIEF UK Smaller Co Fund		12.226	50.83%
	N/A	N/A	Schroder Offshore Cash Fund		11.830	49.17%
12.418	12.418	100.00%		24.056	24.056	100.00%
765.834			Pooled Investment - Unit linked insurance policies	1,062.206		
	222.278	29.02%	L&G Investment Grade Corporate Bond		262.418	24.71%
	N/A	N/A	FTSE RAFI AW 3000 Eq Ind		219.949	20.71%
	N/A	N/A	UK Equity Index		157.077	14.79%
	76.296	9.96%	L&G Over 5 Year Linked Gilts Index		91.353	8.60%
	127.614	16.66%	L&G European Equity Index Hedged		83.116	7.82%
	125.589	16.40%	North America Equity Index GBP Hedged		81.556	7.68%
	54.134	7.07%	L&G Global Emerging Markets Index		N/A	N/A
	47.765	6.24%	L&G Asia Pacific Basin Equity Index Hedged		N/A	N/A
	39.158	5.11%	L&G Emerging Markets Passive Govt Bond		N/A	N/A
765.834	692.834	90.47%		1,062.206	895.469	84.30%
186.982			Property unit trust	212.702		
	21.904	11.71%	BlackRock Asset Management Ltd		24.121	11.34%
	19.847	10.61%	Schroder UK Property Fund		23.483	11.04%
	14.332	7.66%	Legal and General Managed Property		23.221	10.92%
	18.709	10.01%	Standard Life Assurance		21.818	10.26%
	13.366	7.15%	Lothbury Prop Property Fund		17.194	8.08%
	12.931	6.92%	Real Income Fund A Units		17.109	8.04%
	11.860	6.34%	Mayfair Capital Property Units		15.652	7.36%
	12.556	6.72%	Hermes Property Unit Trust		14.369	6.76%
	N/A	N/A	Threadneedle Property Unit Trust		12.376	5.82%
	N/A	N/A	IPIF Feeder Unit Trust		11.764	5.53%
	9.614	5.14%	West End of London Property		N/A	N/A
186.982	135.119	72.26%		212.702	181.107	85.15%
327.043			Other Managed Funds	384.987		
	104.166	31.85%	Pyrford Global Total Return Mutual Fund		126.610	32.89%
	34.537	10.56%	Winton Futures Fund Class D Mutual Fund		44.628	11.59%
	33.514	10.25%	AllBlue Limited		39.084	10.15%
	28.637	8.76%	MG Debt Opportunities		38.740	10.06%
	25.889	7.92%	KKR		38.181	9.92%
	36.394	11.13%	Wilshire		35.432	9.20%
	30.859	9.44%	Pantheon		30.801	8.00%
	17.531	5.36%	SSGA Liquidity money market		N/A	N/A
327.043	311.527	95.26%		384.987	353.476	91.82%
			Securities/Asset types with no holdings over 5%			
	249.804	0.00%	Overseas companies	291.288	0.00%	0.00%
	4.022	0.00%	Cash [held by the investment managers]	3.716	0.00%	0.00%
	0.000	0.00%	Forward Foreign Exchange	2.245	0.00%	0.00%
253.826	0.000	0.00%		297.249	0.000	0.00%
1,870.367	1,250.551	66.86%	Total	2,192.572	1,493.882	68.13%

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

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17. Analysis of Derivatives

31 March 2014		31 March 2015	
Economic		Economic	
Exposure Value		Exposure Value	
£ million	Type of Derivative	Expiration	£ million
0.000	Forward foreign exchange contracts (over the counter)	Less than 1 Year	30.182

Most of the holding in derivatives is to hedge liabilities or hedge exposure to reduce risk in the Pension Fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the Pension Fund and the various investment managers.

The Pension Fund's investment managers are permitted to use derivatives in the management of their mandates, subject to the restrictions set out in the individual manager's investment management agreement. The investment managers will make use of currency hedging for the purpose of reducing exchange rate risk in the investments held in their mandates.

In order to maintain appropriate diversification and to take advantage of overseas investment returns, the fund hedges a proportion of the Euro and Yen exposure within the portfolios managed by Legal and General Investment Management. £108.583 million is invested in currency hedged funds (£154.688 million as at 31 March 2014). The pooled funds are one step removed from direct ownership of the assets.

The Open Forward Currency contracts as at 31 March 2015 are as follows:

Settlement	Currency Bought	Local Value million	Currency Sold	Local Value million	Asset Value £ million	Liability Value £ million
Up to six months	USD	13.761	JPY	1,614.839	0.194	
	JPY	1,614.839	USD	13.631	-	0.106
	USD	14.170	JPY	1,719.629	-	0.125
			Total		0.194	0.231
Net Forward Currency contracts as at 31 March 2015						0.037

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

18a. Financial Instruments – Classification

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenditure, including fair value gains and losses, are recognised. The table overleaf analyses the carrying amounts of financial assets and liabilities by category and Net Asset Statement heading, excluding statutory creditors (prepayments from employers, transfer values, lump sum benefit payments, payroll adjustments) and statutory debtors (employer and employee contributions, VAT, transfer values and capital cost of retirement).

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31 March 2014			31 March 2015		
Designated as Fair Value through Profit & Loss £ million	Loans and Receivables £ million	Financial Liabilities at Amortised Cost £ million	Designated as Fair Value through Profit & Loss £ million	Loans and Receivables £ million	Financial Liabilities at Amortised Cost £ million
Financial Assets					
574.068			502.660		
12.418			24.056		
765.834			1,062.206		
186.982			212.702		
327.043			384.987		
	4.022			3.716	
	4.227			5.584	
	9.478		2.245	3.150	
<u>1,866.345</u>	<u>17.727</u>	<u>0.000</u>	<u>2,188.856</u>	<u>12.450</u>	<u>0.000</u>
Financial Liabilities					
		-1.051			-5.035
<u>0.000</u>	<u>0.000</u>	<u>-1.051</u>	<u>0.000</u>	<u>0.000</u>	<u>-5.035</u>
<u><u>1,866.345</u></u>	<u><u>17.727</u></u>	<u><u>-1.051</u></u>	<u><u>2,188.856</u></u>	<u><u>12.450</u></u>	<u><u>-5.035</u></u>

The debtor figure of £5.584 million above (£4.227 million at 31 March 2014) excludes statutory debtors of £4.940 million (£4.038 million at 31 March 2014).

The creditor figure of £5.035 million above (£1.051 million at 31 March 2014) excludes statutory creditors of £2.770 million (£2.337 million at 31 March 2014).

No financial assets were reclassified during the accounting period.

18b. Net Gains and Losses on Financial Instruments

31 March 2013		31 March 2014	
£ million	Financial Assets	£ million	Financial Assets
75.100	Fair value through profit and loss	270.636	
0.049	Loans and receivables	0.517	
Financial Liabilities			
0.000	Fair value through profit and loss	0.000	
<u><u>75.149</u></u>	Total	<u><u>271.153</u></u>	

18c. Fair Value of Financial Instruments and Liabilities

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

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18d. Valuation of Financial Instruments Carried at Fair Value

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

Level 1

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

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

Level 2

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

Level 3

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

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

The table overleaf provides an analysis of the financial assets and liabilities of the Pension Fund grouped into level 1 to 3, based on the level at which the fair value is observable. Some of the assets from 2013 - 2014 have been reclassified into different levels due to the current custodian HSBC Holdings Plc classifying the assets differently to the previous custodian State Street Global Services.

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Values at 31 March 2014	Quoted Market Price Level 1 £ million	Using Observable Inputs Level 2 £ million	With Significant Unobservable Inputs Level 3 £ million	Total £ million
Financial Assets				
Fair Value through Profit and Loss	1,557.946	183.977	124.422	1,866.345
Loans and Receivables	17.727			17.727
Total Financial Assets	1,575.673	183.977	124.422	1,884.072
Financial Liabilities				
Financial Liabilities at Amortised Cost	-1.051			-1.051
Total Financial Assets	-1.051	0.000	0.000	-1.051
Net Financial Assets	1,574.622	183.977	124.422	1,883.021

Values at 31 March 2015	Quoted Market Price Level 1 £ million	Using Observable Inputs Level 2 £ million	With Significant Unobservable Inputs Level 3 £ million	Total £ million
Financial Assets				
Fair Value through Profit and Loss	1,819.496	214.947	154.413	2,188.856
Loans and Receivables	12.450			12.450
Total Financial Assets	1,831.946	214.947	154.413	2,201.306
Financial Liabilities				
Financial Liabilities at Amortised Cost	-5.035			-5.035
Total Financial Assets	-5.035	0.000	0.000	-5.035
Net Financial Assets	1,826.911	214.947	154.413	2,196.271

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.

Pension Fund Accounts

The key risks that have been identified are:

- A. Credit risk
- B. Liquidity risk
- C. Market risk
- D. Interest Rate Risk
- E. Currency Risk
- F. Price Risk
- G. Custody
- H. Investment Management
- I. Sensitivity of funding position to market conditions and investment performance

A. Credit risk

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

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

The Fund monitors the monthly receipt of contributions from employers. The Funding Strategy Statement requires safeguards to be in place for all new admission agreements to protect the Fund from an employer default, primarily through a guarantee from a tax-backed scheme employer or the provision of a bond for any new employer in the Fund. An analysis of debtor balances at 31 March 2015 is provided in Note 22.

The securities lending programme is undertaken on behalf of the Fund by the custodian HSBC Holdings Plc and is managed through a securities lending agreement. The arrangements to manage risks in the securities lending programme are set out in Note 26.

Forward currency contracts are undertaken by the fund managers within the terms set out in their investment management agreements. All parties entering into forward contracts on behalf of the Fund are Financial Services Authority (FSA) regulated and meet the requirements of the LGPS investment regulations. Further details of forward foreign exchange contracts are provided in Note 17.

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' and a Short Term Rating of 'F1' with Fitch as at March 2015.

Pension Fund cash that is held pending its allocation to the Fund's investment managers is held with Lloyds Bank and also placed with institutions on the Pension Fund Committee's approved counter-party list. The management of cash was carried out by the Council's Treasury Management team in accordance with the cash management strategy approved by the Pension Fund Committee and set out in its statement of investment principles. The Pension Fund Committee invests only in money market funds with a 'AAA MR1+' rating. The Fund has had no occasion of default or uncollectable deposits.

Pension Fund Accounts

The Fund's cash within the custody system is held in the bank account of the custodian, HSBC Holdings Plc, or placed on deposit at the instruction of the individual managers.

At 31 March 2015, £3.150 million was with Lloyds (£9.478 million at March 2014). Cash held within the custody system amounted to £8.931 million at 31 March 2015 (£17.531 million at March 2014) and BlackRock held £3.227 million in their money market fund, (£3.167 million at March 2014).

B. Liquidity risk

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

The Pension Fund holds sufficient working capital to ensure that it has cash available to meet benefit and transfer payments and cash drawdown requirements in respect of certain investment transactions. Within mandates it is the responsibility of the individual managers to ensure that they have sufficient funds available to meet the transactions they enter into on behalf of the Fund. These responsibilities are detailed within the investment management agreements.

At an investment level a large proportion of the Fund's investments are held in instruments that can be realised at short notice if a cash flow need arose. Certain investments, particularly property, private equity, debt opportunity, timberlands and infrastructure funds are considerably less liquid but these make up a far smaller proportion of the overall portfolio, £375.209 million, 17% (£321.110 million, 18% at March 2014).

C. Market risk

Market risk is the risk that the fair value of cash flows of a financial instrument will fluctuate due to changes in market sentiment. Market risk reflects interest rate, currency and other price risk.

Market risk is inherent in the investments that the Fund makes. To mitigate market risk the investments are made in a diversified pool of asset classes and investment approaches, to ensure a risk adjusted balance between categories. The Fund takes formal advice from its 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 Statement of Investment Principles that is available at www.suffolkpensionfund.org. Investment risk and strategy are regularly reviewed by the Pension Fund Committee.

D. Interest Rate Risk

Interest rate risk, is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Pension Fund's exposure to interest rate movements from its investments in fixed interest securities and cash and cash equivalents (which includes the custodian money market fund and cash held by the investment managers) are as overleaf:

Pension Fund Accounts

31 March 2014	31 March 2015
£ million	£ million
9.478 Cash held for Deposit	3.150
24.72 Cash and Cash Equivalent	15.874
34.198 Total	19.024

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 2014 £ million	Change + 100 BP's £ million	Change - 100 BP's £ million
Cash held for Deposit	9.478	0.095	-0.095
Cash and Cash Equivalent	24.720	0.247	-0.247
Total Assets	34.198	0.342	-0.342

Asset Type	Value as at 31 March 2015 £ million	Change + 100 BP's £ million	Change - 100 BP's £ million
Cash held for Deposit	3.150	0.032	-0.032
Cash and Cash Equivalent	15.874	0.159	-0.159
Total Assets	19.024	0.190	-0.190

E. Currency Risk

Currency risk is the extent to which the Pension Fund is exposed to fluctuations in exchange rates and the impact these fluctuations have on the sterling valuation of assets denominated in foreign currency. To partly mitigate this risk the Fund has a currency hedging programme in place. This is undertaken partly by investment in the currency-hedged Funds managed by its index-tracking manager, Legal & General Investment Management.

An analysis of historical data by State Street Investment Analytics has resulted in a potential volatility associated with foreign exchange rate movements as below. This analysis assumes that all other variables in particular interest rates remain constant.

Pension Fund Accounts

Strengthening or weakening of the pound as below, against the various currencies in which the Fund holds investments would increase or decrease the assets as follows:

Asset Type	Value as at 31 March 2014 £ million	Change %	Value on Increase £ million	Value on Decrease £ million
Overseas Equities	249.804	3.03	257.373	242.235
Overseas Index Linked	429.338	2.97	442.089	416.587
Alternative Investments	98.827	2.79	101.584	96.772
Total overseas assets	777.969		801.046	755.594

Asset Type	Value as at 31 March 2015 £ million	Change %	Value on Increase £ million	Value on Decrease £ million
Overseas Equities	291.288	3.63	301.861	280.713
Overseas Index Linked	288.063	3.38	297.801	278.327
Alternative Investments	115.562	3.12	119.168	111.956
Total overseas assets	694.913		718.830	670.996

F. Price Risk

Price risk is the risk of volatility in the valuation of the assets held by the Fund. The level of volatility will vary by asset class and also over time. The Fund has some diversification in the asset classes in which it invests, which seeks to reduce the correlation of price movements between different asset types, while employing specialist investment managers to best deploy capital in line with the Fund's overall strategy. The Local Government investment regulations contain prescribed limits to avoid over-concentration in specific areas. The Fund complies with all the restrictions contained in the investment regulations.

An analysis of historical data and expected investment return movements by State Street Investment Analytics has resulted in a potential market movement price risk index for each asset type. If the market price of the Fund's investments increase or decrease in line with the potential market movements then the change in the value of the net assets would be as overleaf.

Pension Fund Accounts

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

Asset Type	Value as at 31 March 2015 £ million	Change %	Value on Increase £ million	Value on Decrease £ million
UK Equities	211.372	10.66	233.904	188.840
Overseas Equities	291.288	8.67	316.543	266.033
Index Linked	1,062.206	9.77	1,165.984	958.428
Cash	5.961	0.02	5.962	5.960
Property	212.702	2.68	218.402	207.002
Alternatives	409.043	3.54	423.523	394.563
Total Assets	2,192.572		2,364.318	2,020.826

G. Custody

The Fund appointed HSBC Holdings Plc as its global custodian with responsibility for safeguarding the assets of the Fund. HSBC Holdings Plc is an established custodian bank with more than \$7 trillion of assets under custody. They were appointed as the Fund's custodian from 1 October 2014 following a national framework tendering process. Monthly reconciliations are performed between the underlying records of the custodian and the appointed investment managers.

H. Investment Management

The Fund has appointed a number of segregated and pooled fund managers to manage portions of the Fund. An Investment Management Agreement is in place for each relationship. All appointments meet the requirements set out in the LGPS investment regulations. Managers' report performance on a quarterly basis and this is monitored and reported to the Pension Fund Committee. The Fund makes use of a third party performance measurement service (State Street Investment Analytics). All managers have regular review meetings and discussions with the chair and vice chair of the Pension Fund Committee, officers and the independent financial adviser Mark Stevens.

Pension Fund Accounts

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

When preparing the formal valuation, the actuary takes the assets of the Fund at the market value on the valuation date. Volatility in investment performance as a result of market risk factors can have an immediate effect on the funding level and deficit. This is particularly relevant because the Fund has invested predominantly in riskier (and historically higher return) assets such as equities and equity-like investments (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 1.6% per annum. Effectively if the gilt yield rises the discount rate will increase and all other things being equal the value placed on liabilities will fall. If the Fund was invested entirely in gilts rather than potentially higher returning assets the discount rate would be lower as no margin for the expected out performance of the Fund's investments over gilts could be assumed.

The table below has been prepared by the actuary and shows how the funding level (top) and deficit (bottom) would vary if the investment conditions at 31 March 2015 had been different. The level of the FTSE 100 index is used as a proxy for investment performance and the Fixed Interest Gilt yield as the proxy measure for the valuation of Fund's liabilities. The shaded box is the actual position at 31 March 2015.

Bond Interest Gilts yield (% p.a.)	2.44%	70% (£767m)	77% (£591m)	84% (£415m)	91% (£239m)	98% (£63m)
	2.24%	68% (£858m)	75% (£682m)	81% (£506m)	88% (£330m)	94% (£154m)
	2.04%	66% (£955m)	72% (£779m)	78% (£603m)	85% (£427m)	91% (£251m)
FTSE 100 Index		5,418	6,096	6,773	7,450	8,128

The examples shown are not exhaustive and should not be taken as the limits of how extreme future investment conditions may be. There are other factors not related to market risk that will also impact on the funding position at a given date including but not limited to longevity, member profile, pay awards etc. The risks are covered in more detail in the formal actuarial valuation report which is available at: <http://www.suffolkpensionfund.org>

20. Funding Position

In line with the Local Government Pension Scheme (Administration) Regulations 2008, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period.

An actuarial valuation is a type of appraisal which requires making economic and demographic assumptions in order to estimate future liabilities of pensions payable. The assumptions are typically based on a mix of statistical studies and experienced judgement. Hymans Robertson LLP provides the Fund's Actuarial appraisal.

Pension Fund Accounts

The key elements of the funding policy are:

- To ensure the long term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment.
- To ensure that employer contribution rates are as stable as possible.
- To minimise the long term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risks and returns.
- To reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so.
- To use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pensions obligations.

The aim is to achieve 100% solvency over a period of 20 years and to provide stability in employer contribution rates by spreading increases in rates over a period of time. This is usually over three years but in some cases the period can be extended.

Solvency is achieved when the funds held, plus future expected investment returns and future contributions, are sufficient to meet expected future pension benefits payable.

When an employer's funding level is less than the 100% funding target, then a deficit recovery plan will be put in place requiring additional contributions from that employer to meet the shortfall.

Formal Valuation

The last formal three-yearly actuarial valuation was carried out as at 31 March 2013. The valuation report sets out the rates of the employer's contributions for the three years starting 1 April 2014. The valuation was based on:

- Meeting the requirements of the Local Government Pension Regulations.
- 100% funding of future liabilities for service completed to 31 March 2013.
- The 'projected unit method' of actuarial valuation.

Financial Assumptions

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

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

Pension Fund Accounts

Funding Position

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

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

Common Contribution Rate

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

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

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

The next formal valuation is as at 31 March 2016.

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.

Interim Valuation

An interim valuation was carried out as at 31 March 2015. The valuation was included on the actuary's Navigator report which is based on long term financial assumptions for the Suffolk Fund and contains the following assumptions:

Increases in future salaries of 4.2% a year
Projected investment returns of 3.8% per year

The actuarial value of the Fund's assets was £2,168 million and the liabilities £2,674 million at 31 March 2015 (£1,875 million and £2,219 million at 31 March 2014).

The valuation showed that the Fund's assets covered 81.1% of its liabilities at the valuation date and the deficit was £506 million (£345 million at March 2014).

International Accounting Standard 26 (IAS 26)

CIPFA's Code of Practice on Local Authority Accounting 2014 - 2015 requires administering authorities of the LGPS funds that prepare Pension Fund Accounts to

Pension Fund Accounts

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 2.4% a year (2.8% 2013 - 2014).
- Increases in future salaries of 4.3% a year (4.6% 2013 - 2014).
- Projected investment returns of 3.2% per year (4.3% 2013 - 2014).

The IAS 26 calculation shows that the present value of promised retirement benefits amount to £3,158 million as at 31 March 2015 (£2,624 million as at 31 March 2014).

22. Current Debtors

The current debtors can be analysed as below:

31 March 2014 £ million	<u>Debtors</u>	31 March 2015 £ million
3.102	Employers Contributions	3.744
0.397	Employee Contributions	1.018
3.354	Investment Assets	3.038
0.117	Transfers In to the Fund	0.000
0.774	Investment Receipts	0.000
0.521	Sundry Debtors	2.724
<u>8.265</u>		<u>10.524</u>

The investment assets as at 31 March 2015 includes £0.248 million of sales awaiting settlement, £2.790 million of recoverable tax and income not yet received.

Debtors can be further analysed into sectors as below:

31 March 2014 £ million	<u>Analysis of Debtors</u>	31 March 2015 £ million
0.965	Central Government Bodies	0.181
2.618	Other Local Authorities	5.333
4.682	Other Entities and Individuals	5.010
<u>8.265</u>	Total	<u>10.524</u>

Pension Fund Accounts

23. Current Creditors

The current creditors can be analysed as below:

31 March 2014 £ million		31 March 2015 £ million
	<u>Creditors</u>	
-0.828	Investment Expenses	-4.957
-0.047	Administration Expenses	-0.056
-0.117	Transfer Values In Adjustment	-0.112
-1.353	Lump Sum Benefits on Retirement and Death	-1.433
-1.043	Sundry creditors	-1.247
<u>-3.388</u>		<u>-7.805</u>

The investment expenses as at 31 March 2015 includes £3.715 million of purchases awaiting settlement and an allowance of £1.242 million for investment management fees not yet paid.

Creditors can be further analysed into sectors as below:

31 March 2014 £ million		31 March 2015 £ million
	<u>Analysis of Creditors</u>	
-0.677	Central Government Bodies	-0.002
-0.197	Other Local Authorities	-0.945
-0.010	NHS Bodies	-0.002
-2.504	Other entities and individuals	-6.856
<u>-3.388</u>		<u>-7.805</u>

24. Additional Voluntary Contributions

Scheme members have the option to make additional voluntary contributions to enhance their pension benefits. In accordance with regulation 5 (2) (C) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (as amended), additional voluntary contributions have been excluded from the Fund Account and Net Asset Statement. These contributions are held by the providers and therefore do not form part of the Fund's investments.

A total of £0.104 million was paid over to the providers Clerical Medical, Standard Life and Equitable Life in 2014 – 2015, (£0.105 million 2013 – 2014).

Pension Fund Accounts

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 £38.797 million to the Fund in 2014 - 2015 (£32.465 million in 2013 - 2014). In addition the Council incurred costs of £0.945 million (£1.263 million in 2013 - 2014) in relation to the administration of the Fund, audit and legal services. These have all been reimbursed by the Fund.

Under legislation introduced in 2003 - 2004 councillors were entitled to join the Scheme this was rescinded in April 2014 when the Government laid down regulations barring councillors joining the scheme. Any councillor who is in the scheme as a result of joining before 1 April 2014 will cease to be a member at the end of the current term of office that they are serving. Three members of the committee, including two councillors, are Scheme members within the Pension Fund, but are not currently receiving benefits from the Scheme. Each member of the Pension Fund committee is required to declare their interests at each meeting.

Part of the Pension Fund cash holdings are invested by the Treasury Management operations of Suffolk County Council through the Treasury Management Policy approved by the Pension Fund Committee. During the year ending 31 March 2015 the Fund had an average investment balance of £10.174 million (£18.210 million in 2013 - 2014) earning interest of £0.068 million (£0.122 million in 2013 - 2014) from these investments.

Key Management Personnel

No senior officer responsible for the administration of the Fund has entered into any contract, other than their contract of employment with the Council, for the supply of goods or services to the Fund.

Paragraph 3.9.4.3 of the Code exempts Local Authorities from the key management personnel disclosure requirements of IAS 24. The disclosure requirements for officer remuneration and members' allowances detailed in section 3.4 of the Code satisfy the key management personnel disclosure requirements that apply to the Suffolk Pension Fund. The disclosures required can be found in the main accounts of Suffolk County Council.

Disclosure of senior officers' remuneration is made in Note 23 of the Statement of Accounts of the Administering Authority (Suffolk County Council). This disclosure includes the Director of Resource Management who has responsibility under S151 of the Local Government Act 1972 for the proper financial administration of the Fund and performs the role of Fund Administrator.

Pension Fund Accounts

26. Stock Lending

The Fund has an arrangement with its custodian HSBC Holdings Plc to lend eligible securities from within its portfolio of stocks to third parties in return for collateral. Lending is limited to a maximum of 25% of the total value. Collateralised lending generated income of £0.016 million in 2014 - 2015 (£0.008 million in 2013 - 2014). This is included within 'other' investment income in the Fund Account.

At 31 March 2015, £0.687 million (£10.800 million at 31 March 2014) worth of stock was on loan, for which the Fund was in receipt of £0.727 million worth of collateral (£11.446 million at 31 March 2014). This is a minimal share of the Fund holdings representing less than 1% of investment holdings in both 2014 - 2015 and 2013 - 2014. The figure out on loan as at 31 March is not representative of the amount that has been out on loan during the year.

The stock lending levels and income raised for the Fund are very low. This is as a result of the repositioning of the portfolio from direct equities to pooled funds. This will further diminish with the termination of the Alliance Bernstein mandate in January 2015.

27. Contractual Commitments

In 2003 the Fund has made contractual commitments to private equity funds managed by Wilshire and Pantheon. Commitments are made in the underlying currency of the funds (Euros and Dollars respectively) and are therefore subject to volatility (risk) arising from exchange rate fluctuation. This volatility will impact both on the value of unfunded commitments in sterling terms and the valuation of the funded interest and monies received as distributions.

At 31 March 2015 the unfunded commitment (monies to be drawn in future periods) was £12.739 million. The commitments are paid over the investment timeframe of the underlying partnerships. The current value of the funded commitment net of distributions in these funds at 31 March 2015 is included in the net asset statement.

In 2011 - 2012 the Pension Fund made contractual commitments to infrastructure investments managed by Partners Group and Kohlberg Kravis Roberts. Draw downs on the commitments have been made and the outstanding amounts to 31 March 2015 are £33.346 million and £5.264 million respectively.

Brookfield Timberlands have an outstanding commitment of £25.373 million. M&G Investments have made drawn downs on their £15.000 million commitment of £7.726 million leaving a remaining commitment of £7.274 million.

Suffolk Pension Fund Committee

Report Title:	Audit Report for the Pension Fund Annual Report and Accounts
Meeting Date:	24 September 2015
Chairman:	Cllr Peter Bellfield
Director:	Geoff Dobson, Director of Resource Management Tel. 01473 264347
Author:	Paul Finbow, Corporate Finance Specialist Tel. 01473 265288

Brief summary of report

1. The Pension Fund accounts form part of the Statement of Accounts for Suffolk County Council. The external audit of the County Council's Statement of Accounts has now been completed, and the audited accounts will be presented to the Audit Committee on 25 September 2015 for approval.
2. This report (**Appendix 1**) presents the Audit Results Report by Ernst & Young on the key findings and outcomes from the audit of the Pension Fund Annual Report and Accounts.

Action recommended

- | |
|--|
| <ol style="list-style-type: none"> 3. The Committee is asked to consider the report presented by Ernst & Young. |
|--|

Reason for recommendation

4. The audit report summarises the findings from the 2014-15 audit of the Pension Fund Annual Report and Accounts.

Alternative options

5. None.

Sources of further information
None

Suffolk Pension Fund

Pensions Committee and Audit Committee Summary

For the year ended 31 March 2015

Audit Results Report – ISA (UK and Ireland) 260

24 & 25 September 2015



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Section 1

Executive summary

Executive summary – key findings

Audit results and other key matters

The Audit Commission's Code of Audit Practice (the Code) requires us to report to those charged with governance – the Suffolk County Council Audit Committee – on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified. We also report our findings to the Pensions Committee. This report summarises the findings from the 2014/15 audit which is substantially complete. It includes the messages arising from our audit of your financial statements and the results of the work we have undertaken to assess consistency of the financial statements within the pension fund annual report .

Financial statements

- ▶ As at 5 September 2015, we expect to issue an unqualified opinion on the financial statements. Our audit results demonstrate, through the very few matters we have to communicate, that the Fund continues to prepare its financial statements to a high standard. There are a small number of areas of our work that are still in progress as at the date of drafting this report, as highlighted on page 10. We expect these to be substantially complete by the time the Pensions Committee and Audit Committee take place.

Pension Fund Annual Report

- ▶ We have received the draft version of the Pension Fund Annual Report and our work in this area is ongoing. We will update the Members of the Pensions Committee and Audit Committee following the conclusion of this work.

Section 2

Extent and purpose of our work

Extent and purpose of our work

The Fund's responsibilities

- ▶ The Fund is responsible for preparing and publishing its Statement of Accounts.
- ▶ The Fund is also responsible for preparing and publishing its Pension Fund Annual Report, incorporating its Statement of Accounts.

Purpose of our work

- ▶ Our audit was designed to:
 - ▶ Express an opinion on the 2014/15 financial statements
 - ▶ Report on whether information in the Annual Report is consistent with the financial statements

In addition, this report contains our findings related to the areas of audit emphasis and any views on significant deficiencies in internal control or the Fund's accounting policies and key judgments.

This report is intended solely for the information and use of the Fund. It is not intended to be and should not be used by anyone other than the specified party.

Section 3

Addressing audit risks

Addressing audit risks – significant audit risks

We identified the following audit risk during the planning phase of our audit, and reported this to you in our Audit Plan. Here, we set out how we have gained audit assurance over this issue.

A significant audit risk in the context of the audit of the financial statements is an inherent risk with both a higher likelihood of occurrence and a higher magnitude of effect should it occur and which requires special audit consideration. For significant risks, we obtain an understanding of the entity's controls relevant to each risk and assess the design and implementation of the relevant controls.

Audit risk identified within our audit plan	Audit procedures performed	Assurance gained and issues arising
<p>Significant audit risks (including fraud risks)</p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p>	<ul style="list-style-type: none"> • Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; • Reviewed accounting estimates for evidence of management bias; and • Evaluated the business rationale for significant unusual transactions. 	<p>Our planned procedures in relation to this risk are complete. We have identified no findings that would indicate there is a risk of material misstatement due to fraud or error.</p>

Addressing audit risks – other audit risks

We identified the following other audit risk during the planning phase of our audit, and reported this to you in our Audit Plan. Here, we set out how we have gained audit assurance over this issue.

Audit risk identified within our Audit Plan	Audit procedures performed	Assurance gained and issues arising
Other audit risks		
<p>In October 2014 the custodian of the pension fund changed from State Street to HSBC. This presents a risk that information may be incorrectly transferred or reported in the 2014/15 financial statements.</p>	<ul style="list-style-type: none"> • Updated our understanding of the new custodian as a service organisation to the pension fund; • Evaluated the scope of the work performed by the internal audit team, reviewing a sample of the work of internal audit relating to the change in custodian; • Reviewed the transfer of information to the new custodian; • Reviewed the reconciliation of balances between the former and new custodian; and • Reviewed the reporting of investment balances provided by the new custodian. 	<p>Our planned procedures in relation to this other audit risk are complete. We have identified no issues that require reporting to either the Pensions or Audit Committee.</p>

Section 4

Financial statements audit – issues and findings

Financial statements audit – issues and misstatements arising from the audit

Progress of our audit

- ▶ The following areas of our work programme remain to be completed. We will provide an update of progress at the Pensions Committee and Audit Committee meetings:
 - ▶ Annual Report
 - ▶ Final review and completion procedures
 - ▶ Receipt of a Letter of Representation
- ▶ Subject to the satisfactory resolution of the above items, we propose to issue an unqualified audit report on the financial statements.

Uncorrected misstatements

- ▶ We have not identified any misstatements within the draft financial statements, which management has chosen not to adjust..

Corrected misstatements

- ▶ During the course of our audit we identified a small number of minor disclosure issues for which management amended the financial statements. None of these are considered significant enough to warrant reporting to Members.

Other matters

- ▶ As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Fund's financial reporting process including the following:
 - ▶ Qualitative aspects of your accounting practices; estimates and disclosures;
 - ▶ Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions;
 - ▶ Any significant difficulties encountered during the audit; and
 - ▶ Other audit matters of governance interest.

We have no matters we wish to report.

Financial statements audit – application of materiality

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item		Amount (£m)
Planning Materiality and Tolerable error	<p>We determined planning materiality to be £18.8 million (2014: £18.8 million), which is 1% of Net Assets reported in the accounts of £2,198.4 million. We consider Net Assets to be one of the principal considerations for stakeholders in assessing the financial performance of the Fund.</p> <p>We set a tolerable error for the audit. Tolerable error is the application of planning materiality at the individual account or balance level. It is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds planning materiality. The level of tolerable error drives the extent of detailed audit testing required to support our opinion.</p> <p>We have set tolerable error at the upper level of the available range because there were no material or significant corrected errors in the prior year financial statements.</p>	18.8
Reporting Threshold	We agreed with the Pensions Committee and Audit Committee that we would report all uncorrected audit differences in excess of £0.9 million (2014: £0.9 million).	0.9

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

Financial statements audit – internal control, written representations and whole of government accounts

Internal control

- ▶ It is the responsibility of the Pension Fund to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Pension Fund has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.
- ▶ We have tested the controls of the Pension Fund only to the extent necessary for us to complete our audit. We are not expressing an opinion on the overall effectiveness of internal control.
- ▶ We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

Request for written representations

- ▶ We have requested a management representation letter to gain management's confirmation in relation to a number of matters. We are not requesting any specific representations over and above the standard ones.

Section 5

Independence and audit fees

Independence and audit fees

Independence

- ▶ We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 3 March 2015.
- ▶ We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Audit Commission's Code and Standing Guidance. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.
- ▶ We confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.
- ▶ We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Suffolk Pensions Committee on 24 September 2015 and the Suffolk County Council Audit Committee on 25 September 2015.

- ▶ We confirm that we have met the reporting requirements to the Suffolk County Audit Committee, as 'those charged with governance' under International Standards on Auditing (UK and Ireland) 260 – Communication with those charged with governance. Our communication plan to meet these requirements were set out in our Audit Plan dated 3 March 2015.

Audit fees

- ▶ The table below sets out the scale fee and our final proposed audit fees.

	Proposed final fee 2014/2015	Scale fee 2014/2015	Variation comments
	£	£	
Audit Fee: Code work	25,026	25,026	N/A

- ▶ Our actual fee is in line with the agreed fee at this point in time, subject to the satisfactory clearance of the outstanding audit work.
- ▶ We confirm that we have not undertaken any non-audit work outside of the Audit Commission's Audit Code requirements.

EY | Assurance | Tax | Transactions | Advisory

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ED None

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Suffolk Pension Board

Report Title:	Investment Performance
Meeting Date:	28 September 2015
Chairman:	Councillor Richard Smith MVO
Director:	Geoff Dobson, Director of Resource Management Tel. 01473 264347
Author:	Paul Finbow, Corporate Finance Specialist Tel. 01473 265288

Brief summary of report

1. This report provides the Pension Board with an update on the investment returns achieved by the Fund in 2014-15

Action recommended

2. The Board is asked to note the investment performance of the Suffolk Pension Fund.

Reason for recommendation

3. The Pension Board is aware of the recent investment performance of the Fund.

Alternative options

4. There are no alternative options.

Main body of report

5. At the Pension Board meeting on 24 July, the Board requested to receive information about the investment performance of the Suffolk Fund. This was reported to the Pension Fund Committee in July 2015. A copy of the Committee report is attached at Appendix 1 for the Board's consideration.

Sources of further information

- a) None

Suffolk Pension Fund Committee

Report Title:	Investment Performance – Year ending 31 March 2015
Chairman:	Cllr Peter Bellfield
Director:	Geoff Dobson, Director of Resource Management Tel. 01473 264347
Author:	Paul Finbow, Corporate Finance Specialist Tel. 01473 265288

Brief summary of report

1. This report provides a summary of the performance of the Suffolk Pension Fund for the 2014-15 financial year and performance against other local authority pension funds.
2. The total size of the Fund as at 31 March 2015 was £2.198bn, an increase of around £313m from the previous financial year.
3. The annual return of 14.7% is ahead of the benchmark by 0.7%. This can be attributed to good stock selection in quarter 3 and by good asset allocation in quarter 4.
4. The Fund's absolute return over a rolling three year period is 11.2%, above the benchmark by 0.5%. The Committee implemented a number of changes to its investment strategy in 2012 and again in 2014, to address the under performance of the fund, the outcomes of which are now taking effect with regards to the longer term performance of the Fund.
5. Suffolk Pension Fund was the 27th best performing fund in 2014-15 compared with other local authority pension funds.

Action recommended

- | |
|---|
| 6. The Committee is asked to consider the contents of the presentation from Global Services Performance Services. |
|---|

Reason for recommendation

7. The Committee is required to review the overall investment performance of the Fund on an annual basis.

Alternative options

8. None

Main body of report

9. The performance of the Pension Fund has been measured by Global Services Performances Services (formally State Street Investment Analytics) against market index returns and other LGPS over 1,3,5 and 10 years (**Appendix 2**).
10. In addition, the long term risk and return performance has been measured over 5, 10 and 20 years.

Sources of further information

11. Annual Performance Report for 2014-15 – Global Services Performance Services.

Suffolk County Council Pension Fund Annual Review

Periods Ending March 2015
15th July, 2015



Agenda

Section 1 – Market Environment

Section 2 – Fund Performance versus Benchmark

Section 3 – Fund Performance versus Universe

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Global Services

Section 1

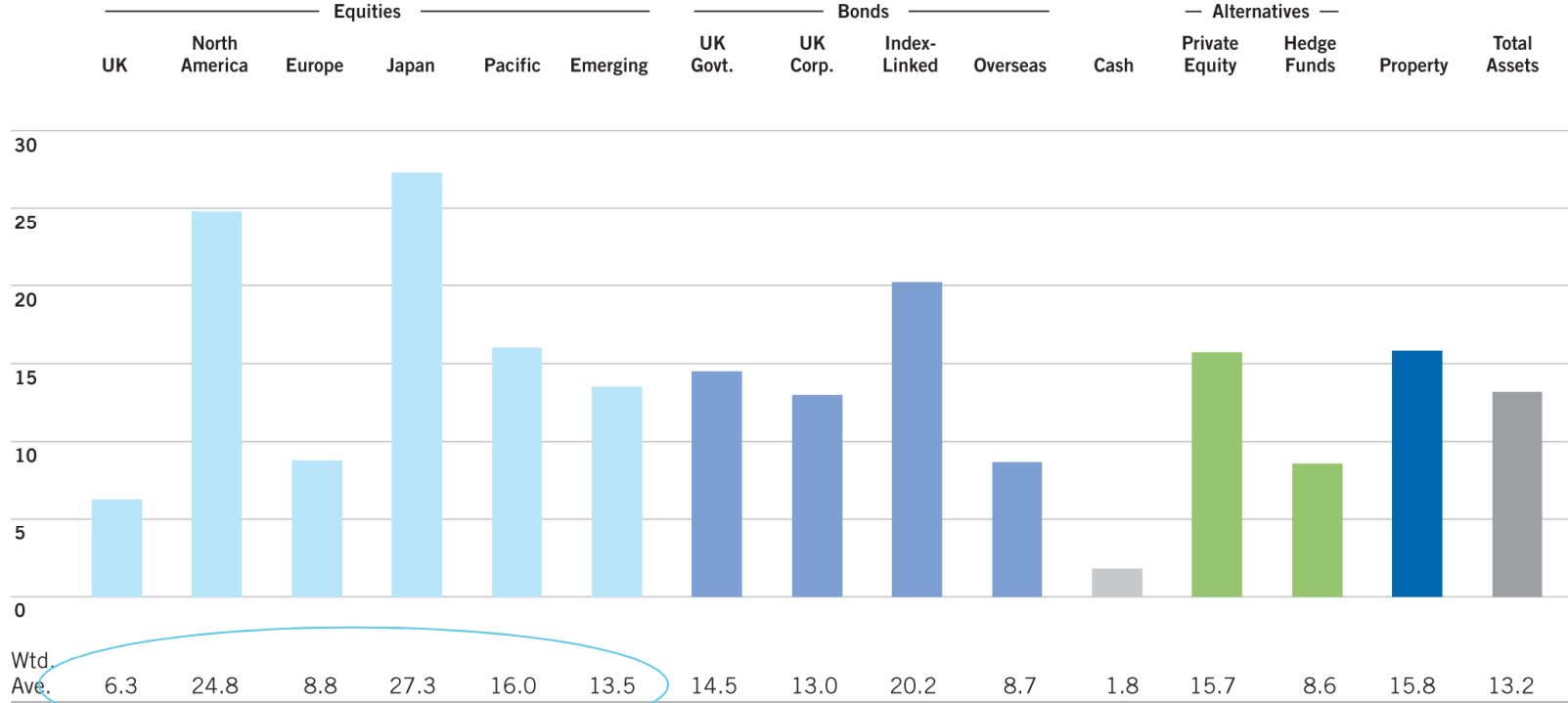
Market Environment



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2014/2015 Returns (%)



Source: State Street Global Services Performance Services, 2015.

Past performance is not a reliable indicator of future results.

Regional Allocation Important

Limited Access



Long Term Performance

Annual Returns (%)



* Source: State Street Global Services Performance Services, 2015.

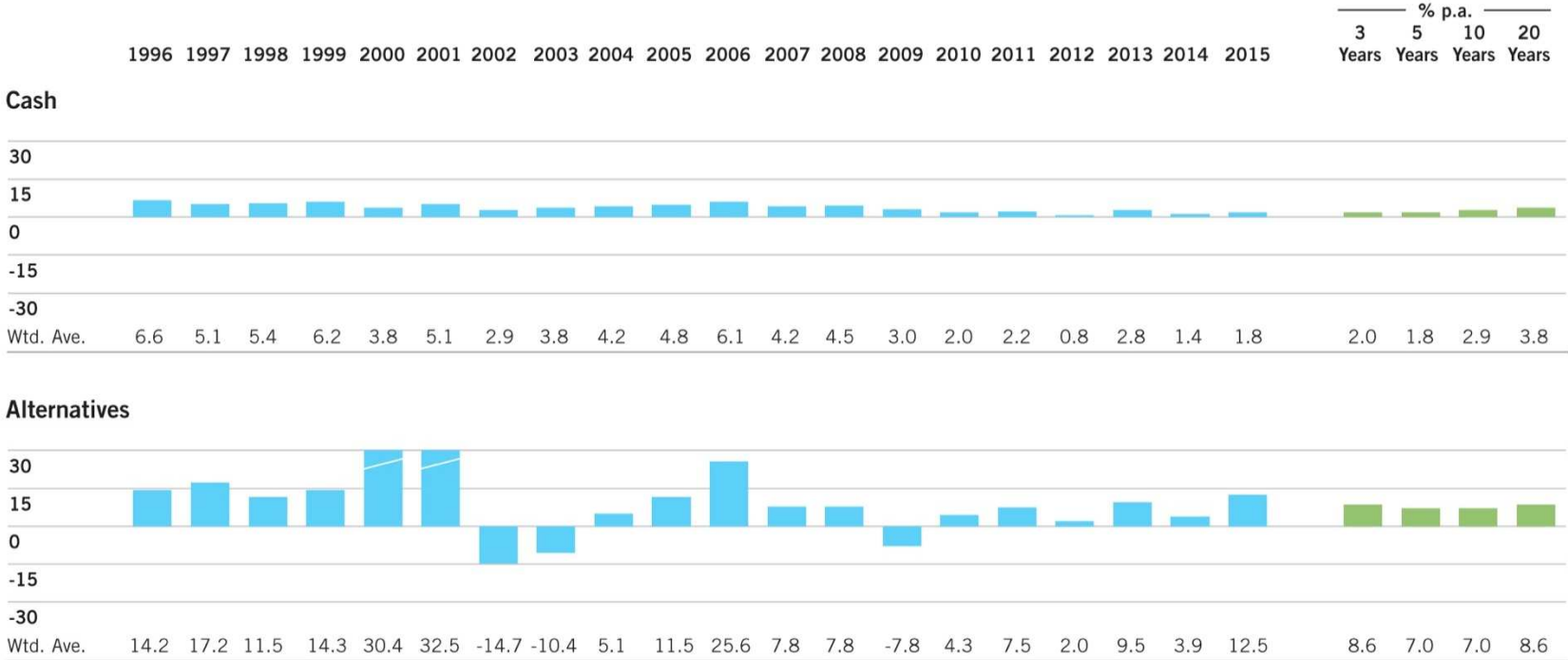
Past performance is not a reliable indicator of future results.

“Equity risk premium” in evidence



Long Term Performance

Annual Returns (%)



* Source: State Street Global Services Performance Services, 2015.

Past performance is not a reliable indicator of future results.

Long Term Performance

Annual Returns (%)

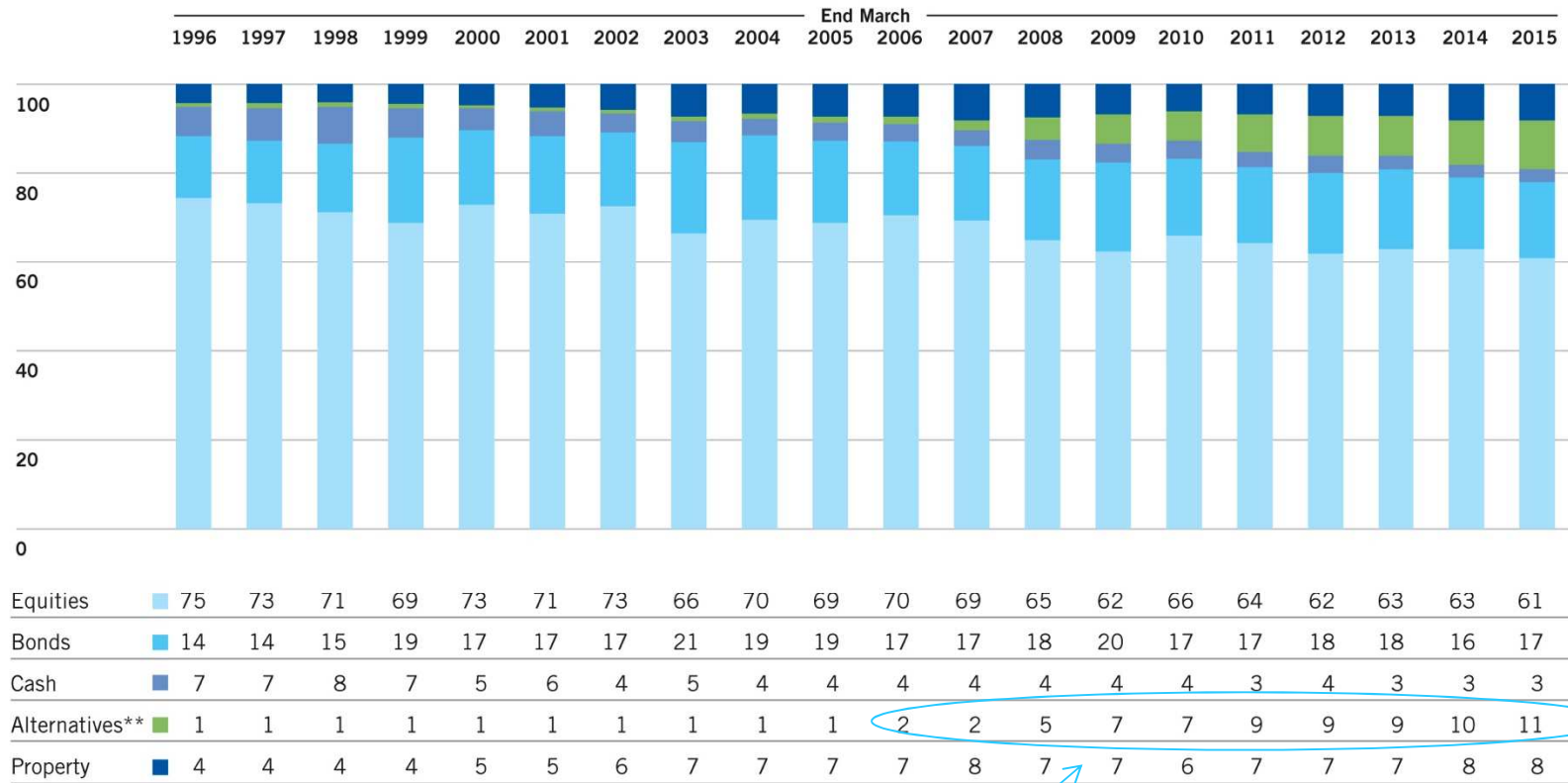


* Source: State Street Global Services Performance Services, 2015.

Past performance is not a reliable indicator of future results.

5%p.a. over inflation

Longer Term Asset Allocation (%)



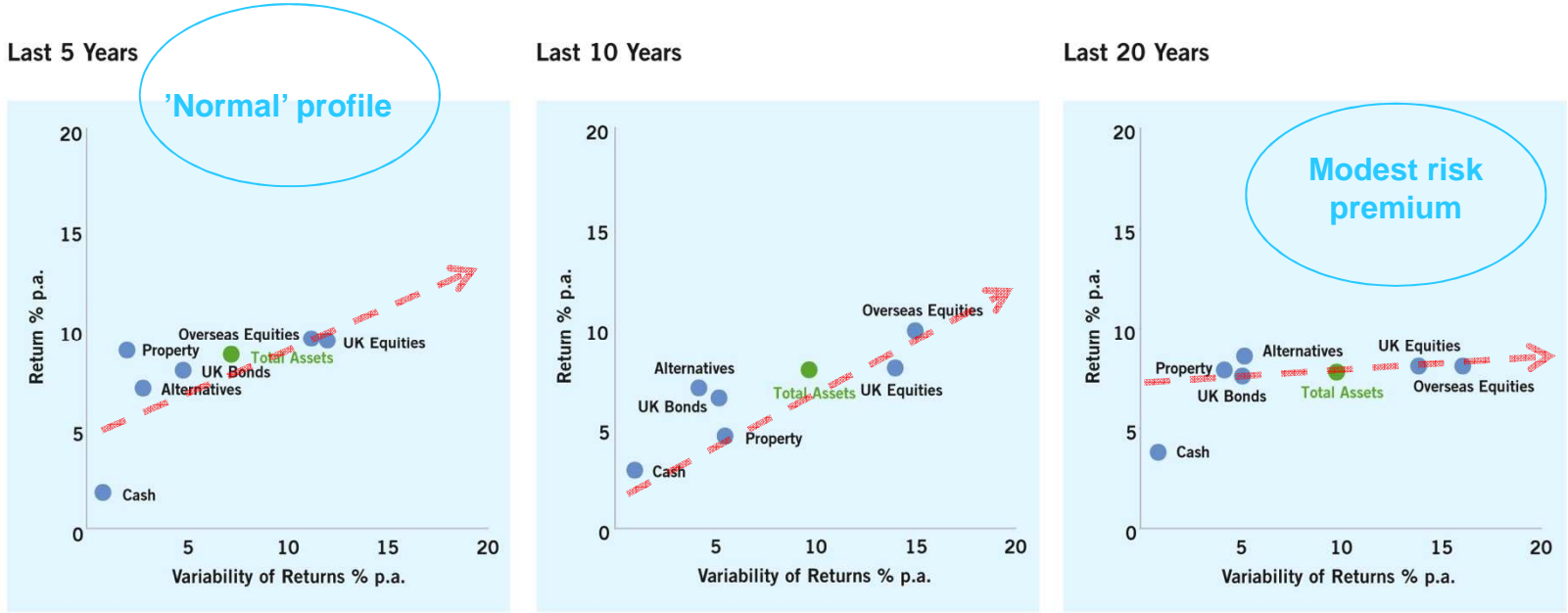
** Includes Pooled Multi-Asset from March 2010.

* Source: State Street Global Services Performance Services, 2015.

Recent growth

Past performance is not a reliable indicator of future results.

Long Term Risk and Return



* Source: State Street Global Services Performance Services, 2015.

Past performance is not a reliable indicator of future results.

Section 2

Performance Relative to Strategic Benchmark

Fund Values

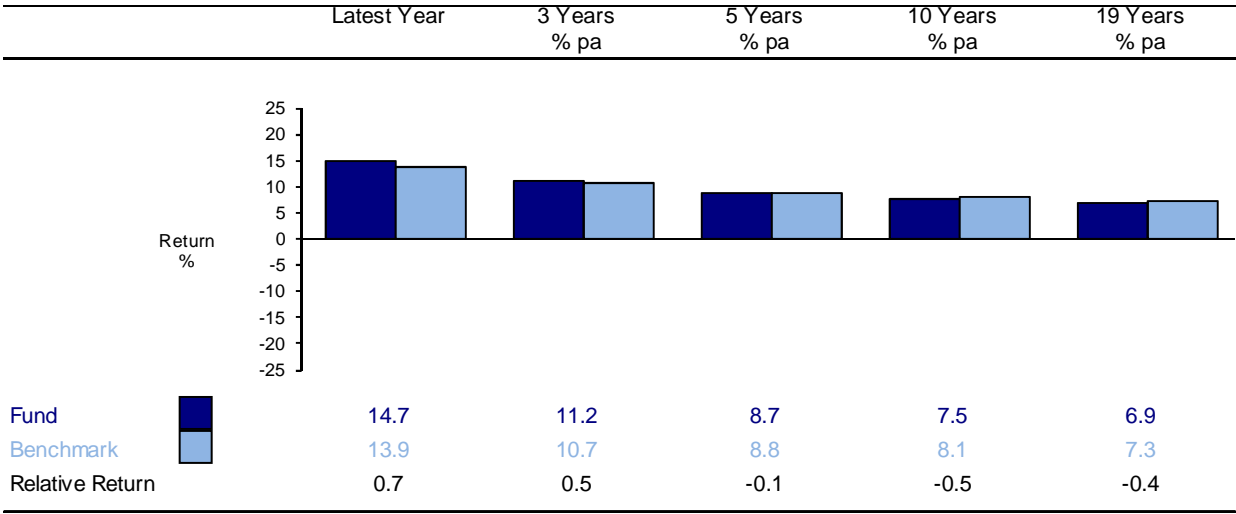
Values (GBP)'000	Mandate	Value at 31/03/2014	Transactions	Capital Gain / loss	Income	Value at 31/03/2015	% Fund
L & G	Balanced	765,834	161,536	134,210	-943	1,061,579	49
NEWTON	Eq Gbl	269,286	5,914	50,420	4,697	325,620	15
SCHRODERS	Prop Fund	191,725	14,179	24,467	9,662	230,371	11
BLACKROCK	Eq UK	182,337	6,558	11,497	5,676	200,392	9
PYRFORD	Absolute	104,166	15,594	6,849	594	126,610	6
INT FUND	Private Eq	70,223	-9,653	-2,753	0	57,817	3
M & G	Distressed Debt	28,637	6,358	3,745	0	38,740	2
WINTON	Absolute	34,537	3,000	7,092	0	44,628	2
BLUECREST	Absolute	33,514	3,000	2,565	0	39,079	2
KKR	Infra	25,893	2,564	8,350	1,481	36,807	2
PARTNERS	Infra	8,497	-56	1,130	12	9,571	0
BROOKFIELD	Timber	6,091	-1,122	2,185	-153	7,154	0
CASH	Cash	9,440	-6,377	0	0	3,063	0
A BERNSTEIN	Eq UK	153,104	-156,885	3,782	3,721	0	0
Total Fund		1,883,283	44,610	253,538	24,747	2,181,432	100

Well diversified

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Performance Summary



Strong absolute returns

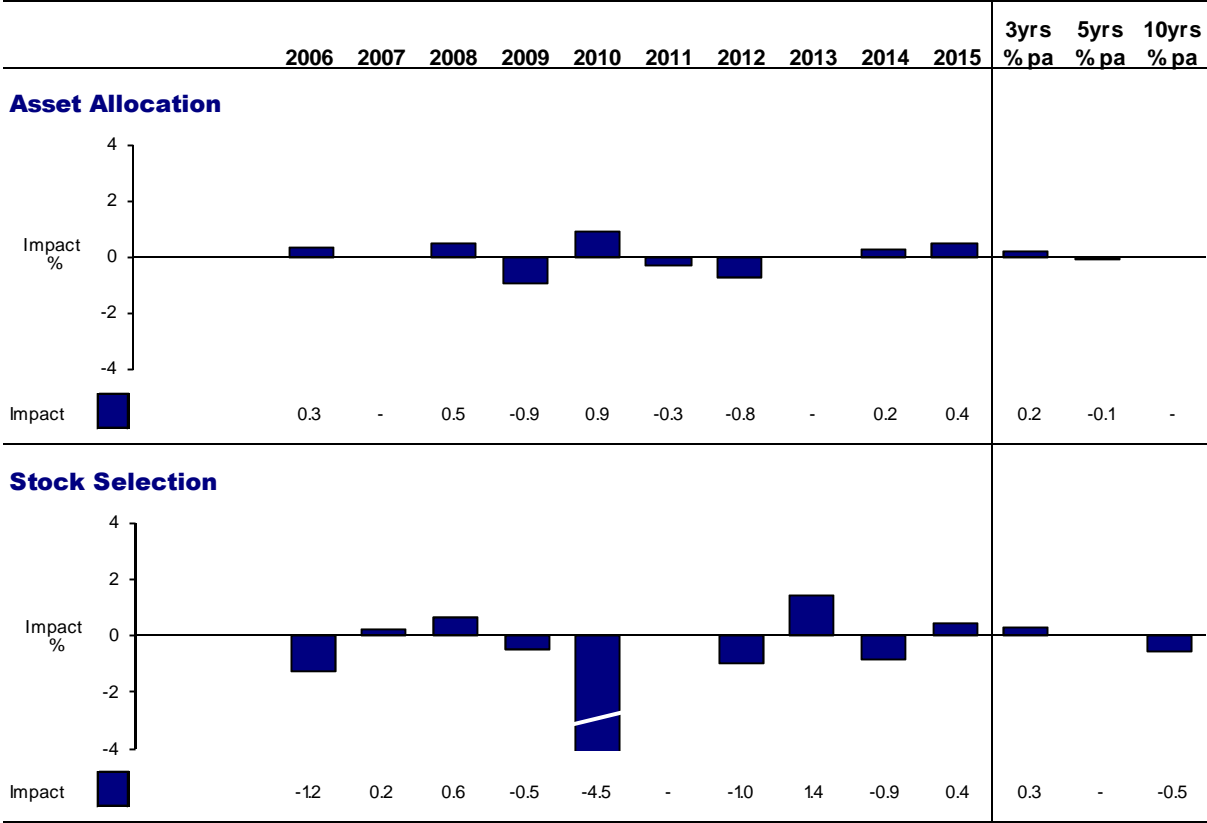
Relative return improvement

Latest Year Attribution

Strategic Allocation			Investment Manager	Manager Contribution		
Distribution		Policy		Weighted Contribution	% Return	
Portfolio	Benchmark	Contribution			Portfolio	Benchmark
42.7	43.5	-	L&G MULTI ASSET PASSIVE	-	17.2	17.2
14.4	14.0	-	NEWTON GLOBAL EQUITIES	0.3	20.5	18.4
9.2	9.0	-	BLACKROCK UK EQUITIES	0.2	9.4	6.6
5.7	0.0	-	ALLIANCE BERNSTEIN UK EQUITIES	-	4.2#	6.6
10.9	10.0	-	SCHRODER PROPERTY	0.1	17.6	16.6
3.2	4.0	-0.1	PRIVATE EQUITY	-0.7	-4.3	18.8
1.7	2.5	-	KKR INFRASTRUCTURE	0.4	35.5	8.0
0.4	2.5	0.1	PARTNERS INFRASTRUCTURE	-	16.0	8.0
1.8	2.0	-	BLUECREST CAPITAL MGT AR	-	7.4	5.6
5.5	6.0	-	PYRFORD AR	0.1	7.0	5.6
2.0	2.0	-	WINTON CAPITAL MANAGEMENT AR	0.2	20.1	5.6
2.0	2.0	-	M & G DISTRESSED DEBT	-	9.7	8.0
0.3	2.0	0.1	BROOKFIELD TIMBER	0.1	36.9	8.0
0.3	0.5	0.1	CASH PORTFOLIO	-	0.0	0.3
				0.7		
				0.2		

A good year for the active managers

Contribution to Long Term Performance



Stock selection pulling down long term performance

Long Term Manager Performance

	3 Yrs % p.a	5 Yrs % p.a	10 Yrs % p.a
Passive			
L&G	11.1	9.3	8.8
Customised Benchmark	11.2	9.6	8.8
Relative Return	-0.1	-0.2	0.0
UK Equities - Target + 2%			
BlackRock	12.2	9.2	
FTSE All Share	10.6	8.3	
Relative Return	1.4	0.8	
Global Equities - Target + 2%			
Newton	16.6	10.3	
MSCI AC World NDR	13.5	9.5	
Relative Return	2.7	0.7	
Property - Target + 0.75%			
Schroders	10.5	9.0	4.6
IPD UK PPF - All Balanced Funds	9.6	8.7	4.1
Relative Return	0.8	0.3	0.5
Private Equity			
Internal	3.4	6.1	2.4
FTSE World TR	14.5	10.3	9.7
Relative Return	-9.7	-3.8	-6.7
Infrastructure			
KKR	20.4		
8% p.a.	8.0		
Relative Return	11.5		
Partners	3.9		
8% p.a.	8.0		
Relative Return	-3.8		

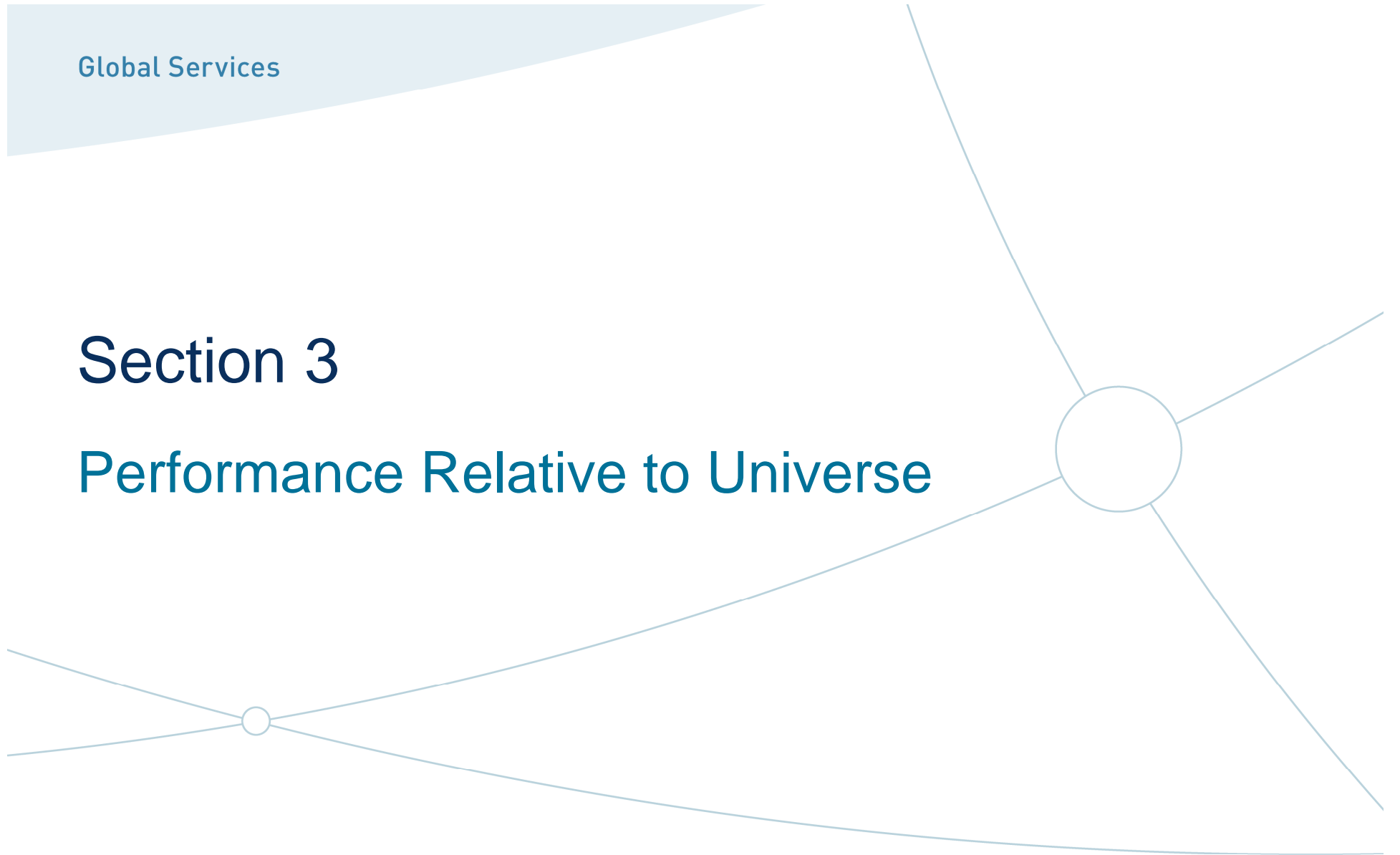
Newton & Schroders achieved target over 3 years

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Section 3

Performance Relative to Universe



Relative Performance

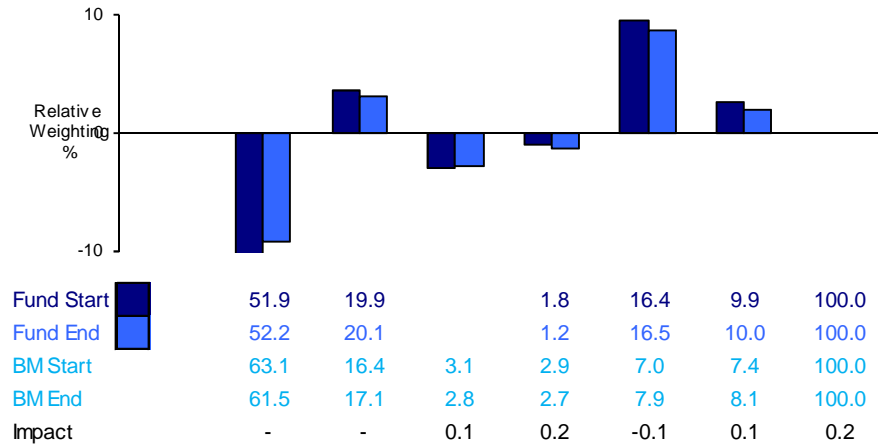
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	3yrs % pa	5yrs % pa	10yrs % pa
Fund Returns													
Fund	25.2	8.0	-2.5	-22.2	32.6	8.1	2.0	13.6	5.6	14.7	11.2	8.7	7.5
Benchmark	24.9	7.0	-2.8	-19.9	35.2	8.2	2.6	13.8	6.4	13.2	11.0	8.7	7.9
Relative	0.3	0.9	0.3	-2.9	-1.9	-0.1	-0.5	-0.2	-0.7	1.3	0.1	-0.0	-0.4
Ranking	(40)	(20)	(36)	(72)	(73)	(47)	(76)	(62)	(69)	(27)	(44)	(51)	(62)

Latest year best relative performance in a decade

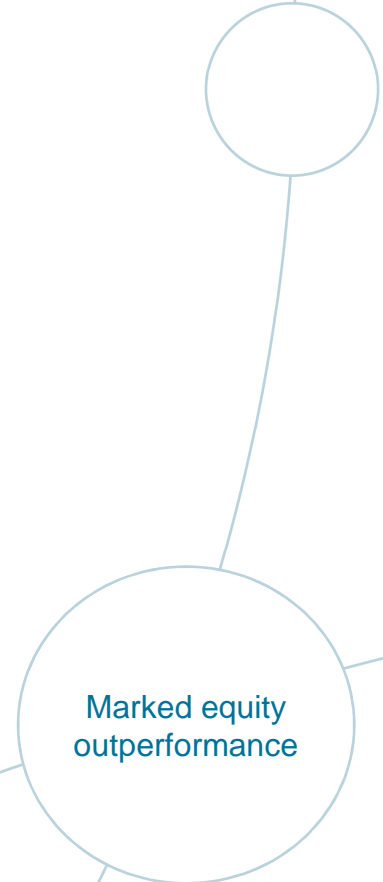
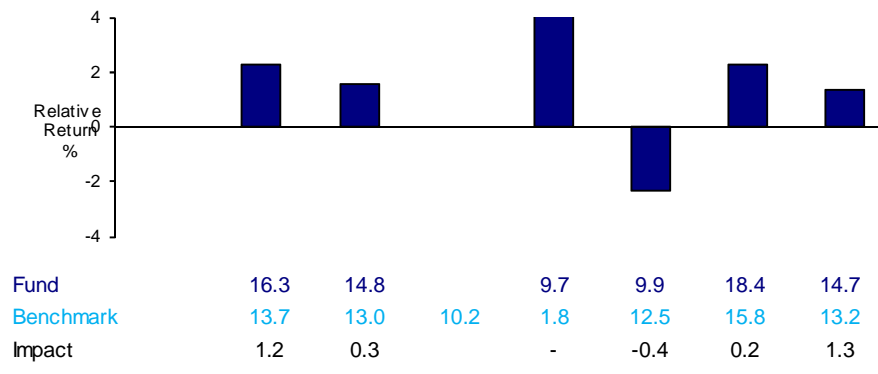
Latest Year Relative Performance

Total Equity	Bonds + IL	Multi Asset	Cash	Alternatives	Property	Total Fund
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Asset Allocation



Stock Selection

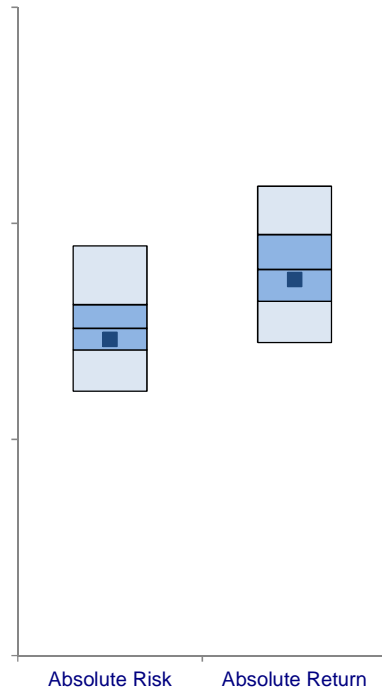
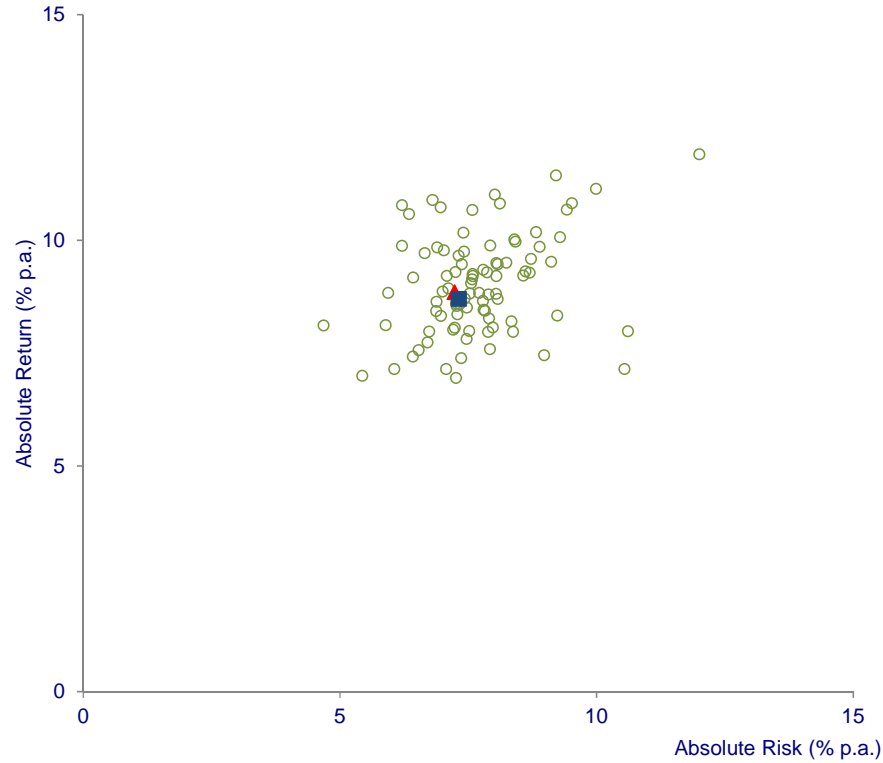


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STATE STREET

Risk Adjusted Returns – Absolute (Five Year Rolling)

Absolute Risk & Return



Lower risk & lower return

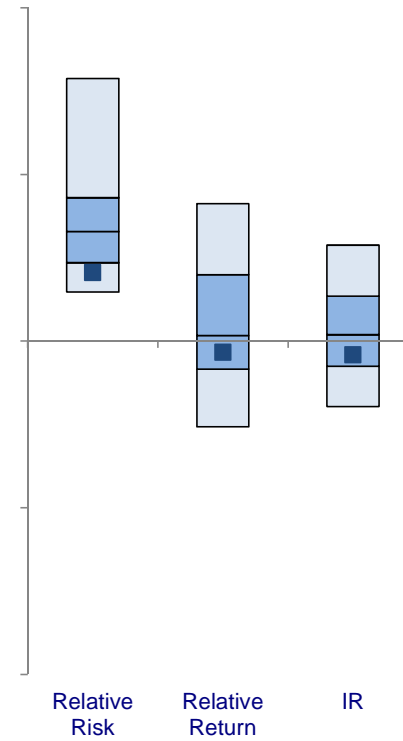
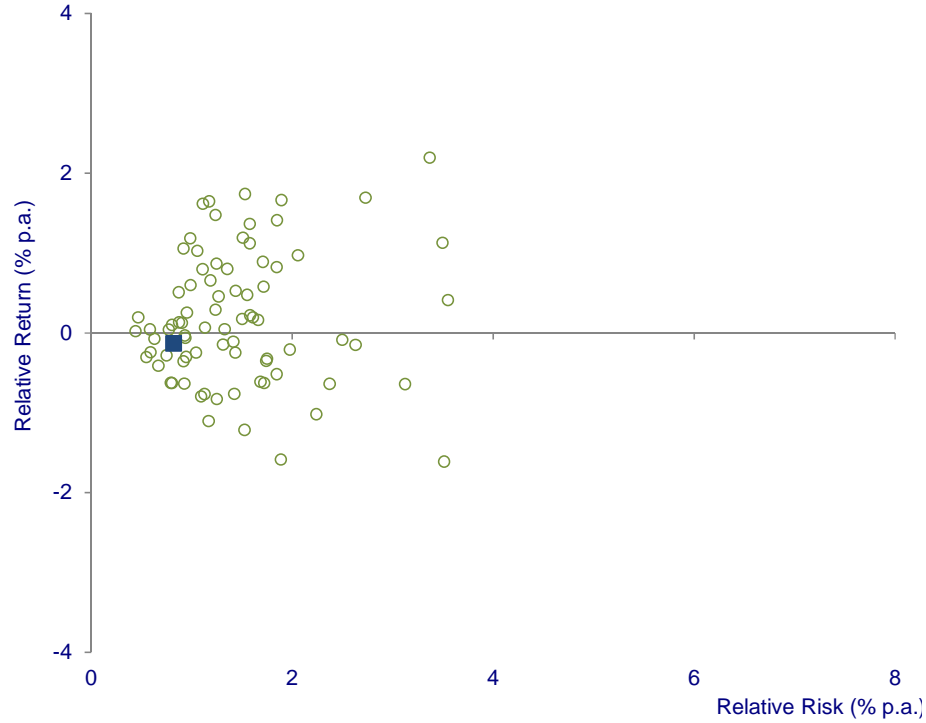
- Your Fund
- ▲ Your Benchmark

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Risk Adjusted Returns – Relative (Active)

Relative to Benchmark



Nearly half of assets passive

Summary

- Another solid year of returns for the sector
- Strong equity/property returns boosted asset values but equally strong bond returns will have inflated liability values
- The Fund performed very strongly over the year both in absolute, and relative terms. Equity outperformance was key.
- Compared to other public sector funds over the 5 year period the lower risk strategy has delivered slightly lower returns than the average fund as would be expected.

Contact

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Global Services Performance Services
525 Ferry Road, Edinburgh, EH5 2AW

0131 315 5350
david.cullinan@statestreet.com

Suffolk Pension Board

Report Title:	Training Plan
Meeting Date:	28 September 2015
Chairman:	Councillor Richard Smith MVO
Director:	Geoff Dobson, Director of Resource Management Tel. 01473 264347
Author:	Paul Finbow, Corporate Finance Specialist Tel. 01473 265288

Brief summary of report

1. This report outlines the proposals for Board members to undertake training to gain the necessary knowledge and understanding to fulfil their Board role.

Action recommended

- | |
|--|
| <ol style="list-style-type: none"> 2. The Board is asked to consider and agree these proposals for the delivery of training over the coming year. |
|--|

Reason for recommendation

3. To comply with the Pensions Regulators requirements, members of the Pension Board must be able to demonstrate that they have the required knowledge and understanding of LGPS issues.

Alternative options

4. There are no alternative options.

Main body of report

5. At the Pension Board Meeting on 24 July, the Board considered its need for training and also noted the training programme created for the Pension Fund Committee. The Board also received some initial training on the Local Government Pension Scheme (LGPS), and some context to Suffolk's current situation.
6. The Board attended a half day training session on 14 September to fully understand the legislative background to the LGPS and their role within the wider stakeholders related to the Suffolk Fund. This training session was delivered by John Raisin, an independent advisor and Chair of the Merseyside Pension Fund. He also covered the importance of Asset Allocation.
7. The Board also requested that training offered to the Pension Fund Committee should also be available to the Board Members. It has been agreed that should Board members wish to attend pre Pension Fund Committee training, then they are welcome to do so, but that they should let Committee Services (Ann McPherson) know in advance of the meeting.

8. The Board will have its own pre Board training session, starting at 10 am before each Board meeting. The year's training will cover:
 - a) Administration of the Suffolk Pension Fund (September 2015)
 - b) Actuarial Valuations – How it affects contribution rates (December 2015)
 - c) Risk Management in managing Pension Funds (March 2016)
 - d) No training will be provided at the July meeting as this will follow on from the Pension Fund Committee that meets on the same day.
9. A further half or whole day training session will be scheduled for early September 2016.
10. A record of training undertaken by Board members will be maintained to demonstrate that Board members are accessing the necessary knowledge and understanding to fulfil their role.
11. CIPFA has published a knowledge and skills framework for local pension board members. This has been provided to all Suffolk Board members. The training being developed for Board members takes this into account.

Sources of further information

- a) Local Government Pension Scheme (LGPS) - Guidance on the creation and operation of Local Pension Boards in England and Wales
- b) The Pensions Regulator Code of practice no. 14 Governance and administration of public service pension schemes
- c) CIPFA Knowledge and Skills Framework for Local Pension Board members

Suffolk Pension Fund Committee

Report Title:	Complaints and Compliments
Meeting Date:	28 September 2015
Chairman:	Councillor Richard Smith, MVO
Director:	Geoff Dobson, Director of Resource Management Tel: 01473 264347
Author:	Stuart Potter

Brief summary of report

1. This report provides the Pension Board with the number of compliments and complaints received by the Pension Administration team since 1 April 2015.

Action recommended

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

Reason for recommendation

3. The Board requested to receive information about the number of complaints and compliments received.

Alternative options

4. There are no alternative options.

Main body of report

5. At the Pension Board Meeting on 24 July, the Board requested to receive information about the number of compliments and complaints received by the Pensions Administration team.
6. Since 1 April 2015, there have been 5 compliments received, some of which relate to the whole team and others which relate to individuals within the team. The team currently only capture feedback where the individual has gone out of their way to thank us for something, rather than the regular words of 'thanks', received daily as part of the day to day communications with customers.
7. During this time there have also been 5 complaints. 4 of these were complaints linked to the administration of individual's benefits, which have been investigated and resolved. The other is an IDRPs (internal dispute) case which is still ongoing in respect of an appeal against an ill health tier award made by Suffolk County Council in its role as employer.

Sources of further information

- | |
|---------|
| a) None |
|---------|

Suffolk Pension Board

Report Title:	Draft Breaches Policy
Meeting Date:	28 September 2015
Chairman:	Councillor Richard Smith MVO
Director:	Geoff Dobson, Director of Resource Management Tel. 01473 264347
Author:	Paul Finbow, Corporate Finance Specialist Tel. 01473 265288

Brief summary of report

1. This report provides a draft Breaches Policy document for the Suffolk Pension Fund, for consideration by the Board

Action recommended

2. The Board is asked to consider the draft and make a recommendation to the Pension Fund Committee for it to be adopted by the Fund.

Reason for recommendation

3. To comply with the Pensions Regulators requirements, the Fund must have an agreed breaches policy in place to ensure breaches are properly identified and reported.

Alternative options

4. There are no alternative options.

Main body of report

5. The guidance from the Pensions Regulator requires Funds to have a policy which covers the identification of breaches and how these are reported.
6. A draft Breaches Policy for the Suffolk Pension Fund is attached at Appendix 1.
7. This sets out the roles and responsibilities of individuals and the procedures to follow to properly follow the regulators requirements.
8. The Board is requested to consider the draft and make comments as it sees fit.
9. The Board is also asked to recommend the draft to the Pension Fund Committee for their approval at their November meeting.

Sources of further information

- a) The Pensions Regulator Code of practice no. 14 Governance and administration of public service pension schemes

A Procedure for Reporting Breaches of the Law to the Pensions Regulator

Suffolk Pension Fund

Introduction

- 1 In April 2015 the Pensions Regulator (the Regulator) published its Code of Practice no 14 (the Code) *Governance and administration of public service pension schemes*. This is not a statement of law of itself, but nonetheless it carries great weight. Some of its contents refer to statutory items, whilst others are advisory. The Courts may however also rely on the latter. In the same way, if determining whether any pensions related legal requirements have been met, a court or tribunal must take into account the Code.
- 2 There are many and various laws relating to the Local Government Pension Scheme, with many and various people having a statutory duty to report material breaches of the law to the Regulator. To assist, the Code states that a procedure should be established to ensure that those with a responsibility to make reports are able to meet their legal obligations. This document is that procedure, which relates to all of the Fund's areas of operation.
- 3 Much of the text herein is drawn from the Code itself. Where it has been, the Regulator's copyright applies.
- 4 If you have any questions about this procedure and:
 - you are a member of the Pension Fund Committee, Pension Board or you are an external adviser, please contact the Council's Monitoring Officer;
 - you are an actuary, auditor or other external agent, please contact the Director of Resource Management
 - you represent an employer, please contact the Strategic Payroll and Pensions Manager;
 - you are an officer of the Fund, and you work in Administration, please contact Head of Audit Services

Legal requirements

- 5 Certain people are required to report breaches of the law to the Regulator where they have reasonable cause to believe that:
 - a legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with;
 - the failure to comply is likely to be of material significance to the Regulator in the exercise of any of its functions.
- 6 People who are subject to the reporting requirement ('reporters') for public service pension schemes are:
 - scheme managers (meaning, in the case of Suffolk, the Pension Fund Committee);
 - members of the Suffolk Pension Board ;
 - any person who is otherwise involved in the administration of the Fund (including the Fund's officers);
 - employers, and any participating employer who becomes aware of a breach should consider their statutory duty to report, regardless of whether the breach relates to, or affects, members who are its employees or those of other employers;

- professional advisers including auditors, actuaries, legal advisers and fund managers; and
- any person who is otherwise involved in advising the managers of the scheme in relation to the scheme.

Reasonable cause

- 7 Having ‘reasonable cause’ to believe that a breach has occurred means more than merely having a suspicion that cannot be substantiated.
- 8 Reporters should ensure that where a breach is suspected, they carry out checks to establish whether or not a breach has in fact occurred.
- 9 Where the reporter does not know the facts or events around the suspected breach, it will usually be appropriate to consult the Director of Resource Management, or Strategic Payroll and Pensions Manager, regarding what has happened. It would not be appropriate to check in cases of theft, suspected fraud or other serious offences where discussions might alert those implicated or impede the actions of the police or a regulatory authority. Under these circumstances the reporter should alert the Regulator without delay.
- 10 If the reporter is unclear about the relevant legal provision, they should clarify their understanding of the law to the extent necessary to form a view.
- 11 In establishing whether there is reasonable cause to believe that a breach has occurred, it is not necessary for a reporter to gather all the evidence which the Regulator may require before taking legal action. A delay in reporting may exacerbate or increase the risk of the breach.

Material significance

- 12 In deciding whether a breach is likely to be of material significance to the Regulator, it would be advisable for the reporter to consider the:
- cause of the breach;
 - effect of the breach;
 - reaction to the breach; and
 - the wider implications of the breach.
- 13 When deciding whether to report, those responsible should consider these points together. Reporters should take into account expert or professional advice, where appropriate, when deciding whether the breach is likely to be of material significance to the Regulator.
- 14 The breach is likely to be of material significance to the Regulator where it was caused by:
- dishonesty;
 - poor governance or administration;
 - slow or inappropriate decision making practices;
 - incomplete or inaccurate advice; or
 - acting (or failing to act) in deliberate contravention of the law.
- 15 When deciding whether a breach is of material significance, those responsible should consider other reported and unreported breaches of which they are aware. However, historical information should be considered with care, particularly if changes have been made to address previously identified problems.

- 16 A breach will not normally be materially significant if it has arisen from an isolated incident, for example resulting from teething problems with a new system or procedure, or from an unusual or unpredictable combination of circumstances. But in such a situation, it is also important to consider other aspects of the breach such as the effect it has had and to be aware that persistent isolated breaches could be indicative of wider scheme issues.

Effect of the breach

- 17 Reporters need to consider the effects of any breach, but with the Regulator's role in relation to public service pension schemes and its statutory objectives in mind, the following matters in particular should be considered likely to be of material significance to the Regulator:
- Pension Board members not having the appropriate degree of knowledge and understanding, which may result in the Board not fulfilling its role, the Fund not being properly governed and administered and/or the Pension Fund Committee breaching other legal requirements;
 - Pension Board members having a conflict of interest, which may result in them being prejudiced in the way that they carry out their role, ineffective governance and administration of the scheme and/or the Pension Fund Committee breaching legal requirements;
 - adequate internal controls not being established and operated, which may lead to the Fund not being run in accordance with the Scheme's Regulations and other legal requirements, risks not being properly identified and managed and/or the right money not being paid to or by the Fund at the right time;
 - accurate information about benefits and Scheme administration not being provided to Scheme members and others, which may result in members not being able to effectively plan or make decisions about their retirement;
 - appropriate records not being maintained, which may result in member benefits being calculated incorrectly and/or not being paid to the right person at the right time;
 - anyone involved with the administration or management of the Fund misappropriating any of its assets, or being likely to do so, which may result in assets not being safeguarded; and
 - any other breach which may result in the Fund being poorly governed, managed or administered.
- 18 Reporters need to take care to consider the effects of the breach, including any other breaches occurring as a result of the initial breach and the effects of those resulting breaches.

Reaction to the breach

- 19 Where prompt and effective action is taken to investigate and correct the breach and its causes and, where appropriate, notify any affected members, the Regulator will not normally consider this to be materially significant.
- 20 A breach is likely to be of concern and material significance to the Regulator where a breach has been identified and those involved:
- do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence;
 - are not pursuing corrective action to a proper conclusion;
 - fail to notify affected scheme members where it would have been appropriate to do so.

Wider implications of the breach

- 21 Reporters should consider the wider implications of a breach when they assess which breaches are likely to be materially significant to the Regulator. For example, a breach is likely to be of material significance where the fact that the breach has occurred makes it appear more likely that other breaches will emerge in the future. This may be due to the scheme manager or pension board members having a lack of appropriate knowledge and understanding to fulfil their responsibilities or where other pension schemes may be affected. For instance, public service pension schemes administered by the same organisation may be detrimentally affected where a system failure has caused the breach to occur.

Examples of breaches

Example 1

- 22 An employer is late in paying over employee and employer contributions, and so late that it is in breach of the statutory period for making such payments. It is contacted by officers from the administering authority, it immediately pays the moneys that are overdue, and it improves its procedures so that in future contributions are paid over on time. In this instance there has been a breach but members have not been adversely affected and the employer has put its house in order regarding future payments. The breach is therefore not material to the Regulator and need not be reported.

Example 2

- 23 An employer is late in paying over employee and employer contributions, and so late that it is in breach of the statutory period for making such payments. It is also late in paying AVCs to the AVC Provider. It is contacted by officers from the administering authority, and it eventually pays the moneys that are overdue, including AVCs to the AVC Provider. This has happened before, with there being no evidence that the employer is putting its house in order. In this instance there has been a breach that *is* relevant to the Regulator, in part because of the employer's repeated failures, and also because those members paying AVCs will typically be adversely affected by the delay in the investing of their AVCs.

Example 3

- 24 An employer is late in submitting its statutory year-end return of pay and contributions in respect of each of its active members and as such it is in breach. Despite repeated reminders it still does not supply its year-end return. Because the administering authority does not have the year-end data it is unable to supply, by 31 August, annual benefit statements to the employer's members. In this instance there has been a breach which *is* relevant to the Regulator, in part because of the employer's failures, in part because of the enforced breach by the administering authority, and also because members are being denied their annual benefits statements.

Example 4

- 26 A pension overpayment is discovered and thus the administering authority has failed to pay the right amounts to the right person at the right time. A breach has therefore occurred. The overpayment is however for a modest amount and the pensioner could not have known that

(s)he was being overpaid. The overpayment is therefore waived. In this case there is no need to report the breach as it is not material.

Submitting a report to the Regulator

- 27 Before you submit a report you should obtain clarification of the law around the suspected breach. If:
- you are a member of the Pension Fund Committee, Pension Board or you are an external adviser, please contact the Council's Monitoring Officer;
 - you are an actuary, auditor or other external agent, please contact the Director of Resource Management
 - you represent an employer, please contact the Strategic Payroll and Pensions Manager;
 - you are an officer of the Fund and you work in Administration, please contact the Head of Audit Service.
- 28 The person you contact will consider in the round whether the Regulator would regard the breach as being material. (S)he will also clarify any facts, if required. If the case is a difficult one (s)he will seek advice, as required.
- 29 Some matters could be urgent, if for example a fraud is imminent, whilst others will be less so. Non-urgent but material breaches should be reported to the Regulator within 30 working days of them being confirmed, and in the same time breaches that are not material should be recorded (see later).
- 30 Some breaches could be so serious that they must always be reported, for example a theft of funds by anyone involved with the administration or management of the Fund. It is difficult to be definitive about what constitutes a breach that must always be reported, but one test is: might it reasonably lead to a criminal prosecution or a serious loss in public confidence?
- 31 Any report that is made (which must be in writing and made as soon as reasonable practicable) should be dated and include as a minimum:
- full name of the Fund;
 - description of the breach or breaches;
 - any relevant dates;
 - name of the employer or scheme manager (where known);
 - name, position and contact details of the reporter; and
 - role of the reporter in relation to the Fund.
- 32 Additional information that would help the Regulator includes:
- the reason the breach is thought to be of material significance to the Regulator;
 - the address of the Fund;

- the pension scheme's registry number (if available); and
- whether the concern has been reported before.

- 33 Reporters should mark urgent reports as such and draw attention to matters they consider particularly serious. They can precede a written report with a telephone call, if appropriate.
- 34 Reporters should ensure they receive an acknowledgement for any report they send to the Regulator. Only when they receive an acknowledgement can the reporter be confident that the Regulator has received their report.
- 35 The Regulator will acknowledge all reports within five working days of receipt, however it will not generally keep a reporter informed of the steps taken in response to a report of a breach as there are restrictions on the information it can disclose.
- 36 The reporter should provide further information or reports of further breaches if this may help the Regulator to exercise its functions. The Regulator may make contact to request further information.
- 37 Breaches should be reported as soon as reasonably practicable, which will depend on the circumstances. In particular, the time taken should reflect the seriousness of the suspected breach.
- 38 In cases of immediate risk to the Fund, for instance, where there is any indication of dishonesty, the Regulator does not expect reporters to seek an explanation or to assess the effectiveness of proposed remedies. They should only make such immediate checks as are necessary. The more serious the potential breach and its consequences, the more urgently reporters should make these necessary checks. In cases of potential dishonesty the reporter should avoid, where possible, checks which might alert those implicated. In serious cases, reporters should use the quickest means possible to alert the Regulator to the breach.

Recording breaches that have not been reported to the Regulator

- 39 Breaches that are found not to be material to the Regulator must still be recorded. This is so that if similar breaches continue, then they become material. Recording all breaches also highlights where improvements are required, to try and prevent similar breaches.
- 40 Breaches that are not being reported will be recorded by the Strategic Payroll and Pensions Manager.

Whistleblowing protection and confidentiality

- 41 The Pensions Act 2004 makes clear that the statutory duty to report overrides any other duties a reporter may have such as confidentiality and that any such duty is not breached by making a report. The Regulator understands the potential impact of a report on relationships, for example, between an employee and their employer.
- 42 The statutory duty to report does not, however, override 'legal privilege. This means that oral and written communications between a professional legal adviser and their client, or a person representing that client, while obtaining legal advice, do not have to be disclosed. Where appropriate a legal adviser will be able to provide further information on this.
- 43 The Regulator will do its best to protect a reporter's identity (if desired) and will not disclose the information except where lawfully required to do so. It will take all reasonable steps to

maintain confidentiality, but it cannot give any categorical assurances as the circumstances may mean that disclosure of the reporter's identity becomes unavoidable in law. This includes circumstances where the regulator is ordered by a court to disclose it.

- 44 The Employment Rights Act 1996 (ERA) provides protection for employees making a whistleblowing disclosure to the regulator. Consequently, where individuals employed by firms or another organisation having a statutory duty to report disagree with a decision not to report to the regulator, they may have protection under the ERA if they make an individual report in good faith. The Regulator expects such individual reports to be rare and confined to the most serious cases.

Suffolk County Council whistleblowing policy

- 45 The Council has its own whistleblowing policy. The person contacted about the potential breach, eg, the Solicitor to the Fund, will take this into account when assessing the case.

Suffolk Pension Board Forward Work Programme

Purpose

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

Terms of reference

The terms of reference of the Pension Board are:

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

Meeting date (see Note)	Added to Work Programme	Subject	Short description	How is it anticipated the Committee will deal with this issue?
Thursday, 1 October 2015	Added 28 September 2015	Annual Employers Meeting	To report to the Fund Employers on the performance of the Suffolk Pension Fund	Presentation
Wednesday, 16 December 2015	Added 28 September 2015	Asset Allocation	To consider the asset allocation in place of the Suffolk Pension Fund	Written Report
	Added 28 September 2015	Managers of the Suffolk Pension Fund	To consider the investment manager arrangements in place for the Suffolk Pension Fund	Written Report
	Added 28 September 2015	Costs of Investment management	To receive a report on the costs of Investment management	Written Report
	Added 28 September 2015	Complaints and Compliments	To receive a report on the complaints and compliments received by the Fund	Written Report
	Added 28 September 2015	Forward Work Programme	To approve the Forward Work Programme for the Pension Fund Committee.	Written Report
Friday, 11 March 2016	Added 28 September 2015	Risk Management	Review of Fund's monitoring and attitude to risk.	Written Report

Meeting date (see Note)	Added to Work Programme	Subject	Short description	How is it anticipated the Committee will deal with this issue?
Friday, 11 March 2016	Added 28 September 2015	Passive and Active management of investments	To receive a report on the Fund's proportion of passive and active mangemnet.	Written Report
	Added 28 September 2015	Communication plan	To consider a report on the Board's communication plan..	Written Report
	Added 28 September 2015	Complaints and Compliments	To receive a report on the complaints and compliments received by the Fund	Written Report
	Added 28 September 2015	Forward Work Programme	To approve the Forward Work Programme for the Pension Fund Committee.	Written Report
Monday, 11 July 2016	Added 28 September 2015	Investment Performance of the Fund in 2015-16	To receive a report on the investment performance of the Fund in 2015-16.	Written Report
	Added 28 September 2015	Complaints and Compliments	To receive a report on the complaints and compliments received by the Fund	Written Report

Meeting date (see Note)	Added to Work Programme	Subject	Short description	How is it anticipated the Committee will deal with this issue?
Monday, 11 July 2016	Added 28 September 2015	Forward Work Programme	To approve the Forward Work Programme for the Pension Fund Committee.	Written Report

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

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

Revised – September 2015.