Suffolk County Council

Suffolk Pension Board

(Quorum 2 – 1 member of each representative group)

Scheme Employer Representatives

Councillor Gordon Jones, representing Suffolk County Council.

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

Thomas Jarrett, representing all other employers in the Fund.

Scheme Member Representatives

Suzanne Williams, representing the Unions.

David Rowe, representing Active Members.

Eric Prince, representing Pensioners.

Date: Thursday, 12 December 2019

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

Time: 11:00 am

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

Business to be taken in public

1. **Appointment of Chairman**

   The Committee is invited to elect a Chairman for the remainder of the 2019/20 municipal year.

2. **Apologies for Absence**

   To note and record any apologies for absence.

3. **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.

4. **Minutes of the Previous Meeting** — Pages 5-10

   To approve as a correct record, the minutes of the meeting held on 11 October 2019.

5. **Pensions Administration Performance** — Pages 11-13

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

6. **Altair Payroll Implementation** — Pages 15-19

   To receive an update on the implementation of the new Altair Payroll System.

7. **Funding Strategy Statement** — Pages 21-63

   To consider the Fund's draft Funding Strategy Statement and agree any comments the Board would like to make.

8. **Pooling Update**

   To receive an update on the progress of the development of the ACCESS Pool.

9. **Rules of Procedure** — Pages 65-72

   To consider some minor amendments to the Board's Rules of Procedure.

10. **Information Bulletin** — Pages 73-94

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

11. **Forward Work Programme** Pages 95-98

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

Date of next scheduled meeting – Friday, 13 March 2020 at 11:00 am.

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Nicola Beach
Chief Executive

Suffolk County Council

Agenda Item 4
Unconfirmed

Minutes of the Suffolk Pension Board Meeting held on 11 October 2019 at 3:00 pm in the Rose Mead Room, Endeavour House, Ipswich.

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

15. Apologies for Absence

There were no apologies for absence.

16. Declarations of Interest and Dispensations

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

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

17. Minutes of the Previous Meeting

The minutes of the meeting held on 23 July 2019 were confirmed as a correct record and signed by the Chairman.

18. Annual Employers Meeting

At agenda item 4, the Board received a verbal update from the Chairman and the Senior Pensions Specialist on the Annual Employers meeting which took place on 9 October 2019.

Members heard that guests were provided with an overview of the Fund which was well received. The Actuaries from Hymans Robertson LLP were also in attendance to provide an update on the results of the Valuation. It was confirmed that the individual employers' contributions were now in the process of being sent out. The Chairman said that the Fund was now 99% funded, which was a move in the right direction, achieved in some large measure by the decisions of the Suffolk Pension Fund Committee. Members also heard that an update was also provided on future developments of Pensions administration and the importance of data quality.

The Board noted that there had not been many questions from the audience but hoped that was because there was good news to tell. At the end of the meeting, the Actuary remained behind to answer any individual questions from the attendees.

Decision: The Board thanked officers for organising the meeting and noted the information provided.

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

Alternative options: There were none considered.

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

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

Dispensations: There were none noted.

19. Actuarial Valuation

At agenda item 5, the Board received a report which set out the actuarial position of the Suffolk Pension Fund as at 31 March 2019 and proposals for its Funding Strategy.

Decision: The Board:

a) noted the outcome of the Actuarial Valuation as at 31 March 2019;

b) requested to see the outcome of the Funding Strategy Statement consultation including responses received from the employers and other interested parties, to be considered at the Board's 12 December 2019 meeting; and

c) to receive the Funding Strategy Statement for the Pension Fund for the Board to make a formal response on the document.

Reason for decision:

a) The Board was interested in receiving an update on the actuarial valuation of the Fund and the process for agreeing employer contribution rates for the next three years.

b) Members were also interested in receiving an update on the responses to the consultation before the Funding Strategy Statement was approved by the Pension Fund Committee at its February meeting. This would include how many people agreed and disagreed with the proposal and how successful the principle had been and accepted across the wider employers of the Fund.

c) Members wished to further digest the Funding Strategy Statement before a formal response was made by the Board.

Alternative options: There were none considered.

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

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

Dispensations: There were none granted.

20. Pensions Administration Performance

The Board considered a report at agenda item 6 which provided Members with an update on the performance of the Pensions Administration, as well as details of the compliments and complaints received by the team.

Decision: The Board praised the team on its excellent figures and noted the information provided.

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

Alternative options: There were none considered.

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

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

Dispensations: There were none granted.

21. Pooling Update

At agenda item 7, the Board received an update on the progress of the ACCESS pool.

Further to the published report, Paul Finbow, Senior Pensions Specialist, informed Members that that during June 2019 the insurance cover held by Link to cover the holding of up to £10 billion in the pool was exceeded. Link had been reliant on their other insurance policies to provide cover in the interim. However, it was a requirement under the pooling contract that insurance cover should be bespoke to ACCESS. The Board was informed that an insurance policy covering the contractor up to £17 billion had now been put in place. A process was also being considered to further ensure this would not happen again.

Decision: The Board noted the information provided verbally and within the report.

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

Alternative options: There were none considered.

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

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

Dispensations: There were none noted.

22. Information Bulletin

The Board noted the Information Bulletin at agenda item 8.

23. Pension Board Risk Register

At agenda item 9, the Board received a report which set out the Risk Register for the Suffolk Pension Board as approved on 13 March 2019 and how the risk control measures have been implemented against the risks.

Decision: The Board:

a) reviewed the implementation of the risk control measures;

b) reviewed and approved the Pension Board Risk Register; and

c) confirmed it would continue to review the risk register every other meeting (6-monthly) in order to give the Register the proper attention it required.

Reason for decision:

a-b) Risk management was a key responsibility of those charged with Pension Fund governance, with a duty to identify the range of risks that could affect the long-term sustainability of the Fund.

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

c) The Pensions Regulator had suggested an assessment of the frequency in which the Board reviewed its Risk Register. Members discussed this again in detail, further to its meeting on 23 July 2019, however felt the risks to the Board did not change significantly enough to increase the frequency of review. Members expressed the view that the Board was more like a scrutiny function with oversight of the Pension Fund Committee. The Board's role and the decisions it made did not affect the value of the Fund unlike that of the Committee. Members also spoke of the fact the Regulator had considered that the Board and the Committee should have one shared Risk Register. Again, Members voiced concern at this due to the aforementioned reasons as well as the fact they received a highlight report from the Pension Fund Committee's risk register so Members were made aware of anything that could cause alarm, and also received a summarised version of the Board's Risk Register submitted to each meeting should anything change between formal reviews. The Board wished to continue to focus on their role, concentrating on its own Risk Register, and being made aware of the Committee's Risk Register through the highlights report as well as being informed by professional officers should anything urgent arise.

Alternative options: There were none considered.

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

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

Dispensations: There were none granted.

24. Forward Work Programme

The Board received a copy of its Forward Work Programme at agenda item 10.

Decision: The Board agreed its Forward Work Programme as published with the inclusion of the following item:

a) requested the see the outcome of the Funding Strategy Statement consultation responses received from the employers and other interested parties, as well as the Funding Strategy Statement for the Pension Fund in order to allow the Board to make a formal response on the document – to be considered at the Board's 12 December 2019 meeting.

Members also confirmed that it would undertake a training session on Cyber Security at a future pre-Board training session.

Note: an additional item was agreed during the private section of the meeting as noted below at minute 26.

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

25. Exclusion of the Press and Public

Decision: The Board agreed that the public (including the press) should be excluded from the meeting during the consideration of agenda item 12 on the grounds that:

a) that it involves the likely disclosure of exempt information as referred to under Parts 1 to 3 of Schedule 12A (as amended) of the Local Government Act 1972 (as amended); and

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

26. Pensions Regulator Update

At agenda item 12, the Board received a report which provided Members with further information about the recent visits of the Pension Regulator to Suffolk.

Decision: The Board noted the report and requested to review the implementation of suggested outcomes by the Pensions Regulator at its 13 March 2019 meeting.

Reason for decision: The Board was responsible for the oversight of the administration of the Suffolk Pension Fund.

Members noted that the visits had been a useful exercise with provided much food for thought, however, did not agree with all suggestions and wished to write to the Regulator to clarify its position on some of the points raised on pages 123-

125 of the agenda pack so similar misunderstandings did not happen at other local authorities.

Alternative options: There were none considered.

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

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

Dispensations: There were none granted.

The meeting closed at 4:40 pm.

Chairman

Suffolk County Council

Agenda Item 5

Suffolk Pension Board

Report Title:	Pensions Administration Performance
Meeting Date:	12 December 2019
Director:	Chris Bally, Deputy Chief Executive
Assistant Director or Head of Service:	Louise Aynsley, Head of Finance (S151 Officer)
Author:	Stuart Potter, Pensions Operations Manager

Brief summary of report

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

Action recommended

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

Reason for recommendation

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

Alternative options

4. There are no alternative options.

Main body of report

5. This report covers staff performance and team achievements since the previous Board meeting on 11 October 2019.
6. The Service Level Agreements for our 'key' processes between September and October 2019 are shown below:
   a) Provision of a transfer quote to scheme members within 10 days of the receipt of the estimated value and all necessary information – Total cases 81, percentage completed in SLA 99%
   b) Estimates are issued to members or employers within 10 working days of receipt of all information – Total cases 109, percentage completed in SLA 99%
   c) Retiring employees are notified of their options within 5 working days of receipt of all information – Total cases 240, percentage completed in SLA 99%

d) Retirement lump sums will be paid within 10 working days of receipt of all necessary information after retirement – Total cases 174, percentage completed in SLA 100%

e) Notification of survivor benefits will be issued within 10 working days of receipt of all information – Total cases 26, percentage completed in SLA 96%

f) Outstanding monies owed in respect of a deceased pension, and any death grant, will be paid within 10 working days of receipt of all information – Total cases 76, percentage completed in SLA 100%

7. The first part of the payroll project has been completed and Pensioners paid on Altair payroll in November 2019 for the first time. Please see agenda item 6 for full details.

8. Common and conditional data scores have been reported to the Pensions Regulator by the deadline set. These scores are data that is assessed to be present and accurate. Common data refers to the member and conditional data is scheme specific. We have reported 95% and 99% in these areas. This compares to last year's figures of 92% and 95%. The main reason for the lower common data score is missing addresses. This will be further improved this year with the help of a tracing agency which is being appointed through the use of a national framework.

9. All individuals affected by the annual allowance tax charge were advised by the deadline set and are in the process of deciding their options about how to pay the tax charge. The deadline for this is 31 January 2020. Annual allowance is the maximum amount of pension savings an individual can have each year that benefit from tax relief.

10. Since the update at the last board meeting there have been eight compliments. The first of these was from two pensioner members explaining they had received their pensions for 30 years and during that time had never needed to contact us as the service 'has been superb'. The email went on to thank us from the bottom of their hearts.

11. There were three compliments thanking us for the support given to members who needed guidance with form filling and retirement planning. Another member wrote in to thank a member of the team who helped resolve an issue they had with their former employer. The sixth compliment thanked us for our 'excellent service' stating 'others could take a leaf out of our book'. The seventh compliment was from a pensioner thanking us for his pensioner newsletter and stating, 'it's always worth reading and he's looking forward to continuing to get these'. The final compliment was from a member who received their money following some help from the team. The thanks were worded 'I just want to say how refreshing it is to have somebody actually deal with a situation or query with a clear answer and timeline and no calming me off or not responding. Thank you for being really helpful and getting this taken care of'.

12. During this time there have been one complaint received. This complaint was from a member who had not been updated with what was happening with their case. Following this, and an escalation, the response was not satisfactory for the member. This complaint is now being fully investigated but requires some information from another pension fund where they previously transferred some service from. The member is being kept informed of progress.

13. The case mentioned last time that had been passed to the Ombudsman is still being considered. The complaint is in relation to a member who feels they are entitled to more pension benefit than the regulations allow. Further information was requested, which I have provided, and we are awaiting the decision on this case.

14. In addition, another case that went through the IDRP process has been sent to the Ombudsman to review. This case is regarding an incorrect retirement date that was provided on a retirement letter which affects benefit amounts. The correct date has been provided on all other correspondence which was acknowledged during the IDRP process. The outcome on both cases will be provided to the Board once they are known.

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

Contribution payments

16. The administration strategy requires contributions from employers to be received by the Pension Fund within 5 working days of the month end in which the contributions were deducted. The table below summarises the timeliness of receipts received during 2019/20 quarter 2 and for comparative purposes Quarter 1:

	Quarter 1			Quarter 2		
	Employer	Contributions		Employer	Contributions	
	%	£'m	%	%	£'m	%
On Time	98%	27.882	98%	97%	30.155	99%
Up to 1 week late	1%	0.284	1%	1%	0.109	0%
Over 1 week late	1%	0.333	1%	2%	0.325	1%
Total		**28.499**			**30.589**	

17. The increase in contributions in Quarter 2 is because the employers who pay their deficit payment on an annual basis have been invoiced.

Sources of further information

a) None.

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Suffolk County Council

Agenda Item 6

Suffolk Pension Board

Report Title:	Altair Payroll Implementation
Meeting Date:	12 December 2019
Director:	Chris Bally, Deputy Chief Executive
Assistant Director or Head of Service:	Louise Aynsley, Head of Finance (S151 Officer)
Author:	Stuart Potter, Pensions Operations Manager

Brief summary of report

1. This report provides the Pension Board with an update on the payroll migration project so far.

Action recommended

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

Reason for recommendation

3. To provide the Board with an update on the payroll migration project. This report will cover work completed to date and the remaining targets.

Alternative options

4. There are no alternative options.

Main body of report

5. Further to updates in Board meetings a decision was taken to migrate our payroll system from the corporate payroll system to the Altair payroll system. This will be an integrated system with our existing Altair administration system, provided by Heywood, that has been used since 2014.

6. The benefits of making this change will benefit both the Pensioner and pensions administration team. For the Pensioner, they will be able to use a Self Service system viewing their payslips and P60's, while for the administration team the need for duplicate input onto both systems will be removed which reduces processing time and the risk of error.

7. The project was initially scoped out back in February 2018 with a payroll survey taking place however the project requirements and timescales were finally agreed and signed off during the end of 2018. The biggest piece of work during this period was agreeing the general ledger requirements.

8. During the early part of 2019 the focus was on identifying where data discrepancies may lay between the payroll and administration system and amending where appropriate. This work helped to ensure that when providing data later on in the project it was easier to match records, and also provided a

valuable assurance that payments would be correct when we migrated the payroll data. Some discrepancies were found and corrected.

9. In March 2019 we produced the first data extracts from our current payroll system and following several iterations and amendments to available standard reports, we were able to provide these to Heywood to start building the background records for our new system.

10. Regular conference calls, which continued throughout the project, were held with the Heywood consultants to talk through data, and next steps. Urgent issues from both sides were discussed and actions agreed.

11. Between April and June 2019 further data extracts were required, along with changes to the data and format of these to ensure that we were able to provide to Heywood the information they needed. The biggest issue in this period was that Heywood were unable to identify where Pensioners with multiple previous employments should be mapped to as they had no correlating unique reference on our payroll system. This meant thousands of elements could not be mapped. As a result, we needed to create unique identifiers for these Pensioners and update the Altair administration system and our existing ITrent payroll system with this information. This work was considerable mainly due to the volumes of Pensioners we pay.

12. The original intention was to go live on Altair payroll in September 2019, however, due to the resource issues at Heywood, and the fact that this work was coinciding with the Triennial valuation, we agreed a new go live date of November 2019. This new timescale was agreed with key staff in our IT department who needed to support aspects of the project.

13. During June 2019 there was a lot of detailed work on cost codes and clarifications to Heywood on our how systems worked, and which elements mapped to which code. This eventually ended in another extract being required with coding being added to help make the mapping process better.

14. During July 2019 we needed to check and verify the first draft of the mapping that had taken place. That involved checking all aspects of the payroll data for each member. All discrepancies were investigated, and solutions were found on how these would show on the general ledger. We were also in talks with HM Revenue and Customs (HMRC) to clarify our position and the requirement for a new Pay as you earn (PAYE) reference number and establishing the correct process to request this.

15. In August 2019 drafts of payslips and P60's were created and based on our feedback were amended to mirror those used by the current payroll system. In addition, we requested our new PAYE reference number using HMRC's P350 process as advised, and thoroughly checked the test environment of Altair payroll to ensure records and the system looked correct. During this time, we also needed to complete reconciliations of headcounts and year to date payroll figures in order to check them before we could request the September extract which was required for the first parallel run. The initial extract file included some data errors which required a change to the extract process. Discussions with IT about the need for the automation of BACS transfer began during this time also.

16. At the beginning of September, we collated all of the information needed for our parallel run extract which was requested from our IT department. We moved our live payroll schedule forward to allow us to have the correct Year to date

information in place on these extracts, to remove the need for the team to input onto two payroll systems in this time. These were requested and sent to Heywood who loaded them. Some elements did not map correctly so these errors were manually resolved as it was not possible to do in any other way. In September, payroll training was also provided to key staff showing an overview of the system for the first time. Once we were able to run the September parallel payroll in the new system, all temporary input had to be keyed into the new system, which was a considerable piece of work before the payroll could be processed.

17. As we moved into the first two weeks of October 2019 all of the data needed to be reconciled down to the penny. Where issues were identified, these were raised and clarifications sort around processes and the way the system handled certain aspects of the processing. Finally, we were able to reconcile the payrolls exactly to the live payroll system. We identified from this process that we needed to request further elements to ensure sufficient are available to meet the needs of paying individual pensions.

18. We also needed to sort the Virtual private network (VPN) connection with IT colleagues during this time to ensure we could access the live service via this secure method in November. We were also able to test the general ledger file for the first time, which identified some codes we would need to create overrides for. However, we were successfully able to get the files loaded into our test financial system. We then moved the payrolls into October, completed the duplicate payroll input on both systems, and then ran and reconciled these payrolls to the penny. Following chasers, we obtained the information we needed from HMRC which provided us with our new PAYE reference.

19. On 1 November 2019 I made the decision that we would be able to go live on Altair payroll as I had been satisfied from our testing and the responses that all major obstacles had been overcome.

20. All Pensioners needed to be made leavers from our corporate payroll system and a full payment submission (FPS) file sent to HMRC notifying them of this. This file initially failed so we spoke directly to HMRC to ensure that it had not been received and we reissued the file once we knew it was safe to do so. All the way through we have liaised directly with a contact at HMRC and provided them with specific tax information as requested to ensure a smooth transition for our Pensioner members. The new PAYE reference details were added to the Altair payroll system and tests were completed to ensure that we would be accurately able to notify HMRC of the new details for Pensioners. This part is crucial to avoid personal tax issues for individual Pensioners.

21. While this was going on, full process notes were written to help team members process cases and training and support was given to help team members with their input. Following this all cases were checked to ensure no obvious errors had been made.

22. The payrolls were run successfully for the first time and everyone paid correctly and on time on 29 November. In addition, payslips were produced and received by Pensioners who needed one ahead of payday, the general ledger was loaded into the financial system successfully and all statutory Real time information (RTI) returns were sent and accepted by HMRC on time. All other staff who may need to see the system, and have been in the office, have been given read only access to it and trained to enable them to answer customer queries. A training guide and

a frequently asked question guide have also been created. This completes the first part of the payroll implementation project.

23. Now the focus is on a merge process that needs to take place between the Altair admin and payroll systems. We have been provided with data from Heywood where discrepancies appear to exist, and we are working through these to ensure the correct data is held. Once we are happy this will be merged together and will remove the need for duplicate input from the team, which is currently required on some parts of the record. This is again a significant piece of work and the expectation is to be able to complete this in January. Until this work is complete, we are not able to complete the configuration to enable Pensioners to see pay details on Member Self Service. If all keeps to schedule, we will be able to test the Pensions Increase process during February and March which should be a simpler process than on our previous system.

24. With the new system we have a few more responsibilities than when using our previous system. These include being responsible for all HMRC requirements including the system background, payment of tax, P60 approval and generation and the loading of all P6 and P9 notifications.

25. The benefits to our customers who wish to use the Member Self Service will be significant. Currently the system is available for Pensioners to update their contact details including address and email address, however following the merge process and system configurations, they will also be able to access payslips on a monthly basis if they wish to do so. Currently pensioners are only issued a paper payslip twice a year, unless their net pay varies by more than £1, so this gives an option for Pensioners to view their pay details more frequently if they wish. For Pensioner members who live abroad and need to provide financial information for different financial year cycles, this will enable them to access the exact information they require at an appropriate time for them. P60's will also be available on this system to allow easy reference should they be required. These changes will also allow documents and letters to be uploaded to Pensioners records so they can view these on this system.

26. From an administration perspective, time will be saved when processing payroll cases due to no longer needing to duplicate input onto two systems. This change will help ensure an entire payment of benefits can be processed in one go and remove the need to go back to a case. This will allow the team to move onto other areas of work quicker than is currently possible. We need to slightly amend our processes, as we previously used to set up Pensioner records 3 months in advance, however these can only be added in the current month now. This change fits into the way we want to work, and our processes will be amended accordingly to accommodate this change. In addition, the change helps reduce the chance of data input error as it only needs to be keyed once.

27. These changes will also see the cost of issuing paper communications reduce. Currently we issue full payslip runs twice a year, alongside the monthly variation payslips, and issue Pensioner newsletters with the full payslips runs. Our intentions are to make the default option that these communications will be issued electronically although Pensioners obviously have the option to request paper communications still. Our expectation is that newly retired Pensioners, who are used to Self Service systems, will wish to continue with this approach and over time the majority of Pensioners will favour this approach. It is important however these members have the choice.

28. Once the remainder of the project has been completed, I will update the Board in a future administration paper.

Sources of further information
a) None.

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Suffolk County Council

Agenda Item 7

Suffolk Pension Board

Report Title:	Funding Strategy Statement
Meeting Date:	12 December 2019
Director:	Chris Bally, Deputy Chief Executive
Assistant Director or Head of Service:	Louise Aynsley, Head of Finance (S151 Officer)
Author:	Paul Finbow, Senior Pension Specialist Telephone: 01473 265288

Brief summary of report

1. This report sets out the proposals for the Fund's Funding Strategy.
2. The Board is requested to consider the draft funding strategy statement as part of the consultation with the scheme employers and other interested parties.

Action recommended

3. The Board is recommended:

   a) To consider the draft Funding Strategy Statement for the Pension Fund set out at **Appendix 1**.

Reason for recommendation

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

Alternative options

5. There are no alternative options.

Main body of report

6. At the Board's meeting on 11 October, the Board received an update on the actuarial valuation results as at 31 March 2019, and a copy of the draft funding strategy.
7. The Funding Strategy was approved by the Pension Fund Committee on 27 September 2019 and agreed that it should be sent out for consultation to all employers and other interested parties. This was discussed at the Board meeting on 11 October, and members requested that it should be reconsidered at the next meeting to agree any response the Board may wish to make.
8. **Appendix 1** sets out the draft Funding Strategy Statement for the Pension Fund.
9. The November Pension Fund Committee meeting received an update on the responses to the consultation so far and the Funding Strategy Statement will be formally approved by the Committee on 28 February 2020.

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

Sources of further information

a) Funding Strategy Statement 2017 – Suffolk Pension Fund website

b) Agenda Item 5 - Board Meeting 11 October 2019

HYMANS ROBERTSON

Suffolk Pension Fund

Funding Strategy Statement

September 2019

PUBLIC SECTOR

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Appendices

1 Introduction

1.1 What is this document?

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

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

1.2 What is the Suffolk Pension Fund?

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

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

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

1.3 Why does the Fund need a Funding Strategy Statement?

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

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

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

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

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

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

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

1.4 How does the Fund and this FSS affect me?

This depends who you are:

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

1.5 What does the FSS aim to do?

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

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

1.6 How do I find my way around this document?

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

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

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

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

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

B. who is responsible for what,

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

D. some more details about the actuarial calculations required,

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

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

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

2 Basic Funding issues

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

2.1 How does the actuary calculate the required contribution rate?

In essence this is a three-step process:

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

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

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

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

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

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

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

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

2.3 What different types of employer participate in the Fund?

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

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

The LGPS Regulations define various types of employer as follows:

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

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

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

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

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

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

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

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

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

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

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

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

2.5 How is a funding level calculated?

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.8 When will the next actuarial valuation be?

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

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

3 Calculating contributions for individual Employers

3.1 General comments

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

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

These and associated issues are covered in this Section.

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

3.2 The effect of paying lower contributions

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

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

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

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

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

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

3.3 The different approaches used for different employers

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

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

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

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

In the circumstances where:

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

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

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

Note (b) (Stabilisation)

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

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

The use of a stabilisation mechanism applies to employers if:

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

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

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

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Type of employer	All Councils and Suffolk Police	Academies

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

Note (c) (Maximum time horizon)

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

Note (d) (Secondary rate)

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

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

Note (e) (Likelihood of achieving funding target)

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

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

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

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

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

Note (f) (Regular Reviews)

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

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

Note (g) (New Academy conversions)

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

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

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

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

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

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

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

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

Note (h) (New Admission Bodies)

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

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

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

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

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

Note (i) (New Transferee Admission Bodies)

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

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

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

i) Pooling

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

ii) Fixed contribution rate agreed

Under this option the contractor pays a fixed contribution rate throughout its participation in the Fund and on cessation does not pay any deficit or receive an exit credit. In other words, the pension risks "pass through" to the letting employer.

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

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

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

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

Note (j) (Admission Bodies Ceasing)

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

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

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

As discussed in Section 2.7, the LGPS benefit structure from 1 April 2014 is currently under review following the McCloud judgement. The Fund is considering how it will reflect the current uncertainty regarding the outcome of this judgement in its approach to the calculations involved in cessation valuations.

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

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

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

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

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

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

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

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

3.4 Pooled contributions

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

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

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

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

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

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

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

3.5 Additional flexibility in return for added security

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

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

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

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

3.6 Non ill health early retirement costs

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

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

3.7 Ill health early retirement costs

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

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

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

3.8 Ill health risk management

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

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

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

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

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

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

3.9 Employers with no remaining active members

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

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

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

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

3.10 Policies on bulk transfers

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

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

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

4 Funding strategy and links to investment strategy

4.1 What is the Fund's investment strategy?

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

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

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

The same investment strategy is currently followed for all employers.

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

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

Therefore, the funding and investment strategies are inextricably linked.

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

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

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

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

4.4 How does the Fund monitor its overall funding position?

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

5 Statutory reporting and comparison to other LGPS Funds

5.1 Purpose

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

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

5.2 Solvency

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

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

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

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

5.3 Long Term Cost Efficiency

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

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

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

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

Relative considerations include:

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

Absolute considerations include:

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

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

Appendix A – Regulatory framework

A1 Why does the Fund need an FSS?

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

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

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

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

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

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

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

A2 How does the Administering Authority consult on the FSS?

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

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

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

b) Comments were requested within x days;

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

A3 How is the FSS published?

The FSS is made available through the following routes:

- Published on the Suffolk Pension Fund website, at www.suffolkpensionfund.org;
- A link in the annual report and accounts of the Fund;
- Copies made available on request.

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the triennial valuation (which may move to every four years in future - see Section 2.8). This version is expected to remain unaltered until it is consulted upon as part of the formal process for the next valuation.

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

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

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

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

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

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

Appendix B – Responsibilities of key parties

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

B1 The Administering Authority should:-

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

B2 The Individual Employer should:-

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

B3 The Fund Actuary should:-

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

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

B4 Other parties (not exhaustive):-

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

Appendix C – Key risks and controls

C1 Types of risk

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

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

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

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

Appendix D – The calculation of Employer contributions

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

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

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

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

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

Employer contributions are normally made up of two elements:

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

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

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

D2 How is the Primary contribution rate calculated?

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

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

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

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

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

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

D3 How is the Secondary contribution rate calculated?

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

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

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

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

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

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

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

D5 How is each employer's asset share calculated?

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

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

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

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

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

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

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

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

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

Appendix E – Actuarial assumptions

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

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

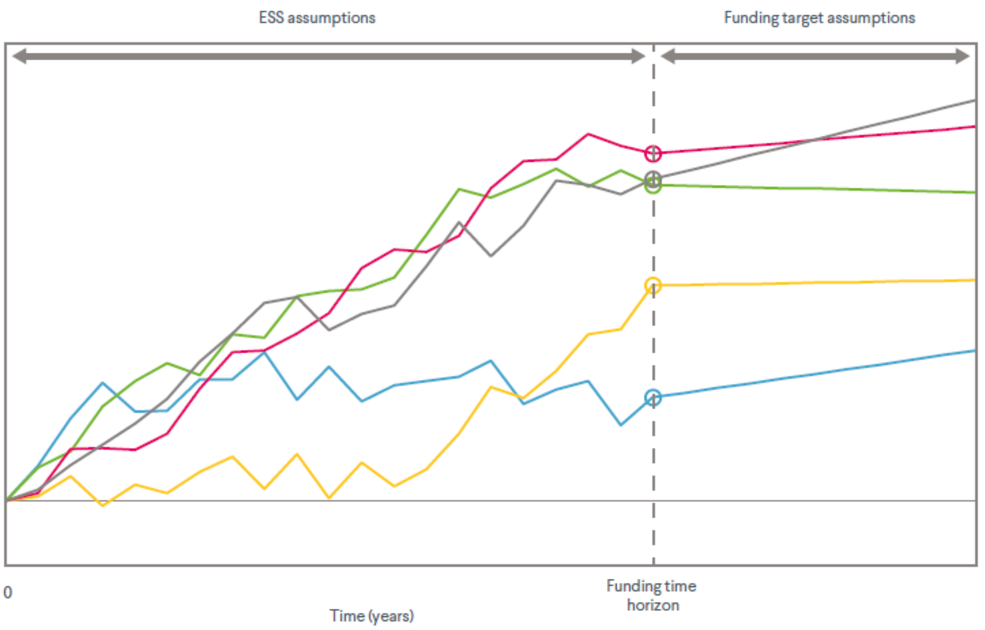
Changes in assumptions will affect the funding target and required contribution rate. However, different assumptions will not of course affect the actual benefits payable by the Fund in future.

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

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

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

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



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

E2 What assumptions are used in the ESS?

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

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

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

E3 What assumptions are used in the funding target?

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

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

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

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

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

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

E4 What other assumptions apply?

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

a) Salary growth

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

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

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

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

b) Pension increases

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

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

c) Life expectancy

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

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

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

d) General

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

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

Appendix F – Glossary

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

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

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

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Suffolk County Council

Agenda Item 9

Suffolk Pension Board

Report Title:	Rules of Procedure
Meeting Date:	12 December 2019
Director:	Chris Bally, Deputy Chief Executive
Assistant Director or Head of Service:	Louise Aynsley, Head of Finance (S151 Officer)
Author:	Paul Finbow, Senior Pension Specialist Telephone: 01473 265288

Brief summary of report

1. This report suggests some minor changes to the Board's Rules of Procedure.

Action recommended

2. The Board is recommended:
   a) To consider the contents of the report;
   b) To approve the revised "Rules of Procedure" for the Suffolk Pension Board, set out in **Appendix 1**.

Reason for recommendation

3. The Board is responsible for agreeing its Rules of Procedure and making sure they are up to date.

Alternative options

4. There are no alternative options.

Main body of report

Background

5. The County Council made the necessary changes to its Constitution to create the Suffolk Pension Board at its meeting on 19 March 2015.

6. The Board was not being established as a Committee, as defined by S101 of the Local Government Act 1972, a draft set of Rules of Procedure was adopted for the Pensions Board, subject to these being discussed and agreed at the first Pension Board meeting.

7. The Board, at its 24 July 2015, considered the draft set of Rules of Procedure and with amendment these were adopted and published on the Suffolk Pension Fund's website.

8. At the time, in order to ensure that all board members would not stand for re-election at the same time, initially Board members were appointed for periods ranging from two years to four. This was reflected in the Rules of Procedure.

9. The Board has now been in operation for just over four years, and all reappointments have been done for four-year terms.

10. It is therefore sensible to update the Rules of Procedure (Paragraph 4 – Terms of Office) to reflect that all appointments are now all for four-year terms.

11. At paragraph 5 f), an unnecessary example included in the Rules of Procedure has been removed.

12. In addition, new legislation concerning Data Protection was introduced in 2018. Paragraphs 27 and 31 referred to the data Protection Act 1998, and these have been updated.

13. No other changes have been included.

14. A revised Rules of Procedure is attached at **Appendix 1**.

15. The Board is asked to consider that changes to the Rules of Procedure and to approve a revised set. These will then be re-published on the Suffolk Pension Fund website.

Sources of further information

a) Suffolk County Council Meeting 19 March 2015, Agenda Item 10

b) Local Government Pension Scheme (LGPS) - Guidance on the creation and operation of Local Pension Boards in England and Wales

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

d) Agenda Item 4 – Pension Board 24 July 2015

Suffolk County Council

Suffolk Pension Board

Rules of Procedure

Appointment of Local Pension Board Members

1. Appointments will be made using a methodology that ensures that representative Board members are truly representative. All employers and members within a Fund must have equal opportunity to be nominated for the role of employer or member representative through an open and transparent process.

Capacity of Representative Members

2. The County Council, as Administering Authority, will ensure that any person it wishes to appoint as an employer or member representative has capacity to represent the employers or members (as appropriate) of the Fund. Training will be provided to ensure that the Board has the knowledge and skills to carry out their responsibilities.

Restriction on Membership

3. No officer or councillor who is responsible for the discharge of any function under the Regulations (apart from any function relating to Local Pension Boards or the Scheme Advisory Board) may be a member of a Local Pension Board.

Term of Office

4. The term of office of each Board member will ~~normally~~ be four years, with a maximum of two terms. ~~Appointments of employer and member representatives will initially be of varying lengths so that all terms of office do not end at the same time.~~ No single term of office will exceed four years.

~~Scheme member representative – four years.~~

~~Scheme employer representatives – three years.~~

~~Suffolk County Council and Union representatives – two years.~~

Termination

5. As well as the expiry of a Board member's term of office, membership may also be terminated in the following circumstances:

   a) a member has a conflict of interest which prevents their active participation in the business of the Board;
   b) a member dies or becomes incapable of acting;
   c) a member who is a county councillor is appointed to the Pension Fund Committee;

d) a member is appointed to the role of an officer of the County Council with responsibility for the discharge of functions under the Regulations;

e) a member resigns;

f) a representative member ceases to represent his constituency~~, for example if an employer representative leaves the employment of his employer and therefore ceases to have the capacity to represent the Fund's employers~~; and

g) a member fails to attend meetings or otherwise comply with the requirements of being a Board member, for example fails to attend the necessary knowledge and understanding training. The County Council should consider who would decide this, whether the member should be given an opportunity to change their behaviour and how much notice should be given and in what form.

Function of the Board

6. The function of the Board is to assist the County Council as Administering Authority to secure compliance and ensure the effective and efficient governance and administration of the LGPS in line with the requirements set out in legislation.

Membership

7. The Board will consist of six members - three pension fund employer representatives, and three pension fund member representatives. No Board member may also be a member of the Pension Fund Committee.

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

9. The representatives will be allocated as follows:
<u>Employer Representatives:</u>

- One representing the County Council
- One representing other local government employers
- One representing the education sector (e.g. academies, colleges etc) and other employers (e.g. divested organisations)

Representatives could be councillors or officers

<u>Member Representatives:</u>

- One representing the trades unions
- One representing current (contributing) members
- One representing pensioner members

Code of Conduct

10. Any councillors who are Board members will be required to comply with the Suffolk Code of Conduct.

Voting Rights

11. All Board members will have equal voting rights. The Chairman will have a casting vote.

Conflict of Interests

12. All members of the Board must declare to the Administering Authority on appointment and at any such time as their circumstances change, any potential conflict of interest arising as a result of their position on the Board.

13. A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Board. It does not include a financial or other interest arising merely by virtue of that person being a member of the Scheme.

14. On appointment to the Board and following any subsequent declaration of potential conflict by a Board member, the Administering Authority shall ensure that any potential conflict is effectively managed.

Appointment of a Chairman and Vice-Chairman

15. A Chairman and Vice Chairman will be appointed by the employer and member representatives of the Board from amongst their own number.

Role of Advisors

16. The appointment of any advisors to the Board will be undertaken in consultation with the County Council. County Council Procurement Regulations must be followed, as well as any rules governing the appointment of temporary staff or consultants.

Role of Officers

17. Officers of any of the employer authorities will provide advice and guidance to the Board as necessary or as requested. The main support to the Board will come from the County Council as Administering Authority.

Number of Meetings

18. The Board will meet for a minimum of two meetings per year.

Location of meetings

19. The Board will meet in appropriate locations for the business as decided by the County Council.

Quorum

20. A quorum will be a minimum of two Board members, including at least one of each category - pension fund employer representatives, or pension fund member representatives.

Substitutes

21. Substitutes will not be permitted.

Creation of Working Groups/Sub-Boards

22. The Board may establish working groups or sub-boards for specific tasks. The terms of reference will be agreed by the Board. Working groups or sub-groups will have no decision making powers – they will report back to the Board with recommendations, and the Board will take any necessary decisions.

Allowances/Expenses

23. Any allowances or expenses will be paid in accordance with the County Councils Members Allowances Scheme.

Board administration

24. The Chairman will agree an agenda prior to each Board meeting.

25. The agenda and supporting papers will be issued at least five working days (where practicable) in advance of the meeting except in the case of matters of urgency.

26. Draft minutes will be subject to formal agreement by the Board at their next meeting. Any decisions made by the Board should be noted in the minutes and in addition where the Board was unable to reach a decision such occasions should also be noted in the minutes.

27. The minutes may, with the agreement of the Board, be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 (as amended) or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act ~~1998~~ 2018.

Public access to Board meetings and information

28. The Board meetings can be open to the general public (unless there is an exemption under relevant legislation which would preclude part (or all) of the meeting from being open to the general public).

29. The following will be entitled to attend Board meetings in an observer capacity:

    - Members of the Pension Fund Committee,
    - Any person requested to attend by the Board.
    - Any such attendees will be permitted to speak at the discretion of the Chair.

30. In accordance with the Act the Administering Authority shall publish information about the Board to include:

    - The names of Board members and their contact details.
    - The representation of employers and members on the Board.
    - The role of the Board.
    - These Terms of Reference.

31. Information may be excluded on the grounds that it would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 (as amended) or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act ~~1998~~ 2018.

Budget

32. The Board will have no exclusive budget. Any requests for funding, for example to seek professional advice or training for members, will be considered by the County Council as Administering Authority.

Knowledge and Understanding

33. In accordance with section 248A of the Pensions Act 2004 Act, every member of the Board must:

    a) be conversant with:
       i) the rules of the LGPS, in other words the Regulations and other regulations governing the LGPS (such as the Transitional Regulations and the Investment Regulations); and
       ii) any document recording policy about the administration of the Fund which is for the time being adopted in relation to the Fund; and
    b) have knowledge and understanding of:
       i) the law relating to pensions; and
       ii) such other matters as may be prescribed.

34. The legal responsibilities of Board members begin from the date they take up their role on the Board and so should immediately start to familiarise themselves with the documents as referred to in paragraph 33 and the law relating to pensions.

35. The County Council will provide additional support and training to newly appointed Board members in the first few months, to help them reach the appropriate level of knowledge and understanding.

36. In accordance with section 248A, the knowledge and understanding requirement applies to every individual member of a Local Pension Board rather than to the members of a Local Pension Board as a collective group.

Reporting

37. The Board will report to the County Council, Pension Fund Committee, or any other body or officer that it considers appropriate, in order to fulfil its obligations.

Monitoring Officer

38. The Council's Monitoring Officer will provide procedural advice and support to the Board and the Chairman of the Board.

Suffolk County Council

Agenda Item 10

Suffolk Pension Board, 12 December 2019

Information Bulletin

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

This Information Bulletin covers the following items:

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1. Changes to Pension Fund Committee Membership

In light of the recent Suffolk County Council Cabinet reshuffle, Councillor Karen Soons has been appointed as Chairman of the Pension Fund Committee. Councillor David Roach has been approved by the Pension Fund Committee as the Vice Chairman.

Councillor Jamie Starling has joined the Committee.

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2. Internal Audit

Internal Audit has commenced the annual audit on the Pension Fund's Investment Management function, which evaluates the controls in place to ensure that governance arrangements, systems and procedures are in place and operating effectively.

The annual audit on the administration function will commence in December

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3. New Employers

There have been 3 new employers admitted into the Fund during the second quarter of the year (July to September), which were all academies.

There are currently 323 active employers in the Fund.

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4. Investment Consultant Objectives

The Competition in Markets Authority has set new requirements for Pension Funds to have an agreed set of objectives in place for its investment consultants.

The Pension Fund Committee reviewed and approved a set of objectives which meets the existing terms of the current contract with Hymans Robertson. (Attached as **Appendix 1**) The Pension Fund Officers will monitor performance on a regular basis and report any deviation of performance.

There is expected to be some further guidance published in 2020 and the approved objectives will be reviewed once the guidance has been published.

The objectives will also need to be reviewed again ahead of the retendering exercise that will take place in the summer of 2020, before the end of the existing Hymans Robertson contract.

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For further information please contact: Paul Finbow (Senior Pensions Specialist); Email: paul.finbow@suffolk.gov.uk, Telephone: 01473 265288.

PIRC

Suffolk CC Pension Fund

PROXY VOTING REVIEW

PERIOD 1st July 2019 to 30th September 2019

Contents

1 Resolution Analysis

- Number of resolutions voted: 120 (note that it MAY include non-voting items).
- Number of resolutions supported by client: 104
- Number of resolutions opposed by client: 11
- Number of resolutions abstained by client: 4
- Number of resolutions Non-voting: 0
- Number of resolutions Withheld by client: 0
- Number of resolutions Not Supported by client: 0

1.1 Number of meetings voted by geographical location

Location	Number of Meetings Voted
UK & BRITISH OVERSEAS	8
TOTAL	8

1.2 Number of Resolutions by Vote Categories

Vote Categories	Number of Resolutions
For	104
Abstain	4
Oppose	11
Non-Voting	0
Not Supported	0
Withhold	0
US Frequency Vote on Pay	0
Withdrawn	0
TOTAL	120

1.3 Number of Votes by Region

	For	Abstain	Oppose	Non-Voting	Not Supported	Withhold	Withdrawn	US Frequency Vote on Pay	Total
UK & BRITISH OVERSEAS	104	4	11	0	0	0	0	0	119
TOTAL	104	4	11	0	0	0	0	0	120

1.4 Votes Made in the Portfolio Per Resolution Category

	Portfolio						
	For	Abstain	Oppose	Non-Voting	Not Supported	Withheld	Withdrawn
All Employee Schemes	0	0	0	0	0	0	0
Annual Reports	6	3	4	0	0	0	0
Articles of Association	3	0	0	0	0	0	0
Auditors	11	0	1	0	0	0	0
Corporate Actions	1	0	0	0	0	0	0
Corporate Donations	2	0	1	0	0	0	0
Debt & Loans	0	0	0	0	0	0	0
Directors	50	1	0	0	0	0	0
Dividend	6	0	0	0	0	0	0
Executive Pay Schemes	1	0	0	0	0	0	0
Miscellaneous	6	0	0	0	0	0	0
NED Fees	0	0	0	0	0	0	0
Non-Voting	0	0	0	0	0	0	0
Say on Pay	0	0	0	0	0	0	0
Share Capital Restructuring	0	0	0	0	0	0	0
Share Issue/Re-purchase	18	0	5	0	0	0	0
Shareholder Resolution	0	0	0	0	0	0	0

1.5 Votes Made in the UK Per Resolution Category

	UK						
	For	Abstain	Oppose	Non-Voting	Not Supported	Withheld	Withdrawn
Annual Reports	6	0	0	0	0	0	0
Remuneration Reports	0	3	3	0	0	0	0
Remuneration Policy	0	0	1	0	0	0	0
Dividend	6	0	0	0	0	0	0
Directors	50	1	0	0	0	0	0
Approve Auditors	5	0	1	0	0	0	0
Share Issues	12	0	0	0	0	0	0
Share Repurchases	6	0	0	0	0	0	0
Executive Pay Schemes	0	0	0	0	0	0	0
All-Employee Schemes	0	0	0	0	0	0	0
Political Donations	2	0	1	0	0	0	0
Articles of Association	3	0	0	0	0	0	0
Mergers/Corporate Actions	1	0	0	0	0	0	0
Meeting Notification related	6	0	0	0	0	0	0
All Other Resolutions	7	0	5	0	0	0	0
Shareholder Resolution	0	0	0	0	0	0	0

1.6 Votes Made in the US Per Resolution Category

	US/Global US & Canada						
	For	Abstain	Oppose	Non-Voting	Not Supported	Withheld	Withdrawn
All Employee Schemes	0	0	0	0	0	0	0
Annual Reports	0	0	0	0	0	0	0
Articles of Association	0	0	0	0	0	0	0
Auditors	0	0	0	0	0	0	0
Corporate Actions	0	0	0	0	0	0	0
Corporate Donations	0	0	0	0	0	0	0
Debt & Loans	0	0	0	0	0	0	0
Directors	0	0	0	0	0	0	0
Dividend	0	0	0	0	0	0	0
Executive Pay Schemes	0	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0	0
NED Fees	0	0	0	0	0	0	0
Non-Voting	0	0	0	0	0	0	0
Say on Pay	0	0	0	0	0	0	0
Share Capital Restructuring	0	0	0	0	0	0	0
Share Issue/Re-purchase	0	0	0	0	0	0	0

1.7 Votes Made in the EU Per Resolution Category

	EU & Global EU						
	For	Abstain	Oppose	Non-Voting	Not Supported	Withheld	Withdrawn
All Employee Schemes	0	0	0	0	0	0	0
Annual Reports	0	0	0	0	0	0	0
Articles of Association	0	0	0	0	0	0	0
Auditors	0	0	0	0	0	0	0
Corporate Actions	0	0	0	0	0	0	0
Corporate Donations	0	0	0	0	0	0	0
Debt & Loans	0	0	0	0	0	0	0
Directors	0	0	0	0	0	0	0
Dividend	0	0	0	0	0	0	0
Executive Pay Schemes	0	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0	0
NED Fees	0	0	0	0	0	0	0
Non-Voting	0	0	0	0	0	0	0
Say on Pay	0	0	0	0	0	0	0
Share Capital Restructuring	0	0	0	0	0	0	0
Share Issue/Re-purchase	0	0	0	0	0	0	0
Shareholder Resolution	0	0	0	0	0	0	0

1.8 Votes Made in the GL Per Resolution Category

	Global						
	For	Abstain	Oppose	Non-Voting	Not Supported	Withheld	Withdrawn
All Employee Schemes	0	0	0	0	0	0	0
Annual Reports	0	0	0	0	0	0	0
Articles of Association	0	0	0	0	0	0	0
Auditors	0	0	0	0	0	0	0
Corporate Actions	0	0	0	0	0	0	0
Corporate Donations	0	0	0	0	0	0	0
Debt & Loans	0	0	0	0	0	0	0
Directors	0	0	0	0	0	0	0
Dividend	0	0	0	0	0	0	0
Executive Pay Schemes	0	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0	0
NED Fees	0	0	0	0	0	0	0
Non-Voting	0	0	0	0	0	0	0
Say on Pay	0	0	0	0	0	0	0
Share Capital Restructuring	0	0	0	0	0	0	0
Share Issue/Re-purchase	0	0	0	0	0	0	0
Shareholder Resolution	0	0	0	0	0	0	0

1.9 Geographic Breakdown of Meetings All Supported

SZ			
Meetings	All For	AGM	EGM
0	0	0	0
AS			
Meetings	All For	AGM	EGM
0	0	0	0
UK			
Meetings	All For	AGM	EGM
8	2	0	2
EU			
Meetings	All For	AGM	EGM
0	0	0	0
SA			
Meetings	All For	AGM	EGM
0	0	0	0
GL			
Meetings	All For	AGM	EGM
0	0	0	0
JP			
Meetings	All For	AGM	EGM
0	0	0	0
US			
Meetings	All For	AGM	EGM
0	0	0	0
TOTAL			
Meetings	All For	AGM	EGM
8	2	0	2

1.10 List of all meetings voted

Company	Meeting Date	Type	Resolutions	For	Abstain	Oppose
GREAT PORTLAND ESTATES PLC	04-07-2019	AGM	17	14	1	2
JOHNSON MATTHEY PLC	17-07-2019	AGM	21	19	1	1
VODAFONE GROUP PLC	23-07-2019	AGM	23	20	2	1
MERLIN ENTERTAINMENTS PLC	03-09-2019	COURT	1	1	0	0
MERLIN ENTERTAINMENTS PLC	03-09-2019	EGM	1	1	0	0
ASHTEAD GROUP PLC	10-09-2019	AGM	19	15	0	3
AUTO TRADER GROUP PLC	19-09-2019	AGM	17	15	0	2
DIAGEO PLC	19-09-2019	AGM	21	19	0	2

2 Notable Oppose Vote Results With Analysis

Note: Here a notable vote is one where the Oppose result is at least 10%.

JOHNSON MATTHEY PLC AGM - 17-07-2019

16. *Issue Shares with Pre-emption Rights*
The authority is limited to 33% of the Company's issued share capital and expires at the next AGM. Within acceptable limits.

Vote Cast: *For* Results: For: 88.6, Abstain: 0.0, Oppose/Withhold: 11.4,

VODAFONE GROUP PLC AGM - 23-07-2019

15. *Approve the Remuneration Report*
Disclosure: All elements of the Single Total Remuneration Table are adequately disclosed. CEO salary is in line with the workforce since the CEO salary decrease by 17.7% when the workforce increase by 5.1%. The CEO salary is at upper quartile of the competitors group.
Balance: The balance of CEO realized pay with financial performance is considered acceptable as the change in CEO total pay over the last five years is aligned to the change in TSR over the same period. Over the five-year period average annual increase in CEO pay has been approximately 1.11% whereas, on average, TSR has decreased by 2.71%. The CEO's total realized variable pay is considered acceptable at 183.6% of salary (Annual Bonus: 97.4%, LTIP:86.2%). The ratio of CEO to average employee pay has been estimated and is found unacceptable at 43:1.
Rating: AC
Based on this rating it is recommended that Suffolk abstain.

Vote Cast: *Abstain* Results: For: 86.2, Abstain: 1.6, Oppose/Withhold: 12.2,

MERLIN ENTERTAINMENTS PLC COURT - 03-09-2019

1. *Approve Scheme of Arrangement*

Introduction: From the formation of the Company in 1999 its aim was to create a high growth, high return family entertainment company based on strong brands and a global portfolio of assets that is naturally hedged against the impact of external factors.During the early stages of its development Merlin was privately owned and, with the support of partners, including Blackstone and KIRKBI, invested significant capital in growing its business organically and through acquisitions.While total shareholder return has been attractive, more recent share price performance and investor sentiment have been impacted by a number of external events in markets which the group operates. In addition, the broader macroeconomic environment in which the group has been operating in recent years has been more challenging creating short to medium term headwinds, in particular as the group seeks to manage cost pressures across the business.Whilst the Merlin Board did not solicit an offer for Merlin, the Merlin Board regularly considers all options for driving shareholder value and maintains a regular dialogue with its shareholders. The initial proposal from the consortium was at GBP 425 pence per share which the members of the Board didn't consider it appropriate for the level of the Company's value.After the Consortium had made four separate proposals and its latest proposal reached a level of GBP 455 pence in cash On 28 June 2019 the Merlin Independent Directors and the board of Bidco announced that they had agreed the terms of a recommended cash acquisition pursuant to which Bidco will acquire the entire issued and to be issued share capital of Merlin, other than Merlin Shares owned or controlled by KIRKBI, to be effected by means of a Court-sanctioned scheme of arrangement under Part 26 of the Companies Act.

Terms of the Proposal: The Scheme shareholders are entitled to receive for each share GBP 455 pence in cash. The price is representing a premium approximately, i)36.8% to the undisturbed Closing Price of 333 pence per Merlin Share on 22 May 2019, ii) 31% to the undisturbed six-month volume weighted average price of 347 pence per Merlin Share to 22 May 2019, and iii) 15.2% to the Closing Price of 395 pence per Merlin Share on 27 June 2019.The Acquisition values the entire issued and to be issued share capital of Merlin at approximately GBP 4,765 million on a fully diluted basis and implies an enterprise value of GBP 5,904 million and a multiple of approximately 12.0x Merlin's underlying EBITDA of GBP 494 million for the year ended 29 December 2018.Bidco will have the right to reduce the amount of consideration payable for each Scheme Share by an amount up to the amount of any dividend and/or other distribution and/or return of capital which is declared, made or paid or becomes payable in respect of the Merlin Shares on or after the date of the Rule 2.7 Announcement and before the Effective Date. The Merlin Shares owned or controlled by KIRKBI representing 29.58% of the issued share capital are not Scheme Shares and will not be acquired by Bidco pursuant to the Acquisition. Pursuant to the Share Exchange Agreement, KIRKBI has agreed, subject to the Acquisition becoming Effective, to transfer such Merlin Shares to Bidco on the Effective Date.

Recommendation: Following the Scheme becoming Effective and the transfer of the Merlin Shares owned or controlled by KIRKBI to Bidco pursuant to the Share Exchange Agreement, the entire issued share capital of Merlin will be held by Bidco. Shareholders will realize their investment in Merlin for cash at a fair and reasonable value, the premium is approximately 37% the undisturbed closing share price of GBP 333 pence on 22 May 2019, and 31% to the undisturbed volume weighted average closing share price of GBP 347 pence for the six-month period ended 22 May 2019. The proposal is beneficial for the shareholders, therefore support is recommended.

Vote Cast: *For* Results: For: 83.8, Abstain: 0.0, Oppose/Withhold: 16.2,

ASHTEAD GROUP PLC AGM - 10-09-2019

5. *Re-elect Paul Walker*

Chair. Independent upon appointment.

PIRC issue: Mr Walker is also chairing another company within the FTSE 350 index Halma plc. It is considered that a Chair cannot effectively represent two corporate cultures. The possibility of having to commit additional time to the role in times of crisis is ever present. Given this, a Chair should focus his attention onto the only one FTSE 350 Company.

Vote Cast: *For* Results: For: 89.1, Abstain: 0.5, Oppose/Withhold: 10.4,

DIAGEO PLC AGM - 19-09-2019

8. *Re-elect Ho KwonPing*

Independent Non-Executive Director.

Vote Cast: *For* Results: For: 88.5, Abstain: 0.2, Oppose/Withhold: 11.3,

3 Oppose/Abstain Votes With Analysis

GREAT PORTLAND ESTATES PLC AGM - 04-07-2019

3. *Approve the Remuneration Report*
All elements of the Single Total Remuneration Table are adequately disclosed. The CEO's salary is in the median of PIRC's comparator group. The balance of CEO realised pay with financial performance is considered acceptable as the change in CEO total pay over the last five years is aligned to the change in TSR over the same period. Total variable pay for the year under review was acceptable, amounting to approximately 28.57% of salary for the CEO which is inclusive of only the annual bonus. No LTIPs vested. However, the CEO was awarded an LTIP during the year which is considered excessive at approximately 300% of his base salary. The ratio of CEO pay compared to average employee pay is acceptable, standing at 6:1.
Rating: CB
Based on this rating it is recommended that Suffolk abstains.

Vote Cast: *Abstain* Results: For: 94.9, Abstain: 0.7, Oppose/Withhold: 4.4,

11. *Re-appoint Deloitte LLP as Auditors*
Deloitte proposed. There were no non-audit fees during the year under review and non-audit fees represents approximately 3.23% of audit fees on a three-year aggregate basis. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditor. The current auditor has been in place for more than ten years and there are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor.
PIRC issue: there are concerns over a potential conflict of interest between the auditor and the Company's Finance and Operations Director who was a former Executive at Deloitte.

Vote Cast: *Oppose* Results: For: 98.4, Abstain: 0.2, Oppose/Withhold: 1.4,

15. *Issue Shares for Cash for the Purpose of Financing an Acquisition or Other Capital Investment*
The Board is seeking approval to issue up to an additional 5% of the Company's issued share capital for cash for use only in connection with an acquisition or a specified capital investment. Such proposal is not supported as it is considered that the 5% limit sought under the general authority above is sufficient. Best practice would be to seek a specific authority from shareholders in relation to a specific transaction if such situation arises. As this is not the case, an oppose vote is therefore recommended.

Vote Cast: *Oppose* Results: For: 95.6, Abstain: 0.9, Oppose/Withhold: 3.5,

JOHNSON MATTHEY PLC AGM - 17-07-2019

2. *Approve the Remuneration Report*
Disclosure: All elements of the Single Total Remuneration Table are adequately disclosed. The change in the CEO's salary is in line with the rest of the Company, as the CEO's salary rose by 2.5%, and the change in the salaries of the employee comparator group chosen by the Company was an increase of 7.37%.
The CEO's salary is in the upper quartile of the Company's comparator group. Performance conditions and past targets for the annual bonus are adequately disclosed. Performance conditions and targets for the PSP are adequately disclosed. All share incentive awards are fully disclosed with award dates and prices.

Balance: Changes in CEO pay in the last five years are considered to be in line with changes in TSR over the same period. Total variable pay for the year under review is at 211.9% of the salary(Annual Bonus 80.7% and LTIP 131.2%)s and is considered excessive. The ratio of CEO pay compared to average employee pay is not acceptable at 34:1; it is recommended that the ratio does not exceed 20:1.
Rating:AC
Based on this rating it is recommended that Suffolk abstain.

Vote Cast: *Abstain* Results: For: 98.1, Abstain: 0.9, Oppose/Withhold: 1.0,

18. *Issue Shares for Cash for the Purpose of Financing an Acquisition or Other Capital Investment*
The Board is seeking approval to issue up to an additional 5% of the Company's issued share capital for cash for use only in connection with an acquisition or a specified capital investment. Such proposal is not supported as it is considered that the 5% limit sought under the general authority above is sufficient. Best practice would be to seek a specific authority from shareholders in relation to a specific transaction if such situation arises. As this is not the case, an oppose vote is therefore recommended.

Vote Cast: *Oppose* Results: For: 93.6, Abstain: 0.8, Oppose/Withhold: 5.6,

VODAFONE GROUP PLC AGM - 23-07-2019

13. *Re-elect David Nish*
Independent Non-Executive Director, Chair of the Audit committee. The committee has reacted to the potential legal action by PwC, and decided to call for a tender to rotate the audit firm accordingly. However, it is of concern that the committee did not act since 2017, when PwC agreed a deal between Vodafone UK (of which it was audit firm) and Phones 4U (of which it was administrator), when press reported news over potential replacement of PwC as auditor. Overall, and despite the reaction of the audit committee at this time, it is considered that the current committee composition (of which the chair is considered accountable for the sake of this recommendation) may not be the most suitable for the choice of the new audit firm (based on the inaction with the previous auditor, PwC). On this basis, abstention is recommended

Vote Cast: *Abstain* Results: For: 98.0, Abstain: 1.1, Oppose/Withhold: 0.9,

15. *Approve the Remuneration Report*
Disclosure: All elements of the Single Total Remuneration Table are adequately disclosed. CEO salary is in line with the workforce since the CEO salary decrease by 17.7% when the workforce increase by 5.1%. The CEO salary is at upper quartile of the competitors group.
Balance: The balance of CEO realized pay with financial performance is considered acceptable as the change in CEO total pay over the last five years is aligned to the change in TSR over the same period. Over the five-year period average annual increase in CEO pay has been approximately 1.11% whereas, on average, TSR has decreased by 2.71%. The CEO's total realized variable pay is considered acceptable at 183.6% of salary (Annual Bonus: 97.4%, LTIP:86.2%). The ratio of CEO to average employee pay has been estimated and is found unacceptable at 43:1.
Rating: AC
Based on this rating it is recommended that Suffolk abstain.

Vote Cast: *Abstain* Results: For: 86.2, Abstain: 1.6, Oppose/Withhold: 12.2,

20. *Issue Shares for Cash for the Purpose of Financing an Acquisition or Other Capital Investment*
The Board is seeking approval to issue up to an additional 5% of the Company's issued share capital for cash for use only in connection with an acquisition or a specified capital investment. Such proposal is not supported as it is considered that the 5% limit sought under the general authority above is sufficient. The Best practice would be to seek a specific authority from shareholders in relation to a specific transaction if such situation arises. As this is not the case, an oppose vote is therefore recommended.

Vote Cast: *Oppose* Results: For: 94.6, Abstain: 0.2, Oppose/Withhold: 5.1,

ASHTEAD GROUP PLC AGM - 10-09-2019

2. *Approve the Remuneration Report*
Disclosure: All elements of the Single Total Remuneration Table are adequately disclosed. CEO pay is in line with the Company as the CEO increase was 3% and the workforce was 5%.The CEO's salary is in the median of the Company's comparator group.
Balance: The changes in CEO total pay under the last five years are considered in line with changes in TSR during the same period.Total variable pay for the CEO during the year under review amounted to 545.9% (AB: 178.4% and PSP 367.5%)of salary, which is considered excessive as total variable pay should not exceed 200% of salary. The ratio of CEO pay compared to average employee pay is not acceptable at 42:1; the ratio should not exceed 20:1.
Rating: AD.
Based on this rating it is recommended that Suffolk oppose.

Vote Cast: *Oppose* Results: For: 94.5, Abstain: 2.0, Oppose/Withhold: 3.6,

3. *Approve Remuneration Policy*
Annual Bonus (Deferred Bonus Plan, DBP), maximum opportunity is at 225% of the salary. Stretching financial targets are set by the Committee at the start of each financial year. Target performance earns 50% of the maximum bonus opportunity. The Remuneration Committee is of the opinion that given the commercial sensitivity arising in relation to the detailed financial targets used for the DBP, disclosing precise targets for the bonus plan in advance would not be in shareholder interests. Two third of the Bonus are paid in cash and one third is deferred to shares for a three-year period. It is recommended that at least half of the annual bonus is subjected to share deferral for two years. Malus and Clawback provisions apply for the Deferred Bonus Plan. Long-Term Incentive Plan (LTIP), maximum opportunity is at 250% of the salary. Performance measures are, total shareholder return (40%), earnings per share (25%), return on investment (25%), and leverage (10%). At target performance 32.5% of the award vests. The vesting period is three years which is not considered sufficiently long-term, however a two-year holding period applies which is welcomed. Malus and Clawback provision apply to the Performance Share Plan (PSP). The potential variable pay of CEO's is 475% of base salary and is considered excessive. Shareholding, minimum shareholding requirement is at 300% of the salary for the Chief Executive and 200% of the salary for the other Executives, the Directors should build and maintain the material shareholding for a period of five years. Pension, pension contributions are 40% of the salary, however for the new Executives the contribution set at 15% of the salary.
Policy rating:BDB
Based on this rating it is recommended that Suffolk oppose.

Vote Cast: *Oppose* Results: For: 97.9, Abstain: 0.0, Oppose/Withhold: 2.1,

16. *Issue Shares for Cash for the Purpose of Financing an Acquisition or Other Capital Investment*
The Board is seeking approval to issue up to an additional 5% of the Company's issued share capital for cash for use only in connection with an acquisition or a specified capital investment. Such proposal is not supported as it is considered that the 5% limit sought under the general authority above is sufficient. Best practice would be to seek a specific authority from shareholders in relation to a specific transaction if such situation arises. As this is not the case, an oppose vote is therefore recommended.

Vote Cast: *Oppose* Results: For: 97.0, Abstain: 0.1, Oppose/Withhold: 2.9,

AUTO TRADER GROUP PLC AGM - 19-09-2019

2. *Approve the Remuneration Report*
All elements of the Single Total Remuneration Table are adequately disclosed. The increase in CEO's salary is considered to be in line with the salary of the workforce. The CEO's salary is in the median of a PIRC's comparator group. The balance of the CEO's realised pay with financial performance is not considered acceptable as the change in pay over the last five years is not aligned to the change in TSR over the same period. The CEO's total realised rewards under all incentive schemes during the year is considered excessive amounting to approximately 237.7% of his base salary (Annual Bonus: 115.1% : LTIP: 122.6%). In addition, the ratio of CEO pay compared to the average employee is considered unacceptable at 23:1.
Rating: AD
Based on this rating it is recommended that Suffolk oppose.

Vote Cast: *Oppose* Results: For: 95.5, Abstain: 0.0, Oppose/Withhold: 4.4,

15. *Issue Shares for Cash for the Purpose of Financing an Acquisition or Other Capital Investment*
The Board is seeking approval to issue up to an additional 5% of the Company's issued share capital for cash for use only in connection with an acquisition or a specified capital investment. Such proposal is not supported as it is considered that the 5% limit sought under the general authority above is sufficient. Best practice would be to seek a specific authority from shareholders in relation to a specific transaction if such situation arises. As this is not the case, an oppose vote is therefore recommended.

Vote Cast: *Oppose* Results: For: 91.9, Abstain: 0.0, Oppose/Withhold: 8.1,

DIAGEO PLC AGM - 19-09-2019

2. *Approve the Remuneration Report*
Disclosure: All elements of the Single Total Remuneration Table are adequately disclosed. The increase in CEO salary (+2%) is in line with the average salary increase for US and UK workforce (+3%). As a Company which is operating on a global scale, PIRC would prefer to see disclosure of salary movements across all employees and not just the US and UK. The CEO's salary is in the upper quartile of the Company's comparator group.This raises concerns over potential excessiveness of variable incentive schemes as the base salary determines the overall quantum on the remuneration structure.
Balance: The balance of CEO realized pay with financial performance is not considered acceptable as the change in CEO total pay over the last five years is not aligned to the change in TSR over the same period. Over the five-year period average annual increase in CEO pay has been approximately 35.18% whereas, on

average, TSR has increased by 17.18%. Total realize rewards under all incentive schemes amounted to 796.46% of base salary (Annual Bonus: 122.26% - LTIP: 299.2% and DLTIP award: 374.7 %) which is considered highly excessive. CEO pay compared to average employee pay stands at 60:1, which is not considered to be appropriate.
Rating: AE
Based on this rating it is recommended that Suffolk oppose.

Vote Cast: *Oppose* Results: For: 96.3, Abstain: 0.7, Oppose/Withhold: 3.1,

15. *Approve Political Donations*
The proposed authority is subject to an overall aggregate limit on political donations and expenditure of GBP 100,000 which is within recommended limits. However, it is noted that the Group made political donations of GBP 380,000 state candidate committees, state political parties and federal leadership committees in North America. This raises concerns about the potential political donation which could be made by the Company under this authority. An oppose vote is therefore recommended.

Vote Cast: *Oppose* Results: For: 97.2, Abstain: 0.5, Oppose/Withhold: 2.3,

4 Appendix

The regions are categorised as follows:

ASIA	China; Hong Kong; Indonesia; India; South Korea; Laos; Macao; Malaysia; Philippines; Singapore; Thailand; Taiwan; Papua New Guinea; Vietnam
SANZA	Australia; New Zealand; South Africa
EUROPE/GLOBAL EU	Albania; Austria; Belgium; Bosnia; Bulgaria; Croatia; Cyprus; Czech Republic; Denmark; Estonia; France; Finland; Germany; Greece; Hungary; Ireland; Italy; Latvia; Liechtenstein; Lithuania; Luxembourg; Moldova; Monaco; Montenegro; Netherlands; Norway; Poland; Portugal; Spain; Sweden; Switzerland
JAPAN	Japan
USA/CANADA	USA; Canada; Bermuda
UK/BRIT OVERSEAS	UK; Cayman Islands; Gibraltar; Guernsey; Jersey
SOUTH AMERICA	Argentina; Bolivia; Brazil; Chile; Colombia; Costa Rica; Cuba; Ecuador; El Salvador; Guatemala; Honduras; Mexico; Nicaragua; Panama; Paraguay; Peru; Uruguay; Venezuela
REST OF WORLD	Any Country not listed above

The following is a list of commonly used acronyms and definitions.

Acronym	Description
AGM	Annual General Meeting
CEO	Chief Executive Officer
EBITDA	Earnings Before Interest Tax Depreciation and Amortisation
EGM	Extraordinary General Meeting
EPS	Earnings Per Share
FY	Financial Year
KPI	Key Performance Indicators - financial or other measures of a company's performance
LTIP	Long Term Incentive Plan - Equity based remuneration scheme which provides stock awards to recipients
NED	Non-Executive Director
NEO	Named Executive Officer - Used in the US to refer to the five highest paid executives
PLC	Publicly Listed Company
PSP	Performance Share Plan
ROCE	Return on Capital Employed
SID	Senior Independent Director
SOP	Stock Option Plan - Scheme which grants stock options to recipients
TSR	Total Shareholder Return - Stock price appreciation plus dividends

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Version 1

Suffolk County Council

Agenda Item 11

Suffolk Pension Board Forward Work Programme

Purpose

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

Terms of reference

The terms of reference of the Pension Board are:

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

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

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

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

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

Revised – December 2019