

## Suffolk Pension Board

(Quorum 2 – 1 member of each representative group)

### Scheme Employer Representatives

Councillor Richard Smith MVO, representing Suffolk County Council.

(Vacancy), 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, 4 October 2018

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

**Time:** 11:00 am

## **Business to be taken in public**

### **1. Apologies for Absence and Substitutions**

To note and record any apologies for absence or substitutions received.

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

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

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

Pages 5-10

To approve as a correct record, the minutes of the meeting held on 23 July 2018.

### **4. Investment Strategy**

Pages 11-38

To receive a report on the investment strategy of the Fund in ahead of the Pension Fund Committee's annual asset allocation review.

### **5. Compliments, Complaints and Administration Performance**

Pages 39-42

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

### **6. Suffolk's progress on Pooling of Assets**

To receive an update on the pooling of assets.

### **7. Pension Board Risk Register**

Pages 43-48

To review the Pension Board Risk Register.

### **8. Information Bulletin: Recent Developments**

Pages 49-50

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

### **9. Forward Work Programme**

Pages 51-53

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, 14 December 2018 at 3:00 pm.**

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Email: [Committee.Services@suffolk.gov.uk](mailto:Committee.Services@suffolk.gov.uk); or by writing to:

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

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**Nicola Beach**  
Chief Executive

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Minutes of the Suffolk Pension Board Meeting held on 23 July 2018 at 2:00 pm in the Rose Room, Endeavour House, Ipswich.

Present: Councillor Richard Smith MVO (Chairman) (representing Suffolk County Council), Homira Javadi (representing all Borough, District, Town and Parish Councils), Eric Prince (representing Pensioners), David Rowe (representing Active Members) and Suzanne Williams (representing the Unions).

Also present: Simon Bainbridge (Relationship Manager, HSBC) and Lindsay Smart (Performance Consultant, HSBC).

Supporting officers present: Rebekah Butcher (Democratic Services Officer), Paul Finbow (Senior Pensions Specialist), Stuart Potter (Pensions Operations Manager) and Sharon Tan (Pensions Technical Specialist).

*With agreement from the Board, the order of the agenda was altered as minuted below:*

### **1. Appointment of Chairman and Vice Chairman**

On the proposition of David Rowe, seconded by Eric Prince, it was unanimously agreed that Councillor Richard Smith MVO be elected as Chairman for the 2018/19 Municipal Year.

*Councillor Richard Smith MVO assumed the Chair.*

On the proposition of Councillor Richard Smith MVO, seconded by Suzanne Williams, it was unanimously agreed that David Rowe be elected as Vice Chairman for the 2018/19 Municipal Year.

### **2. Apologies for Absence and Substitutions**

An apology was received from Marie McCleary (representing all other employers in the Fund). There were no substitutions.

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

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

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

#### 4. Minutes of the Previous Meeting

The minutes of the meeting held on 6 April 2018 were confirmed as a correct record and signed by the Chairman.

A Board Member requested to know whether the minutes from the ACCESS Joint Committee meetings were available to view yet. The Board was informed that this had not yet been agreed by other Funds, but that this would be taken up with them.

#### 5. Investment Performance of the Fund

At Agenda Item 5, the Board received a report which provided a summary of the performance of the Suffolk Pension Fund for the 2017-18 financial year and performance against other local authority pension funds.

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

Members heard that the Suffolk scheme had its own investment objectives aligned to its liabilities. Taking that in to account there was an element of de-risking and diversification which meant less investment in equities compared to other schemes.

Equities performed positively over the year, much more so than what was available through fixed income investments, although Property performed particularly well also. Sterling had been relatively strong over the past year which reduced the returns available for non-sterling investments. The Fund was weighted for equities at 42%, below the average 55% for other local authority schemes (compared using the Local Authority Universe), due mainly to the element of de-risking and ensuring there was diversification in the Fund as a whole.

The Fund achieved a return of 4% over the year which was positive, although marginally under the benchmark target of 4.8%. This translated to an increase from £2.6bn to £2.8bn in monetary terms. The Board noted that some of the performance targets were set by the Pension Fund Committee and were not linked to market conditions but were fixed percentages.

Members were also informed that all of the equity markets had returned positive results in absolute terms. There was a negative performance coming from the emerging market holdings, but this was more than offset by the positive performance elsewhere, notably from Asia Pacific, Europe and North America.

The Board was grateful for the clear presentation and passed on their thanks to Mr Bainbridge and Mr Lindsay.

**Decision:** The Board agreed to note the report.

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

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

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

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

**Dispensations:** There were none granted.

*With agreement from the Board, the Chairman altered the order of business as minuted below.*

## **6. Compliments, Complaints and Administration Performance**

The Board considered a report at Agenda Item 8 which provided an update on the performance of the Pensions Administration Team.

The Board congratulated the team on achieving the good set of figures for its Service Level Agreements.

**Decision:** The Board agreed to note the information provided in the report.

**Reason for decision:** 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:** There were none considered.

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

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

**Dispensations:** There were none granted.

## **7. Pension Fund Annual Report and Accounts 2017/18**

At Agenda Item 6, the Board considered a report which provided a copy of the Annual Report and Accounts published by the Suffolk Pension Fund and the opinion issued by the Fund's auditors, Ernst & Young.

Members heard that the Head of Finance (S151 Officer) would sign the letter of representation, which would be countersigned by the Chairman of the Audit Committee, to Ernst & Young LLP, confirming the responsibilities and actions taken in completing the Statement of Accounts.

Members were also informed that earlier in the day, the Pension Fund Committee had approved the accounts and recommended approval of the audit report to the Audit Committee.

During the course of discussion, a Board Member raised concerns about the perception of how members of the pension scheme would understand the failure risks identified on page 64 of Appendix 1. Although the Board were informed this was on the Pension Fund Committee's risk register, it was considered that a commentary could be included with this information to provide more clarity on the position of the Fund.

Members were also pleased to see the voting outcomes against remuneration of Chief Executive Officer (CEO) salaries in voting activities over the past year.

**Decision:** The Board noted the Fund's Annual Report and Accounts and:

- a) requested to see the impact score on page 64 of Appendix 1 to be clearer when assessing whether its high or low risk;
- b) requested a footnote in future reports on why the figure for the actuarial deficit and the percentage of assets represented goes in different directions mentioned on page 35 of Appendix 1; and
- c) requested to receive the voting policy at a future meeting.

**Reason for decision:** The Pension Fund Annual Report and Accounts was an important channel of communication, reporting on the Pension Fund's activities to employers, scheme members and other stakeholders.

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

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

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

**Dispensations:** There were none granted.

## 8. Governance Policy and Compliance Statement

At Agenda Item 7, the Board considered a report outlining the governance arrangements for the Suffolk Pension Fund as required by Regulation 55 of the Local Government Pension Scheme (Administration) Regulations 2013 (as amended).

During the course of the discussion, Members discussed where the Pension Board sat legally and questioned whether the Board was part of Suffolk County Council or sat outside of the organisation.

**Decision:** The Board agreed to note the Funds:

- a) Governance Policy; and
- b) Governance Compliance Statement, with the inclusion of a sentence regarding the Board existence on page 166 of Appendix 3.

The Board wished to receive clarification from the Monitoring Officer on where the Pension Board sat, and have it reflected in a clearer manner on page 153 of Appendix 1.

**Reason for decision:** The Board received the Governance Policy and Governance Compliance Statement to fulfil its remit to secure the effective and efficient governance and administration of the Suffolk Pension Fund.

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

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

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

**Dispensations:** There were none granted.



*Councillor Richard Smith MVO left the meeting at 3:32 pm. The Vice Chairman, David Rowe, assumed the Chair for the remainder of the meeting.*

## **9. Suffolk's progress on the Pooling of Assets**

At Agenda Item 9, the Board received an update on the progress of the ACCESS pool.

Members were informed that one of the issues in setting up ACCESS included which organisation would be responsible for hosting the support unit. In May, all Heads of Finance across all 11 funds in the pool met to discuss which organisation would take responsibility for this and it was decided that Essex County Council would take this forward. Members heard that recruitment adverts for the new posts were currently being produced and would be released for advertisement in the next two to three weeks. There would be three full-time posts created; a contract manager, to oversee the contract with Link Fund Solutions Ltd and any other contracts the pool might have; a project manager (presently being backfilled by Hymans Robertson LLP); and administration support. In addition, there would be a further four half-time technical posts required to support ACCESS and these were likely to be utilised from existing pension officers from the 11 funds. The expectation would be that officers would work half-time on ACCESS with their roles being backfilled by their organisation.

Members heard that the first application for a sub-fund had been submitted to the Financial Conduct Authority (FCA) by Link Fund Solutions Ltd. This also included the completed prospectus to set up the whole ACCESS pool. It was expected to receive authorisation from the FCA by mid-August 2018, with the first sub-fund going live by the end of October 2018. Three of the 11 funds would be moving money in to the first sub-fund initially: Essex, Hertfordshire and Hampshire county councils. It was hoped the second tranche of paperwork would be submitted to the FCA in September 2018 and this would include applications for five to seven sub-funds, going live in January 2019, and the third tranche being submitted in December 2018, with those being opened in mid-April 2019. 14 sub-funds would then be created with an expectation that £15bn would be transferred in to the pool by the end of April 2019.

Members were also informed about the current situation on Stock Lending. At the last meeting, Members were aware that three of the 11 funds did not stock lend. In June, Essex and East Sussex county councils agreed they would stock lend in future, and the Isle of Wight will make its decision in September.

Members also noted that Union representatives were requesting an observers seat on the Joint Committee which was presently made up of the Chairman of the 11 Pension Funds in the pool. There was also appetite for a Board Member representative as well. This would be discussed further at the Joint Committee's meeting in September.

## 10. Information Bulletin: Recent Developments

The Board received an Information Bulletin at Agenda Item 10.

Members congratulated Homira Javadi (representing all Borough, District, Town and Parish Councils) on her re-appointment to the Suffolk Pension Board.

Members noted that the appointment for the representation of 'all other employers' of the fund was also up for appointment and there had been some interest from the academies', as well as from current Board member, Marie McCleary. Depending on the outcome of the appointment process, the Board noted there may not be a slot reserved for the 'all other employers' representative on the Employers meeting agenda in September as requested at the Boards previous meeting (minute 43).

**Decision:** The Board requested the appointment of Board Members to be considered at a future meeting.

**Reason for decision:** The Board wanted assurance that new Board members has the relevant knowledge, skills and commitment to carry out the role.

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

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

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

**Dispensations:** There were none granted.

## 11. Forward Work Programme

The Board received a copy of its Forward Work Programme at Agenda Item 11.

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

- a) to consider the Investment Strategy at 4 October 2018 meeting – in order to feed any comments in to the Pension Fund Committee's review which would take place in November 2018;
- b) to receive an Information Bulletin item on the Employers meeting at 4 October 2018;
- c) to consider the appointment and election process of Pension Board member representatives at 14 December 2018 meeting; and
- d) to receive the Voting Guidelines at 14 December 2018 meeting.

The Board also noted they were invited to attend the Pension Fund Committee's Annual Training Day and to advise the Pensions Technical Specialist if interested.

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

*The meeting closed at 4:00 pm.*

*Chairman*

## Suffolk Pension Board

<b>Report Title:</b>	Investment Strategy
<b>Meeting Date:</b>	4 October 2018
<b>Chairman:</b>	Councillor Richard Smith MVO
<b>Director:</b>	Chris Bally, Deputy Chief Executive and Director of Corporate Services
<b>Assistant Director or Head of Service:</b>	Louise Aynsley, Head of Finance (S151 Officer) Telephone: 01473 264347
<b>Author:</b>	Paul Finbow, Senior Pensions Specialist (Deputy S151 Officer) Telephone: 01473 265288

### Brief summary of report

1. This report provides the opportunity for the Board to consider the asset allocation of the Suffolk Pension Fund.

### Action recommended

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| <ol style="list-style-type: none"> <li>2. The Board is asked to consider if they have any views that should be brought to the attention of the Pension Fund Committee ahead of the Fund's annual asset allocation review.</li> </ol> |
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### Reason for recommendation

3. The Board is interested in the investment strategy of the Fund.

### Alternative options

4. None

### Main body of report

5. At the Board's last meeting the Board was updated on the investment performance of the Fund during 2017/18.
6. The Board also received at its April Meeting a copy of the agreed Investment Strategy Statement for the Suffolk Pension Fund. A further copy of this is attached as **Appendix 1**.
7. The Strategy sets out the principles under which the Funds money will be invested, together with how these have been interpreted into the individual mandates with Fund managers.
8. The strategy is reviewed annually by the Pension Fund Committee, and any material changes are consulted on with employers and the Pension Board. This will be considered again by the Pension Fund Committee in March 2019.

9. The Committee also annually reviews its Asset Allocation, with assistance from its advisors (Hymans Robertson and Mark Stevens). This will be completed in November 2018 when a full report from the advisors is considered by the Pension Fund Committee.
10. **Appendix 2** provides some information (in slide form) that is relevant for the Board when considering the subject of asset allocation and these will be discussed at the meeting.
11. The Board is asked to consider if they have any views that should be brought to the attention of the Pension Fund Committee ahead of their annual asset allocation review.

<b>Sources of further information</b>
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- |          |
|----------|
| a) None. |
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## Suffolk Pension Fund Investment Strategy Statement

The Suffolk Pension Fund has prepared this Investment Strategy Statement in line with the Local Government Pension Scheme (Management and Investment of Funds) Regulation 2016, with reference to the Department for Communities and Local Government (DCLG) guidance on 'Preparing and Maintaining an Investment Strategy Statement' and after taking appropriate professional advice.

This statement is subject to review at least every three years and from time to time on any material change in investment policy or other matters as required by law. The Pension Fund Committee will consult with the Pension Board and employers in the Fund on any material change to the Investment Strategy Statement.

### Fund Objective

#### Funding Strategy Statement

The Fund has published a Funding Strategy Statement (FSS). Its purpose is:

- "to establish a clear and transparent fund-specific strategy which will set out how employers' pension liabilities are best met in the future;
- to comply with the regulatory framework to maintain employer contribution rates as constant as possible; and
- to take a prudent longer-term view of funding those liabilities."

The funding objective that has been adopted for the Suffolk Pension Fund is to ensure that the assets of the Pension Fund, when taken in conjunction with future contributions, are sufficient to ensure that all future pension and retirement benefits will be fully covered by the Fund's assets when they fall due.

#### Funding Level

The funding level of the Pension Fund is the value of the Fund's assets expressed as a percentage of the Fund's liabilities at the most recent actuarial valuation of the Fund. The funding level at March 2016 was 91%. The Funding Strategy provides for the Fund to return to a fully funded position over a period of around 20 years. In accordance with the Funding Strategy Statement the Committee determined the rate of contributions payable by each of the employers in the Fund for the three years starting 1 April 2017.

#### Investment Beliefs

The Pension Fund Committee has a clear set of investment beliefs which provides a framework for all investment decision making. The Committee has the following headline beliefs which are reviewed regularly.

##### I) Investment Horizon

The Committee believes that having a long term investment strategy will deliver a better return outcome for the Fund. The Committee reviews the performance of its investment managers over a minimum period of three years. By taking a longer term view, the Committee expects to receive enhanced risk adjusted returns and lower transaction costs caused by reduced asset turnover. The Committee does not consider short term opportunities as a way of delivering year on year performance and believes that the effective management of financial risks of its investment assets results in positive performance over the long term.

##### II) Diversification

The Committee invests in a range of asset classes (including but not restricted to equities, bonds, infrastructure, private equity and property) to provide the Fund with diversification benefits and the opportunity to capture some illiquidity premium (from being a long term investor).

The Committee considers that equities are the liquid asset expected to generate superior long-term returns, relative to government bonds.

The Committee believes the use of alternative assets can reduce overall volatility in the delivery of Fund returns without leading to a significant reduction in overall expected return, and also improves its risk-return characteristics.

### **III) Active versus passive Management**

The Committee favours active management where there are opportunities to add value, increasing the overall expected return (after fees) without significantly increasing the overall level of volatility.

Passive management is utilised as a low cost way of achieving market returns, whilst reducing risk.

### **Investment Strategy**

The Suffolk Pension Fund is cash flow positive, meaning that annual contributions are currently in excess of annual benefit payments. It is therefore in a position to target a predominantly growth-based strategy with the aim of maximising asset value in the long term within agreed risk levels, which takes into account liquidity requirements.

There are significant levels of diversification between different asset classes to ensure that the value of the Pension Fund when taken in conjunction with future contributions is sufficient to ensure that all future pension and retirements benefits will be fully covered by the Fund's assets when they fall due, whilst maintaining the Fund's relatively low risk approach.

### **Asset Allocation**

The Fund has a 74% allocation to 'growth' assets (equities and alternatives) in order to meet the long term funding assumptions set out in the 2016 actuarial valuation.

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

Over the long term, equities are expected to outperform other liquid asset classes, particularly bonds. Allocation to asset classes other than equities and bonds, allows the Fund to gain exposure to other forms of returns which can also reduce the overall volatility of portfolios. These assets are expected to generate returns broadly similar to equities over the long term and so allocation to these can maintain the expected return and assist in the management of volatility.

The 26% allocation to bonds is designed to manage overall levels of funding volatility within agreed levels.

### **Investment Allocation**

The Committee has translated its objectives into an asset allocation plan (overleaf) and investment management structure for the Fund (set out in **Appendix 1**). The Fund's target is consistent with the Committee's views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature of the Fund's liabilities.

The Government has placed a 5% restriction on the investments of the Suffolk Pension Fund into entities connected with Suffolk County Council. The Pension Fund currently has no investments in

entities connected to Suffolk County Council and is therefore below the 5% statutory limit included in the regulations.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Maximum Limit</b>
	%	%
UK Equities	14.5	25.0
Overseas equities	27.5	40.0
<b>Total listed equities</b>	<b>42.0</b>	<b>65.0</b>
Fixed Income	22.0	35.0
UK Index-linked Gilts	4.0	8.0
<b>Total Bonds</b>	<b>26.0</b>	<b>43.0</b>
Private equity	4.0	8.0
Property	10.0	15.0
Absolute Return	10.0	15.0
Infrastructure	5.0	15.0
Timber	0.5	1.0
Illiquid Debt	2.0	5.0
<b>Total Alternatives</b>	<b>31.5</b>	<b>59.0</b>
<b>Cash</b>	<b>0.5</b>	<b>5.0</b>
<b>Total</b>	<b>100.0</b>	

The Committee monitors the investment allocation relative to the agreed asset allocation benchmark and the maximum investment limits. In addition to on-going monitoring the investment allocation is formally reviewed annually. Furthermore, specific consideration is given to investment strategy in the light of information arising from each triennial actuarial valuation.

### **Currency hedging**

There is no overarching currency hedge in place. This policy is kept under review by the Pension Fund Committee.

A proportion of the foreign currency exposure relating to the passive overseas equities is hedged by UBS to reduce the impact of exchange rate movements on sterling returns. Investment Managers have discretion to utilise hedges for risk management purposes.

### **Investment managers**

The Committee ensures that the investment managers are properly authorised under the local government investment regulations to manage the assets of the Fund. The investment managers have been appointed in accordance with the County Council's procurement procedures and with appropriate professional advice from the Fund's Investment Adviser, Hymans Robertson LLP.

The Committee has also determined investment allocations and restrictions for each investment manager, which are consistent with the Fund's overall investment strategy. The Head of Finance may vary these restrictions, after consultation with the Pension Fund Committee.

The Committee, after seeking appropriate investment advice, has agreed specific benchmarks with each manager so that, in aggregate, they are consistent with the overall asset allocation for the Fund. The Fund's investment managers will hold a mix of investments which reflects their views relative to their respective benchmarks. Within each major market and asset class, the managers will maintain diversified portfolios through direct investment or pooled vehicles and a mix of asset types across a range of geographies in order to provide diversification of returns.

The managers appointed, and the mandates they manage, are detailed in **Appendix 2**.

### **Risk Management**

The Fund is exposed to a number of risks which pose a threat to the Fund meeting its objectives. These risks are set out and monitored as part of a formal risk register which is available on the Suffolk Pension Fund website ([www.suffolkpensionfund.org](http://www.suffolkpensionfund.org)). The principal risks affecting the Fund are:

#### **a) Funding risks:**

- Financial mismatch
  - The risk that Fund assets fail to grow in line with the developing cost of meeting Fund liabilities.
  - The risk that unexpected inflation increases the pension and benefit payments and the Fund assets do not grow fast enough to meet the increased cost.
- Changing demographics
  - The risk that longevity improves and other demographic factors change increasing the cost of Fund benefits.
- Systemic risk
  - The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting Fund liabilities.

#### **b) Asset risks:**

- Concentration
  - The risk that significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.
- Illiquidity
  - The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets.
- Manager underperformance
  - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.

#### **c) Other provider risks:**

- Transition risk
  - The risk of incurring unexpected costs in relation to the transition of assets among managers.
- Custody risk
  - The risk of losing economic rights to Fund assets, when held in custody or when being traded.
- Credit default
  - The possibility of default of a counterparty in meeting its obligations.

### **Mitigations:**

The approach the Committee adopts to managing these risks is via a combination of:

- The appointment of professional advisers to assist the Committee in managing these risks;
- Agreed processes and guidelines for consideration and monitoring of the investments;
- Specific limits on individual investments;
- Ensuring the expected return from the investment strategy is consistent with the assumptions made by the Actuary in valuing the Fund;
- Assessments of the levels of risk taken by the Fund;
- Diversification of asset classes and managers;
- Regular review and monitoring.



- Professional advice is sought for significant transitions with consideration to the appointment of specialist transition managers.

### **Expected return on investments**

Over the long term, the overall level of investment return is expected to exceed the rate of return assumed by the Actuary in valuing the Fund and setting funding requirements.

### **Realisation of investments**

The majority of assets held within the Fund may be realised quickly if required. The Committee monitors both the level of liquid assets and the liquidity requirements of the Fund.

### **Stock Lending**

The Pension Fund Committee has considered its approach to stock lending, after taking advice from its investment adviser. The Committee has given authority to its custodian HSBC and the custodian of the operator to lend equities within its mandates subject to agreed collateral being provided.

The manager(s) of pooled funds may undertake a certain amount of stock lending on behalf of unitholders in the fund. Where a pooled fund engages in this activity, the extent to which it does is disclosed by the manager. The Committee has no direct control over stock lending in pooled funds nevertheless, it is comfortable that the extent and nature of this activity is appropriate to the circumstances of the Fund.

## **Environmental, Social & Governance Considerations**

The Pension Fund Committee believes it has an overriding fiduciary duty to act in the best long term interests of their scheme beneficiaries and taxpayers. The primary responsibility of the Committee is to ensure that the long term return from its investments is sufficient to meet the Funds liabilities and that the selection of investments should be undertaken to achieve the best financial return for the Fund subject to an appropriate level of risk.

The Pension Fund recognises that environmental, social and governance issues can impact on financial performance and expect their investment managers to take these factors into consideration in the selection, retention and realisation of investments as an integral part of their investment process.

The Committee does not restrict the investment managers' choice of investments by reference to social, environmental or ethical criteria except where restrictions have been put in place by Government. All investments that are made for the Fund comply with the legal and regulatory requirements that apply to the LGPS.

The Suffolk Pension Fund is a long term investor and believes that active engagement with company management promotes good practice in the corporate governance and management of the companies that they invest in and through the investment managers seek to influence behaviour to protect and enhance shareholder value.

### **Exercise of Voting Rights**

The Committee has adopted a voting policy in respect of direct holdings of UK equities, which promotes best practice on corporate governance in those companies. The Committee has published the voting policy on the Suffolk Pension Fund web site ([www.suffolkpensionfund.org](http://www.suffolkpensionfund.org)), where the quarterly voting activity undertaken by Pensions and Investment Research Consultants (PIRC) on behalf of the Suffolk Pension Fund is also published.

### **Engagement**

The Suffolk Pension Fund is a member of the Local Authorities Pension Fund Forum (LAPFF), to enable it to act collectively with other local authorities on corporate governance issues. The Forum currently has 72 member funds with assets of more than £200 billion.

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

As such, the Fund has a commitment to ensure that companies in which it invests adopt a responsible attitude toward the environment, and adopt high ethical standards. Generally, such companies are expected to behave in a socially responsible manner by taking account of the interests of all stakeholders.

The Fund seeks to achieve this objective by raising issues with companies in which it invests, to raise standards in a way that is consistent with long term shareholder value. Again, the Fund primarily uses its membership of LAPFF to achieve this.

### **Approach to pooling**

Suffolk is a member of the ACCESS pool (along with Cambridgeshire, East Sussex, Essex, Hampshire, Hertfordshire, Isle of Wight, Kent, Norfolk, Northamptonshire, and West Sussex)

All eleven funds are committed to collaboratively working together to meet the government's criteria for pooling and have signed a Memorandum of Understanding to underpin their partnership. ACCESS is working to a project plan in order to create the appropriate means to pool investments.

The ACCESS Funds have set out how they meet the pooling criteria, the pool's structure, governance arrangements and services to be shared in the submission made to the Government in July 2016, which is available on ACCESS's website [www.accesspool.org](http://www.accesspool.org). The first investments that have been pooled are the passive index tracking managed investments.

The Suffolk Pension Fund is working in the expectation that over time all investments will be pooled.

**Funding Strategy and Management Structure****Investment Managers**

The Fund's investment management arrangements are shown below:

<b>Manager</b>	<b>Target Allocation (%)</b>
Blackrock Investment Management	20.0
Brookfield Asset Management	0.5
Kohlberg, Kravis, Roberts	1.0
UBS	26.0
M&G Investments	14.0
Newton Investment Management	12.0
Pantheon Ventures	3.0
Partners Group	2.0
Pyrford International	6.0
Schroders Investment Management	10.0
Wilshire Associates	1.0
Winton Capital Management	4.0
Cash	0.5
<b>Total</b>	<b>100.0</b>

Infrastructure (Partners and M&G), Private Equity (Pantheon) and Illiquid Debt (M&G) will be substantially drawn down over the next 2-3 years. Sums allocated to these mandates will be invested in index-tracking funds managed by UBS and global bonds held by Blackrock pending the drawdowns by the investment managers.

**Investment Limits****Investment Manager Guidelines**

There are a number of restrictions on the investment managers, which are set out in their investment management agreements. These restrictions ensure that the managers adhere to the overall objectives of their mandates in terms of the investments they are permitted to hold and the risks associated with these investments. The main investment restrictions for each investment manager are as follows:

**UBS****Passive Mandate - 26% of the Fund****Investment Objective**

The objective is to match the Benchmark return within each Asset Class gross of fees. The Benchmark is the respective FTSE indices for each of the asset classes and markets in which the mandate is invested. There is no overall benchmark for the Fund.

**Investment Allocations:**

The asset allocations are as below:

<b>Asset Class</b>	<b>Target Allocation</b>
	%
UK equities	23
Global equities – RAFI 3000	32
North America Equity Index	11
Europe (ex UK) Equity Index	11
Asia Pacific Index	11
<b>Total equities</b>	<b>88</b>
Bonds:	
UK Index-linked (Over 5 Year Index-linked Gilts Index)	12
<b>Total bonds</b>	<b>12</b>
<b>TOTAL</b>	<b>100</b>

**Investment Restrictions**

Individual holdings. UBS may not invest in unlisted securities. The manager may invest up to 100% of its mandate in pooled life funds.

**Blackrock Investment Management****UK Equities Mandate - 8% of the Fund****Investment Objective**

The objective is to seek to outperform the Benchmark by 2.0% per annum gross of fees over rolling three year period. The Benchmark is the FTSE All-Share Index.

### Investment Restrictions

The investment restrictions on the manager's discretion in the management of the mandate are set out in full in the investment management agreement. The main restrictions are set out below.

- Geographic / Market / Asset Class / Sector

Asset Class	Permitted Range (% of Market Value of Fund)
UK Equities	90-100
Overseas Equities	0-10
Cash	0-5

- Specific company restrictions: The manager may invest for the Fund in equities that are listed on the London Stock Exchange and the stock exchanges of the following countries: France, Germany, Hong Kong, Japan, Switzerland and United States. Investment in equities on other stock exchanges is subject to specific approval by the County Council.
- Amount or percentage of the Fund : The manager may not invest for the Fund in any single UK equity holding more than 4% in excess of that holding's weighting in the FTSE All-Share Index or more than 5% of the market value of the Fund, whichever is higher, without specific approval from the Pension Fund Committee. The Fund's investments in In-House Funds are not subject to this restriction.
- In-House Funds: The manager may not invest more than 10% of the Fund in the BlackRock Institutional Equity Funds UK Smaller Companies sub-fund.
- Derivatives: The manager may not enter into derivative contracts in respect of the Fund's segregated holdings without specific approval from the County Council. Subject to this, the manager may deal in Derivatives (including Options, Futures, Currency Forwards and Contracts for Differences) for hedging and other purposes. The manager may only deal in Derivatives traded on or under the rules of a Recognised or Designated Investment Exchange although the manager may deal in Derivatives not traded on or under the rules of a Recognised or Designated Investment Exchange (i.e. an over-the-counter (OTC) Derivatives transaction) in respect of index futures and currency forwards. The manager is not permitted to hold any short positions in the Fund by using Derivatives.

### Fixed Income Mandate - 12% of the Fund

#### Investment Objective

The objective is to seek a target return of LIBOR +4-6%.

### Investment Restrictions

There are no investment restriction's placed on the manager as this investment is in BlackRock's pooled fund, the Fixed Income Global Opportunities Fund (FIGO). The Fund itself has built in restrictions, but offers flexibility in duration as well as the ability to allocate across credit sectors and geographies without constraints.

### Newton Investment Management

#### Global Equity Mandate – 12% of the Fund

#### Investment Objective

The objective is to outperform the benchmark by 2.5% p.a. (gross of fees) over rolling 3 year and 5 year period. Benchmark index: MSCI All Countries World Index (Net Dividend Re-Invested).

### Investment Restriction

The investment restrictions on the manager's discretion in the management of the mandate are set out in full in the investment management agreement. The main restrictions are set out below.

- Stock positions: The manager will have discretion to have a nil holding in any stock. The manager will have discretion to have a stock position up to +5% overweight relative to the benchmark weight of the stock (i.e. maximum 6% holding for a stock that comprises 1% of the benchmark). In addition, the manager may invest no more than 10% of the Fund in the securities of any one issuer.
- Number of Stocks: The manager will hold a minimum of 80 stocks for the mandate.
- Individual holdings: The manager may only invest in equities or securities with equity characteristics (that is securities, which are listed on a formally constituted stock exchange), convertibles, preference shares, warrants and derivatives as specified below, unless specific approval is given to vary this.
- Country restrictions: No regional restrictions, with the exception of emerging markets where a maximum of 25% of the portfolio value can be invested (with emerging markets defined as those countries excluded from the MSCI World index but included in the MSCI All Countries World Index).
- Pooled funds: In-House Funds can be held, up to a combined 10% of the portfolio value, subject to County Council approval for each required fund. Approval is given to hold the Newton South East Asia Exempt Fund, Newton UK Smaller Companies Fund and the Newton Discovery Fund.
- Cash: The manager's average total cash holdings in the Fund over any 12-month period should not exceed 3% of the value of the Fund.
- Derivatives and currency hedging: The use of derivatives (which must be traded on a recognised or designated investment exchange) is permitted as follows; the manager may purchase index futures, warrants, exchange traded funds and put options and may invest in covered call options. Over the counter contracts (other than forward currency contracts permitted by LGPS Legislation) and outright short positions are not allowed. Derivative transactions shall be fully covered by cash or other property sufficient to meet any obligation to pay or deliver that could arise.
- Currency hedging (i.e. sale of currencies into the currency of the account) including cross-currency hedging (i.e. sale of currencies into a currency other than the currency of the account) is permitted. Hedging out of a currency is limited to the total portfolio exposure to that currency i.e. outright short positions are not allowed.
- Borrowing: No borrowing is permitted in respect of the mandate.

### Schroders Property Investment Management

#### Property Mandate - 10% of the Fund

##### Investment Objective

The objective is to seek to outperform the Benchmark by 0.75% per annum net of fees over rolling three year period. The Benchmark is the weighted average of the IPD UK Pooled Property All Balanced Funds Index.

##### Investment Restrictions

The investment restrictions on the manager's discretion in the management of the mandate are set out in full in the Investment Management agreement. The main restrictions are set out below.

##### Asset allocation and control ranges

Schroders will invest in a range of property investments, subject to the following constraints (overleaf).

<b>Fund Type</b>	<b>Approved Ranges</b>
Open-ended funds *	60-100%
Close-ended funds	0-40%
Other investments and cash**	0-20%
Open-ended funds may be based in the UK or in the off-shore jurisdictions of Jersey, Guernsey, Luxembourg or Dublin. Investment in funds that are managed from any other non UK jurisdiction will be subject to specific prior approval.	
Other investments include UK property equities (subject to a range of 0-5%) and Property Index Certificates (subject to a range of 0-10%)	

Individual holdings. The manager will hold investments in a minimum of 3 separate property funds at any time. Schroders agree their investment strategy with us on a quarterly basis, and will have discretion to make investments within the terms of the strategy. Partly paid securities may not exceed 5% of the portfolio when fully paid. Schroders will invest in property based in the UK via collective investment schemes or other investments whose purpose is to invest in property. The manager may not invest more than 50% of the portfolio in a single investment.

## **M & G**

### **Fixed Income Mandate - 10% of the Fund**

#### **Investment Objective**

The Fund seeks a total return of 1 month Libor +3 to 5% gross of fees p.a. over the medium term.

#### **Investment Restrictions**

There are no specific investment restriction's placed on the manager as this investment is in M&G's Alpha Opportunities Fund which aims to take advantage of highly diversified opportunities in public and private credit markets, including but not limited to investment grade and high yield corporate bonds, leveraged loans, asset-backed, and mortgage backed securities.

### **Illiquid Debt Mandate - 2% of the Fund**

#### **Investment Objective**

The objective is to seek a target return of 8% per annum over 5 year investment horizon.

#### **Investment Restrictions**

There are no specific investment restriction's placed on the manager as this investment is in M&G's pooled fund, the Debt Opportunities Fund I and II, Debt Solutions and Illiquid Credit

### **Infrastructure Mandate - 1% of the Fund**

#### **Investment Objective**

The objective is to seek a target return of 15% IRR.

#### **Investment Restrictions**

There are no specific investment restriction's placed on the manager as this investment is in M&G's pooled fund, Infracapital Greenfield Partners Fund, which invests in the late stage development, construction, and/or expansion of unlisted infrastructure assets which offer long term stable cash flows and capital accretion. The Fund invests in sectors such as energy, utilities, transport, telecoms and social infrastructure.

**Brookfield**

**Timber Mandate - 0.5% of the Fund**

**Investment Objective**

The Fund seeks a total return of 8% p.a.

**Investment Restrictions**

There are no specific investment restriction's placed on the manager as this investment is in Brookfield's Timberland Pooled Fund.

**KKR**

**Infrastructure Mandate - 2% of the Fund**

**Investment Objective**

The Fund seeks a total return of 8% p.a.

**Investment Restrictions**

KKR invests in infrastructure on a global basis, with the goal to achieve returns through the acquisition and operational improvement of the assets to generate returns through income and capital appreciation. No restrictions have been placed on the fund.

**Pantheon**

**Private Equity Mandate - 3% of the Fund**

**Investment Objective**

The Fund seeks a total return of 8% p.a.

**Investment Restrictions**

Pantheon has a global investment mandate in primary partnerships, secondary partnerships and co-investments within private equity. No restrictions have been placed on the fund.

**Partners Group**

**Infrastructure Mandate - 2% of the Fund**

**Investment Objective**

The Fund seeks a total return of 8% p.a.

**Investment Restrictions**

There are no specific restrictions placed on the manager as this is a pooled investment in Partner's Group Global Infrastructure 2012 SICAR fund which seeks investment opportunities in direct, secondary and primary infrastructure markets.

**Pyrford International**

**Absolute Return Mandate - 6% of the Fund**

**Investment objective:**



The Fund seeks to provide a stable stream of real total returns over the long term with low absolute volatility and significant downside protection.

Target: RPI +5%, Gross, Over 5 Years

**Investment policy:**

The Fund will seek to achieve its investment objective and will focus on capital preservation to achieve real total returns. By investing in asset classes and securities which offer sound fundamental value and avoiding asset classes and securities which offer poor fundamental value, the Fund will seek to achieve real total returns. The Fund will invest in investment grade sovereign Debt Securities and equities of companies that, at time of purchase, have a minimum stock market capitalisation of US\$500 million and that are listed, traded or dealt in on a Regulated Market. Particular emphasis will be placed on Regulated Markets in North America, Europe (including the UK) and the Asia Pacific Region (including Japan).

**Investment Restrictions**

There is no specific investment restrictions placed on the manager as this investment is in Pырford's pooled fund, the Global Total Return (Sterling) Fund.

**Wilshire**

**Private Equity Mandate - 1% of the Fund**

**Investment Objective**

The Fund seeks a total return of 8% p.a.

**Investment Restrictions**

Wilshire has a global investment mandate in primary partnerships, secondary partnerships and co-investments within private equity. No restrictions have been placed on the fund.

**Winton**

**Absolute Return Mandate - 4% of the Fund**

**Investment Objective**

The Fund seeks a total return of 3 month Libor +5%.

**Investment Restrictions**

Investment restrictions are not placed on the manager who trades using a highly automated and systematic process using computer algorithms built from research and quantitative data analysis to trade futures in financial assets including equities, currencies, bonds, commodities, livestock and energy.

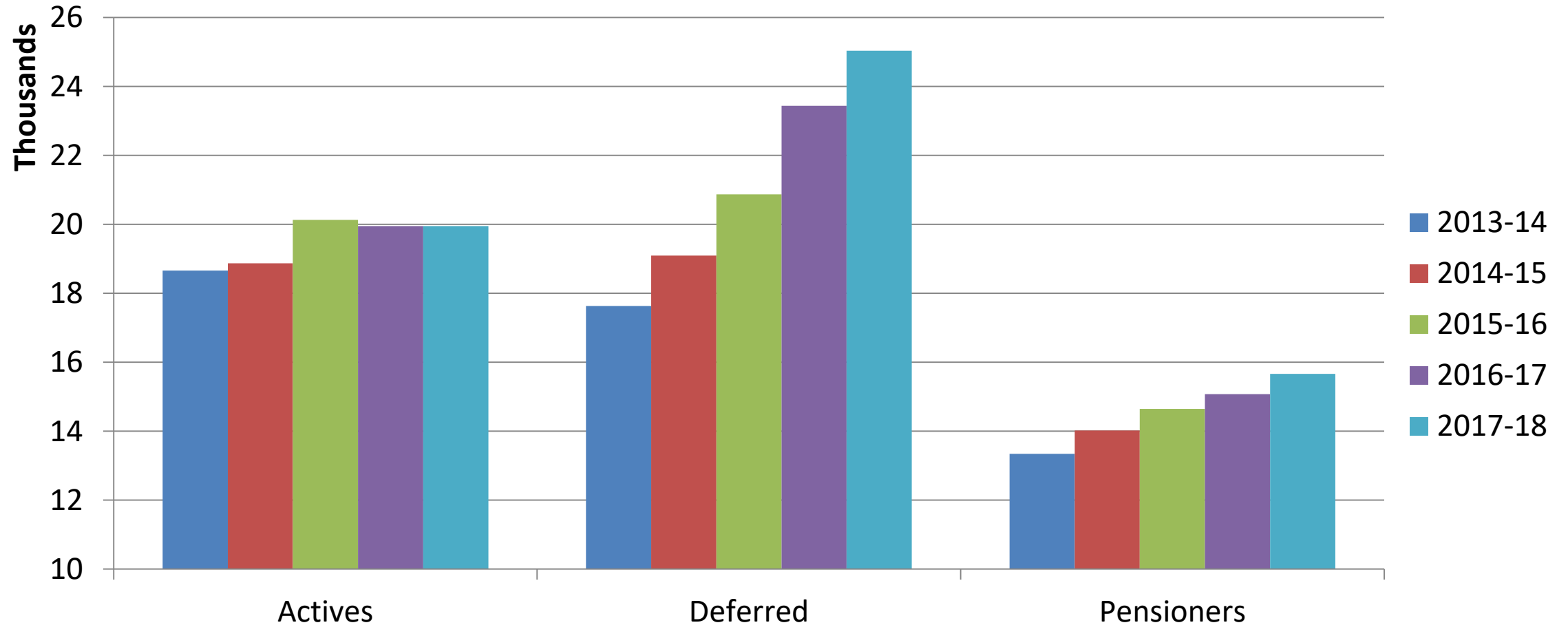
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# Slides for Pension Board Discussion

## Asset Allocation

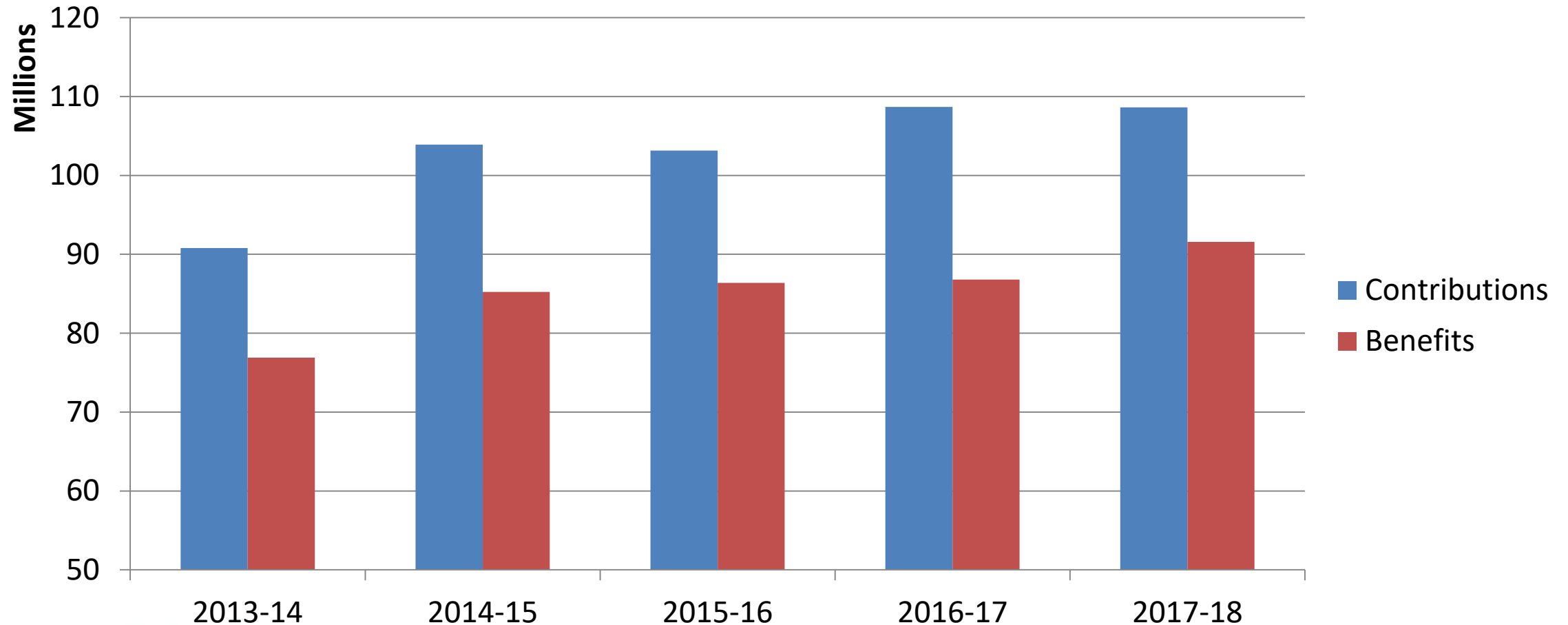
# Trends in Membership



Suffolk Pension Fund



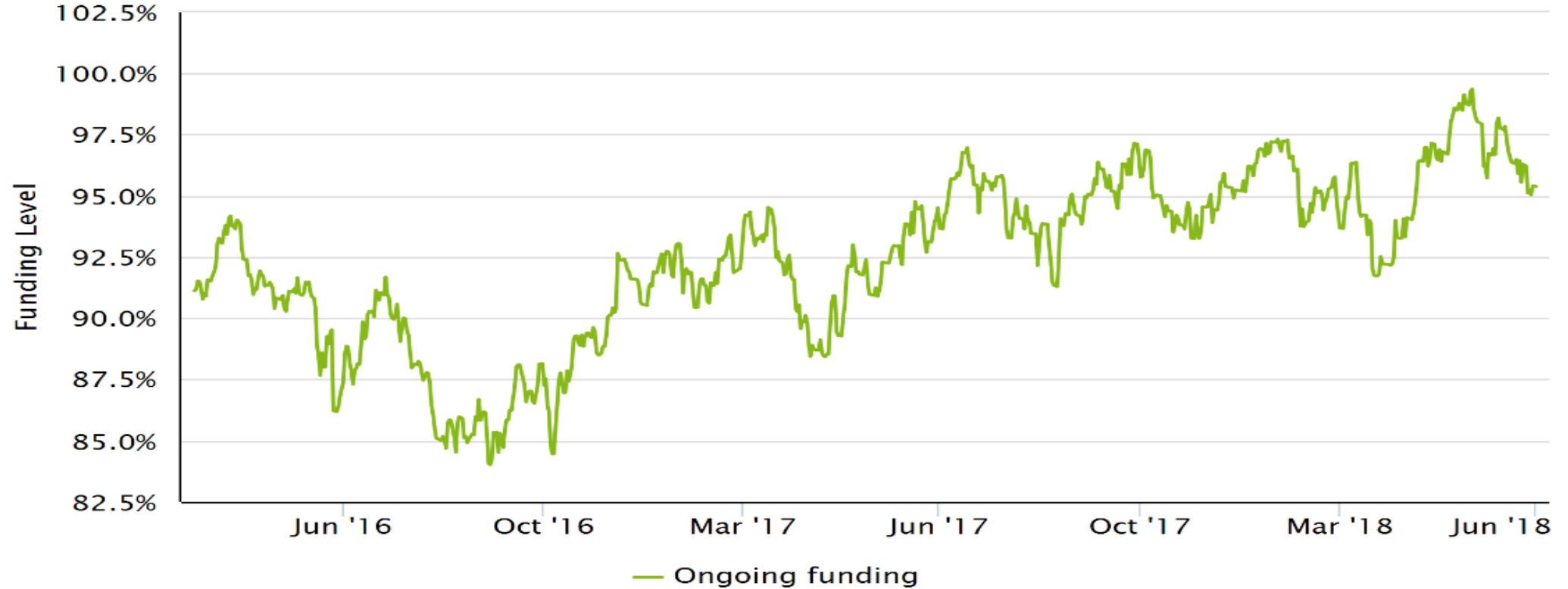
# Trend in Contributions and Benefit Payments



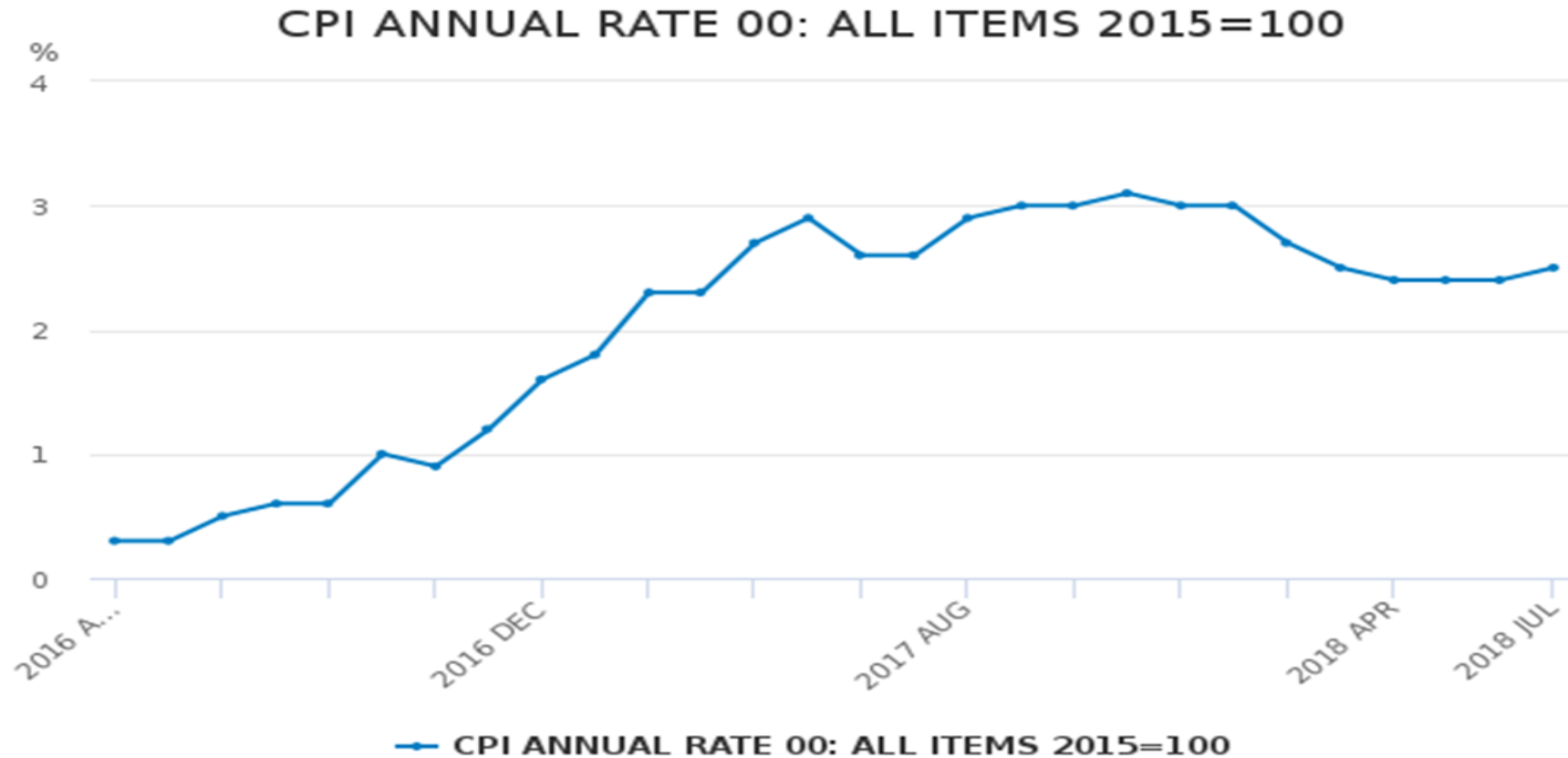
Suffolk Pension Fund



# Suffolk's Navigator Reports



# CPI Inflation



Source:

# FTSE 100 Movements





# Suffolk's Target Asset Allocation 2017

Equities			Bonds			Alternatives (Diversification)		
	Manager	Target %		Manager	Target %		Manager	Target %
UK	BlackRock (active)	9.0	Index-linked gilts	L&G (passive)	4.0	Property	Schroder	10.0
	L&G (passive)	7.0						
Regional Split by 3rds	L&G	9.0	Target return bonds	M&G	9.0	Hedge funds	Pyrford Winton	6.0 4.0
Global	Newton	13.5			BlackRock		8.5	
Global	RAFI	8.0	Cash	Internal	0.5	Illiquid debt	M&G	2.0
								Brookfield
			-	-	-	Private equity	Pantheon	4.0
<b>Total</b>		<b>46.5</b>	<b>Total</b>		<b>22.0</b>	<b>Total</b>		<b>31.5</b>

# Suffolk's Current Target Asset Allocation

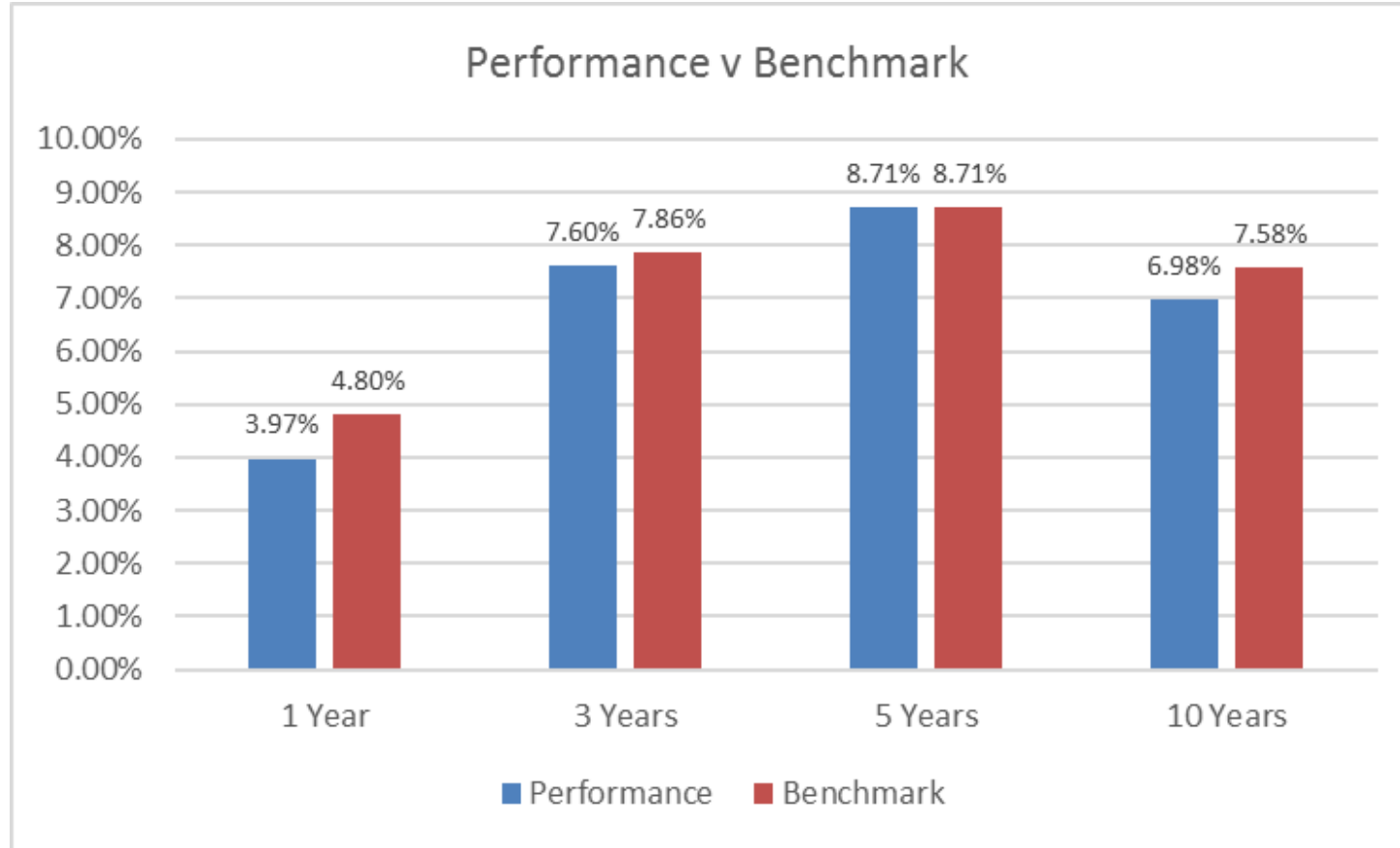
Equities			Bonds			Alternatives (Diversification)		
	Manager	Target %		Manager	Target %		Manager	Target %
UK	BlackRock (active)	8.0	Index-linked gilts	UBS (passive)	4.0	Property	Schroder	10.0
	UBS (passive)	6.0						
Regional Split by 3rds	UBS	8.0	Target return bonds	M&G	10.0	Hedge funds	Pyrford Winton	6.0 4.0
Global	Newton	12			BlackRock		12.0	Infrastructure
Global	RAFI	8.0	Cash	Internal	0.5	Illiquid debt	M&G	
							Timber	Brookfield
						Private equity	Pantheon	4.0
<b>Total</b>		<b>42</b>	<b>Total</b>		<b>26.5</b>	<b>Total</b>		<b>31.5</b>



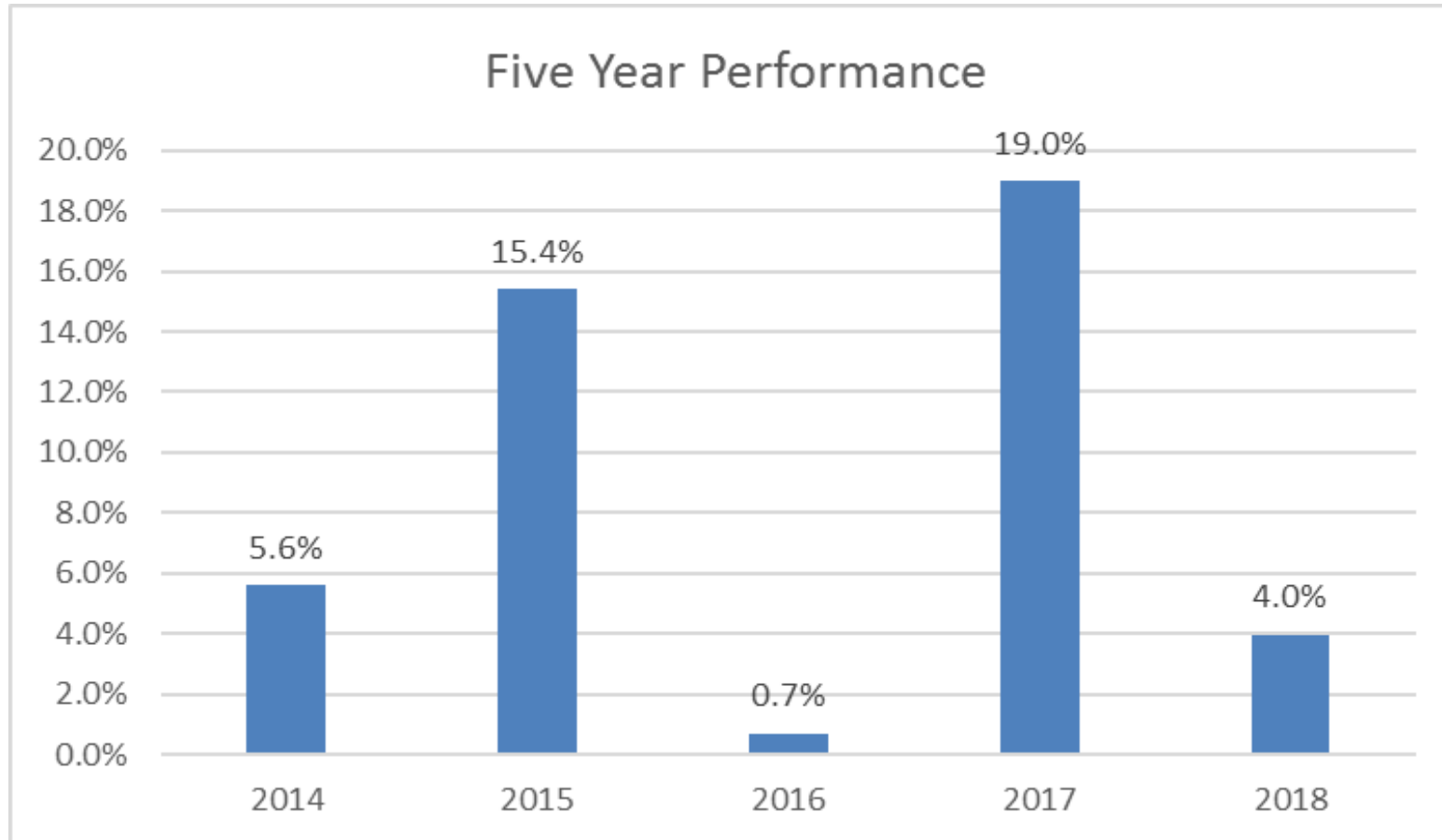
# Specific Asset changes

- Passive mandates moved from Legal and General to UBS (on the basis of significant Fee saving)
- De-risking of Equities – Equity mandates reduced, switching 4.5% of the Fund into Bonds (Protecting the Fund from a future correction in Equities)
- A further commitment to Infrastructure to bring the investment up to 5% of the Fund.

# Performance Returns



# Performance Returns



# Performance - Managers



Investment Manager Performance					
Share of Fund 31 Mar 18	Manager	2017-18 Absolute Return	2017-18 Relative Return	3 Year Relative Return	5 Year Relative Return
%		%	%	% p.a.	% p.a.
8.1	Blackrock Equities	2.2	+0.9	+2.1	+2.0
14.0	Blackrock Bonds	2.6	-2.8		
0.3	Brookfield	3.6	-4.4	+2.0	
1.0	KKR	12.1	+4.1	+15.9	+14.4
12.8	M&G	4.4	-1.5		
12.1	Newton	3.2	+0.8	-0.8	-0.2
1.2	Partners	11.9	+3.9	+11.0	+5.0
3.0	Pantheon	13.2	+10.6		
6.0	Pyrford	-2.4	-7.8	-2.8	-2.0
10.3	Schroders	7.7	-3.3	0.0	+0.4
26.3	UBS				
0.9	Wilshire	22.6	+20.0		
3.9	Winton	3.4	-2.0	-6.1	-1.4

## Suffolk Pension Board

<b>Report Title:</b>	Pensions Administration Performance
<b>Meeting Date:</b>	4 October 2018
<b>Chairman:</b>	Councillor Richard Smith MVO
<b>Director:</b>	Chris Bally, Deputy Chief Executive and Director of Corporate Services
<b>Assistant Director or Head of Service:</b>	Louise Aynsley, Head of Finance (S151 Officer) Telephone: 01473 264347
<b>Author:</b>	Stuart Potter, Pensions Operations Manager

### Brief summary of report

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

### Action recommended

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

### Reason for recommendation

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

### Alternative options

4. There are no alternative options.

### Main body of report

5. This report covers staff performance and team achievements since the previous Board meeting on 23 July 2018.
6. The Service Level Agreements (SLA) for our 'key' processes between July-August 2018 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 **36**, percentage completed in SLA **100%**
  - b) Estimates are issued to members or employers within 10 working days of receipt of all information – Total cases **103**, percentage completed in SLA **98%**

- c) Retiring employees are notified of their options within 5 working days of receipt of all information – Total cases **319**, 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 **197**, percentage completed in SLA **100%**
  - e) Notification of survivor benefits will be issued within 10 working days of receipt of all information – Total cases **74**, percentage completed in SLA **100%**
  - f) Outstanding monies owed in respect of a deceased pension, and any death grant, will be paid within 10 working days of receipt of all information – Total cases **73**, percentage completed in SLA **99%**
7. The processing of annual returns of employer membership data was completed for 2017/18. Deferred benefit statements were issued in July and Active Member statements during August 2018. These were produced and uploaded onto Member Self Service, with the exception of those members who wished to receive a paper statement which were posted. All statements were issued by 31 August deadline, along with the final written communication that benefit statements were available on Member Self Service (to satisfy the requirements of the Disclosure Regulations 2013).
  8. Despite the work being completed on time we did experience difficulty in obtaining accurate information from some employers in a timely manner. These employers were supported to ensure the information was provided and the administration team made sure this work was completed in time for the statements to be produced.
  9. At the annual employer meeting on 21 September, the opportunity was taken to explain the importance of employer data and to clarify the requirements and timescales ahead of next year's return.
  10. Due to key staff changing at Aquila Heywood it has become necessary to agree to a delayed timescale to complete the payroll migration project that will allow Pensioners to view payslips and other documentation on Member Self Service. Due to the triennial valuation work required between March and 30 June 2019 a new timescale has been agreed which will result in the final parallel runs being completed in July and August 2019. This will see the new payroll go live in September 2019, providing there are no significant migration problems encountered.
  11. The final part to complete the microfiche project has been completed by the administration team. These microfiches have been taken by the scanning bureau to produce the images and return to us in November 2018. Once returned these will be sent to Aquila Heywood for them to load into our administration system and complete the project.
  12. We will soon be using the Western Union Existence Service, which is a one-off exercise to validate our overseas pensioners. This will ensure we are paying the correct beneficiaries, reduce the risk of fraud and allow ourselves to be satisfied that the data and information we hold is up to date. This project will be managed by a Senior Officer in the administration team who will work closely with Western Union to complete this project once timescales have been agreed. The project should take three months from commencement to complete.



13. Since the update at the last board meeting there have been four compliments. Two of these were from employers who we visited to help support the completion of end of year work and provide clarification around our other requirements. The third compliment was from an employer after we met with them and explained some options around employer redundancy, and the fourth compliment was from an employee who we met and explained some detailed options in relation to leaving the scheme under various scenarios.
14. During this time there have also been four complaints. The first complaint was from a member who was not happy that her transfer out request could not proceed if the request was made within 12 months of normal pension age. The confusion was caused following some incorrect information being given as there is also an opportunity to transfer out within six months of leaving the scheme, in accordance with the Pension Scheme Act. The customer was made aware of this which resolved the complaint and the information shared with key staff to avoid repeat issues.
15. The second complaint was in relation to how long a refund request had taken to process the payment. However, the complaint was received on the last day of SLA which was when the payment was processed. The customer was made aware of this.
16. The third complaint was received from a customer who was unhappy that our processes couldn't accommodate his wishes as he was moving abroad to travel in a camper van so would have no fixed address next year for forms to be sent to. A solution was suggested to the complainant and was accepted, and the team have been reminded that while in this case we have given information in accordance with our processes, occasionally we need to find solutions for uncommon situations. They have been reminded of the escalation process there to support them with this.
17. The final complaint is from a member who was sent a retirement estimate letter a number of years ago which included an incorrect retirement date. This complaint will be investigated, and a response issued as soon.
18. The Internal Dispute Resolution Procedure (IDRP) stage 2 complaint in relation to the amount of a spouse's pension due in respect of a pensioner who had died, included in the last board meeting report, has now been resolved. The result of this investigation was that the nominated officer upheld the stage one decision. The member may now take the case to the Pensions Ombudsman, if they wish.
19. This report will be ongoing in all future Board meetings and will be developed in accordance with the requirements of the Board.

### **Contribution payments**

20. The administration strategy requires contributions from employers to be received by the Pension Fund within five working days of the month end in which the contributions were deducted. The table overleaf summarises the timeliness of receipts received in during 2018/19 quarter 1:

	Quarter 4			Quarter 1		
	Employer	Contributions		Employer	Contributions	
	%	£'000	%	%	£'000	%
On Time	89	27,728	93	86	24,054	91
Up to 1 week late	7	1,348	5	5	768	3
Over 1 week late	4	435	2	9	1,746	6
Total		26,510			26,568	

**Sources of further information**

- a) None.

## Suffolk Pension Board

<b>Report Title:</b>	Risk Register
<b>Meeting Date:</b>	4 October 2018
<b>Chairman:</b>	Councillor Richard Smith MVO
<b>Director:</b>	Chris Bally, Deputy Chief Executive and Director of Corporate Services
<b>Assistant Director or Head of Service:</b>	Louise Aynsley, Head of Finance (S151 Officer) Telephone: 01473 264347
<b>Author:</b>	Paul Finbow, Senior Pensions Specialist (Deputy S151 Officer), Telephone: 01473 265288

### Brief summary of report

1. This report sets out the Risk Register for the Pension Board as approved on 6 April 2018 and how the risk control measures have been implemented against the risks.

### Action recommended

- |  |
|--|
| <ol style="list-style-type: none"> <li>2. The Board is asked to review the implementation of the risk control measures.</li> <li>3. The Board is asked to review and approve the Pension Board Risk Register.</li> </ol> |
|--|

### Reason for recommendation

4. Risk management is a key responsibility of those charged with Pension Fund governance with a duty to identify the range of risks that could affect the long term sustainability of the Fund.
5. The effective management of risk is also an area which is covered within the CIPFA Knowledge and Skills framework which recognises the importance of having an understanding of the risks that could have an impact on the Pension Fund and what steps can be taken to mitigate such risks.

### Alternative options

6. There are no alternative options.

### Main body of report

#### Regulatory Background

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

## Implementation of Risk Control Measures

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

## Risk Register

9. The purpose of the risk register is to reflect best practice in the identification, evaluation and control of risks in order to ensure that key risks are recognised, and then either eliminated or reduced to a manageable level. If neither of these options is possible then means to mitigate the implications of the risks should be established.
10. The probability and risk impact scores have been scored based on the submissions from the members of the Board using the following criteria:
- a) The impact of each risk has been assessed as:
    - i) Insignificant (1)
    - ii) Minor (2)
    - iii) Moderate (3)
    - iv) Major (4)
    - v) Extreme (5)
  - b) The risk has then been assessed on the probability of the risk occurring:
    - i) Rare (1)
    - ii) Unlikely (2)
    - iii) Possible (3)
    - iv) Likely (4)
    - v) Almost certain (5)
  - c) This has been used to allocate a risk score (multiplication of the score value in brackets above) to each risk which produces one of the risk ratings as follows:
    - i) Low (1-4)
    - ii) Medium (5-9)
    - iii) High (10-15)
    - iv) Very High (16-25)
11. The risk register for the Pension Board to approve is attached as **Appendix 2**.
12. The risk register and actions taken to mitigate or control the risks are reported to the Board twice a year.

### Sources of further information

- a) The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (S.I. 2009 No.3093).
- b) Delivering Good Governance in Local Government Pensions Funds - CIPFA 2012.
- c) Integrated Risk Management – Pensions Regulator 2015.

Suffolk Pension Board Risk Register

Risk ID	Risk	Risk Control Measures	Implementation
SPB01	<p><b>Employer</b> Employers' failure to carry out their responsibilities for paying contributions and providing information required for the administration team to fulfil their responsibilities.</p>	<p>An effective Administration Strategy setting out the employers responsibilities.</p> <p>Monitoring and reporting of the compliance of the employers.</p> <p>Vetting prospective employers in regards to financial security of funding streams. Seeking a funding guarantee or indemnity from the former scheme employer. Review to ensure Bonds are renewed when expiring and reflect current employer position.</p> <p>Non compliance is addressed.</p>	<p>The Administration strategy is reviewed every three years. It was last approved by the Pension Fund Committee at its meeting on 24 February 2016 and implemented from 1 April 2016. This was sent to all employers. The document is available on the Pension Fund website.</p> <p>When issues are identified in relation to the supply of accurate and timely information from employers, members of the team will contact the employer to explain what is wrong and discuss the data requirements. If persistent issues are identified members of the team will escalate these to the management team who will address this with the employer. Anything significant would be reported to the Pension Board as part of the administration update. Receipt of contributions are monitored on a quarterly basis and reported to the Pension Board.</p> <p>Prospective employers (where a government guarantee doesn't apply) are required to secure either a guarantee or a bond to provide security for the pension liabilities of their members. Bonds are reviewed annually to reflect the current employer position. Eligible Employers are not able to access the Suffolk Pension Fund without providing a bond or guarantee.</p> <p>Non compliance is regularly monitored and reported to the Board along with action taken by the Pension Fund Officers to engage with the employers to seek compliance.</p>
SPB02	<p><b>Scheme Members</b> Scheme members are not in receipt of the correct benefit and/or paid on time.</p>	<p>The Pensions Administration team are required to keep up to date with pension benefit regulation and adhere to the stringent procedures required to comply with the benefits regulations.</p> <p>Knowledge and understanding is kept up to date by attending the relevant training courses on offer by professional bodies.</p> <p>Calculations are independently checked and verified.</p> <p>Internal and external audit review the internal control arrangements in place.</p>	<p>Changes to the Local Government Pension Scheme Regulations are communicated to the Administration Team (as well as employers and members where applicable). Changes to calculations are delivered directly to the pensions software system by the software provider. Changes to calculation factors are provided by the software provider and uploaded to the system by the Administration Team.</p> <p>Attendance of training courses and conferences are encouraged, with the knowledge gained shared amongst the team to ensure the team as a whole is kept up to date. Each month the Administration Team receives refresher training on a different component of calculations which helps to consolidate understanding.</p> <p>All calculations are peer reviewed by members of the Administration team for accuracy before communications are sent out. If the pension system is found to be producing incorrect calculations this is raised with the software provider to investigate and the Administration Team are alerted to further review any similar cases.</p> <p>Internal audit annually review the internal control arrangements in place for the administration systems and investments, the result are reported to the Board. The Board also receives the external audit report for the Annual Report and Accounts.</p>

Risk ID	Risk	Risk Control Measures	Implementation
SPB03	<p><b>Governance</b> Failure to communicate or engage with employers and scheme members.</p>	<p>An effective Communications Strategy so that employers are engaged with the Pension Fund.</p> <p>Regular communications to employers on LGPS matters are provided by Pension Fund officers in the form of newsletters and bi-annual employer meetings.</p> <p>Regular meetings are held by the Pension Board with the papers published within statutory deadlines.</p> <p>A range of communication tools are available to enable effective communication such as newsletters, pension help desk, pensions website.</p> <p>An annual employers meeting is held.</p>	<p>The Communication strategy is reviewed annually. It was last approved by the Pension Fund Committee at its meeting on 23 July 2018. The document is available on the Pension Fund website.</p> <p>A regular newsletter is sent out to employers to keep them updated with the Local Government Pension Scheme and Suffolk Pension Fund developments. All employers were consulted with in relation to the triennial valuation and the investment strategy statement.</p> <p>The Pension Board meets regularly and the papers are published on the Pension Fund website. The Board has access to the Pension Fund officers and have the opportunity to seek clarification or request further information.</p> <p>The team issue newsletters to Pensioner members of the scheme twice a year. Employers receive communications and newsletters on a regular basis. Information is provided to all active and deferred scheme members annually with the provision of their Benefit statements.</p> <p>Members of the Administration Team will attend pre-retirement courses for members to provide them with information regarding the retirement process from a pensions perspective.</p> <p>During 2017 the Pensioner Member Self Service system was introduced allowing current members to view their pension records, update personal details and complete their own pension projections. The Annual statements were issued on this system in 2018 (unless another format has been requested).</p> <p>The Pensions website is reviewed and kept up to date with useful information and the Pensions Helpdesk is available for members to contact if they need some guidance.</p> <p>The Annual employers meeting was held on 21 September with attendance of around 20 representatives from employers.</p>
SPB04	<p><b>Governance</b> Pension Fund Board members do not have the appropriate skills or knowledge to discharge their responsibility.</p>	<p>The Board has adopted the CIPFA Pensions Knowledge and Skills Framework as the basis for assessing its training and development needs.</p> <p>The Board approves a formal two year training plan which is designed to cover the Board's responsibilities. This is reviewed annually and updated to include new topics of interest and any additional training requirements identified.</p> <p>Pension Fund officers report on the statutory requirements of the Fund and any breaches that may have occurred.</p> <p>New Board members are fully briefed by a Pension Fund officer to enable them to participate in meetings.</p> <p>External advisers are employed to advise the Pension Fund Board as required.</p>	<p>The Board agrees its Training plan annually, linked to the requirements of the Cipfa Pensions Knowledge and Skills framework. The next review will be at the December Board meeting. The Board also has access to the Pension Fund Committee's training programme, this was last reviewed in July 2018. In September 2018 three members of the Board attended the Pension Fund training day in London.</p> <p>The administration report to the Board provides information on the adherence to statutory requirements and would report any breaches.</p> <p>New Board Members always receive an introduction to the scheme and a briefing from officers before attending their first meeting.</p> <p>Advisers can attend Board meetings, at the request of the Board.</p>

## Suffolk Pension Fund Risk Register

Risk ID	Risk	Impact	Prob	Risk Score	Risk Rating	Risk Control Measures
SPB01	<p><b>Employer</b> Employers' failure to carry out their responsibilities for paying contributions and providing information required for the administration team to fulfill their responsibilities.</p> <p><u>Consequence</u> Could lead to incorrect information being used to make decisions in regards to the employer and the Pension Fund as a whole.</p> <p>The financial burden would have to be picked up by the rest of the employers in the Pension Fund.</p>	3	2	6	Medium	<p>An effective Administration Strategy setting out the employers responsibilities.</p> <p>An effective Communications Strategy so that employers are engaged with the Pension Fund.</p> <p>Monitoring and reporting of the compliance of the employers.</p> <p>Vetting prospective employers in regards to financial security of funding streams. Seeking a funding guarantee or indemnity from the former scheme employer. Review to ensure Bonds are renewed when expiring and reflect current employer position.</p> <p>Non compliance is addressed.</p>
SPB02	<p><b>Scheme Members</b> Scheme members are not in receipt of the correct benefit and/or paid on time.</p> <p><u>Consequence</u> Additional administration time required to correct any errors. Reputational risk to the Suffolk Pension Fund and Suffolk County Council.</p>	3	2	6	Medium	<p>The Pensions Administration team are required to keep up to date with pension benefit regulation and adhere to the stringent procedures required to comply with the benefits regulations.</p> <p>Knowledge and understanding is kept up to date by attending the relevant training courses on offer by professional bodies.</p> <p>Calculations are independently checked and verified.</p> <p>Internal and external audit review the internal control arrangements in place.</p>

Risk ID	Risk	Impact	Prob	Risk Score	Risk Rating	Risk Control Measures
SPB03	<p><b>Governance</b> Failure to communicate or engage with employers and scheme members.</p> <p><u>Consequence</u> Leading to non compliance with legislation and best practice. Inability to determine policy and effective decisions. Damaging to reputation.</p>	3	3	9	Medium	<p>Maintenance and implementation of a communication strategy.</p> <p>Regular communications to employers on LGPS matters are provided by Pension Fund officers in the form of newsletters and bi-annual employer meetings.</p> <p>Regular meetings are held by the Pension Board with the papers published within statutory deadlines.</p> <p>A range of communication tools are available to enable effective communication such as newsletters, pension help desk, pensions website.</p> <p>An annual employers meeting is held.</p>
SPB04	<p><b>Governance</b> Pension Fund Board members do not have the appropriate skills or knowledge to discharge their responsibility.</p> <p><u>Consequence</u> The Board does not discharge their duties to oversee the governance of the Pension Fund. Reputational risk to the Suffolk Pension Fund.</p>	3	3	9	Medium	<p>The Board has adopted the CIPFA Pensions Knowledge and Skills Framework as the basis for assessing its training and development needs.</p> <p>The Board approves a formal training plan which is designed to cover the Board's responsibilities. This is reviewed annually and updated to include new topics of interest and any additional training requirements identified.</p> <p>Pension Fund officers report on the statutory requirements of the Fund and any breaches that may have occurred.</p> <p>New Board members are fully briefed by a Pension Fund officer to enable them to participate in meetings.</p> <p>External advisers are employed to advise the Pension Fund Board as required.</p>



## **Suffolk Pension Board, 4 October 2018**

### **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 Board as well as information that a service considers should be made known to the Board.

This Information Bulletin covers the following items:

1. [Annual Employers Meeting](#)
2. [Additional Voluntary Contributions \(AVC's\)](#)
3. [New Employers](#)

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### **1. Annual Employers Meeting**

The annual employers' meeting was held on Friday 21 September 2018. Attendance was down this year with about 20 employers being represented. Copies of all presentations can be found on the [Suffolk Pension Fund website](#).

The timing of next year's meeting will be delayed until after the triennial valuation results have been received and draft future contribution rates have been issued to employers. This is envisaged to be in mid-October 2019. This should ensure greater attendance.

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### **2. AVC's**

The Pension Fund Committee considered a paper on the future Additional Voluntary Contribution (AVC) provider for the Suffolk Pension Fund at its meeting on 4 June 2018. The report was based on advice received from Hymans Robertson and recommended to change AVC provider.

The Committee agreed to appoint a single AVC provider for the fund.

Following the meeting, Officers tried to implement the Committee's decision, but since the receipt of the Hymans Robertson report, significant changes had occurred within the LGPS AVC market, with some providers closing to new business.

A further report was taken to the Pension Fund Committee in July, recommending that the existing arrangement with Standard Life continues. This was agreed by the Committee.

Officers will reconsider the AVC arrangements should circumstances in the LGPS AVC market change.

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### **3. New Employers**

There have been 14 new employers admitted into the Fund, 12 academies and 2 admitted bodies.

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For further information on any of these information items please contact: Paul Finbow, Senior Pensions Specialist; Email: [paul.finbow@suffolk.gov.uk](mailto:paul.finbow@suffolk.gov.uk), Telephone: 01473 265288.

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## **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

<b>Meeting date (see Note)</b>	<b>Added to Work Programme</b>	<b>Subject</b>	<b>Short description</b>	<b>How is it anticipated the Board will deal with this issue?</b>
<b>Friday, 14 December 2018</b>	Added 23 July 2018	Complaints, Compliments and Administration Performance	To receive a report on the complaints and compliments received by the Fund	Written Report
	Added 23 July 2018	Suffolk's progress on Pooling of Assets	To receive an update on the progress of pooling assets	Presentation
	<b>Added 4 October 2018</b>	<b>Appointment process for Board members for Pensioner and Scheme Member representatives</b>	<b>To receive a report on the process for appointing Board members representing Pensioners and Active members</b>	<b>Written Report</b>
	<b>Added 4 October 2018</b>	<b>Voting Guidelines</b>	<b>To review the voting guidelines of the Fund</b>	<b>Written Report</b>
	<b>Added 4 October 2018</b>	<b>Pension Board Training Plan</b>	<b>To agree the Training plan for the Board for 2019</b>	<b>Written Report</b>
	Added 23 July 2018	Recent Developments	To receive an information bulletin covering recent developments that the Board has an interest in	Written Report
	Added 23 July 2018	Forward Work Programme	To approve the Forward Work Programme for the Suffolk Pension Board.	Written Report

<b>Meeting date (see Note)</b>	<b>Added to Work Programme</b>	<b>Subject</b>	<b>Short description</b>	<b>How is it anticipated the Board will deal with this issue?</b>
<b>Monday, 11 March 2019</b>	Added 23 July 2018	Complaints, Compliments and Administration Performance	To receive a report on the complaints and compliments received by the Fund	Written Report
	Added 23 July 2018	Suffolk's progress on Pooling of Assets	To receive an update on the progress of pooling assets	Presentation
	Added 23 July 2018	Pension Board Risk Register	To review the Pension Board Risk Register	Written Report
	Added 23 July 2018	Recent Developments	To receive an information bulletin covering recent developments that the Board has an interest in	Written Report
	Added 23 July 2018	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](mailto:paul.finbow@suffolk.gov.uk), Telephone: 01473 265288.

Revised – October 2018